

## Standard Chartered's CPBB Affluent Clients Investor Event 2022

### Presentation with:

**Judy Hsu, CEO, Consumer, Private & Business Banking (CPBB), Standard Chartered PLC**

**Raymond Ang, Global Head, Affluent Clients, Standard Chartered PLC**

**Marc Van de Walle, Global Head, Wealth Management, Deposits and Mortgages, Standard Chartered PLC**

**Bongiwe Gangeni, Regional Head, CPBB Africa, Middle East and Europe, Standard Chartered PLC**

**Samir Subberwal, Head of CPBB Asia and Global Head of Digital Business, Standard Chartered PLC**

November 22, 2022

*(Amended in places to improve accuracy and readability)*

### <<Judy Hsu, CEO, CPBB, Standard Chartered PLC>>

Good morning, and good afternoon, everyone. I'm Judy Hsu, CEO of Consumer, Private & Business Banking. It gives me great pleasure to welcome you to today's session, where we will deep dive into our Affluent Client business. I'm joined by Ray, Marc, Bongiwe and Samir from my management team. And in the next 30 minutes, we will take you through the key pillars of the business, followed by Q&A.

Now let me kick start with an overview of CPBB. To the group, CPBB represents 36% of total income and 28% of total operating profit. Year-to-date, our return on tangible equity is 15.7%. Earlier this year, I had outlined our strategy to transform CPBB's profitability, including setting a target of around 60% cost-to-income ratio by 2024. Today, we have delivered 85% of this year's cost savings target, which is helping to drive down our cost-to-income ratio to 69%, well on our way to our 2024 target.

CPBB serves three client segments: Affluent, Mass Retail and Business Banking. And together, we bank more than 10 million clients. We're an established premium brand across our footprint, offering a sophisticated suite of wealth and banking solutions. Our wealth management platform is a key differentiator that underpins our affluent business. Its income has grown consistently over the last 5 years, currently representing 32% of CPBB and 12% for the group. Income from retail products forms 62% for CPBB and 22% for the group.

Besides our strong position in the two financial hubs, Hong Kong and Singapore, we continue to grow our presence in markets such as India, China as well as UAE. With our relentless focus on service, this year, we have achieved the highest Net Promoter Score in 6 of our top 9 markets. The diversity of our franchise has always helped smoothen the volatility of our income stream, including this current cycle.

Now moving to the Affluent business. It is CPBB's largest client segment. It is a high-growth, high-return business, and we have a scalable platform anchored on market-leading wealth management and cross-border propositions. With our deep-rooted network and trusted brand, we're in a unique position to serve the local and international needs of our clients.

We're focused on accelerating growth and have set ourselves ambitious financial targets for 2024. We aim to grow income around 10% CAGR and increase our affluent RoTE to around 30% over the next couple of years.

And with that, I will now hand over to Ray, our Global Head of Affluent Clients.

**<<Raymond Ang, Global Head, Affluent Clients, Standard Chartered PLC>>**

Thanks, Judy. Good morning, and good afternoon, everyone. Let me start by sharing with you our Affluent Client continuum with 4 distinct propositions.

First, we have premium. This serves emerging affluent clients with banking and simple wealth solutions. Very importantly, this proposition is a substantial feeder pool for higher affluent tiers.

Next, we have Priority, which is our core affluent client proposition that has been in the markets for over 25 years. And here, we bank and manage our clients' wealth, both locally and internationally, via our strong onshore and international banking propositions. Priority Private, a sweet spot for us, where clients are beginning to look for more sophisticated private banking type solutions and advisory.

And finally, there is the private bank, where we serve the bespoke wealth and family office needs of our ultra-high net worth clients.

Today, we serve over 2 million Affluent Clients, and as a global universal bank, we also have a strong ecosystem between affluent and our other parts of the bank. These include our mass retail client segment, which provides nearly 60% of our new to affluent clients. Our business banking and CCIB, where we serve business owners, senior executives and employees with our private or priority banking propositions. Together, this ecosystem helps generate an evergreen flow of Affluent clients, which has been growing at 7% CAGR over the last 5 years. This is equivalent to adding 120,000 net new clients every year at a low cost of acquisition. And as our clients grow their wealth and progress along the continuum, we see an exponential increase in clients' income and profitability.

Internally, this continuum also allows us to develop the best talent in our markets by offering a clear career pathway for aspiring relationship managers and wealth specialists. Starting last year, we are supporting them with best-in-class training through the Standard Chartered INSEAD Wealth Academy. Now let me talk a little bit about our markets. Our footprint in Asia, Africa and the Middle East is home to 100 million affluent individuals. Wealth assets in these markets are projected to grow at a much faster pace than those in Western markets. For example, Asia ex Japan is projected to grow by almost 9% CAGR over the next 5 years to \$80 trillion. This compares to just under 5% in North America and 4% in Europe.

African and Middle East also offers impressive growth opportunities. We are extremely excited to be in these fast-growing markets, where, in particular, the upper end of high-net-worth wealth is expected to outpace other segments. In our private bank, we have seen a doubling of such account openings, especially in the family office space. With our unique combination of deep local knowledge and a global network, we are well positioned to meet the local and international wealth needs of our clients. In fact, we are already amongst the top 5 wealth managers in Asia today.

Because we offer a diversified mix of retail products and wealth management, our income performance is highly resilient. Over the last 5 years, consistent growth in wealth management income has offset the impact of low interest rates. This year, as interest rate rise along with heightened market volatility, the strong tailwind in reported income has mitigated the headwind in wealth management fee income, a natural hedge for our top line. In fact, the affluent income return on risk-weighted assets, which has been consistently over 16%, has increased to around 19% year-to-date. And we have a target to grow our RoTE to around 30% by 2024 for this business.

With that, let me hand you over to Marc, who will speak more about our solutions, including our differentiated digital wealth management proposition.

**<<Marc Van de Walle, Global Head, Wealth Management, Deposits and Mortgages, Standard Chartered PLC>>**

Thank you, Ray. Good morning and good afternoon, everyone. As Judy mentioned, our strong Affluent Client franchise is anchored on a market-leading wealth management platform. We have a strong track record of growing wealth management income at 9% CAGR and wealth assets under management at 12% CAGR over the last 5 years, thanks to strong momentum in net new sales. This income is well

diversified across products and markets, which increases resiliency. Going forward, we will focus more of our efforts on growing what we term our base income stream to deliver resilient income performance through the cycle and mitigate dependency on investor sentiment.

Base income, which is well over 2/3 of total wealth management income, is made of AUM-based annuity fees and less market dependent income, such as Banca and FX trading. Year-to-date, wealth management income is down 16% year-on-year, primarily due to financial market headwinds and COVID restrictions, particularly in North Asia. We have observed this downtrend throughout the industry. And according to published results we have seen, our financial performance has been more resilient than peers. More importantly, we have accelerated the growth of our wealth active affluent clients this year. And as investor sentiment becomes more positive, we expect to be able to deliver a healthy income growth trajectory in the future.

Wealth is a competitive space. But as Ray mentioned, we are one of the top 5 wealth managers in Asia, and our client-centric wealth proposition is built on 4 pillars that, taken together, make us scalable and differentiated. Number one, an open architecture investment offering. Number two, a leading bancassurance franchise. Number three, a single wealth platform. And number four, a fully digital wealth offering. Let's look at each of these in turn.

First, we have an open architecture investment offering, which allows us to provide unbiased advice and best-in-class wealth management solutions by partnering with the best product providers in the industry. For over-the-counter trading products such as fixed income, derivatives and structured products, we have real-time price feeds with many counterparties. This allows us to select the best price and execution, and this is a key differentiator greatly valued by our clients. At the same time, we're able to offer a wide range of sustainable solutions, including proprietary ones, by leveraging Standard Chartered's leadership in sustainability. We recently collaborated with CCIB Financial Markets to offer exclusive ESG structured notes to our affluent clients.

Second, we have a leading bancassurance franchise resting on world-class partnerships with key players in the industry, including a 24-year strategic partnership with Prudential in Asia. We distribute around \$1 billion of annualized premium equivalent and have delivered robust growth across our top 3 markets. In particular, we have grown faster than the industry in Hong Kong and Singapore. We also collaborated with Prudential to develop an award-winning digital insurance platform to allow clients to perform their insurance portfolio reviews with just a few clicks and enable our relationship managers to recommend more tailored solutions to a higher number of clients. With market-leading insurance propositions, we are well positioned to capture the significant growth opportunities across our footprint where there are enormous gaps in pension coverage and health protection.

Third, we're investing heavily in technology to deliver wealth propositions through a single wealth platform, which is becoming more and more critical to best-in-class client experience and attracting top relationship managers. It also allows us to create scale across our footprint and client continuum, lower our costs and improve time to market. We have already built advanced trade execution and digital advisory capabilities, and we have also unified non-technology elements, including a single CIO house view, a common advisory framework and central governance for our product selection engine.

Finally, we are driving end-to-end digitisation of wealth to enable intuitive journeys across all client touch points through mobile, Internet and also relationship managers, and leveraging data and analytics to deliver personalised advice at scale. Clients in our key markets can now open their investment account digitally, complete their investment profile on mobile, receive personalized investment ideas through myWealth Direct and invest in mutual funds in just one click. Clients who need advice from their relationship managers can contact them digitally via myRM to book an appointment for a holistic portfolio review and personalized portfolio construction, supported by myWealth Advisor. Clients can also securely authorize their investment transactions digitally via myRM. Around 80% of all our wealth transactions are currently done digitally, and we aspire to reach 90% over the next few years.

Finally, I'm delighted to share that we continue to be awarded many industry recognitions which further affirm our position as a leader in digital wealth.

Let me now hand over to Bongiwe, who will talk about our markets.

**<<Bongiwe Gangeni, Regional Head, CPBB Africa, Middle East and Europe, Standard Chartered PLC>>**

Thanks, Marc. Good morning and good afternoon, everyone. Samir and I will now talk more about the strength of our deep-rooted network and how it serves the local and international banking needs of affluent clients.

As Ray mentioned earlier, we are in the right markets in Asia, Africa and the Middle East, which are home to over 100 million affluent individuals. Hong Kong, Singapore, China, India, Taiwan and Korea are our core markets with large and growing affluent revenue pools and AUMs. Malaysia, Indonesia, Kenya, Nigeria and Pakistan offer us the next set of growth opportunities. In addition, we operate four international wealth hubs out of Hong Kong, Singapore, UAE and Jersey, which are key to delivering our international banking proposition across our network.

Hong Kong is the gateway for mainland Chinese wealth and Singapore is a natural hub for ASEAN and a growing global financial center. Samir will speak more about the opportunities in these key hubs. Let me touch upon UAE and Jersey.

Being one of the richest economies in the world, UAE is a key financial center, which connects a growing pool of affluent clients to our other hubs. It attracts new wealth from our footprint markets. UAE is home to the second largest population of non-resident Indians or NRIs in the world, accounting for 11% of the world's NRI base. This is reflected in our UAE affluent client base, 43% of which are Indian nationals that we offer investment solutions, both onshore and offshore, primarily through Singapore and Hong Kong. In addition, our UAE hub has strong links to our onshore India franchise, referring over 3,000 new NRI clients with AUM of more than \$250 million since 2017. With a well-complemented local and international offering, we are strongly positioned in UAE.

Jersey is our niche location, which functions as an inbound wealth hub for expat clients and differentiates us from other Asian regional competitors. It serves as an attractive offshore hub for a growing pool of affluent African clients primarily from Nigeria and Kenya. Through Jersey, we also offer a competitive mortgage solution for our clients.

Our international banking business is one of the most distinctive attributes of Standard Chartered that I have come across since I joined 8 months ago. This diverse network allows us to capture the fast-growing opportunities from 5 key diasporas: global Chinese, Indian, ASEAN, African and internationally mobile clients. We are building capabilities to unlock these opportunities, including seamless international client referral and onboarding as well as dedicated relationship teams that tailor international wealth solutions. Over the last 5 years, we have grown the number of international banking clients by 7% CAGR and AUM by 11%.

Let me give you an example of a typical international client relationship. Mr. X is a global Indian client. Mr. X lives in Dubai, where he has operated a very successful enterprise for the past 15 years. He banks with us locally for his local investment and with CCIB for his business requirements. We also serve his needs in India, where he has an extended family and household relationship with us. Three years ago, Mr. X started a relationship with us in Singapore to manage some of his wealth and legacy planning and to fund his daughter's education. He is interested in leveraging our network in Kenya, where he intends to expand his business interests. We are also in discussion on a mortgage facility out of Jersey for his property purchases in the U.K.

Only a bank like Standard Chartered can meet all the needs of Mr. X.

I will now turn it over to Samir.

**<<Samir Subberwal, Head of CPBB Asia and Global Head of Digital Business, Standard Chartered PLC>>**

Thanks, Bongiwe. I'm truly excited by the scale of the opportunities in Asia and how well positioned we are to capture these locally and internationally.

Let me start with Hong Kong, where we've had a presence of more than 160 years and are a note issuing bank. We are a top 3 consumer bank, banking around 600,000 affluent clients with an estimated 13% market penetration for priority clients. Our affluent income in Hong Kong grew at 10% CAGR between 2016 and 2019, although it has slowed in 2020 and 2021 due to external challenges. We are though seeing strong signs of recovery this year. Year-to-date, income is up 11% year-on-year. We've also seen strong growth in new-to-bank priority clients, up 14% year-on-year. This sets us up well for 2023 when we expect borders to reopen further. We have an aspiration to consolidate our leadership position in Hong Kong, and we are focused on 3 key areas.

First, Hong Kong is a natural gateway for Mainland Chinese wealth, and we are an early participant in the Greater Bay Area ecosystem through the Wealth Management Connect and our GBA centers in Shenzhen, Guangzhou and Hong Kong. We bank over 90,000 international banking clients in Hong Kong with AUM of more than \$18 billion, and this is set to accelerate.

Second, a sharpened focus on Priority Private. This is our sweet spot, given that it generates a revenue 6x that of a Priority client. And our larger scale in this client proposition is in Hong Kong. We continue to refresh our propositions and strengthen our wealth advisory and solutions to drive further growth.

Third, we are expanding our private bank by decisively shifting the focus of our talent, client acquisition and platforms towards the ultra-high net worth segment. We have stepped up investments in senior relationship managers and leadership talent to help us capture this opportunity. In fact, the private bank globally has already this year delivered its highest net new money inflow relative to the last 5 years.

Turning to Singapore. It is the fastest-growing global financial center, and we've been here for over 160 years as well. We are also recognized as the first and only significantly rooted foreign bank by the Monetary Authority of Singapore, giving us strong local advantage. We have an extremely attractive story of growth, resilience and innovation in Singapore. Our affluent client income has grown at a strong 9% CAGR for the past 5 years, with wealth management income growing 16%, supported by client growth of 9% over the same period.

In addition to being a strong and deeply rooted bank in Singapore, we've leveraged our network strength to expand our strategic positioning as an international wealth hub, serving all affluent clients across our network. We have over 60,000 international banking clients with AUM of over \$13 billion in Singapore. Similar to Hong Kong, we will also expand our Priority Private and grow our private bank to capture the affluent opportunities and grow our share of the market.

Finally, Singapore's also a test bed for new solutions and channel innovations that we can eventually export to the rest of our network. For example, Marc spoke about our single wealth platform and myRM amongst many others.

Let me now hand back to Judy for her concluding remarks.

**<<Judy Hsu, CEO, CPBB, Standard Chartered PLC>>**

Thank you, Samir. Now let me recap on the key points coming out of today's presentation.

The Affluent Client business is a high growth, high return and a key driver of today and future group performance. We have a strong track record, and we will leverage on the whole of the bank's franchise to turbocharge growth.

We have a scalable platform anchored on market-leading wealth management and cross-border propositions.

With our deep-rooted network and trusted brand, we're in a unique position to serve the local and international needs of our clients.

We have set ourselves ambitious financial targets for 2024. We aim to grow income around 10% CAGR and increase Affluent RoTE to around 30%. We're confident that we will deliver our ambitions.

I'll now hand back to the operator to take your questions. Operator.

### **Q&A session**

#### **Operator (Operator Instructions)**

We will now go to our first question. And your first question comes from the line of Raul Sinha from JPMorgan

#### **<<Raul Sinha, JPMorgan Chase & Co>>**

I've got two questions, if I may. The first one is, just looking for some additional insights into the slowdown in wealth in North Asia. I mean it looks like you've got an annualized revenue loss here of around \$400 million, \$500 million. When you think about restrictions being eased next year into 2023, which is what you mentioned, how quickly does this kind of revenue come back? And do you think that structurally the wealth business will change to perhaps adapt into the new sort of environment post all of these? That's the first question.

The second one is on your cost-to-income ratio. Looking at your cost-to-income ratio target, 60% in 2024, and you've got cost savings attached to that of \$500 million, you already are at 64.7% as of Q3, it looks like. So, the question here is, is this 60% still an ambitious target just given the fact that the significant tailwind from interest rates means that you're probably likely to get there very soon, perhaps next year. And so is 60% the target where you're happy to be? Or do you think, as a retail franchise, you might want to be operating lower than the 60%?

#### **<<Judy Hsu, CEO, CPBB, Standard Chartered PLC>>**

Thank you, Raul, for that question. For the first question on the wealth management income that has come off this year, maybe I first pass that question to Marc to answer that, and I'll come back with the cost-to-income ratio question.

#### **<<Marc Van de Walle, Global Head, Wealth Management, Deposits and Mortgages, Standard Chartered PLC>>**

Yes. Thanks, Judy. It's true that Wealth Management income has suffered more in North Asia because of COVID restrictions. If you think about it, the four markets we're present in China, Korea, Taiwan and Hong Kong have all had various higher degrees of restrictions than the rest of the world. So that explains one part of it.

The other part of it is that, that region is more sensitive to China equity markets. Clients are just more exposed because of home bias.

Now going forward, we can't control the markets, but we focus on our underlying drivers of the business. If you decompose the wealth management income, if you think about it, about 70% of it is base income, which is less market-dependent. And then about 30% of it is market-dependent. So, we'll continue to focus on growing the base income, the less market-dependent income, as well as growing our clients, growing wealth penetration and growing wealth cross-selling.

Back to you, Judy.

**<<Judy Hsu, CEO, CPBB, Standard Chartered PLC>>**

Yes. Thank you. It's a really good question, Raul, on the cost-to-income target. We did set a target of 60% of cost-to-income ratio by 2024. This year, we're very much on track to deliver, en route to that 60%. As of third quarter, we're at 69%. That's a reduction from 74%. A lot of that is our ability this year to deliver the \$200 million cost saves, and we're very much on track to do that.

Yes, we have set a target for \$500 million of gross cost saves. What that enables us to do is invest back into the business and allows a lot of the income growth to fall to the bottom line. Now if there are more tailwinds in the business, if wealth comes back faster, there's a probability, a chance, that we could achieve the 60% faster. But as of now, the target is to achieve that 60% and we'll manage that throughout the next couple of years.

Shall we go to the next question, please?

**<<Operator (Operator Instructions)>>**

And your question comes from the line of Yafei Tian from Citi.

**<<Yafei Tian, Citigroup Inc>>**

I have a few questions, if I may. The first one is really around the further breakdown of the wealth income. You mentioned about 70% is base income and not market independent. Is it possible to break down a little bit further how much of this comes from the insurance business? And how much is from your activity funds, asset management? Any color around that would be super helpful.

And then second question is around the competition in the Asia region. Quite a number of peers are also pursuing a universal banking model in the region. So given the competition environment, do you see somewhat of an upward pressure when it comes to hiring RMs? So just want to understand what is your hiring plan to drive that 10% revenue growth target.

**<<Judy Hsu, CEO, CPBB, Standard Chartered PLC>>**

Thank you, Yafei, for that question. Maybe I will ask Marc again to maybe give a bit more color around the 70% income.

**<<Marc Van de Walle, Global Head, Wealth Management, Deposits and Mortgages, Standard Chartered PLC>>**

Yes. Thanks, Judy. So, we have really four categories of products. We have capital markets products, securities, derivatives, structured products and FX. We have Banca. We have managed investments, which is the asset management type of income. And then we have wealth lending. And base income is composed of Banca, the portion of managed investments that is AUM-related and also FX, because FX trading is something that tends to be not directional and you can do it in any kind of market environment. So that's the type of composition. And I think there's a slide in the pack that we have given you with the exact composition of the various product types. Back to you, Judy

**<<Judy Hsu, CEO, CPBB, Standard Chartered PLC>>**

Yes. Before we go to the next question, maybe I'll just add a point around what earlier in our presentation Ray had alluded to. When we look at our wealth business, wealth is one big engine. The other piece of our wealth business is really our retail products, of which deposit plays a critical role.

As we see that with, what's happening in the market, we are seeing more investors allocating more to cash. And that of course, has provided us with a pretty good natural hedge in what has been a very challenging market.

So, if I look at the wealth business in the last five years, where rates have come off, wealth has really delivered that resilience for us. This year is the reverse. And as we see markets start to normalize in the

next year or so, we'll see hopefully both engines being that tailwind for us. And so, it's not really just looking at wealth.

Now coming back to the competition question, I'd like to throw that question to Samir. He manages our largest sales force across Asia market. And of course, competition is something that we face every day. We're doing a pretty good job at growing amidst the competition. So over to you, Samir.

**<<Samir Subberwal, Head of CPBB Asia and Global Head of Digital Business, Standard Chartered PLC>>**

Thanks, Judy. Most certainly, we are seeing competition for RMs in our markets in Asia. We will continue to grow our RM force. But more importantly, we are looking at how do we retain our existing RMs. Because increasing vintages of RMs within our portfolio, one, serves the clients really well; and two, they deliver far higher productivity as the vintages improve.

So, a few things that we're focusing on, on retaining our RMs. We are making sure that we have a career progression for our RMs within the bank. We make sure that we have market-leading scorecards and incentives on the basis of which we compensate our RMs. We spoke about the INSEAD SCB program that we've launched for our RMs and that hopefully is going to help build capability for the RMs. It's also a program that will hopefully attract new RMs to the bank as well as help retain our existing RMs. And we will continue to invest in building digital capability where our RMs can use that to engage customers remotely. An example of that is myRM capability that we've launched in our several markets in Asia that actually has improved the client experience as well as enabled our RMs to engage customers remotely as well. So there's a lot of work being done to retain RMs.

And over the years, what we do to manage the competition for RMs is we try to get at least 40% to 50% of our RMs through our internal workforce. So, we work on that career progression so that we don't depend completely on the external market in hiring RMs. Let me pass it back to Judy now. Thank you.

**<<Judy Hsu, CEO, CPBB, Standard Chartered PLC>>**

Thanks. We will take the next question, please.

**<<Operator (Operator Instructions)>>**

And your next question comes from the line of Alastair Ryan from Bank of America.

**<<Alastair Ryan, BofA Securities>>**

Yes. Two questions, please. You mentioned that 60% of Affluent client inflows came from the mass market. Could you give us a sense of the internal flows further up the wealth chain, perhaps from commercial banking customers for example, and how many of your wealthy customers are new to group so that you're out competing with, I don't know, UBS, as opposed to almost trying to capture business that's already with you.

The second thing, on deposit pricing, deposit migration, clearly, there's been quite a favorable experience at Standard Chartered this year of not having to pass through all of the deposit hikes. But as we get later into that cycle and are you seeing the wealthy clients very price-sensitive or increasingly price-sensitive or actually because it's a core business, they're fairly sticky where they are

**<<Judy Hsu, CEO, CPBB, Standard Chartered PLC>>**

Thank you, Alastair. The first question around the upgrade as well as referrals from other parts of the bank for new clients, I'll ask Ray to take that. And then followed by Marc on the deposit and the stickiness deposit question. So over to you, Ray.

**<<Raymond Ang, Global Head, Affluent Clients, Standard Chartered PLC>>**

Thank you, Judy. So, you're right to say that 60% of our Priority clients come from the mass market upgrades. Within the Affluent continuum, this ratio is actually also very high as we upgrade the clients from, say, premium all the way up to Priority Private and into Private.

The question was asked also with regards to the commercial banking and business banking. There, actually, I don't have the exact numbers, I can come back to you, but we do a lot of employee banking with the companies of CCIB and also for business banking. So, the flow actually is very smooth. We can come back on numbers, but the collaboration between the units is very strong. So, with that, maybe back to Judy.

**<<Marc Van de Walle, Global Head, Wealth Management, Deposits and Mortgages, Standard Chartered PLC>>**

Yes, I'll answer the question on deposits. So, we've very prudently managed or tried to manage our pass-through rates in CASA, and the pass-through rates are in line with the previous guidance that we have given. Now as rates increase, we would expect clients to move from CASA to term deposits. And that, of course, may deteriorate the overall pass-through rate of our total deposits, but we're still comfortable with that and we'll continue to manage that very conservatively.

Now a very key point I'd like to make here is that if you look at our corridor margins, we've actually just passed the level we were at in 2019. And that means that the revenue increase that you've seen from our deposit business actually comes from prior asset gathering that we've done. And there is further upside as we expect rates to continue to rise.

Back to you, Judy.

**<<Judy Hsu, CEO, CPBB, Standard Chartered PLC>>**

Thank you, Marc. Just on the comment around whether the more affluent clients are more price-sensitive from a deposit perspective, what we're seeing is that just given the speed of rate rises, many of our clients who have additional cash in the deposits, they're looking for some of that shift for more attractive rates. That's where we're seeing more, I think, obvious, visible in the higher net worth clients.

But going back to also the other comment that Ray made earlier, where we see very sticky deposit is from our employee banking clients. That's predominantly in the premium space. When we look at our 2 million affluent clients, 1 million of those clients are in the premium space. Many of them have their salary accounts with us. They're very sticky, and that's where they retain a lot of CASA.

So, if I look at the overall portfolio, we are seeing that migration. But overall, we are still doing very well in retaining the bulk of our CASA, and we expect that to continue despite very aggressive rate rises. We will move the next question now please.

**<<Operator (Operator Instructions)>>**

We will now take your next question. One moment, please. Your question comes from the line of Tom Rayner from Numis.

**<<Tom Rayner, Numis Securities Limited>>**

Can I have two questions, please? The first one, Judy, just whether the overall group structure is optimal for developing the sort of Affluent Client business? I'm thinking in terms of whether maybe a more focused consumer wealth division and maybe business banking moving in with the other corporate divisions, whether that overall structure is really optimal or whether there's something there you think could be sort of a better proposition.

And just the second question, just coming back to the wealth management income, the 73% base income. Obviously, I think the message is that this is very much an annuity-type stream and therefore it will be viewed as a sort of more valuable type of income, I guess. And I'm just wondering, I know there were some numbers given, but I'm just trying to get a sense of how much revenue within that base is things like mutual fund sales, which, particularly in Hong Kong, can be quite volatile, can be quite market-sensitive themselves. So, I'm just trying to get a better understanding of that base income.

**<<Judy Hsu, CEO, CPBB, Standard Chartered PLC>>**

Thank you, Tom, for that question. In terms of your first question, if I look at our structure, I think it's very focused in terms of growing the 3 business lines within CPBB, the Affluent business, which Ray looks after, with a lot of partnership and support from our regional heads, Samir and Bongi and, of course, in partnership with Marc. The bulk of their time is devoted to ensure that we can compete, we continue to strengthen our client value proposition. That's the biggest part of our business. So, we disproportionately invest in that and we disproportionately focus on that.

And then we have business banking, which is a smaller part of our business. It's very high-returning. It provides very rich liabilities, and we also have a team segregated from the rest of the CPBB business that leverages a lot on the CCIB infrastructure to deliver our proposition to our clients.

And then we have the Mass business, which is looked after by another part of CPBB. So, whilst we leverage on each other and we use common infrastructure to support our clients, at the end of the day, in terms of the focus, we're very well structured to support that.

The second question, maybe I hand it back to Marc to give a bit more insights.

**<<Marc Van de Walle, Global Head, Wealth Management, Deposits and Mortgages, Standard Chartered PLC>>**

Yes. Thank you, Judy. So not all the base income is annuity income. But what we call base income is really what is less or not market dependent.

So let me explain a little bit more. Banca has a component of base income, which is a regular fee that we get from our partner pool, but there are also commissions that depend on sales. Now these sales of Banca products are not market dependent because needs of savings, retirement and so on are universal, and we tend to get a good regular revenue stream for that. So, all of the Banca income we count into base income.

When it comes to mutual funds, we don't count the entry fees of mutual funds into our base income because, as you mentioned, this is dependent on market sentiment. But the annuity income of mutual funds or our own discretionary portfolio management is counted into base income.

Then there's a third important component which comes from FX trading, which we've seen over the years is really, really stable, again, as I said, because you can trade FX both ways. It's not a directional market. Back to you, Judy.

**<<Judy Hsu, CEO, CPBB, Standard Chartered PLC>>**

Thank you, Marc. We can take the next question, please.

**<<Operator (Operator Instructions)>>**

(Operator Instructions) I will now hand the call back for web questions.

**<<Unidentified Company Representative (Standard Chartered PLC)>>**

Thank you. The following question is from Gary Greenwood at Shore Capital. How did you arrive at the 30% RoTE target? And do you think this will be sustainable once achieved. And given such a strong performance, will that likely attract more competition?

**<<Judy Hsu, CEO, CPBB, Standard Chartered PLC>>**

Thank you, Gary, for that question. Our current RoTE for the Affluent business is 26%. We set ourselves a target to improve that -- improving that to 30% by 2024. That increase is really on the back of both, as I said, mentioned earlier, both engines, both the deposit engine as well as the wealth engine recovery in the next 2 years.

Of course, at the same time, we're also investing heavily behind the wealth business, be it the RMs we talked about, which Samir talked about, the platforms, the wealth capability, digitizing our business, whilst

at the same time, really focused on our productivity program so that we can invest that back into the business.

At this point, 30% RoTE for the wealth business is a good target. And as I said earlier, if there's more opportunities, more tailwinds, macroeconomic support, we could potentially see that trending somewhat higher. I do think it's sustainable given the mix of our business and the diversity of our income and our continued ability to deliver the positive jaws to deliver the higher RoTE.

In terms of the question around the strong performance, would it attract more competition? I think earlier there was already a question that this space, the affluent space, given that it is high-returning and extremely attractive from a return perspective and growth perspective, that it is a pretty crowded, competitive market. But at the end of the day, there are many players and each compete, leveraging on its unique strength. For us, we talk about our strength, which is really around our international banking network, our deep rootedness and our very strong wealth platform and our whole ecosystem where we have this wealth continuum or Affluent continuum that generates the upgrade and the funnel to drive the business.

So yes, it will continue to attract other players, but we are very embedded in many of the markets. We have a very strong platform. We're very confident that we can continue to compete and we have to continue to win market share.

**<<Unidentified Company Representative (Standard Chartered PLC)>>**

Thank you. The next question comes from Ed Firth at KBW (Keefe, Bruyette & Woods Limited). It's a big question.

One of the big global themes at the moment is the fracture between the U.S. and related markets on one side and China and Asia on the other. To what extent is this impacting your business and the breadth of products you offer? Does this give you competitive advantage in Asia against international peers, particularly the U.S.?

**<<Judy Hsu, CEO, CPBB, Standard Chartered PLC>>**

In terms of wealth, I think, so far, the geopolitical risk has not been a big component in driving our growth. But we've been operating in these emerging markets for a long time, more than 150 years. We're very good at navigating volatility and changes. And we're pretty confident that we can continue to respond to these external changes and continue to serve our clients in these markets.

Perhaps I could also refer questions to Samir, whether you are seeing any client response or differences in client behaviour on the back of some of these challenges in Hong Kong and China.

**<<Samir Subberwal, Head of CPBB Asia and Global Head of Digital Business, Standard Chartered PLC>>**

Thanks, Judy Like you said, I don't think we are seeing any material impact on our clients and our business in the markets we operate in. Most customers, again, referring back to where our competitive strength is as a bank, we are a bank that offers a wealth continuum to our customers all the way from mass market to the private bank. We do have an open architecture that we offer products that are completely independent in some ways and the customers like that as well. We have a presence in all of our origination markets for International Banking as well as the big hubs of Hong Kong and Singapore in Asia, that makes us a natural choice for customers when they think about international banking.

We've also talked about the common wealth platform that we're building that will enable advisory solutions. All of these competitive strengths that we have in these markets in Asia, given all of that, we haven't seen really any impact of the geopolitical tension in the way the clients are engaging with us in these markets at this point in time.

**<<Judy Hsu, CEO, CPBB, Standard Chartered PLC>>**

Let me just go back to the question as well, in terms of our competitive advantage against U.S. peers. Actually, our biggest competitors are the local banks and more of the regional banks if you talk about the wealth space. And here, again, we have the competitive advantages that Samir spoke about, which is around International Banking as well as our open architecture platform as well as our overall wealth continuum. So we don't see the U.S. being a big competitor for us.

**<<Unidentified Company Representative (Standard Chartered PLC)>>**

Thank you. There are no more web questions. I'll hand back over to the operator for phone questions.

**<<Operator (Operator Instructions)>>**

(Operator Instructions) And your question comes from the line of Andrew Coombs from Citi.

**<<Andrew Coombs, Citigroup Inc>>**

Just taking a closer look at slide 7 and slide 9, slide 7, where you provide the client wealth continuum and you show the income per active client multiples. If we look at that slide, it looks like over 60% of your revenue is being derived from Priority clients and Priority Private and Private combined, you make up about 25% of your Affluent revenues. If I then fast forward to slide 9, which gives a useful breakdown of the kind of the products and the advisory model across each of the segments, the Premium and Priority are very much digital-led.

And so I imagine that the marginal cost-to-income is relatively low. Obviously, Priority and Private and private banking, much more RM-led and driven. So I'd be interested to know how the marginal cost-to-income compared on those segments, which obviously, the revenue multiplier is that much higher, but I imagine the initial cost and expense of getting the RM teams in place is also significantly more. So perhaps you could just talk about the cost-to-income dynamics across different segments of continuum.

**<<Judy Hsu, CEO, CPBB, Standard Chartered PLC>>**

Thank you for that question, Andrew. Directionally, you're right. The cost-to-income ratio does edge higher as we move up the wealth continuum given that there's more human relationship. And we don't disclose cost-to-income ratio at the segment level, but all I have to say is if you look at our entire business our cost-to-income ratio is lower than the other segments in our business and the RoTE is very, very attractive.

So our role is to continue to lower the overall cost-to-income ratio of the entire platform and dedicating more of our RMs to the higher segment to generate that value-add income and then digitizing the rest of the business. Actually, if I look at the digitization program that Marc spoke about, many of the Affluent clients are also becoming quite digital. So in fact, in the priority banking and Priority Private business, increasingly, we're also seeing that shift.

So directionally, the higher end of our continuum has a higher cost-to-income ratio, but we look at this holistically just because we share a lot of the investments, a lot of the digital platform, a lot of the common infrastructure.

I hope that answers your question.

**<<Andrew Coombs, Citigroup Inc>>**

It does. I guess my point is that the higher growth probably comes from the other segments, but your point is that through some of the digital initiatives, you can lower the cost-to-income in Premium, Priority more than offsetting therefore the mix shift of that growing at the top end.

**<<Judy Hsu, CEO, CPBB, Standard Chartered PLC>>**

Yes, that is correct.

**<<Operator (Operator Instructions)>>**

(Operator Instructions) We will now go to our next question. Your next question comes from the line of Yafei Tian from Citi.

**<<Yafei Tian, Citigroup Inc>>**

I have a question around the AUM as well as deposits. You have two AUM disclosure in the presentation. One seems to include the deposits where the other one is more investment-related AUM. When I look at the quarterly disclosure on deposits, at least in the recent years, from 2020 to 2021, that deposit growth has been relatively sluggish. So, for instance, 2021, deposit growth was only 3%. This year, deposit has also been relatively flattish. So how do we reconcile the very strong AUM growth you are seeing versus the relatively muted deposit growth that is being reported on the quarterly reporting?

And then the second question around investment AUM. I just wanted to probably link that AUM number that you disclosed on page 8 with the wealth management income. Is there a direct linkage between those two numbers in the sense that your investment AUM is actually driving the wealth management or other dynamics through that?

And finally, it would be really good if we can have some net new money numbers to come with this AUM as well so that we can better see what is driving the underlying AUM growth, whether that's market condition or you are gaining market share.

**<<Judy Hsu, CEO, CPBB, Standard Chartered PLC>>**

Thank you, Yafei. I will pass this question to Marc, and then maybe Ray could add his comments as well.

**<<Marc Van de Walle, Global Head, Wealth Management, Deposits and Mortgages, Standard Chartered PLC>>**

Yes. Thanks, Judy. So, as you said, there are two AUMs. There's total AUM which comprises deposits and wealth products, so investments. And over the last three to five years, the growth of deposit AUM has been much lower than the growth of wealth management AUM, and that's normal in an environment of very, very low interest rates. People will go more into investments. It's also a conscious commercial push from our side to try to penetrate more clients with wealth management.

Now in fact, this year, the growth of wealth has been much lower. And of course, there is a market impact in that. Net new sales have been positive, but the growth of deposits has been much higher as there's been risk-off sentiment and clients have shifted into deposits. So, Ray explained in his presentation that these two go together and they are a natural hedge to each other.

And looking at the second question, yes, the direct linkage between investment AUM and wealth management income trend, now there is obviously a linkage. But bear in mind that what's not inside the investment AUM is Banca, and Banca revenue growth has been slightly lower than the rest, simply because of the composition of our Banca revenue. There's one part of it which is a fixed fee we get from our partner pool. And there's the other part which are commissions, which has been growing very fast. But the fixed fee, of course, is not growing at the same pace.

On the net new money, underlying AUM growth, I can comment on wealth management AUM, which is not the total AUM. On Wealth Management AUM, the compounded average growth rate over the last five years has been 12%. And 10% of that is what we call net new sales. Only 2% has been a market impact. So, it's really driven by our commercial efforts to deepen and to gather new clients and to deepen their share of wallet.

Back to you, Judy.

**<<Judy Hsu, CEO, CPBB, Standard Chartered PLC>>**

Ray, maybe you'd like to comment because net new money is absolutely a big focus for us. New money is a big focus for us.

**<<Raymond Ang, Global Head, Affluent Clients, Standard Chartered PLC>>**

Yes. So, the question on net new money. In the last five years, clearly we have had very strong net new money contributing to AUM growth as well. In 2022, I would say that the new money is positive and that's

a very good sign. And net new money would come in the form of net new sales, new cash that will come in marketable securities in the area of private bank, and all these, despite some deleveraging for investment portfolios. So, a positive story here for net new money even for 2022. Back to you, Judy.

**<<Judy Hsu, CEO, CPBB, Standard Chartered PLC>>**

Thank you. We'll take next question.

**<<Operator (Operator Instructions)>>**

Thank you. I'll now hand it back for web questions.

**<<Unidentified Company Representative (Standard Chartered PLC)>>**

Thank you, operator. For the last question of the day, this comes from Martin Leitgeb at Goldman Sachs.

Could you elaborate how do you see the broader competitive landscape in Asia evolve over the coming years? Do you see the possibility for consolidation in the market and could this be an opportunity for Standard Chartered?

**<<Judy Hsu, CEO, CPBB, Standard Chartered PLC>>**

I'll take this and very happy for Bongi as well as Samir to add their comments as well as they see the competitive pressure in the market.

As I mentioned earlier, this is a highly attractive segment and it's a very crowded space. But in order to win in this space, you do need to have very clear differentiating factors. And we have clearly articulated what those are, that we focus on leverage to grow our business and have been very successful in doing that, and we will continue to invest behind that to drive the future growth of this very attractive business. In terms of potential for consolidation in the market, we've seen that, especially over the last many years where some banks have decided to exit and some banks continue to come back into this market just given how attractive it is.

For us, we already have a very scaled business, as you can see. We are currently top 5, and we expect to continue to drive that forward. We already have scale. And in terms of where we see any organic opportunity, we will continue to look at the market. But for now, we focus on just executing our plan organically. And as we see opportunities, clearly, those opportunities need to be return-accretive and something we're very focused on driving the improved return of this business.

Perhaps I should pass to Samir and Bongi to just share some of the competitive landscape, what you're seeing how we're winning business.

**<<Samir Subberwal, Head of CPBB Asia and Global Head of Digital Business, Standard Chartered PLC>>**

Thanks, Judy. I think you've covered most of the points. In Asia, we certainly are seeing a heavy competition in the Affluent segment, obviously, given how attractive the returns in the segment are. But we've talked about our competitive advantage in not just Asia, but globally, and we believe that will continue to hold for us even if the competition was to increase.

What we are seeing increasingly in the markets is that the local banks are getting more competitive even in the affluent space. And that's an evolution that's happening over the last few years. We've got to make sure we stick to our competitive advantage and our strength and remain true to that, and a large part of that really is around our ability to offer international banking to customers across all our segments, not just in Asia but broadly in the group as well.

So that's how we're competing in Asia in this market. And I like pass it onto Bongiwe for her comments in Africa and the Middle East.

**<<Bongiwe Gangeni, Regional Head, CPBB Africa, Middle East and Europe, Standard Chartered PLC>>**

Thank you, Samir. I think similarly, in Africa and Middle East, we're seeing very increasing competition and perhaps one needs look at the Middle East and the African continent through different lenses.

In Africa, the competition is largely in the mass market space, where it's not just the local banks that are really coming in and becoming quite very competitive, it's the regional banks, but also fintech's that are beginning to play an important role in that, particularly in the mass segment. However, we have a competitive advantage in terms of the space that we choose to play in, which is the wealth segment as well as our ability to offer international banking.

Similarly, in the Middle East, I think our competitive edge will still remain our ability to serve customers through their requirement in the wealth space, but our ability to connect them to the different hubs that we have in Asia or in Jersey or within the UAE as an opportunity for us to serve them as their needs evolve over time.

I'll then hand over to Judy.

**<<Judy Hsu, CEO, CPBB, Standard Chartered PLC>>**

Thank you, Bongi. Thank you very much for all those questions, really good questions. And I hope we've been able to respond to them very, very well.

Now before we end today's session, I thought it's important for me to reiterate the 3 messages.

First, the Affluent client segment is a high-growth and high-return business.

We have a scalable platform. It was anchored on market-leading wealth management and cross-border propositions.

We are very deeply rooted in our markets where we have presence. We have a fabulous, very trusted brand. We're in a really good, really unique position to serve both the local and international needs of our clients.

And if you look at our targets, they reflect our ambition of income growing at around 10% CAGR and RoTE to improve to around 30%.

So thank you very much again for joining us. If you have other questions, please don't hesitate to contact our Investor Relations team. Thank you again. Have a great day.