

Our strategy

We are continuing to transform our bank by improving the experience for clients and employees, while focusing on high-quality business.

We are on track to launch new ventures and digital platforms, as well as to meet our targets on increasing digital cash transactions with our clients.

Our progress against our current strategy is outlined on pages 24 and 25, while the strategy for our next phase of growth is on pages 26 and 27.

“We have delivered our differentiated network and affluent businesses, optimised returns in some of our larger markets and invested in what we expect to be transformational digital initiatives”

Bill Winters
Group Chief Executive

Strategic progress in 2020

We remain resilient and competitive, despite economic and geopolitical challenges, meaning that – even though our progress has slowed – we are on the right track.

In 2020, we were operating in the face of paradigm-shifting global events such as the worsening of US-China relations, COVID-19 and the return of low interest rates.

We have taken action to partially offset 2020’s impact on our operating profit and ensure we can continue to operate resiliently.



Purpose and people

Understand our responsibilities

We continue to drive up standards of governance, ensure fair outcomes for clients and fight financial crime.

Lead sustainable financing across emerging markets

We have committed \$75 billion in financing by 2024 to help our clients meet the UN Sustainable Development Goals (SDGs). We arranged the first US sustainable use-of-proceeds syndicated subscription facility and the first ever impact-focused subscription finance facility.

Support the communities where we live and work

We committed to providing \$1 billion of financing on a not-for-profit basis for companies offering goods and services to help fight COVID-19 and also established a \$50 million Global Charitable Fund to help our communities.

Maximise return from our investment in people

We are building a future-ready workforce – changing how we work and developing the new skills we need. An inclusive culture helps us harness our diversity to innovate for our clients and communities.

Progress in 2020

Employee net promoter score

+17.5 +6pts

2019: +11.5 pts

Sustainability Aspirations achieved or on track*

78% -15pts

2019: 93.1%

* Decrease due to COVID-19 impacting the pace of delivering our Sustainability Aspirations. In 2020, the Group released updated Sustainability Aspirations with 37 new annual and multi-year performance targets (vs 29 targets previously disclosed)

Deliver our network

Leverage our unique footprint

We continue to deepen our relationship with our core clients to realise the revenue potential of our network.

Build on our strength in China

We will continue connecting our clients both within and beyond China. We are capturing growth opportunities from capital market opening, renminbi (RMB) internationalisation, Belt & Road corporate clients, offshore mainland Chinese wealth and the Greater Bay Area.

Grow with Africa

We aim to grow with our clients in Africa, capturing inbound flows of financial institutions, multinational corporations, and Belt & Road clients.

We have continued our Retail Banking client growth in Africa with our cost-efficient digital banking.

Progress in 2020

Corporate & Institutional Banking network income

\$4.2bn -10%

2019: \$4.6bn

Corporate & Institutional Banking income generated outside of a client group's headquarter country

Improve productivity

Investing in digital

Our investment in digitisation will make us more productive and give clients a better experience. We announced strategic global agreements with Microsoft and Amazon Web Services to speed up our digital transformation and deliver new personalised banking services through a cloud-first strategy.

Transforming our ways of working

We are embracing agile work and improving client journeys to be more productive across operations processing, risk management and change delivery.

Progress in 2020

Underlying operating income per FTE

\$174,000 -4%

2019: \$182,000

Underlying operating income over the past 12 months divided by the 12-month rolling average full-time equivalent (FTE) employees.

Grow our affluent business

Meet the needs of the affluent and emerging affluent

By enhancing our offering, we have grown income as well as attracted new clients with an improved product mix (number of Premium, Priority and Private clients increased 7 per cent year-on-year).

Enhance client experience with data and technology

We're investing more in data and analytics to better understand our clients and their needs, improve our offerings, deliver a more personalised service and increase client engagement.

Scale the non-affluent sector in a targeted manner

We will put new business models in place, harness technology and work with non-bank partners to acquire and serve non-affluent clients with our target profile in a cost-efficient manner.

Progress in 2020

Affluent client income

\$3.5bn -1%

2019: \$3.5bn

Income from Retail Banking Priority, Retail Banking Premium and Private Banking clients

Transform and disrupt with digital

Transform our Retail Banking business with digital

As part of our efforts to transform our retail bank, digital onboarding improved to 80 per cent (~30 per cent in 2019), while digital servicing increased to 70 per cent (25 per cent in 2019).

We launched our new virtual bank Mox in Hong Kong and already had 66,000 customers and HKD5.2 billion in deposits as of the end of 2020.

We also announced nexus, our 'banking as a service' solution for consumer platforms, in Indonesia.

Consolidate our position with corporate clients

We are leading an industry workgroup to develop a Trade Finance Registry pilot to enhance transparency in commodity trade.

We completed the first cross-border live transaction on Trusple, the newly launched digital international trade and financial service platform of AntChain.

We launched an ambitious three-year programme to build the leading banking platform in our footprint.

We support clients on their digital journey, and we have set a target of 95 per cent of clients on digital platforms by 2023.

Optimisation markets

Improve returns in markets where we have trusted local capabilities

In markets where we can utilise our local and international capabilities, we have improved our returns through our sharpened participation in Corporate & Institutional Banking and selectively in Commercial Banking and/or Retail Banking (namely India, Indonesia, Korea and the UAE).

Accelerate growth in our largest and most profitable markets

In regions where we are a top local bank delivering our full range of services, with attractive returns, we will invest to grow market share.

Focus on Corporate & Institutional Banking in other markets

Where our capabilities are geared towards international business, we will reinforce our focus on originating and facilitating cross-border business.

Progress in 2020

Underlying operating profit before taxation in India, Indonesia, Korea and the UAE

\$559m +33%

2019: \$420m

Aggregate underlying profit before taxation in the four markets. Excludes Permata.

Progress in 2020

Retail Banking digital adoption

61% +7%

2019: 54%

Mobile and online adoption by active clients.

Corporate & Institutional Banking digital volumes

\$189m +20%

2019: \$157m

Financial markets sales income originated via e-platforms

Commercial Banking digital adoption

74% +7%

2019: 68%

Percentage of Commercial Banking clients active on our Straight2Bank application

Our strategy continued

Our next phase

As we look to move from transforming our bank to becoming a leader in global finance in the next five years, we have refreshed our strategy onto four strategic priorities and three enablers. This extension of our existing strategy allows us to focus on the key areas that will help us in the next phase of our development.

Our strategy

We enter this new chapter with strong foundations and renewed confidence. We will continue to invest in people, partnerships and innovations that bring value to our clients.

With changes in the operating environment, we are refreshing our strategy to move us from ‘transformation’ to ‘lead’, a new phase where we aim to become market leaders in the next five years.

We will ramp up our focus on:

- Four strategic pillars: wholesale network business, affluent client business, mass retail business and sustainability
- Three critical enablers: people and culture, new ways of working and innovation

Rationale and drivers

While our 2019 refreshed strategic priorities moved us from turnaround to transformation, the 2021 strategy aims to move us from our transformation phase to becoming leaders:

- Invest – invest in our strategy and navigate the continued uncertainties through 2021
- Grow and disrupt – rejuvenate growth with early results from our sharpened strategy by 2023
- Lead – emerge as a leader with future-proof competitive advantages by 2025

Ambition and measuring progress

By 2025, we want to be admired for our specialist servicing of the fast-growing trade and investment corridors across Asia, Africa and the Middle East.

We want to: be the number one wholesale digital banking platform; be among the top three affluent brands; double our mass presence; and become a market leader in sustainability.

We have created KPIs to measure our progress and meet our goals.

Strategic priorities

Wholesale network business



We intend to become the leading international wholesale bank in our emerging markets footprint by...

- Taking leading positions in high-returning, high-growth sectors
- Delivering a market-leading digital banking platform providing services such as investments, capital and trade; delivering consistent client experience; and driving income while lowering service costs, particularly in tail markets
- Driving ‘capital-lite’ products, while building a leading sustainable finance franchise and expanding our credit origination and distribution ecosystem
- Speeding up growth in large markets, while expanding in growing markets and corridors, in line with shifts in trade and investment flows

CCIB network income

\$4.4bn

% of CCIB transactions digitally initiated

41%

Mass retail business



We intend to help our clients prosper and deliver everyday banking solutions by integrating our services into their digital lives. New digital solutions, strategic partnerships and advanced analytics will enable us to significantly increase our reach and relevance to serve them in a meaningful way. We are:

- Enhancing our value propositions and client solutions, and deepening talent and capabilities across digital sales and marketing as well as data and analytics
- Building strategic enablers to become the partner of choice to leading global and regional companies
- Growing the share of our mass retail client business income from new innovative business models

Mass market customers

7.6m

% of digital sales for Retail Products

68%

Affluent client business



As the leading international wealth manager, we intend to offer outstanding personalised wealth advice and exceptional experiences to our affluent clients to help them grow and manage their wealth internationally and at home. We are:

- Focusing on growing our affluent client business (Retail Banking Priority and Premium, and Private Banking clients) across our top markets with outstanding wealth management and international propositions
- Delivering personalised solutions and deepening client engagement by leveraging data and analytics to generate high quality client insights
- Building a scalable affluent client service model by transforming our physical network and digital capabilities to an integrated omnichannel experience

Affluent client income

\$3.5bn

Total number of affluent clients

2.0m

Sustainability



We intend to become the world's most sustainable and responsible bank and the leading private-sector catalyser of finance for the SDGs where it matters most – in Asia, Africa and the Middle East – by...

- Leveraging Climate Risk management to support clients in managing Climate Risk and identifying transition opportunities
- Integrating sustainable finance as a core component of our customer value proposition
- Continuing to promote economic inclusion and tackle inequality in our footprint
- Having a net zero financed carbon emissions target by 2050

Sustainability Aspirations achieved or on track

78%

Reduction in carbon footprint from previous year

37%

Critical enablers

People and culture



We are accelerating our people strategy to create a future-ready workforce by...

- Building a culture of continuous learning to support future skills and re-skilling – more than 55,000 employees have used our new digital learning platform
- Investing in wellbeing to improve productivity and performance, including people leader tools and mental health support
- Redesigning our performance management approach to better enable innovation and collaboration
- Accelerating post COVID-19 ways of working, implementing 'in-office' and remote work in our nine largest markets, with 80% of colleagues expressing an interest in working flexibly
- Focusing on inclusion to harness the value from our unique diversity

New ways of working



We intend to make it easier for our people to do the right thing for our clients, faster and more safely, while gearing the Group for high-performance and innovation in a fast-paced, dynamic environment.

Towards this goal, we are thinking client first, embracing organisational agility and empowering our people to continuously improve the way we work.

Innovation



We intend to create opportunities that over time can generate the majority of our income. Our aim is to...

- Accelerate the pace of innovation by adopting new ways of working in all aspects of our tech and product delivery
- Develop and scale up ventures in markets across our footprint
- Embrace organisational agility, fostering a culture of experimentation and continuous improvement, and embedding innovation into our culture
- Improve client and investor perception about the bank as a leading innovator and a bank of the future