Group Chief Executive's review

"Executing a clear strategy, delivering improving returns and increasing shareholder distributions"

Bill Winters
Group Chief Executive

Our team has worked hard to make our bank focused, strong and profitable. We made good progress over the past several years and 2024 marked further improvement. We have more that we can do and remain focused on further strengthening our business and growing our returns.

We are a global bank connecting corporate, institutional and affluent clients to a network that offers unique access to sustainable growth opportunities across Asia, Africa and the Middle East. This distinctive proposition puts us in good stead to help our clients navigate the dynamic conditions we saw throughout the year.

As a result, we performed strongly in 2024, delivering on our target to continue to increase our return on tangible equity (RoTE), posting 11.7 per cent for 2024, up 160 basis points on 2023, and we remain on-track to achieve our 2026 target of approaching 13 per cent.

Income of $19.7 billion was up 14 per cent on a constant currency basis, supported by an encouraging performance across our big engines of non-net interest income, including a record performance in Wealth Solutions, with income up 29 per cent, and double-digit growth in Global Markets and Global Banking.

Good cost discipline has enabled us to generate positive income-to-cost jaws, even with continued underlying investments. Credit impairment rose 5 per cent year-on-year, mainly from higher charges in Wealth & Retail Banking (WRB), while Corporate & Investment Banking (CIB) benefitted from recoveries. The broader portfolios have proved resilient, and we remain vigilant in the face of a volatile global environment. All this has helped to increase underlying profit before tax by 21 per cent year-on-year to $6.8 billion.

Our strategy of combining differentiated cross-border capabilities for corporate and institutional clients with leading wealth management expertise for affluent clients is working. In CIB, we have increased cross-border (network) income by 11 per cent compound annual growth rate (CAGR) since 2019, and it is now 61 per cent of total CIB income. We also recently announced a long-term strategic partnership with Apollo to support and accelerate financing for infrastructure, clean transition and renewable energy globally. In WRB, we continue to build on our strengths in affluent, with $44 billion of net new money in 2024, up 61 per cent on prior year. This is equivalent to a strong 16 per cent growth of affluent assets under management coming from net new money. Also, earlier in 2024 we set-up our first global variable capital company in Singapore, through which we offer hard-to-access custom-created investment strategies exclusively to our clients, and have subsequently launched two such sub-funds.

We remain highly liquid, with a diverse and stable deposit base, and a liquidity coverage ratio of 138 per cent. We are well capitalised, finishing the year with a Common Equity Tier 1 (CET1) ratio of 14.2 per cent, above our target range, allowing us to increase our full-year ordinary dividend by 37 per cent to 37 cents per share. With the proposed final dividend and the $1.5 billion share buyback announced today, our total shareholder returns announced since the full-year 2023 results is $4.9 billion, well on our way to the at least $8 billion three-year cumulative target.

As we look to the year ahead, I would like to offer my thanks to our much valued and long-standing colleague, José Viñals, who will step down as our Group Chairman later this year. José has been a great partner to me and the members of our Board. During his tenure he has been a tireless advocate and champion of our business. Under his diligent stewardship as Chairman, he has helped steer the Group and made a meaningful contribution to the strong position we hold today. By embodying our brand promise, here for good, he has also played critical roles in contributing to the development of the international finance sector and in mobilising sustainable finance in service of our markets.

In wishing José a fond farewell, I would also like to extend a warm welcome to Maria Ramos who will succeed José as the Group Chair, subject to regulatory approval. Maria first joined our Board as an Independent Non-Executive Director in January 2021, and she was appointed Chair of the Board Risk Committee and Senior Independent Director in 2022. Maria is a seasoned leader and former banker, with a wealth of experience from leadership positions within the private and public sectors. She also has extensive international non-executive and Chair experience as well as a deep understanding of operating across emerging and developing markets.

Taking action to concentrate resources on areas of greatest strength

Our strategy is designed to deliver our purpose, to drive commerce and prosperity through our unique diversity. This is underpinned by our brand promise, here for good. In our Q3'24 results, we set out a series of further actions to double down on our strategy of combining differentiated cross-border capabilities for corporate and institutional clients with leading wealth management expertise for affluent clients. We will concentrate capital and investment in our areas of greatest differentiation and competitive strength, further simplifying our business and helping us to generate higher quality growth, deliver sustainably higher returns and improve our RoTE over the medium term.

We have set ourselves ambitious goals that align to delivering this strategy and we also upgraded our 2026 RoTE target from 12 per cent to approaching 13 per cent. These goals, outlined below, supersede the commitments we previously announced with our 2023 results in February last year.

- In our CIB business, we will continue to sharpen our focus on serving the cross-border needs of our larger global corporate and financial institution clients. We are optimising resource allocation by reducing the number of clients whose needs do not play directly to our strengths.
- As a result of these actions, we are targeting to increase income from financial institution clients to around 60 per cent of CIB over the medium-term (51 per cent in 2024), and to increase the percentage of cross-border (network) income to around 70 per cent (61 per cent in 2024).
- In our WRB business, we are solidifying our position as a leading wealth manager in Asia, Africa and the Middle East with a differentiated, fast-growing and high-returning international affluent franchise. This will be enabled by investing $1.5 billion over five years in our wealth and digital platforms, client centres, people and brand and marketing, to accelerate income growth and returns. This investment will be funded by reshaping our mass retail business to focus on developing a strong pipeline of future affluent and international clients.
- We are confident that our increased investment and greater concentration will help us to outperform the market in terms of asset gathering and income growth over the medium term, and we are therefore targeting $200 billion of net new money from 2025 to 2029, a double-digit CAGR in Wealth Solutions income from 2024 to 2029, and for affluent income share of WRB income to reach 75 per cent by 2029, from 68 per cent in 2024.
- In Ventures, SC Ventures will continue to promote a culture of innovation across the Group, investing in disruptive financial technology and creating alternative financial services and business models. As our portfolio matures, we expect to generate gains on sales or mergers of our ventures and will increasingly obtain third party funding for expansion of ventures, demonstrating the economic value we are creating. And we expect our two digital banks, Mox and Trust, to be profitable in 2026.

Strong progress in our leading sustainability business

Our leading sustainability capabilities are an integral part of our client offering across all our business segments, and the Group as a whole. We have had another year of strong growth in Sustainable Finance income, which is up 36 per cent year-on-year in 2024, to $982 million, and is very close to our 2025 target of over $1 billion. We have mobilised $121 billion of Sustainable Finance since the beginning of 2021, making good progress as we advance towards our $300 billion target by 2030.

Looking forward, in CIB we will continue to scale Sustainable Finance and support our clients' transition journeys across our markets. In WRB, we will integrate sustainable investments into our Wealth Solutions propositions and leverage bank-wide sustainability capabilities as a key differentiator to our affluent clients.

Turning to our net zero roadmap, in 2024 we continued to deliver against our net zero commitments, completing the baseline and target setting for our 12 highest emitting sectors. But we also recognise that achieving our net zero by 2050 target requires active collaboration and engagement with our clients to support and accelerate their transition and I am therefore pleased to share that we have published our inaugural Transition Plan alongside this Annual Report.

This year, we also demonstrated our commitment to protecting and restoring nature by becoming an early adopter of the Taskforce on Nature-related Financial Disclosures. Building on our ambition to shift financial flows towards nature-positive outcomes, we also partnered with the Government of The Bahamas, The Nature Conservancy, the Inter-American Development Bank, and other financial partners to launch an innovative debt conversion, expected to generate $124 million for marine conservation.

Improving operational leverage through the Fit for Growth programme

In February last year, we launched our bank-wide, three-year, Fit for Growth programme, which is focused on taking actions to transform the way we operate, addressing structural inefficiencies and complexity to simplify, standardise and digitise key elements of our business, setting the stage for accelerated growth.

This programme is targeting to deliver around $1.5 billion of expense savings over three years, and we expect to incur a similar amount in terms of the cost to achieve these sustainable organisational and financial benefits, creating lasting capacity to reinvest in our growth.

Since its launch we have progressed the programme at pace, having mobilised over 200 projects during 2024, with initiatives that focus on sustainable structural improvements. We expect the majority of the $1.5 billion of savings to ramp up from 2025, with a tail of efficiency effects continuing after 2026, albeit several projects executed in 2024 have achieved the equivalent of around $0.2 billion of annualised savings. We expect to incur around 60 per cent of the $1.5 billion cost-to-achieve by the end of 2025. We remain committed to delivering positive jaws each year on an underlying basis, and for costs to be below $12.3 billion in 2026.

Delivering substantial shareholder distributions

Our equity generation and discipline on risk-weighted assets this year have created capacity for us to continue to deliver substantial shareholder distributions, and in our Q3'24 results we substantially increased our shareholder distribution target from at least $5 billion to at least $8 billion from 2024 to 2026.

We remain committed to sharing our success with our shareholders and will continue to actively manage our capital position with this objective in mind. We are therefore announcing today a further share buyback programme of $1.5 billion, to commence imminently. This new share buyback, and a proposed final dividend of $679 million, brings our total shareholder returns announced since the full-year 2023 results to $4.9 billion, well on our way to our improved target of at least $8 billion.

Optimistic outlook for the markets in our footprint

Looking forward, we expect the global growth rate to be broadly flat in 2025, moderating down slightly to 3.1 per cent from 3.2 per cent in 2024, but then accelerating in 2026 to 3.3 per cent. Support from looser financial conditions and expansionary fiscal policy may be partly offset by protectionist trade policies and interest rates that remain high.

Growth in our footprint markets across Asia, Africa and the Middle East, is set to outpace global growth, with Asia expanding by 4.8 per cent in 2025, Africa growing by 4.3 per cent and the Middle East (including Pakistan) by 3.6 per cent. We expect growth in the Association of Southeast Asian Nations (ASEAN) and India to remain healthy, despite the moderating outlook for key western trade partners, and we are uniquely positioned to take advantage of this with our unparalleled presence in all 10 ASEAN markets, as well as being one of the largest international banks in South Asia.

Our clients find immense value in partnering with us to solve complicated problems for them in the markets we call home. While we are anchored in Asia, Africa and the Middle East, our footprint is global and our deep knowledge of, and expertise in, doing business across our network is hard to replicate.

This is our time

We are a unique organisation – a diverse, global business with unparalleled cross-border reach and capabilities. As the world gets more complicated, we become more critical to our clients because we, like no other, understand how to navigate those complexities.

We have delivered a strong financial performance in 2024 demonstrating the value of our franchise and the strength of our strategy.

Looking forward, we are targeting a RoTE approaching 13 per cent in 2026, and for it to progress thereafter. We aim to deliver this through strong income growth, improving operational leverage aided by our Fit for Growth programme and maintaining our responsible approach to risk and capital.

Our recent success has made us ambitious and confident for more. My Management Team and I remain focused on delivering on our targets, seizing the structural underlying growth opportunities we have, transforming how we work, delivering better experiences for clients and colleagues, and creating exceptional long-term value for our shareholders.

Finally, I would like to acknowledge the remarkable efforts of our colleagues again this year. Their impressive dedication to our clients and the communities that we serve help to manifest our brand promise of here for good.

Bill Winters
Group Chief Executive
21 February 2025