

Corporate & Institutional Banking

KPIs



Profit before taxation
\$1,841m
 ↓ 18% underlying basis

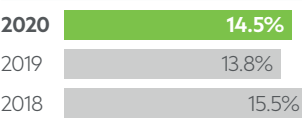
\$1,677m
 ↓ 22% statutory basis

Return on tangible equity (RoTE)
6.6%
 ↓ 190bps underlying basis

6.1%
 ↓ 190bps statutory basis

Risk-weighted assets (RWA)
\$137bn
 ↑ \$8bn

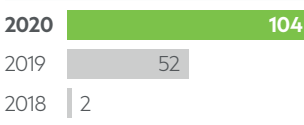
Proportion of low-returning client risk-weighted assets
 ↑ 14.5% of RWA



Aim: Reduce perennial sub-optimal RWA² and bring down the proportion of low returning client risk-weighted assets.

Analysis: Our perennial sub-optimal RWA² has reduced 27 per cent year-on-year. However, the proportion of low returning client RWA increased from 13.8 per cent in 2019 to 14.5 per cent in 2020 driven by decline in asset credit quality impacted by COVID-19 pandemic.

Open Application programming interfaces for clients
 ↑ 104 APIs³



Aim: Deliver a true frictionless cross-product digital banking experience to our clients.

Analysis: Doubled our open APIs³ for clients to 104 in 2020 with presence across 20 footprint markets.

Segment overview

Corporate & Institutional Banking supports clients with their transaction banking, corporate finance, financial markets and borrowing needs across 50 markets, providing solutions to more than 5,000 clients in some of the world's fastest-growing economies and most active trade corridors.

Our clients include large corporations, governments, banks and investors operating or investing in Asia, Africa and the Middle East. Our strong and deep local presence across these markets enables us to connect our clients multilaterally to investors, suppliers, buyers and sellers and enable them to move capital, manage risk, invest to create wealth, and to help co-create bespoke financing solutions.

We collaborate increasingly with other segments, introducing Commercial Banking services to our clients' ecosystem partners – their networks of buyers, suppliers, customers and service providers – and offering our clients' employees banking services through Retail Banking.

Finally, we are committed to sustainable finance, delivering on our ambitions to increase support and funding for financial products and services that have a positive impact on our communities and the environment and support sustainable economic growth.

Strategic priorities

- Deliver sustainable growth for clients by leveraging our network to facilitate trade, capital and investment flows across our footprint markets
- Generate high-quality returns by growing 'capital-lite'¹ income, driving balance sheet velocity and improving funding quality while maintaining risk controls
- Be the leading digital banking platform providing network services and partner with third parties to expand capabilities and to access new clients
- Accelerate our sustainable finance offering to our clients through product innovation and enabling transition to a low carbon future

Progress

- Network income was down 10 per cent due to the impact of lower interest rates, particularly in Cash Management. Underlying quality of income remains resilient and our network continues to generate 58 per cent of total income
- Maintained balance sheet quality with investment grade net exposures representing 65 per cent of total corporate net exposures (2019: 65 per cent) and high-quality operating account balances improving to 64 per cent of Transaction Banking and Securities Services customer balances (2019: 61 per cent)
- Migrated c.15,000 client entities to S2B⁴ NextGen platform and increased S2B cash payment transaction volumes by 4 per cent
- Resilient performance driven by diversified product suite and expanded client solutions delivering growth despite challenging geopolitical and macroeconomic conditions across footprint markets

Performance highlights

- Underlying profit before tax of \$1,841 million down 18 per cent, primarily driven by higher credit impairments, partially offset by higher income and lower expenses
- Underlying operating income of \$7,214 million up 2 per cent, primarily driven by Financial Markets on the back of higher market volatility offsetting lower income from Cash Management impacted by a lower interest rate environment
- Good balance sheet momentum with total assets up 9 per cent, of which loans and advances to customers were up 4 per cent
- Underlying RoTE decreased from 8.5 per cent to 6.6 per cent

1 Capital-lite income refers to products with low RWA consumption or of a non-funded nature. This mainly includes Cash Management and FX products
 2 Perennial sub-optimal clients are clients who have returned below 3 per cent RoRWA for the past three years
 3 Application programming interface refers to a set of software functions to allow seamless exchange of instructions and data with our clients
 4 Our next generation Transaction Banking digital platform

Multiple world firsts with Etihad

In November 2020, we worked with Etihad Airways' on their first sustainable Sukuk issuance.

The \$600 million Sustainability-Linked Transition Sukuk, a Shariah-compliant bond, is the first sustainability-linked Sukuk globally and for the aviation industry. Etihad intends to use the funds for more energy-efficient aircraft and research and development into sustainable aviation fuel.

Retail Banking

KPIs



Profit before taxation

\$587m

↓ 46% underlying basis

\$537m

↓ 48% statutory basis

Return on tangible equity (RoTE)

6.5%

↓ 620bps underlying basis

5.9%

↓ 600bps statutory basis

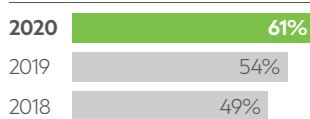
Risk-weighted assets (RWA)

\$47bn

↑ \$3bn

Digital adoption

↑ 61% number of clients

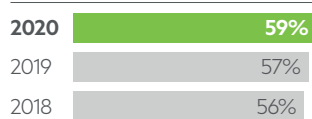


Aim: Align the Group's service to how clients want to interact and increase efficiency by reducing the amount of manual processing.

Analysis: Online applications have continued to grow with the proportion of Retail Banking clients that are digital-active up from 54 per cent in 2019 to 61 per cent at the end of 2020.

Priority & Premium client focus

↑ 59% share of income



Aim: Increase the proportion of income from Priority clients, reflecting the strategic shift in client mix towards affluent and emerging affluent clients.

Analysis: The share of Retail Banking income from Priority clients increased from 57 per cent in 2019 to 59 per cent in 2020, supported by more than 139,000 new-to-bank Priority clients in the year.

Segment overview

Retail Banking serves more than nine million individuals and small businesses, with a focus on affluent and emerging affluent in many of the world's fastest-growing cities. We provide digital banking services with a human touch to our clients, with services spanning across deposits, payments, financing products and Wealth Management. We also support our clients with their business banking needs.

Retail Banking represents around one-third of the Group's operating income and one-quarter of its operating profit. We are closely integrated with the Group's other client segments; for example, we offer employee banking services to Corporate & Institutional Banking clients, and Retail Banking provides a source of high-quality liquidity for the Group.

Increasing levels of wealth across Asia, Africa and the Middle East support our opportunity to grow the business sustainably. We aim to improve productivity and client experience by driving digitisation and cost efficiencies, and simplifying processes.

Strategic priorities

- Invest in our affluent and emerging affluent clients with a focus on Wealth Management and Deposits to capture the significant rise of the middle class in our markets
- Improve our clients' experience through an enhanced end-to-end digital offering, with intuitive platforms, best-in-class products and service responding to the change in digital habits of clients in our markets

Progress

- Increased the share of income from more affluent Premium and Priority clients from 57 per cent in 2019 to 59 per cent as a result of resilient performance in Wealth Management and Mortgages and CCPL income growth
- Premium Banking income has grown 15 per cent since the launch in ten markets last year
- Mox launched in Hong Kong in September 2020 and at the end of 2020 had 66,000 customers, more than \$670 million in deposits and is one of the highest rated and most-reviewed virtual banks
- Our fully digital African banks have now acquired half a million new customers. 75 per cent are below the age of 35, which is helping to build our pipeline of next generation emerging affluent clients
- We have announced a 'banking-as-a-service' solution, nexus, for consumer platforms, such as e-commerce, social media or ride hailing companies, so these companies can offer their own branded financial services to their customers. We have signed up Sociolla and Bukalapak in Indonesia as partners
- Exponential increase in digital sales, up over 300 per cent driven by our Ant Financial partnership in China, Mox and our nine digital banks in Africa & Middle East
- A further improvement in digital adoption, with 61 per cent of clients now actively using online or mobile banking compared with 54 per cent in 2019

Performance highlights

- Underlying profit before tax of \$587 million was down 46 per cent driven by lower income and higher credit impairments. Expenses were well-managed and slightly lower
- Underlying operating income of \$5,013 million was down 3 per cent. Greater China & North Asia was down 1 per cent, ASEAN & South Asia was down 5 per cent and Africa & Middle East was down 9 per cent (down 1, 3 and 5 per cent on a constant currency basis, respectively)
- Strong income momentum growth from Mortgages and Business Banking Lending with improved margins and balance sheet growth and 5 per cent growth in Wealth Management. These were offset by Deposit margin compression, impacted by a lower interest rate environment, which was partially offset by 7 per cent growth in Customer Accounts
- Underlying RoTE decreased to 6.5 per cent from 12.7 per cent

▶ Watching out for wellbeing ◀

In order to protect the health of our clients during COVID-19, we partnered with wellness provider Switch+ to roll out a customer wellbeing platform.

The platform, which hosted fitness sessions including yoga, meditation and Zumba, was available to a selection of clients across our top markets.

In total, our clients completed more than 3,500 activities using the platform.

Commercial Banking

KPIs



Profit before taxation

\$214m

↓ 57%
underlying basis

\$157m

↓ 68%
statutory basis

Risk-weighted assets (RWA)

\$28bn

↓ \$3bn

Capital-lite³ income as a share of total income

46% share of total income⁴

Year	Share of total income
2020	46%
2019	48%
2018	45%

Aim: Reshape the income mix towards capital lite income.

Analysis: Share of capital-lite income decreased slightly to 46 per cent in 2020 impacted by net interest margin compression from interest rate cuts. This was partially offset by strong growth in Liabilities. High quality OPAC balances grew from \$18 billion in 2019 to \$22 billion in 2020. We have set up dedicated liabilities teams in key markets and continue to focus on cash rich sectors, non-borrowing clients and FX cross-sell opportunities.

Return on tangible equity (RoTE)

3.4%

↓ 400bps
underlying basis

2.5%

↓ 480bps
statutory basis

Number of new to bank clients onboarded ('000)

6,500 new sign ups⁴

Year	New sign ups ('000)
2020	6.5
2019	6.3
2018	6.1

Aim: Building scale by onboarding new to bank clients.

Analysis: We maintain strong momentum in the onboarding of new to bank clients, while monetising clients onboarded in prior years. Clients onboarded in 2019 helped us generate c.\$126 million additional income on approximately \$5 billion additional liabilities in 2020.

Segment overview

Commercial Banking serves more than 43,000¹ local corporations and medium-sized enterprises in 22 markets across Asia, Africa and the Middle East. We aim to be our clients' main international bank, providing a full range of international financial services in areas such as trade finance, cash management, financial markets and corporate finance.

Through our close linkages with Retail Banking and Private Banking, our clients can access additional services they value including employee banking services and personal wealth solutions. We also collaborate with Corporate & Institutional Banking to service clients' end-to-end supply chains.

Our clients represent a large and important part of the economies we serve and are potential future multinational corporates. Commercial Banking is at the heart of the Group's shared purpose to drive commerce and prosperity through our unique diversity.

Strategic Priorities

- Drive quality sustainable growth by deepening relationships with existing clients and onboarding new clients, focusing on rapidly growing and internationalising companies
- Improve balance sheet and income mix, accelerating utilisation of growth in Cash and FX products.
- Continue to enhance capital allocation discipline and credit risk management
- Improve client experience, using technology and investing in frontline training, tools and analytics

Progress

- Onboarded 6,500 new clients in 2020, which helped generate \$78 million additional income and \$3 billion additional cash liabilities
- Double-digit income growth seen in the Hong Kong-Taiwan, Taiwan-Singapore and Singapore-India corridors as we continue to tap their potential to help our Commercial Banking clients capture international opportunities
- Maintained cost discipline (down 8 per cent) while reducing RWAs (down 8 per cent)
- RWA efficiency² improved to 65 per cent in 2020 (2019: 70 per cent)
- Continued to improve client experience: reduced client turnaround time from five to four days
- Good progress on client satisfaction with Commercial Banking client engagement improving to 31 per cent (2019: 26 per cent)

Performance highlights

- Underlying profit before tax of \$214 million was down 57 per cent mainly due to lower income and higher credit impairments from the effects of COVID-19
- Underlying operating income of \$1,409 million was down 10 per cent mainly driven by lower Transaction Banking income
- ASEAN & South Asia, Greater China & North Asia and Africa & Middle East income was down 6, 14 and 14 per cent, respectively
- Underlying RoTE reduced from 7.4 per cent to 3.4 per cent

▶ Battling COVID-19 in Bahrain ◀

In July 2020, we worked with Bahrain-based medical company Yousuf Mahmood Hussain Company, to help battle the pandemic in the region.

We provided the pharmaceutical and medical distribution company with \$8 million as part of our \$1 billion COVID-19 not-for-profit loan fund to help with the provision of medical and health equipment including masks and protective devices.

¹ Relates to individual entities

² RWA efficiency is derived as credit RWA divided by assets and contingents

³ Capital-lite income refers to products with low RWA consumption or of non-funded nature. This primarily includes Cash Management and FX products

⁴ Prior periods KPIs have been restated following a reorganisation of certain clients across client segments

Private Banking

KPIs



Profit before taxation

\$62m

↓ 34% underlying basis

\$51m

↓ 39% statutory basis

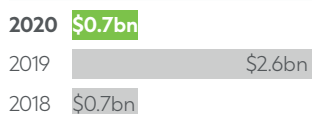
Risk-weighted assets (RWA)

\$6bn

↔ Flat

Net new money

↓ \$0.7bn of net new money



Aim: Net new money – grow and deepen client relationships, improve investment penetration and attract new clients.

Analysis: We added \$0.7 billion of net new money in 2020, delivering positive inflows for the fourth consecutive year since 2016.

Return on tangible equity (RoTE)

4.8%

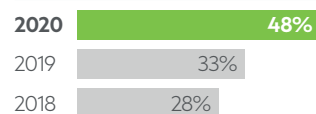
↓ 250bps underlying basis

4.0%

↓ 240bps statutory basis

Net client score for ease of doing business

↑ up to 48%



Aim: Historically improve the Private Banking client experience through all touch points with the Group.

Analysis: Launched in 2016, the annual Private Banking client satisfaction survey reviews multiple dimensions of client sentiment and measures our progress in putting client needs at the heart of everything we do. In 2020, 48 per cent of clients rated us very easy to do business with compared to 33 per cent in 2019.

Segment overview

Private Banking offers a full range of investment, credit and wealth planning products to grow, and protect, the wealth of high-net-worth individuals.

Our investment advisory capabilities and product platform are independent from research houses and product providers, allowing us to put client interests at the centre of our business. This is coupled with an extensive network across Asia, Africa and the Middle East which provides clients with relevant market insights and cross-border investment and financing opportunities.

As part of our universal banking proposition, clients can also leverage our global Commercial Banking and Corporate & Institutional Banking capabilities to support their business needs. Private Banking services can be accessed from six leading centres: Hong Kong, Singapore, London, Jersey, Dubai and India.

Strategic priorities

- Leverage significant wealth creation and wealth transfers in our markets to increase franchise scale
- Deliver a unique and compelling client value proposition, which focuses on:
 - Access: through market-leading products and platforms
 - Advice: differentiated investment insights delivered through our bankers and investment advisers
 - Affinity: partnering clients through a sustainable investing offering and our Next Generation programme
- Build adaptive teams with strong leaders and a transparent focus on results
- Build for scale by focusing on efficiency on all fronts
- Sustainable growth through establishment of robust controls and an active “Think Conduct” culture

Progress

- Accelerated our client digital agenda to meet their needs in the new normal:
 - Dedicated efforts to increase client registrations drove adoption rate of our award-winning PvB App to 62 per cent (53 per cent growth in number of users since January 2020)
 - We listened to our clients’ needs and launched new functionalities such as portfolio performance analysis capabilities and online publication of market insights; this helped to increase app usage with half of users logging in more than once a month
- Through our virtual rehearsal programme with video-based role play training, we aim to transform a generation of bankers, teaching them how to deliver a high-tech but also high-touch client engagement experience
- Digitisation of our client onboarding has empowered our bankers to prospect beyond their borders and be future-ready:
 - Launch of eSign (digital signatures) in all booking centres, facilitating account opening and credit applications
 - Innovative use of video conferencing solutions as an alternative to face-to-face meeting requirements has improved the client experience as clients are empowered to seamlessly connect with their bankers

Performance highlights

- Underlying profit before tax of \$62 million was down 34 per cent, due to non-recurrence of a credit impairment release of \$29 million in 2019. Excluding this and normalised for a one-off provision of \$4.5 million in 2020, underlying profit was up 1 per cent, benefiting from early cost management actions and strong client engagement driving Wealth Management income expansion
- Underlying operating income of \$540 million was down 6 per cent, impacted by margin compression in the deposit book due to rate cuts. This was partially offset by resilient growth from Wealth Management, up 5 per cent, mainly from Structured Products and Equities
- Assets under management increased \$6 billion or 9 per cent, driven by \$0.7 billion of net new money and positive market movements
- Underlying RoTE decreased from 7.3 to 4.8 per cent

▶ Helping clients invest sustainably ◀

With the world looking to build back greener after COVID-19, there has been an increased interest in sustainable investing.

To help our private banking clients invest with a sustainable lens, we launched the industry’s first ESG Fixed Maturity Product in conjunction with BNP Paribas Asset Management.

In addition, in order to create further interest in sustainable investing, we’ve made several climate and SDG-themed funds available to our private banking clients.

Banking from home

When COVID-19 struck, we had to move at pace to ensure we could successfully implement remote working. By April, 70 per cent of our workforce was working from home, thanks to the provision of thousands of laptops and a 600 per cent increase in the capacity of our Virtual Private Network. We also created SC Connect, a new app to help colleagues check in with each other remotely and remain connected with their teams.

+ Read more online at sc.com/homebanking

Greater China & North Asia

Profit before taxation

\$2,035m

↓ 16%
underlying basis

\$1,900m

↓ 17%
statutory basis

Risk-weighted assets (RWA)

\$93bn

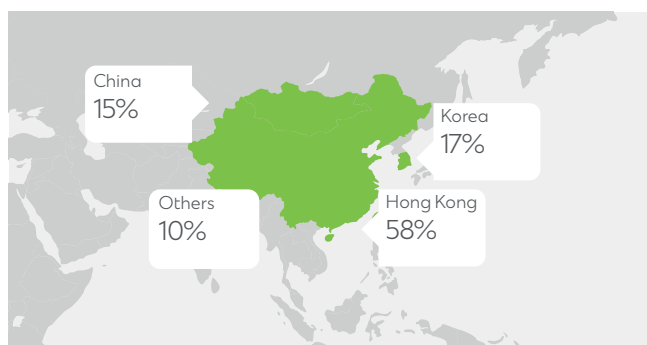
↑ \$7bn

Loans and advances to customers



Greater China & North Asia
45% of Group

Income split by key markets



Region overview

Greater China & North Asia generated the largest share of the Group's income in 2020, at 41 per cent. We serve clients in Hong Kong – the Group's largest market – as well as Mainland China, Japan, Korea, Macau and Taiwan.

The region is highly interconnected, with China's economy at its core. Our global footprint, strong regional presence and continued investment allow us to capture opportunities as they arise from the opening of China's economy.

We are building on the region's economic growth, the rising wealth of its population, the increasing sophistication and internationalisation of Chinese businesses and the increased use of the renminbi internationally.

Strategic priorities

- Use the strength of our network to serve the inbound and outbound cross-border trade and investment needs of our clients
- Make the most of opportunities from China's opening, including the Greater Bay Area (GBA), renminbi, Belt and Road initiative, onshore capital markets and mainland wealth, as well as the development of our digital capabilities
- Strengthen our market position in Hong Kong and improve performance in Korea

Progress

- Our China business has been resilient during a year of unprecedented difficulty. As China has emerged from COVID-19 restrictions, its economy has recovered and our business has grown with underlying operating profit before impairment and tax up 26 per cent driven by Wealth Management, Financial Markets and unsecured products. The income we have booked from clients based in China has grown 3 per cent and China remains the Group's largest source of network income
- Hong Kong faced a unique combination of geopolitical, social and pandemic-related challenges in 2020 which impacted financial performance. However, we have seen very good progress in Wealth Management, and Financial Markets, where income grew strongly and have progressed our digital agenda by launching Mox, our virtual bank
- We have stepped up our investment in the GBA with the creation of a GBA Centre to better support our clients, a dedicated GBA CEO and the launch of the Standard Chartered GBA Business Confidence Index
- Despite the disruption of the pandemic, our Korea business has delivered operating profit growth of 50 per cent. This has been driven by a strong Wealth Management and Financial Markets performance and reflects the flow-through benefits of management's restructuring actions in recent years

Performance highlights

- Underlying profit before tax of \$2,035 million was down 16 per cent, mainly due to higher credit impairment charges, partially offset by strong cost control
- Underlying operating income of \$6,016 million was down 2 per cent. Lower income in Cash Management, Retail Deposits and Treasury Products was partially offset by strong performances in Financial Markets and Wealth Management
- Retail Banking income fell 1 per cent driven by a fall in Deposit income as a result of lower interest rates, almost entirely offset by strong momentum in Mortgages and Wealth Management. Private Banking income was also down. Corporate & Institutional Banking income grew, mainly due to a strong Financial Markets performance, partly offset by lower Corporate Finance and Transaction Banking income. Commercial Banking income was down 14 per cent driven by lower Transaction Banking
- Strong balance sheet momentum with loans and advances to customers up 9 per cent mainly from strong growth in Mortgages and Corporate Lending. Customer accounts were up 13 per cent, with strong double-digit growth in retail current and savings accounts and Transaction Banking cash balances
- RWAs increased by \$7 billion due to market and credit risk, in line with loans and advances growth, mainly in Treasury and Retail

Supporting the Nippon Foundation and Ashinaga

As part of our \$50 million COVID-19 Global Charitable Fund, we donated JPY10 million to Ashinaga and the Nippon Foundation in Japan.

With the funding, Ashinaga helped 6,500 orphaned students continue their studies, while the Nippon Foundation funded temporary accommodation for COVID-19 patients and health workers.

ASEAN & South Asia

Profit before taxation

\$779m

↓ 24%
underlying basis

\$737m

↓ 29%
statutory basis

Risk-weighted assets (RWA)

\$81bn

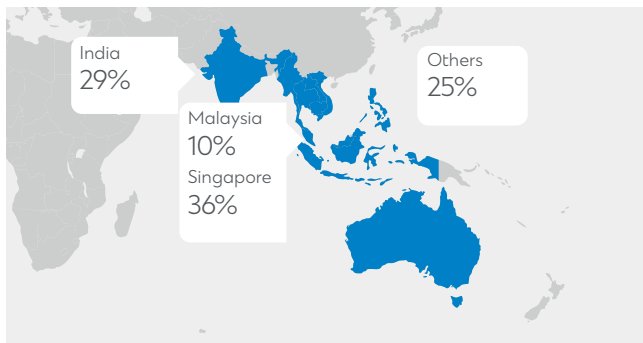
↓ \$8bn

Loans and advances to customers



ASEAN & South Asia
26% of Group

Income split by key markets



▶ Helping India breathe easier ◀

To help beat the COVID-19 crisis we funded the development of a new portable ventilator produced by the Indian Institute of Technology Kanpur and Nocca Robotics.

The ventilator, which can be produced cheaply and easily, has since been installed in government and private hospitals in more than 50 cities, including Pune, Mumbai, Kolkata, Delhi, Chennai, Bihar and Bengaluru

Region overview

The Group has a long-standing presence in the region and, as the only international bank present in all 10 ASEAN countries, we are a strong banking partner for our clients. Our two biggest markets in the region are Singapore and India.

The region contributes more than a quarter of the Group's income and Singapore is home to the majority of our global business leadership, our technology operations and our innovation hub SC Ventures. The strong underlying economic growth in the region means we can help our clients grow and sustainably improve returns.

The region benefits from rising trade flows, including activity generated from China's Belt and Road initiative, strong investment, and a rising middle class which is driving consumption and improving digital connectivity.

Strategic priorities

- Leverage the strength of our international network to support our clients' cross-border trade and investment activities across the high-growth regional corridors
- Expand Wealth Management offerings and client engagement through digital-only or hybrid channels to accelerate growth in affluent segments
- Improve capital efficiency and sharpen our investments in higher-returning businesses
- Continue to reshape our India and Indonesia franchises to optimise returns

Progress

- In Singapore, we are proud to have been awarded 'Significantly Rooted Foreign Bank' status. We are the only international bank to receive this honour, reflecting our long and deep-rooted presence in the market. This has paved the way for us to establish a new digital bank and expand our reach and touchpoints in one of our most important markets
- In India, despite COVID-19, we more than quadrupled operating profit and improved returns. The growth in lower cost liabilities has improved margins and supported clients in strategic transactions. Expenses remain tightly controlled benefiting from increased client digital adoption
- In Indonesia, we improved profitability through growth in Financial Markets and Wealth Management income. Costs were flat with client digital adoption reducing channel costs. We have announced a 'banking-as-a-service' solution, nexus, having signed partnerships with Bukalapak and Sociolla in Indonesia as partners
- Bangladesh and Vietnam delivered sound performances leveraging client relationships both domestically and cross border, particularly with China, Japan and Korea

Performance highlights

- Underlying profit before tax of \$779 million decreased 24 per cent driven by higher credit impairment. Underlying operating profit before impairment and tax improved 14 per cent as income grew 4 per cent, while expenses were 2 per cent lower
- Underlying operating income of \$4,366 million grew 4 per cent (5 per cent on a constant currency basis excluding a positive debit valuation adjustment), underpinned by strong growth in Corporate & Institutional Banking and realisation gains within Treasury Markets. Commercial Banking income declined 6 per cent and Retail Banking was down 5 per cent, while Private Banking was also down
- Higher Corporate & Institutional Banking income driven by strong performance in Financial Markets and Corporate Finance, partially offset by margin compression in Transaction Banking
- Resilient balance sheet momentum with loans and advances to customers up 8 per cent. Customer accounts were up 6 per cent driven by higher retail current and savings accounts and Transaction Banking cash balances. These were partially offset by a reduction in high-priced corporate time deposits
- Risk-weighted assets decreased by \$8 billion due mainly to the sale of the Group's stake in Permata in Indonesia

Africa & Middle East

Profit/(loss) before taxation Risk-weighted assets (RWA)

\$13m

↓ 98%
underlying basis

\$(75)m

↓ 111%
statutory basis

\$51bn

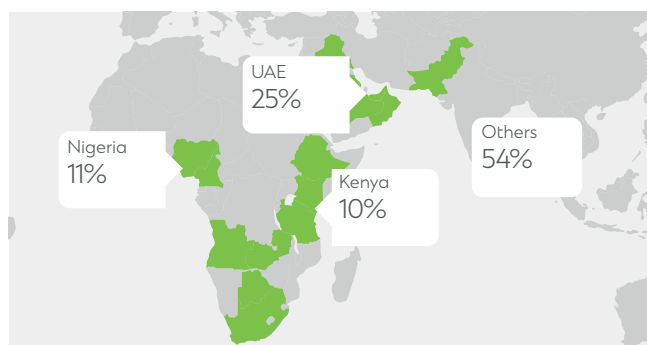
↑ \$2bn

Loans and advances to customers



Africa & Middle East
9% of Group

Income split by key markets



Region overview

We have a deep-rooted heritage in Africa & Middle East and are present in 25 markets, of which the UAE, Nigeria, Pakistan and Kenya are the largest by income. We are present in the largest number of sub-Saharan African markets of any international banking group.

A rich history, deep client relationships and a unique footprint in the region, as well as across centres in Asia, Europe and the Americas enable us to seamlessly support our clients. Africa & Middle East is an important element of global trade and investment corridors, including those on China's Belt and Road initiative and we are well placed to facilitate these flows.

Global and local macroeconomic headwinds in 2020 impacted income across both the Middle East and Africa, and have resulted in an elevated risk environment, particularly in Africa. However, we're confident the opportunities in the region will support long-term sustainable growth for the Group. We continue to invest selectively and drive efficiencies.

Strategic priorities

- Provide best-in-class structuring and financing solutions and drive creation through client initiatives
- Invest to accelerate growth in differentiated international network and affluent client businesses
- Invest in market-leading digitisation initiatives in Retail Banking to protect and grow market share in core markets, continue with our retail transformation agenda to recalibrate our network and streamline structures
- De-risk and improve the quality of income with a focus on return enhancements

Progress

- Our role leading several marquee transactions across the region reflects our strong client franchise. We continue to be the market leader in bond issuance and Islamic Sukuk and achieved our highest-ever debt capital markets notional volumes
- On a constant currency basis, Wealth Management income grew 8 per cent and priority deposits grew by 17 per cent despite a slow-down post COVID-19
- Rapid growth in the Africa digital transformation, with half a million customers and \$125 million in deposits. Awarded Best Digital Bank across 10 countries at the Global Finance's Best Digital Banks Awards 2020
- Continuing cost discipline has allowed investments to continue through the cycle. The number of branches reduced by 19 per cent and headcount was 7 per cent lower
- Liquidity and capital remained healthy across markets, ensuring a better ability to navigate market challenges
- On a constant currency basis, fee-based income grew and accounted for a higher share of total income than in 2019

Performance highlights

- Underlying profit before tax of \$13 million was 98 per cent lower with continued macroeconomic challenges negatively impacting income and driving higher credit impairment. Efficiency actions funded ongoing strategic investments
- Underlying operating income of \$2,364 million was down 8 per cent (3 per cent on a constant currency basis) due to the impact of interest rate cuts on margins, while Financial Markets performed well. Income across the Middle East, North Africa and Pakistan was down 7 per cent, and in Africa was down 8 per cent (1 per cent on a constant currency basis)
- Loans and advances to customers were down 7 per cent and customer accounts were up 10 per cent

Fighting COVID in the Middle East

As part of our efforts to battle the pandemic, we committed \$25 million to UAE healthcare services provider Mediclinic.

The money, which was part of our \$1 billion COVID-19 not-for-profit initiative, was the biggest loan we issued in the region.

In 2020, Mediclinic provided care to three million outpatients and 79,000 inpatients across its seven hospitals in the UAE.

Europe & Americas

Profit before taxation

\$386m

↑ 146%
underlying basis

\$341m

↑ 177%
statutory basis

Risk-weighted assets (RWA)

\$46bn

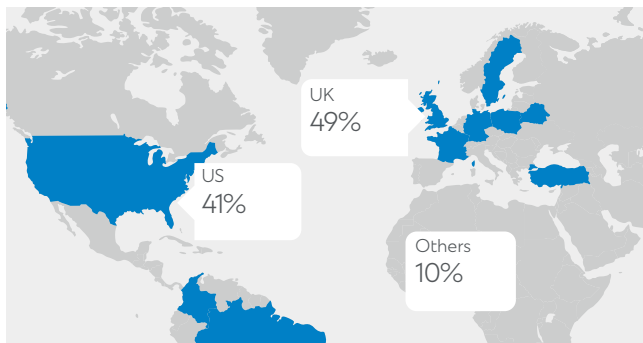
↑ \$2bn

Loans and advances to customers



Europe & Americas
20% of Group

Income split by key markets



EDF helps us pass \$2bn in sustainable deposits

In May 2020, French electricity company EDF helped our Sustainable Deposit product – the first of its kind – exceed the \$2 billion mark. We use the deposits to finance assets that meet our Green and Sustainable Product Framework which is aligned to the UN's Sustainable Development Goals, including combatting climate change, supporting financial inclusion and tackling the lack of universal access to health and education. The product was launched in May 2019 and reached the \$1 billion mark in January 2020.

Region overview

The Group supports clients in Europe & Americas through hubs in London and New York as well as a presence in several markets in Europe and Latin America. Our expertise in Asia, Africa and the Middle East allows us to offer our clients in the region unique network and product capabilities.

The region generates significant income for the Group's Corporate & Institutional Banking business. Clients based in Europe & Americas make up more than one-third of the Group's Corporate & Institutional Banking income, with three-quarters of client income booked elsewhere in the network generating above-average returns.

In addition to being a key origination centre for Corporate & Institutional Banking, the region offers local, on-the-ground expertise and solutions to help internationally-minded clients grow across Europe & Americas.

The region is home to the Group's two biggest payment clearing centres and the largest trading floor. More than 80 per cent of the region's income derives from Financial Markets and Transaction Banking products.

Our Private Banking business focuses on serving clients with links to our footprint markets.

Strategic priorities

- Continue to attract new international corporate and financial institutional clients and deepen relationships with existing clients by connecting them to the fastest growing and highest potential economies
- Enhance capital efficiency, maintain strong risk oversight and further improve the quality of our funding base
- Leverage our network capabilities as new e-commerce industries grow internationally
- Scale up our continental European business, leveraging significant trade corridors with Asia and Africa
- Grow assets under management in Private Banking and strengthen the franchise generally

Progress

- Good progress in improving our share of business from targeted Corporate & Institutional Banking priority clients, with income up 3 per cent from 'Top 100', 'Next 100' and 'New 90' client initiatives, with growth of 20 per cent from Financial Markets products, partially offset by lower Transaction Banking income
- Significant improvement to our client service offering with onboarding turnaround time more than halved
- Launched Sustainable Fund Finance and exceeded \$2 billion in Sustainable Deposits
- Significant increase in high-quality liabilities achieved to improve the funding base
- Restructured our Private Bank London Advisory centre to improve productivity and sharpen focus
- SCB AG Germany has experienced growth, as clients re-positioned their banking arrangements in preparation for Brexit

Performance highlights

- Underlying profit before tax of \$386 million improved 146 per cent driven by higher income and lower costs. Impairments were up two-thirds but remain at a modest level relative to the size of the loan portfolio
- Underlying operating income of \$1,922 million was up 11 per cent largely due to growth in Financial Markets performance in addition to realisation gains in Treasury, partially offset by the impact of lower interest rates on Cash Management and Retail Products. Adjusting for movements in the debit valuation adjustment, income was up 7 per cent
- Expenses reduced by 6 per cent largely due to lower regulatory costs, reduced travel-related expenses and variable compensation payments
- Strong growth in loans and advances to customers up 9 per cent while customer accounts grew 3 per cent