Innovation & Digitisation Event

Standard Chartered PLC

Wednesday, 13th October 2021

(Amended in places to improve accuracy and readability)

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Opening

<<Bill Winters (Group Chief Executive, Standard Chartered)>>

Key Messages and Aspirations

Hello everybody. It is such a pleasure to be here. For those of you in the room, it is really, really nice to see you from the waist down. For those of you virtually, it is something I look forward to. Now, we have got a pretty busy day. We have got a rich agenda here. The objective and what we want to do is to take you through something a little bit different than the conventional presentation that we might have around earnings or a strategy update. We want to talk about the way that we are using innovation to transform Standard Chartered Bank.

Amongst the key things that we hope to get across is that our innovation agenda is not something that is on the side. It is not something that we are doing in addition to the ongoing transformation of the bank. It is at the heart of the transformation of the bank. We know that banking is changing very fast. We know that there are tons of threats and there are tons of opportunities. The way we look at things from our experience now, and we have been at this for a few years, is that the opportunities are probably far greater than the threats. Some of that is particular to Standard Chartered and some of that I think could apply to the banking industry more broadly. However, what we know for sure is what we have been building over the past several years, what we will continue to build and we will obviously give you a lot of detail on both the status quo and the plans from here, is part of the process of fundamentally transforming the bank. We are very excited about it and we thought this was a good time to lift the curtain a bit on what we have done, why we believe in what we have done and how we are going to progress this going forward.

We are going to talk about how we are transforming the bank through innovation. We are going to talk to you about how we choose where we want to play because clearly, I think no one can play everywhere and certainly a bank of our size cannot play everywhere. We made very deliberate choices. We are going to explain why we think we can win and in fact are winning. Then of course, how we are going to do it. We are convinced that we can win. It is based on a few things.

One is the fact that this is embedded deeply into our transformation agenda. It is a part of the culture. It is the way that we are thinking about being entrepreneurs and it is the way that we are thinking about being intrepreneurs. At this point we think we have got enough track record that obviously we are intending to share with you today, to say that the culture is in fact evolving in a fundamentally transformational way. A second is that our approach is differentiated. It is differentiated because we are a different bank and because of our footprint, because of our scale or lack thereof in key markets which allows us to take a very different approach to the innovation agenda than you might see from some other banks. Finally, the evidence is that we are making good progress, and this is not just what we are saying. This is what we are seeing from our customers.

We are touching with our innovation agenda a very broad range of activities in the bank. Virtually every client segment is affected, large corporations, SMEs and retail customers. We are executing through the platforms that we are building ourselves. We are executing through other people's platforms. We are agnostic. The key for us is at every point is to understand what the unmet customer need is, to understand whether we have an advantage in terms of addressing that customer need and then addressing it.

We are using a set of conventional tools. We are using a set of new tools, some of which we are developing ourselves, some of which we are bringing in from partners and some of which we are bringing in from vendors. However, this combination of access to tools, matched with our own experience, is giving us an opportunity both to transform our own business but also to develop new business models along the way. We are doing that in a pretty regular way and you will be hearing about that.

At every point along the way we are linking our focus on innovation to our core purpose as a bank. We always have inclusion and sustainability in mind. These are both areas where the opportunity to innovate is great. It is also an area where we can leverage our own innovative energies and focus into both greater societal good and value for our shareholders.

We are quite ambitious in terms of what we are trying to do. We believe that we can generate over 50% of our income from this set of transformational and innovative activities. Digital initiatives and innovations, the ongoing transformation of our core and we are investing in this strategy. I will talk a little bit at the end of my short comments about the underlying financials to give you some colour there.

To-date our largest investments have been in the transformation of the core. It started probably before I arrived and it is certainly accelerating after Andy and I really tucked in. We have been investing in addressing the technology deficits and the core capabilities that allow for rapid and agile innovation. Over the past several years we have been shifting that balance from the transformation of the core to building on that core with many of the initiatives that you will be hearing about today. Whether they are discrete ventures or on-going product innovations. What we are going to do today is to take you through this 50% with examples. We are going to try to give you some colour why we think 50% is a reasonable aspiration for our Bank and how we are achieving that. However, we are not going to get into big debate about what counts and what does not. That is not the point. The point is we are fundamentally changing the bank.

We are approaching innovation in a different way. For starters, we think innovation is about ideas and addressing unmet customer needs. It is not really about capital anymore. Although obviously it helps to have capital to deploy in the right situations. We have taken a human-centred design approach to everything that we are doing. We have trained well over 2,000 of our colleagues in human-centred design techniques. This is part of the adaptation of the culture but what we are also doing is making a series of investments that have to meet at least one of three key criteria.

Investing Criteria

First is we are investing in things that are first-in-class or best-in-class. If it is not first-in-class ideally and best-in-class, it is hard to see how it can make a difference to us. Thankfully we will unpack all these, a lot of examples of that. Second is we are investing in things that scale fast or that can be scaled fast. We have a scale challenge at Standard Chartered. How exciting is it to be able to address that challenge with a few key, well-executed initiatives? Third is we are disruptive with a purpose. You will not hear that from too many incumbents in markets but we are prepared to disrupt if there is an unmet customer need. We will disrupt ourselves and we will disrupt other incumbents but always with a purpose. That purpose is to address the underlying customer opportunity which we see because of our presence in these markets. In many cases we see it first-hand and we hear it first-hand from the clients. Progress is really encouraging so far. We will dig into that in some detail.

Now, I know that what I have just said is somewhat contrary to the understanding perhaps by you or others of Standard Chartered Bank or the banking industry more broadly. First-in-class/best-in-class? That does not sound familiar. Scalable? That is not what Standard Chartered has been doing for 160 years. This has changed. We have different opportunities, different tools and in fact we executed a different strategy. We are obviously going to take you through that. We will continue to be your father’s bank. That is a very useful client segment. We are much more likely in the future to be your daughter’s bank or your granddaughter’s bank. Why? Because what we are building is future fit. What we are building is for the next generation so that these core network, Wealth and other income streams that we have been so focused on for the past few years are not only sustainable but can accelerate from here. Very encouraged by what we have seen so far.

Let us just take a few of these examples that I talked about, each of which will be discussed in the breakout groups in more detail with the people who are very much on top of these initiatives and ventures. First, first-in-class and best-in-class, what does that even mean? Then how are we deploying that? Let us take a look at our digital platforms. On the corporate side our primary interface with customers is through something we call Straight2Bank. Straight2Bank has been around for a while. Straight2Bank Next Generation is a cloud-native, fundamentally transformational platform that allows us to interact with our clients not just on the products that Standard Chartered is offering but as we build this out to become the platform occupying a disproportionate share of the Corporate Treasurer’s or the CFO’s desktop. This is very exciting. We have now got 42 markets covered. We have got 72% of our cash clients migrated onto this platform. We have halved the time-to-market for new products and services, down to eight weeks. We have got digital onboarding for clients in the corporate space, which is quite unique and maybe surprising. Up to 30% of our clients are digitally onboarded which is across nine markets.

This is first-in-class and what we are building is best-in-class. The tech foundations that we built are excellent. We have got real time onboarding in the retail business across six of our markets. That means somebody can go into the website, you have a live account funded in under 15 minutes and our typical onboarding success rate is over 80%, so industry-leading. A very powerful set of APIs, both in the Retail and the Corporate business and this has allowed us to significantly increase the volume that we put through the machine. All this is enabled by our investments in this core tech platform which is continuing to roll out but we are very well advanced. Our core banking system now is deployed in over half of our markets by volume. Fundamentally cloud-based and very, very exciting in terms of the ability to innovate off of those core platforms.

The final point on first-in-class/best-in-class is, it is fine what you say, Winters, but what about your customers? How do they feel about this? Thankfully, our customers are saying yes, you are first-in-class and best-in-class. When we look at Mox, it is the top-rated financial services app in Hong Kong and one of the top-rated financial services apps in the world. Our Wealth Management application, along with that business in China, gets consistent five-star ratings and frequently the most-downloaded financial services app in China. It is pretty striking. China is a big place. Top-three Wealth manager in Asia. This is supporting the message that we are getting from our customers.

nexus, which you have heard us talk about, is the first fully-scoped and fully-scaled and scalable banking-as-a-service proposition. We are starting in Indonesia. We are in production now, waiting for final regulatory approval to expand this thing broadly. However, we will be first-in-class with this business model. Of course, we intend to be best-in-class but we are going to have to let our customers judge that once we are up and running.

Digital Banks in Africa are consistently rated best-in-class in their markets. Other ventures that you will be hearing about over the course of today are Solv, our SME platform in India, CardsPal, a rewards and offering optimisation programme in Singapore. CardsPal is rated number one in the lifestyle category in Singapore. Now, what would entitle Standard Chartered to have a number one rated lifestyle app in Singapore? Well, it is a really good app. We understand what customers want and we apply that in a fun and relevant format. Leveraging the data capabilities that we have built and obviously leveraging the technology capabilities.

The second of the criteria for investment for us that I talked about is scaling. Scaling fast and scalability. This is absolutely key. We know that in a number of our markets we have suffered by being subscale, which may have worked at a point in time but it does not work today. The opportunities that we have got, both in the Corporate and the Retail space, to get to scale quickly and efficiently, and then have an efficient business at the back-end, are very exciting. Just a couple of examples. You have heard us talk about Linklogis. We were around since the inception of Linklogis. It is a deep supply chain finance and financing company set up in China to help our large MNC customers understand their supply chains all the way through and provide associated financial services. We invested in them in the beginning. We were their largest customer or largest partner for parts of their evolution. We have now set up a separate joint venture with them called Olea, which launched in Singapore just a few weeks ago, to take the product offering further into digitised trade finance. This is the kind of partnership that we are creating. This is what is allowing us to scale much faster than we could ever scale organically.

Mox has got 175,000 customers in the first 12 months. The Digital Banks in Africa got 700,000 customers in two years, almost as many as we have taken on board in the previous 160 years or so. We will soon surpass that level. 75% are under the age of 35. This is the future of our business from a broad financial services perspective, obviously including Wealth.

Solv in India, we have got over 90,000 small retailers, traders, wholesalers and manufacturers onboarded on this platform. This is a platform. Standard Chartered is a participant in this platform, not the biggest but what gives us the ability to scale through Solv. Well, we understand the constraints that our SME clients were experiencing. We developed a solution to those problems which went way beyond Standard Chartered. Tapping into finance, professional services and their own customers. We have Dell and Samsung as core anchor customers who were feeding into the Solv platform. These are some of the biggest distributors of product through these very same traders. We are building an ecosystem, but we are also building a platform that is exciting and growing.

Even this morning, you may have seen we announced a partnership with Atome, which is part of the ADVANCE AI Group, a data-driven FinTech in Asia. We will be partnering with them across ten markets. This will allow us to aggressively scale credit products to small businesses and retail customers, including

Buy Now, Pay Later. We even have an acronym for this now, BNPL. These are exciting opportunities. Why do people like Atome partner with Standard Chartered? Because we understand them, we can adapt technology very quickly and we are a great partner.

Final point on scaling fast, it is not just scaling customers in a market, it is scaling across markets. Now, the fact that we can reuse our entire tech stack for Mox in Singapore is exciting. The fact that we can roll Solv, which was built for India but roll that into Kenya, which is our next step, is exciting. You will hear many of these examples of scaling across markets. The addressable wallet through the partners that we already have on board is super-exciting. I just mentioned Atome, but Bukalapak had 100 million customers, Hong Kong Telecom 4 million customers and Trip.com 1 million customers in Hong Kong and another 350 million in China. We don't have a partnership with them in China but might we be able to do something at some point? Yes, of course. NTUC, our partner in Singapore, two million customers go into their shops every day. Fantastic opportunities to scale.

The third point that I mentioned, disrupting with purpose. We are prepared to disrupt our own business. Mox is the obvious example of that. We are prepared to disrupt other incumbents. What is the point of disrupting? If you identify an unmet customer need and solve it, you have identified something that somebody else was going to get to eventually. If we get to it first we get a chance to grab that share of the market in advance. We can also obviously learn tremendously, not just from what we build in Mox but also our learnings in Mox can port over to the existing retail bank in Hong Kong and vice versa. We set up a disruptive, what I would call the early stages of an ecosystem, but we have grand ambitions, in digital assets, cryptocurrencies.

Our Zodia custodian starts with an unmet customer need which is institutional investors owning cryptocurrencies wanting to have an institutional quality custodian. From there we will build out into other opportunities, whether it is in marketplaces and exchanges or we expect to be very involved in the rollout of Stablecoins or Central Bank digital currencies. This is all part of our willingness to disrupt existing business models by taking a differentiated approach. Same thing in the affluent population. We have launched Autumn in Singapore, which is a fundamentally data-driven solution to customers for their health, Wealth, lifestyle planning as they think about retirement. We have taken a differentiated approach. It will be disruptive, is already disruptive. It is super highly rated in Singapore. Of course there are opportunities to expand beyond that core market.

We Believe We Can Win

I would like to shift now from the three criteria we use for investing to why we think we can win. What are the advantages that Standard Chartered brings to the table? First of all, we are a regulated bank. We have experience with regulation. We have credibility with regulators. We get access to licences that may not be forthcoming to non-bank players or bank players who are not in good standing. We leverage that. We are bringing bank quality and bank grade data governance and security to our applications. We have a brand, a legacy which is a good thing. I think our clients trust Standard Chartered and the clients that we are going after, that we are talking about multiplying our retail client base by five times, a lot of these people do not know us but they probably know the brand and say, 'This is somebody I want to bank with if they have got the right platform for me.' Obviously we are building that. We think we can win because we are actually shifting the culture of the bank towards one that is continuously improving and innovative.

How do we win? We have got five key things that we are focusing on. I am just going to run through them quickly. First, we think we can win because we have invested in our core infrastructure and it is now fit for purpose. It is fit for rapid and agile rollout of new innovations. Second, we have a special position as an incumbent. This position as an incumbent gives us the opportunity to disrupt with purpose and for the creation of value. We are big enough to be relevant to any partner or any marketplace. We see that regularly. We are small enough and hungry enough to be agile in terms of the way that we can step in and disrupt where necessary and appropriate.

Third, we are building unique ecosystems. I mentioned the digital asset ecosystem that we are building. The cross-fertilisation of knowledge across the ventures is very powerful for us. There are many examples of that. Our ability to transfer our knowledge in one African market to eight other African markets. The ability to transfer our technology and knowledge from the African markets into the Middle East and South Asia. While also informing investments that we make in Mox or Phoenix or in our core bank.

Leveraging the knowledge that we have about the challenges that our affluent clients face in our markets, fundamentally informed the construction of our Autumn Wealth retirement lifestyle health planning app but also the knowledge that we are getting from clients through the app is helping us to understand how to offer better propositions in the main bank. The ecosystems that we are building between SC Ventures, which we will be talking about, and the bank, between geographies, within markets, within asset classes is exciting and highly leverageable.

Number four, we have SC Ventures. SC Ventures is a discrete business unit. Alex is sitting here in the front row. You will be hearing from him in the breakout groups and Q&A later. We set up SC Ventures I think a little bit differently than other venture labs or innovation labs have been set up. SC Ventures builds some new things, built CardsPal, built Solv and built nexus. SC Ventures builds things together with the bank. They collaborated in the construction of Mox. nexus is fundamentally a joint venture, if you will, between our banking business in Indonesia and our venture tech team. SC Ventures is investing typically in people who we have come to know well through partner relationships. We know them, we like their product, we trust them and we think that our business, our relationship with them, is in itself creating equity value for the start-up or the early-stage company which we can benefit from. It has been quite successful so far. Fourth, SC Ventures is a consulting arm. People starting up ventures inside the bank will frequently go to someone in the analysis team and say, 'What do I need to know about this partner relationship? About this technology stack?' It is an integral part of the bank that still has the ability to be a completely distinct and separate incubator for great ideas. It is a key competitive advantage and you will hear more about that.

Finally, I would say timing. We have the ability to pace our investments in such a way that we can optimise for value. We are not serving a venture capital master. We are serving you, dear shareholders. However, not in a way that requires us a to do things that are destroying value or that are short-changing value. Those are the five underlying advantages that we think help us to win.

Financial Commentary

If I could switch gears for a moment now and switch into what this means for us strategically and what are some of the financial implications. Strategically, as I have mentioned now probably three or four times, we are fundamentally changing Standard Chartered Bank. It starts from the core and it works out from there. Financially, we expect this to have a meaningful implication for the shift of our business from the way we have done things for a long time to a new set of transformed businesses, digital services and new digital businesses.

We have talked about the significant shift in our investment spend over the past six years where if you went back six years ago we were investing $700 million or so, depending on exactly how you count it. Almost all of that was defensive. That was addressing historic issues and financial crime compliance, technology deficits, et cetera. We ramped up our investment aggressively and quickly. $1.6 billion, now up to this year being $1.9 billion. These are cash numbers and some of this is capitalised and amortised over three years. I am not going to get into the accounting. It normalises over time but a significant increase in investment.

As important as the increase in spend and the results of that spend, which are a really good underlying technical infrastructure, we have been shifting over the past several years from the relatively internally-based transformational investments to new strategic initiatives. We are at the point now where about half of our annual technology spend, about $1 billion, is in fundamentally strategic and differentiating investments. That will continue. We expect to maintain that level of investment certainly for the next several years. The next five years is what you can see on this graphic.

The live-to-date investments that we have made in our ventures. This is not just SC Ventures. This includes Mox, Phoenix and the other ventures that we have talked about. It is about $600 million. That is what we have invested in these things so far. Of which about $200 million has been invested in minority stakes in companies in almost every case where we have a strategic partnership in one form or another. Those are venture investments. We are targeting venture returns. So far we are getting venture returns. The value of that portfolio has roughly doubled since the time of investment. These are all early-stage investments and let me give you a couple of examples. We have taken a stake in Toss Bank in Korea which we are helping to build. Earlier we took a stake in Ripple, which we were using and continue to work on cross-border payment solutions with. We took a stake in Bukalapak as part of our engagement with nexus. We have taken a stake in LINE Bank in Taiwan. These are the sorts of things that we are talking about. We have also invested in compliance companies like Silent Eight where we were the primary customer at the outset. Our sponsorship of that investment created a lot of equity value in that company. We will benefit through the stake which roughly doubled. Early stage, the opportunity for significant growth in the value of that portfolio I would say is very high. Obviously we are not counting chickens.

The other $400 million is the ongoing investment in our ventures and the transformation portfolio. Here we are looking for returns that are consistent with the return on capital for the bank so we are not doing anything where we do not think we can generate well above cost of capital in terms of returns. These are through efficiency or through income. However, we are also looking at a broad range of metrics that go beyond the pure money multiple or RoTE, or IRR. We are looking, as I think we would in any new economy venture, at customer numbers. We are looking at the customer satisfaction indicators. We are looking at whether we are meeting these objectives of being first-in-class, best-in-class and disrupting with purpose.

Our ambition is to grow our retail and SME business by a factor of five, 50+ million customers. Our ambition is to increase our payment flows by something like 50x from these ventures that we built, relative to where we are today. We expect these investments to be profitable and we expect them to generate good returns and create some real shareholder value over time. The total expenses for these ventures that I mentioned, SC Ventures and related joint ventures, is about $200 million or 2% of our expenses today. We expect this to grow meaningfully in the coming years.

However, the really important footnote is that our expenses will grow if we are successful. Obviously if we are not successful we will not be continuing to invest in these ventures. We are backing success. We have got a very, very deliberate selection process which clearly allows us to discontinue projects that do not generate success. Yes, there is expense pressure that comes from these ventures but it is because we see tremendous opportunities based on success that is actually measurable. This dynamic is a key part of us getting to a cost-income ratio of below 60% in the medium-term. It is a key part of hitting our 10% RoTE target. Everything we are doing is with a view to creating shareholder value and the track record that we have built up we think gives us an opportunity to do that in a foreseeable timeframe.

We are quite keen to increase and maintain a high level of transparency in this regard. Starting next year for 2022 we will be disclosing SC Ventures and related entities as a separate business unit. You will see the underlying financials that relate to this stuff that we are talking about today. Clearly, this is the beginning of a process of discovery for all of us but in particular for you. We intend to continuously increase the transparency.

Where we are Heading

Maybe to wrap up for me and to talk a little bit about where we are heading. First, these ventures that we are talking about are a core part of the bank. Some of the ventures will remain at the core. They are just part of what Standard Chartered Bank is. Some of those ventures are half in the core. We have got things where we control the venture but we do not have 100% ownership. We will see how these things develop. Perhaps the best way to create value in those ventures is to leave them in a hybrid status. Perhaps the best way to create value is to sell them at some point. Perhaps the best way to create value is to buy them back which of course would be a commercial transaction with the other shareholders at that point. We are not averse to anything other than continuing to address unmet customer needs and creating the most value for Standard Chartered shareholders in the long-term. Some of these joint ventures are outside. Some of these ventures are outside of the core today. They are separate entities, either owned 100% by us or owned partially by us. We will look at how these evolve. Whether they are best left outside, whether they are best left controlled by Standard Chartered or materially owned by Standard Chartered or whether we are best letting these things trade freely. We are agnostic to that, always recognising that the value for us comes from what we learn, the value that we can put into these things which therefore creates shareholder value.

I would like to call out a key personnel change, all of which is public. Michael Gorriz, our Head of Technology & Innovation, who has been very helpful to all of us as we have driven through this, will be retiring at the end of the year so a huge thanks to Michael for the contribution so far. Roel Louwhoff is joining us as Head of Technology & Innovation. Roel comes from ING where he has got a very, very deep and I think well-regarded track record for taking this kind of transformation agenda and turbo-charging it. Michael’s retirement gives us an opportunity to take a fresh look at this. He will be starting in just a couple of weeks’ time and we are super-excited about what we can all do together.

Showcases

What you will hear about for the rest of the breakout sessions are how we are investing in our own foundations, how we are building new businesses, in particular businesses through partnership and that we can deliver at scale, and how we are developing totally new businesses, showing what is possible for the bank as a whole. You will be hearing about this from my colleagues in our leadership team. We will then come back and take Q&A, recognising what we are trying to do is to rewire the DNA of banking generally and certainly rewire the DNA of Standard Chartered. We think we have got a pretty good track record that we can share with you today. I am really looking forward to the engagement from all of you. With that, I will hand back to Niluka and we will get ready for the breakout groups.

<<Niluka Ratnayake (Regional Head of Investor Relations, Standard Chartered)>>

Thank you, Bill. It is now time for the breakout sessions, so a reminder to our virtual audience, please remain right where you are. Again for the guests here in Basinghall, we have pre-assigned you rooms which is shown on your badge. Please kindly make your way down the corridor to your allocated room. It is important that we try and stick to the allocated times so please try and make your way as swiftly as you can. Thank you and see you later.

Transforming our Core

<<Judy Hsu (CEO, Consumer, Private & Business Banking, Standard Chartered)>>

Good morning and good afternoon. Welcome. I am Judy Hsu, CEO of Consumer, Private & Business Banking, and I am joined by my colleagues, Sunil Kaushal, Regional CEO, Africa & Middle East, Kahina Van Dyke, Global Head Digital Channels & Data Analytics for Corporate, Commercial & Institutional Banking, and Marc Van de Walle, Global Head, Wealth Management. In this session we will be talking to you about how we are using technology to disrupt our existing processes and transform how we serve our clients. This is what we call disrupting the core, or transforming the core. What better way to tell you our story than to share case studies that demonstrate the progress we have made to deliver some of these best-in-class digital banking services to our clients. Now, these are all part of the growing evidence of success in the bank.

However, first let me start with the most important question. What do our clients want in this rapidly changing digital environment? Well, they have told us they want faster and simpler digital access to products and services 24/7. They expect solutions and advice to be personalised, contextualised and tailored to their needs and they want seamless connectivity to global networks and ecosystems. For us to stay ahead of these expectations we are driving innovation through a new technology architecture.

First, accelerating to cloud. Our core banking engine is already on cloud in seven markets and many more of our applications are on their way to being cloud-based. We are one of the first international banks to adopt cloud at such a scale and we will now be able to innovate faster and deploy solutions in multiple markets rapidly. You heard what Bill said. This is a reason why we believe we can win and generally sets us apart.

Now second, integrating digital services and data analytics in our client platforms to help them make better decisions, to help them better run their businesses. Here is an example. In CCIB together with a multinational energy client we co-created a solution that integrated their payments and FX digitally alongside dashboard analytics that helped them improve business efficiencies and better serve their clients. This solution was designed for them in China and it is being rolled out in 12 other Asian markets. Very exciting.

Third is co-creating new services with our partners. You heard a lot from Bill about our partnerships strategy and how we do this is through open banking and API connectivity. This strategy enables us to co-create with products and services that integrate these products and services into our partners' ecosystems where we can then acquire and serve large number of customers who we may not have been able to otherwise. Now, there are many, many such examples and earlier you heard from Bill. We are very delighted to announce a multi-market partnership with Atome Financial. Together we will be delivering personal banking solutions to many, many consumers across eight markets across Asia.

Now, coming back to the two case studies you are about to see, they all share some common themes. One, they all support at least one of our four strategic priorities: Network, Affluent, Mass or Sustainability. Two, they all disrupt existing processes. For example, you are going to hear from Sunil. Sunil and his team use technology to fundamentally disrupt the customer acquisition process in Africa. What we are seeing is an exponential growth in our customer numbers on a scale that we have never seen before. Three, they all improve client experience. You will see that when you hear from Kahina. She is going to talk about how we have digitised our global banking platform to drive client experience and making it simple for our corporates to do business anywhere. Also you are going to hear from Marc. He is going to talk about how we use advanced analytics to personalise Wealth advice at scale. This is why we are disrupting, really to meet our client needs. Finally, of course they all drive efficiency and Sustainability, especially in Retail. Eradication of paper-based process, the shift away from physical branches, the use of data and analytics, they all improve our productivity and they all help drive down cost and create room for further investment. It is really a virtuous cycle.

I will stop here. Do enjoy the film and we will be back afterwards to take your questions.

Short Film

<<Jonathan Farnan (Director, Financial Markets, Standard Chartered)>>

When I joined Standard Chartered five years ago I liked what the company stood for. It was global, had some exciting partners. I just sensed that the work would keep me on my toes and it really has. The Bank's been around for 160 years and in that time we have grown, evolved. We have adapted in order to meet the needs of an ever-changing world. It is that ability to move with the times that really is the key to our success. Let us take a look at the ways in which we are continuing to evolve, how we are disrupting the ways in which we are doing things, how we are radically transforming our core businesses and how we are serving our clients. We are reshaping our bank in order to ensure that we continue to drive growth in the fast-paced markets in which we serve. Our ambition is exponential. We are restless when it comes to innovating and that makes for the bank to be a pretty exciting place to be right now.

<<Kahina Van Dyke (Global Head Digital Channels & Data Analytics for Corporate, Commercial & Institutional Banking, Standard Chartered)>>

Our vision is clear. We want to become the world's leading digital banking platform for corporate clients. Clients need us to interact with them in a more digital and data-driven way and we must make it happen. We know it is about the interconnectivity between the markets that we operate in. Delivering a consistent experience to a corporate client in Singapore in the same way we deliver to a corporate client in Nigeria. How do we do this? Well, it starts with the beginning, a seamless onboarding of new clients through simplified online portals, digitising paper and enabling electronic signatures. Our large corporate clients are already using our online portal Straight2Bank. Straight2Bank offers access to our cash, trade finance and financial market products on the go. Straight2Bank is already available in two-thirds of our markets and more than 70% of our cash clients have already migrated onto the platform. The ongoing demand for open banking and APIs continues in the corporate sector as clients look to embed traditional banking services within their own ecosystems in a simplified, consistent and scalable way. APIs allow clients and partners greater agility, speed and productivity. The transformation of our global network into a global digital financial services platform will enable our clients to grow their businesses, expand their own footprint and allow greater access to financial services and markets. The digital future is upon us and we will continue to invest and accelerate our digital offerings to meet the challenges, embrace the opportunities across our markets.

<<Jonathan Farnan (Director, Financial Markets, Standard Chartered)>>

We are on our way to building a global digital platform that meets the needs of all of our customers wherever they are and whatever they do. Our customers want to reach us around the clock and the best way for them to do that is digitally.

<<Wendy Lam (Priority Banking Client)>>

[Spoken in Cantonese] I'm a busy person and I don't always have the time to talk to my Wealth manager. It's easier to do everything digitally from viewing my portfolio to trading. But, if I really need to talk to someone, I can always contact my Relationship Manager, with the touch of a button.

<<Judy Hsu (CEO, Consumer, Private & Business Banking, Standard Chartered)>>

Our clients are diverse. Some are seasoned investors and some are new to the world of investing. Some prefer self-directed execution while others seek personal advice. Some are digital natives, others prefer a human touch and of course nowadays most clients want a mix of both. We have always understood the uniqueness of our clients and always striving to create the most intuitive and user-friendly experience that meet their needs. With innovation and new technologies we are making Wealth Management services more intelligent and more personalised. On top of that, easily accessible by more clients than ever before.

<<Marc Van de Walle (Global Head, Wealth Management, Standard Chartered)>>

To achieve this we are driving innovation along three dimensions. First, we are making wealth management simple to understand and easy to execute. Given our footprint, our client needs are not limited to one geography so we have enabled cross-border onboarding in less than 48 hours. This is unprecedented in the industry. Second, we are using intelligent analytics and data to scale personalisation of content and solutions for our clients. Wealth Management is a business traditionally built on relationships and tailored advice. We are scaling these personalised interactions through a digital-first approach. Tools like MyRM connect Relationship Managers virtually to our clients allowing them to seek instant advice from their Relationship Managers anytime, anywhere, at the click of a button. As easy as a WhatsApp chat or a call. Third, we want to firmly establish ourselves as a Wealth manager for all and bring the saving, investment and protection experience at the fingertips of previously under-served clients. For instance, we already offer high touch, human-led discretionary portfolio management to our high net-worth clients. Now, we are working on extending a digital version of this offering to cater to the Mass Market segment. This new business model paves the way for scaling our proposition to many more clients.

<<Judy Hsu (CEO, Consumer, Private & Business Banking, Standard Chartered)>>

Being fearlessly innovative, we disrupt with purpose, always putting our clients at the centre of our strategy. When we do all of this we create a clear differentiation and deliver the most intuitive and user-friendly experience that our clients love.

<<Jonathan Farnan (Director, Financial Markets, Standard Chartered)>>

Becoming a digital powerhouse does not just mean answering the needs of our current customer base. There are plenty of new markets out there for us to explore as well.

<<Sunil Kaushal (CEO, Africa & Middle East, Standard Chartered)>>

The African continent has experienced phenomenal growth in mobile penetration in the last decade or so. At Standard Chartered Bank we want to leverage on this development and launched our digital offering in 2018 in Côte d'Ivoire. We have a presence with our digital offering in nine markets. Over 95% of our customer acquisition is coming through digital platforms and digital channels. We have added 700,000 customers on a base of one million customers in just over two years and that base of one million customers was built over decades, giving us exponential growth and helping us build scale on the continent.

The customer profile is also changing significantly. 75% of our new customers are below 35 years of age. These are the future affluent customers in the continent, and we are becoming their main bank. You can open an account in minutes. You have all the bank's products available on the platform and all the services they sell. That is becoming very, very disruptive and a source of competitive advantage on the continent. However, we are not stopping here. The journey continues.

<<Jonathan Farnan (Director, Financial Markets, Standard Chartered)>>

The world's financial landscape is constantly moving and like everyone else, we need to continue to innovate in order to keep pace. The world is evolving and we are too, thanks to some great people, successful partnerships and some amazing digital innovations.

Questions and Answers

<<Adnan Akhtar (Head of Sell Side, Investor Relations, Standard Chartered)>>

We are now open for Q&A. If you have got any questions in the room, please raise your hands and we will pass a mic over to you. Alastair, thank you.

<<Alastair Ryan (Bank of America)>>

Good afternoon. Scaling the African experience into the rest of your markets, how much has that informed what you are able to do back in the Asian business? You found this very rapid scale-up in Africa or are they still substantially separate experiences because the markets are at such different levels of development?

<<Judy Hsu (CEO, Consumer, Private & Business Banking, Standard Chartered)>>

I will take that question. The experience in Africa, you heard from Sunil, has been fabulous. We were able to scale that across nine markets very quickly. Absolutely we learned from that experience. We are not using the same technology but we are absolutely learning from that experience in terms of the cost to serve, in terms of the ability to really scale down our branch network as we scale up our digital acquisition and digital services. Across Asia just given the size of each of the markets, if you think about Singapore, if you think about Hong Kong, India, we are proceeding with very similar digitisation of our services, both across straight-through processing, straight-through acquisition but we are doing it in a different approach as we scale up these digital capabilities. In Singapore we are doing it on one hand by starting a digital bank, following in the footsteps of Mox. At the same time in the core bank we have launched RTOB, which is real time onboarding and you heard that from Bill. We have that across six Asian markets. We have learned in terms of the African experience the ability to scale down some of our branch networks, the ability to then work with partners to scale up some of our acquisition programmes, as well as using better analytics to cross-sell. These are the lessons we have learned but just given the size of the markets we are proceeding with the markets separately and individually.

<<Adnan Akhtar (Head of Sell Side, Investor Relations, Standard Chartered)>>

Okay, question from Rahul. Can you give your name as well please?

<<Rahul Sinha (JP Morgan)>>

I wanted to dig down a little bit into Africa and what has happened. Maybe a question for Sunil. What has happened to the profitability of the African retail business as you have added 700,000 new customers. If you can touch upon how your cost base has changed as you have exited perhaps some of your branch network and become more digital? What are you seeing there in terms of bottom line? Thanks.

<<Sunil Kaushal (CEO, Africa & Middle East, Standard Chartered)>>

Thank you. That is a great question. So the way we approached this was clearly on two fronts. One, how do we accelerate the top-line, which meant clearly scaling up the acquisitions which you have heard about. As we speak, it is now over 750,000 customers on a base of, as I mentioned, about a million. Populating the platform with all our products. I can give you a great example of Wealth Management where we have fractionalised Wealth Management products. So you can go in and invest as low as $100 on that platform. That has been a game-changer. Everybody felt to be a part of our Wealth Management investment profile, you had to have thousands of dollars to invest. So that really resulted in about 60-70% of our Wealth Management sales now coming through digital platforms.

Our cost, which is the other metric, has come off. We are now tracking at about a third in terms of cost of acquisition which is significant, compared to the legacy and cost of servicing has come down by two-thirds, so again it is about a third in terms of cost of servicing and that has been achieved by digitising, which is still work in progress, the entire end to end, which is the middle office, which I think again is going to give us significant benefits, and the services. We have put 70-odd most frequently used services on the platform. So the profitability, I do not know IR team whether I can go into specifics. We do not announce Africa separately. But in terms of RoTE, it is tracking at a very healthy level which I am happy to share it if I have the go-ahead. But it has been a game-changer in terms of profitability.

I need to mention here that we manage the business to deliver profits, unlike, say a private equity funded venture, FinTech venture, which looks at different metrics in terms of just client acquisition numbers. Our client acquisition has been targeted towards higher AUMs, ability to cross-sell and profitability. So we do not give out good money just to acquire customers. And that is resulting in, along with all the initiatives around, branch reduction, automation, etc, the benefit to the bottom line.

<<Rahul Sinha (JP Morgan)>>

Can I just follow up and ask how the branch network has changed in Africa if you can give us any numbers on that?

<<Sunil Kaushal (CEO, Africa & Middle East, Standard Chartered)>>

So the branch network, overall in AME, so we were very clear that we were going to use the mobile channel as a primary interface. But having said that, we also realise that you need to have an omni-channel offering. So in terms of the branch, we started reducing the branches upfront from 2018 onwards to create the investment space and also to really wean away the customers towards digital platforms. So, in terms of the overall branches in say 2016/17 we were at about 340-odd. We are, as we speak in AME, about 144 branches. Our target is to bring that down further by a few dozen branches. Africa was 220-odd. We are now down to about 90-94 branches. Again, as we speak by December it should be down by another 8, 10 branches.

At the same time, what we are doing, so if I give you an example of say Uganda, while we have reduced the branches from double-digit, 12, 13 branches to 3 now, we have provided customers through what we call agency banking, access to 10,000 franchisees where they can transact and do basic banking. So it is an exponential growth in terms of the touch points along with digital, which we have offered, and that is been a game changer. So, next, again on agency banking is going to be Tanzania, Botswana, Zambia and then Nigeria. And then we move to Ghana, et cetera.

So, it is not just about shutting branches. I think that is easy, but how do you really then create alliances where you have exponential growth at the touchpoints?

<<Perlie Mong (KBW)>>

Hi, it is Perlie from KBW. So again, on the cost question, so I think your offerings are very good on the front end – on the customer end, but a lot of the issues are actually on the back end because of the legacy and restructure et cetera, which is much more expensive to run. So I hear that you are cloud-based for your core banking service in seven markets. So, for the more entrenched markets, so say Hong Kong and Singapore, when do you expect to move on to the cloud, perhaps, if you already have Mox there, utilising those structures when they sort of, grow in scale and sort of, move off the legacy systems to those new infrastructures. What sort of timeframe are we thinking of?

<<Judy Hsu (CEO, Consumer, Private & Business Banking, Standard Chartered)>>

For banking onto cloud, we just completed India, which was a real success, and the following two markets will be Singapore next and then Hong Kong. But before that already, if you look at our ability to digitise our whole front to back journeys, we have done that. Right now, more than 70% of our client journeys are straight-through, and more than 75% of our client onboarding is also straight-through. Earlier I talked about RTOB, which stands for real-time onboarding. What that does is the clients go to our website or use their mobile. They can be onboarded in two, three minutes.

So without having that migration to the cloud, although that will be another game-changer, we are already digitising our front to back as well as our online, as well as our onboarding. In addition to that, we are doing a lot around digitising our Wealth [inaudible].

<<Kahina Van Dyke (Global Head Digital Channels & Data Analytics for Corporate, Commercial & Institutional Banking, Standard Chartered)>>

So, cloud is, to your point, probably one of the most important enablers for real-time platform delivery at scale. And I will speak for the Corporate side and the way we have prioritised cloud rollout is where we think the highest number of transactions are going to be and the apps that need to cloud the most. So, for example, with our API's was one of the first global applications, API open banking that we moved to cloud because we were seeing such tremendous demand across the markets and across clients to connect to us through API. So, I think it will continue. It is top priority. As I say, there is no digital without cloud. There is no digital at scale without cloud. So that is the way we are prioritising, not just the markets but also the applications, where we are seeing the most demand.

<<Marc Van de Walle (Global Head, Wealth Management, Standard Chartered)>>

Yeah. I can a little bit on the Wealth side. Judy was starting to talk about digitising Wealth Management. I can give you a few numbers. About more than 90% of the transactions that are conducted in our core markets are captured digitally, and more than 70% of them are actually DIY and straight-through. So that is an example of convenience that we can offer to our clients. We also have the ability of our clients to chat securely with Relationship Managers in our key markets. So this whole convenience aspect of digitisation has been taken care of.

<<Adnan Akhtar (Head of Sell Side, Investor Relations, Standard Chartered)>>

Can we pass the mic to Manus, please?

<<Manus Costello (Autonomous)>>

Thanks. I also just wanted to ask Marc a question. Did I hear Bill right, you have got the most downloaded Wealth app in China, it sounds like an extraordinary story?

<<Marc Van de Walle (Global Head, Wealth Management, Standard Chartered)>>

I do not have the exact figures on the numbers of downloads, but it is also our Wealth app there has I think it is the highest-rated of all the Wealth apps in China. So it has been really successful. And it gives the ability to clients to transact directly, mostly mutual funds and see their portfolio, and so on. But I think when you come to digitise, one of the things is to bring the features, the other thing is to design them correctly. Bill also spoke about human-centred design. This is something that we now do for all our digital products. We try to make sure that we have a distinctive customer experience, and yeah, our app is rated five stars in China.

<<Tom Rayner (Numis)>>

Bill spoke in his introduction about the investments in digitisation as helping bring down the Group's cost-to-income ratio, helping it achieve its RoTE objectives. I wonder if you can give me a feel for how important transforming the core is in delivering those objectives versus the partnering with new ventures, the building new business models on what you already have existing. Thank you.

<<Judy Hsu (CEO, Consumer, Private & Business Banking, Standard Chartered)>>

I will start, then maybe I can also pass to Kahina to talk about the digitisation transformation that she is leading in Corporate, Commercial & Institutional Banking. Bill talked about the digitalisation really supporting as we said earlier, reducing our costs to serve. That is one area.

One of our challenges is obviously, in our markets, is scale – to acquire clients. Client acquisition is hugely expensive but with our strategy to work with partners, that substantially reduces our cost to acquire and that to us, is a new business model on top of the Mox or the Singapore Digital Bank or the nexus platform. In the core bank, we are also working with a number of partners. In China, we are working with Ant Financial, and it has been very successful. In Hong Kong this year, we launched Asia Miles with Cathay Pacific; although travel is a little bit challenged but we expect that to come back, and earlier I talked about our latest partnership with Atome.

So these are all transforming the core in terms of our ability to scale our acquisition of clients. And the acquisition of clients when you go without a partner usually cost to acquire in the consumer bank is anywhere from $150 to $300, but when we work with partners, that becomes almost nothing – it costs to build that linkage, and to build that partnership. So at this point, I would like to invite Kahina to talk about the efforts of our digitisation in the Corporate, Commercial & Institutional Banking business.

<<Kahina Van Dyke (Global Head Digital Channels & Data Analytics for Corporate, Commercial & Institutional Banking, Standard Chartered)>>

Great. Thank you, Judy. So, I think the question was, how important is the digital transformation of the core versus the kind of ventures and partners. Like how do we think about that?

So, I am pretty obsessed with transforming the core. So that is what we do every single day because it is transforming the core and digitising our network into a digital platform that delivers all of our products and services in a really efficient way but really a smart way because what we are trying to do is for our clients in no matter what market that they are operating in. There's a set of core services that they are looking for from us, and we want it to be that we are taking up not just their desktops, but it is actually in the core services that we have the right, when we win, in digitising those services and we give them data dashboards, so they can see their accounts and help make their businesses more efficient. We then have won the right to offer adjacent products and services that can be delivered through partnerships.

So for me, you have to get the core right in order to win the trust and the confidence to expand out with some of these other partnerships, especially the Corporate and Institutional side because what I would say is, on the retail side, there's already been tonnes of progress in the industry around retail, but on the corporate side, there is more trust and confidence required to win that business and win the right to extend out with partners. So, I think that is the primary focus, and then that allows you – enables you and gives you the licence [to branch out].

<<Marc Van de Walle (Global Head, Wealth Management, Standard Chartered)>>

Can I just add also on the Wealth Management side if you do not mind. So thinking about the core versus the ventures, I think that our core business in Wealth Management, we have about 2 million affluent clients across our footprint, and as Bill said, we are a top three Wealth Manager in Asia. That is actually a lot of scale, and we have an enormous opportunity to create a single Wealth platform to service all of our client segments across all our geographies. And today, we are not there yet. We do not have exactly the same piece of technology in all of our markets and across all of our services. And we are working towards that. And that enables us, when we get there, and it is a journey. That will enable us to have a more consistent customer experience. So when we design a digital product, it can be rolled out consistently. It also enables us to reduce our costs of operations, and it enables us to be much faster when we deliver new functionalities.
So, transforming the core will make our core business much more efficient. Next to that, we have ventures that disrupt and acquire new types of customers and offer new types of services. So it is a two-pronged strategy.

<<Judy Hsu (CEO, Consumer, Private & Business Banking, Standard Chartered)>>

I just wanted to add one point about the earlier question – there are a lot of questions on cost in the retail bank as well as our branches. We do have a plan to reduce our branches down to 400, and we will not be able to do that if we do not transform the core., and if we do not bring a lot more of our clients and services onto our digital channels and digital platforms. So absolutely transforming the core is critical to our ability to reduce our cost-income down to that 60% target in the next three to five years.

<<Adnan Akhtar (Head of Sell Side, Investor Relations, Standard Chartered)>>

Okay. We'll have to wrap up there. Thank you, Judy. Thank you, Sunil, Marc, and those in the room. We'll have a short break before our next session. Thank you.

Partnering for Scale and Expanding Reach

<<Ben Hung (CEO, Asia, Standard Chartered)>>

Good morning and good afternoon, and I am Ben Hung CEO of Asia. I am joined by Mary Huen, who is the Cluster CEO of Hong Kong, Taiwan and Macau and also Andrew Chia, CEO of Indonesia, Australia, Brunei and the Philippines. So very happy to see all of you.

As a bank we are very privileged to have a long and established presence in some of the largest and fastest-growing economies in the world, and across the 21 markets in Asia which I manage there is no shortage of opportunities in particular with the burgeoning growth of middle-class SME's and intra-Asian economic flows.

Now one of the challenges we face is a lack of scale in many of the markets, so the question becomes how we can scale up quickly and efficiently and reach segments that are beyond our current reach. One approach we are working diligently as Bill mentioned, is to partner with established local market players, who are already having significant client reach but who need access to banking services which they themselves cannot provide. This is a key part of the differentiator approach, as Bill described, building and harnessing a unique ecosystem of partners around us.

In pursuing partnerships, we have taken a three-pronged approach to the types of partnerships we are forging with. The first one is to partner with established local platforms. Now, this model entails working with partners who have strong ecosystems where they do have size, scale and skills. These will include examples like Linklogis, which is the largest supply chain provider in China, and around mass market, TMall in SME, Atome, which we just mentioned and Kredivo on top of that, which covers a lot of our Asia markets and Asia Miles in Affluent just to name a few. These are examples where we offer banking solutions to our partner's customers. That is the first type.

A second type involves establishing virtual banks with large-scale local partners as disruptors to the banking industry. Now, with these types of partnerships, we also need to look into different jurisdictions where they have different regulations. Some of these, regulators will allow the majority shareholder to be a bank. I would say Hong Kong is an example, Singapore an example. That is why we have Mox, and we will have Phoenix, which is SC Bank Solutions, as an entity to address that market.

There are other markets where the regulators stipulate that only FinTech players can be the majority shareholder, and in these circumstances, we tend to take a minority interest, yet be a banking partner where we can offer our subject matter expertise. And these would include markets like Korea, where we have Toss, and this is the third virtual bank in Korea, and also in LINE, also one of three, actually one of two launched so far in Taiwan.

We aim to leverage also on top of that, cross learnings across these ventures so that we can gain and share best practices.

Now the third model involves us in charge of building and owning that very platform where we also welcome other partners to join. Good examples would be nexus, where it plays into the whole e-commerce of Mass Market space, in Solv, which involves an ecosystem around SMEs and Autumn, which involves retirement and health and Wealth and that aspect of the segmentation. All these examples you will be hearing more about during today's event. Now, these are just a few examples I have quoted, but by no means exhaustive, but they are a selection that are currently in-train, and I hope that this also illustrates a Standard Chartered increasingly will be seen as the go-to banking partner and digital partner of choice across Asia.

Now, what we thought we would do is actually to play a short video which highlights three examples from each of these partnership models and each in their own way having the potential to become fundamentally transformative for us and for the customers. First, obviously is our Mox, which in Hong Kong where Standard Chartered is the oldest bank here, but we are also now the youngest when we include Mox, where we have strong partners who provide scale and disrupt digitally, with no physical branches, and also to allow us to address the needs of a different segment versus that of our mothership.

You also hear about nexus, which is Banking as a Service. It is the model which Andrew is, intimately involved in, driving in Indonesia. Now this initiative is involved in the mass retail space. Our partners there have tens of millions of customers that is spread across Indonesia, and they have very, very rich data around the clients, and we effectively sat behind our partner's mobile apps, almost invisibly as a starting point and are a click away for a current account application.

The rich client data will enable us to credit-score each customer and complete the money laundering, AML, other checks and price and serve accordingly.

Finally, you hear from me again around OLEA, which is a partnership with Linklogis. Linklogis is based in Shenzhen, and it is a top supply chain provider which leverages on blockchain technology to provide deep-tier supply chain financing and payment solutions to SMEs. OLEA is on top of that. A further partnership between SC via Linklogis where we connect investors interested in this particular asset class. So, why don't we play the video and then after which, Mary, Andrew and I will be happy to take questions.

Short Film

<<Alia Malik (Associate Director, Private Bank Africa, Standard Chartered)>>

I've travelled a lot of my life. I was raised in Zambia, studied in Boston, completed my Masters in London and worked in Nigeria with the Private Wealth team. In my six years with Standard Chartered, I've learnt that the best way to go further than you've ever dreamed possible is through collaboration. In the following stories, you'll hear how our partnerships have helped us to deliver truly digital-first banking services that meet the diverse needs of our global customer base.

<<Mary Huen (Executive Director and CEO, Hong Kong and Cluster CEO, Hong Kong, Taiwan & Macau, Standard Chartered)>>

Mox is our new virtual bank in Hong Kong. Our goal is to redefine the banking experience, drive innovation and promote financial inclusion. Mox is unique in that it combines the rich banking experience of Standard Chartered as the oldest note issuing bank in Hong Kong together with a brand-new operating model led by an innovative mindset. Built from the ground up, Mox is a fully cloud native bank built in collaboration with some of the world's leading organisations and FinTechs. This has enabled Mox to deliver a world-class customer experience that addresses the pain points identified and positions Mox at the cutting edge of virtual banking. This is also reflected in Mox always being one of the highest-rated financial apps on the Apple App Store and Google Play Store in Hong Kong.

Mox was built in partnership with the city’s telecom and lifestyle leader, Hong Kong Telecom, and their Parent PCCW Group, as well as Trip.com, Asia’s largest online travel agency. This partnership allows us to reach a broad spectrum of customers tapping into the 4 million Hong Kong Telecom customers and 1 million Trip.com customers in Hong Kong. Since launching a year ago, Mox has established itself as the leading virtual bank. With over 150,000 customers, it is the second-largest virtual bank in Hong Kong with a deposit base of US$700 million, and it is growing.

Mox's customer obsession is best highlighted through its exceptional customer onboarding, with the fastest account opening being in under three minutes. Mox's is constantly innovating with a number of market-firsts, including daily interest and instant cashback, real-time account management and customisable savings goals, as well as launching Asia’s first all-in-one numberless bank card. Mox’s was also the first virtual bank to launch credit services on its Mox card and the first virtual bank to provide Apple Pay and Google Pay services in Hong Kong.

But this is just the beginning. More lending, FX and stock trading services are already in the works. We continue to work with our partners on how we can further enhance the Mox ecosystem. Mox really is changing the way our customers bank both now and in the future.

<<Eleanore (Mox customer)>>

[Speaking in Cantonese] Mox is like a butler to me because whenever I open the app I can have all the information I need anytime, anywhere. I can simply use the app to check the interest and cashback I earned.

<<Rachel (Hong Kong business founder)>>

Whenever I complete a transaction in Mox I am immediately informed of the actions I’ve performed I can know exactly where my money goes, even though it’s a virtual bank.

<<Mary Huen (Executive Director and CEO, Hong Kong and Cluster CEO, Hong Kong, Taiwan & Macau, Standard Chartered)>>

Our proven track record gives us great confidence, and we intend to leverage the technology behind Mox for our digital bank in Singapore.

<<Alia Malik (Associate Director, Private Bank Africa, Standard Chartered)>>

In our next story, we’ll hear about a partnership that is taking big steps towards advancing financial inclusion in Indonesia.

<<Andrew Chia (Cluster CEO, Indonesia & ASEAN Markets (Australia, Brunei & The Philippines, Standard Chartered)>>

In Indonesia, 56% of consumers prefer to buy online, but e-commerce platforms typically are not able to provide financial services under their own brand name because they don’t have the balance sheet, licences and infrastructure to act as secure financial services providers. To address this, we have partnered with Indonesian e-commerce giant Bukalapak to provide financial services to over 12.9 million micro and SME partners and more than 100 million users, many of whom don’t have access to banking services.

We also have a second partnership with beauty and personal care e-commerce platform, Sociola, to introduce financial products to their users and we are doing this using nexus, an embedded finance solution which allows non-banking digital platforms to incorporate loans, credit cards and savings accounts seamlessly into their ecosystems. It is a win-win proposition. A boost to financial inclusion for meeting the needs of an economy that’s expected to be fully cashless by 2029. We plan to go-live with savings accounts and debit cards in the second half of this year and add lending products through future rollouts. Powered by our new technology stack we have got the flexibility and speed to connect easily with partners across geographies. By embedding financial services into popular platforms today, we are paving the way for long-term profitability tomorrow.

<<Alia Malik (Associate Director, Private Bank Africa, Standard Chartered)>>

Now more than ever, our clients need the peace of mind that a resilient supply chain brings. Here’s one way we’re helping them achieve that.

<<Ben Hung (CEO, Asia, Standard Chartered)>>

Trade and trade financing are essential for sustainable economic growth. Even more so as businesses emerge from the recent pandemic. Clients have been asking for solutions that support the entire supply chains. In 2019, we started our partnership with Linklogis, China's leading supply chain financing solution provider. This partnership makes our trade ecosystems more resilient and offers fast, efficient and secure supply chain financing solutions across small and large suppliers.

<<Charles Song (Chairman, CEO Linklogis)>>

We use cloud solutions to optimise payment transactions and digitalise the entire workflow of supply chain finance so that everyone benefits from greater transparency. Since partnering with Standard Chartered, ourselves, for supply chain finance solutions, have definitely seen an increase.

<<Ben Hung (CEO, Asia, Standard Chartered)>>

We now have taken the partnership to the next level by setting up a joint venture with Linklogis called OLEA. A fully digitised trade finance origination and distribution platform, OLEA will connect investors seeking opportunities in an alternative asset class with businesses requiring supply chain financing.

<<Charles Song (Chairman, CEO Linklogis)>>

Linklogis can bring experiences and technology to OLEA and we believe that the joint venture can become a flexible and sustainable supply chain financing business.

<<Ben Hung (CEO, Asia, Standard Chartered)>>

This new venture demonstrates what we stand for as an international bank. We want to support businesses and their participation in the world economy by providing solutions that support their evolving trade finance needs and meet the demand for alternative investments amongst institutional investors.

<<Alia Malik (Associate Director, Private Bank Africa, Standard Chartered)>>

Our ambitions for our business and the role we play in society are big. So big, we know we can't get there alone. With the partnerships we've made and the ones we haven't started yet, will without a doubt, take us further than we've ever been before. To someone like me, that's incredibly exciting.

Questions and Answers

<<Adnan Akhtar (Head of Sell Side, Investor Relations, Standard Chartered)>>

We are now ready for Q&A. Okay, Guy Stebbings?

<<Guy Stebbings (Exane BNP Paribas)>>

Thank you. It is Guy Stebbings at Exane, BNP Paribas. In his introductory remarks earlier, Bill talked about how some of these investments were worth, broadly double what had been spent on them. I am conscious that benchmarking is probably quite challenging for some of these businesses. If I think about something like Toss, you could probably come to quite a wide range in terms of what they are worth. So are you able to shed any more colour on how you arrive at those sort of evaluations, how conservative or otherwise you might have been, and also how meaningful Mox would be within that calculation because it would seem to me like it probably is, whereas perhaps Mox is quite core to the business going forward compared to some other businesses which presumably it might be easier to sell off if you thought that was the right strategy. Thank you.

<<Ben Hung (CEO, Asia, Standard Chartered)>>

Thanks for the question. Well, I think what perhaps Bill was referring to are probably for those investments and perhaps in various external ventures, where there's an easier benchmark for, I would say, price. For example, you know, benchmarks which goes to series A, B, C, D et cetera. It is a lot easier, or for that matter, those that have done an IPO.

We have not done necessarily the same approach towards some of the more, I would say, endemic type of investments like Mox, which it is still a little bit in the early days in terms of trying to apply for a valuation. I think we are very, very keen right now at this juncture to try to invest and build scale and build relevance and build proposition, before we reach, even at that stage of applying a valuation or for that matter whether we want to do the kind of disposal et cetera, et cetera. Right now, we are not at that stage. I don’t know whether, Mary, you want to add anything to that?

<<Mary Huen (Executive Director and CEO, Hong Kong and Cluster CEO, Hong Kong, Taiwan & Macau, Standard Chartered)>>

Yeah, thank you Ben, I think we haven't come to that stage, it is one-year old, Mox, so it is important to recognise we are delivering a few things for Mox, of course, for the immediate term, we focus a lot on building the right tech stack, expanding our products, bringing in clients, building the right client experience and we are happy with the progress.

So for the first year, we have seen very good active ratio, we have seen that we have launched the second product, the first being savings, the second being the Mox Credit and after the launch of the second product, the client sign-ups have gone up by 75%, so with in mind the four million base that Hong Kong Telecom and one million [customers] Trip.com [brings], we do see the scalability is there, so this is the short term where we are building that experience.

Second thing, as a more longer term opportunity for value creation as Bill has explained, we haven't come to that valuation yet, but more importantly, bringing Mox’s experience to Singapore is equally important for us because it is cross-organised, it is cross-country experience sharing and it is a lift-and-shift model. So this is one of the important things that we have to bear in mind when we are building Mox, we are building a world-class tech stack which is portable in many other markets, who can sign up other partners in their markets. So I think these are some of the longer term value and the purpose of Mox besides some of the short term goal-sets that we are going after.

<<Andrew Chia (Cluster CEO, Indonesia & ASEAN Markets (Australia, Brunei & The Philippines, Standard Chartered)>>

If I may just add in the case of our investments, in Bukalapak, so Bukalapak has been listed on the Indonesian Stock Exchange, so from the time we invested the investment has more than doubled. If I may just take your question, on the peer level, especially in the case of Mox, it is within the bank but, however, if you take a look at Revolut, similar kind, the valuation is something like 30 billion [dollars], so there is a lot of valuation there to talk about. To Mary's point, it is still very early-stage for us.

<<Andrew Coombs (Citi)>>

Three questions, more on Mox. First of the 175,000 clients, how many are overlapping with the existing client base versus how many are new clients. The second is, you talked about further product roll-outs, in terms of lending, in terms of FX transactions, sort of Wealth mapping as well, so, anything you can add there on the timeframe to those new product launches, in monetising the customer base. And then the third question would be this lift-and-shift point that you mentioned, obviously you are preparing for the roll-out in Singapore, how easy has that been versus the obstacles been presumably as [there are] regulatory differences, there are differences in terms of the offerings you are allowed to make. So can you explain how easy has that lift-and-shift approach been in your experience thus far.

<<Mary Huen (Executive Director and CEO, Hong Kong and Cluster CEO, Hong Kong, Taiwan & Macau, Standard Chartered)>>

Okay, thank you. First of three questions, well 175,000, majority of them are new clients, for two reasons. One is we have a partner base and we co-create the offers with the partners, so we have a fresh base to tap. Second reason is Mox and our main bank has complementary strength, the main bank focus a lot on mass affluent and affluent, when Mox is launch which targeted at the digital savvy younger segments, so we can see, actually the majority of our clients, over 50% of our clients are younger than 35 years old. So to certain extent, there is a little bit of cannabilisation, we call that, but majority are clients new to the Standard Chartered family.

Secondly, roll-out yes, we launched the first product in 2020, and then the second year we already rolling out Mox Credit, which is a one-click flip between one card and with credit. So building the first product is typically the hardest one, to get things right, to get the foundation right, we have seen Mox Credit building on what we have, is having that rhythm. The third product coming in is some of the FX and Wealth Management products. We have applied for the license. But it depends on the time the license is being granted. I believe with the Mox Credit experience, building the up-coming product, it should be a lot more efficient, from the earlier experience.

Your third question is about lift-and-shift, I think the benefits that we have, the Mox team, 180 colleagues having that experience to build Mox and some of our colleagues are actually supporting Phoenix (the Singapore digital bank), so this is not only about the tech stack capability and the experience of the team to move from the Mox to helping Phoenix. I don't think I can comment on how difficult it is for every new digital bank building, I am sure there is a lot of hard work required but I think with the support from one market to the other and bringing the experience overseas will help a lot.

<<Omar Keenan (Credit Suisse)>>

I realised it is a difficult question, would you kind of give us any kind of indication on how much you think these new customers are worth, I mean clearly, all the products you are planning to offer haven't been rolled-out yet. The liability margins are very low but if you can give us some kind of indication as to what these new customers could mean to the Hong Kong business would be very helpful. Thank you.

<<Mary Huen (Executive Director and CEO, Hong Kong and Cluster CEO, Hong Kong, Taiwan & Macau, Standard Chartered)>>

Thank you for the question, I wonder if can give you a specific answer to that. I want to comment on your observations on the margin. Most of the virtual banks, the virtual banks in Hong Kong, majority of them are retail banks and they are all launched in the last 12-18 months, where Hong Kong has experienced a low interest rate environment. That's why we see the majority of banks have launched their first product as savings, the “101”. So with a low interest rate environment, having the first product as savings, it explains why the margin is affecting the P&Ls. So that's the short term. And then we see, the majority of the banks are starting to build lending products including Mox. And then with Mox Credit, with one more engine to bring in the profits, we are seeing that active ratio and the spend per customer in Mox Credit is higher than market average.

Now without giving you the exact number, I can tell you, spend per client is an indication of the potential balances of Mox Credit. So, if we are seeing metrics where we are having higher spend per card than the market average, it is a good sign. And then the third product that we are going to roll out is Wealth Management related. In Hong Kong, the market penetration of Wealth product from deposits is still relatively low compared to many western markets, so that means [for each] hundred-dollars of deposits, how much are we putting in Wealth Management products; we still have a lot of space to penetrate. So I believe launching the third product going forward in Wealth we will be able to really tap the Wealth Management space. It is really hard to compare after the first year of launch of Mox to a typical product.

As I said, it is important for us to track through metrics, one is the scalability of the product and the base, where we have a good base to tap and second is the client active ratio. We have seen Mox clients coming back to the app over fifteen times every month. So every month, the client is visiting the app fifteen times, or above. So it is a good sign of all the active ratio, so, I know it is not a direct answer, an exact answer to your question, but all I am trying to say is all the indications, all the metrics are showing us we are on the right track to the profitability that we are expecting.

<<Matt Clark (Mediobanca)>>

I am just following up to the earlier questions whether there was cannabilisation with Mox, if you are not taking these customers from your own business, who are you taking them from? Which would be the natural homes for these new Mox customers that are now going to you, in your app instead?

<<Mary Huen (Executive Director and CEO, Hong Kong and Cluster CEO, Hong Kong, Taiwan & Macau, Standard Chartered)>>

I think our traditional bank’s share of penetration of the customer base is 20ish percent so there is still 70ish percent of customers to penetrate. Right, so there are major banks here, our next-door competitor, local banks, foreign banks, so perhaps there are also clients in Hong Kong Telecom. Hong Kong Telecom has four million clients, so in Hong Kong, we have roughly about two million clients, so we have a much bigger pool to tap than tapping our own base. Of course as I said, part of our clients come from our two million customer base in Standard Chartered, the vast majority is coming from non-Standard Chartered and the partner base.

<<Matt Clark (Mediobanca)>>

Okay, but there's not a specific sub-segment of those competitor banks that you think you're taking customers from with Mox? It's not a particular type amongst your competitors in Hong Kong, there's not a particular type of bank, in terms of foreign owned or, Chinese owned or incumbents that you're taking customers from, it is broad based, do you think?

<<Mary Huen (Executive Director and CEO, Hong Kong and Cluster CEO, Hong Kong, Taiwan & Macau, Standard Chartered)>>

Well, typically you can imagine that the share that we are taking is quite similar to the existing share of the competition. So if you look at the competition, as I said, there are still 80% of space there for us to tap. And particularly if we look at the base, as I said, over 50% of the clients are under 35 years old. So this is a younger base where, which we think is complementary to our existing bank, where we have a more mature affluent population.

<<Adnan Akhtar (Head of Sell Side, Investor Relations, Standard Chartered)>>

Thank you. Okay. Sorry, guys, we'll have to wrap up there, have a chance to ask the questions in the main Q&A, you can ask afterwards if you need to. Okay. Thank you, Ben. Thank you, Mary. Thank you, Andrew.

Building New Business Models

<<Simon Cooper (CEO, Corporate, Commercial & Institutional Banking and CEO Europe & Americas, Standard Chartered)>>

Good morning, good afternoon, everybody. I'm Simon Cooper, I'm the CEO of Corporate, Commercial & Institutional Banking and also Europe & Americas, and you've also got Alex with me, in the room, who heads SC Ventures, he's going to join me for the Q&A session later.

So, what I'm going to do is introduce the session, and then show a short film, that showcases three completely new businesses, that we're building to rewire banking, across the following themes, SMEs, digital assets, and payments in the broader online economy. So, you'll see Solv, which is our B2B digital commerce platform in India, Zodia, one of our digital asset propositions, that includes custody and crypto trading solutions, Assembly Payments and CurrencyFair for an alternate payment model for the online economy.

So first, let me just give you a little bit of background on SC Ventures. This is a 3-year old, discrete business unit within Standard Chartered. Its goal is to invest in disruptive technologies, and to explore new business models that are adjacent to the core bank. A lot of what you'll see in this session and the others that you will see today, has been driven by the SC Ventures team, but their remit is also to be a catalyst for innovation, more broadly in the bank, through the entrepreneur program that Bill mentioned, through FinTech engagements, and as we co-create with clients.

And as you'll have seen today, we're seeing the first fruits of this approach, externally, because we work alongside clients, to help them grow, and internally, across our teams in both Corporate, Commercial & Institutional Banking, and Consumer, Private & Business Banking. In just over three years, SC Ventures has received over 2,000 ideas, and incubated more than 30 ventures across different high conviction themes.

And just to be clear, we're going into this with "our eyes" open. We know that not all of these ventures will succeed, but we're prepared to take thoughtful bets on the future. And it shows that we're not building monolithic businesses, these are parts of much bigger ecosystems, that connect to each other and to the broader digital economy. When combined with our network, that gives us a significant opportunity to harness the power of scale. These examples are what Bill says when he describes how we want to be first, and best in class, and SC Ventures is a great catalyst to move us faster, and to harness new ideas.

So, take digital assets as an example. I think there's growing recognition from our clients that digital assets are here to stay. In the face of increasing regulatory scrutiny, is a great opportunity for us, as a regulated institution to lead from the front. We believe that thoughtful, coordinated regulation will support the increasing adoption by institutions of digital assets. And so, we're making investments and capabilities that will give us the ability to respond flexibly, for that client demand. And we're covering the gamut from our recent research on some of the best-known cryptocurrencies, to involvements in a number of projects around central bank digital currencies.

If we double click on Zodia, which is one of the case studies today, it represents our conviction that digital assets will eventually become a main stream product for institutional investors. So with that conviction, we started by building Zodia Custody, to provide institutional grade custody for crypto-assets, and we did this in partnership with Northern Trust.

We later announced Zodia Markets in partnership with BC Group, to build a digital asset brokerage and exchange platform, and along the way, we also invested in Metaco, a company that provides a secure digital assets infrastructure across the entire decentralised finance stack. In Zodia, what we're doing is we're taking existing knowledge, existing experience and expertise, adding our global network, and then applying technologies to tap the new markets in a new way. So this is a real opportunity to leverage our network, and our relationships, to provide easy access for institutional clients to what is a fast evolving market, all through a trusted regulated counterparty.

We already have the client relationships and the track record, and this overlays the digital architecture to level up and scale up in new ways. I'll also just point quickly to payments and foreign exchange, which are obviously core for our business. There's a rapidly growing payments wallet coming from an increasing cross border trade in e-commerce. So we've combined our Transaction Banking and our Financial Markets capabilities to address this, investing and re-platforming and to improve the client experience, and developing new APIs, to improve our connectivity. This means we can deepen wallet share with existing clients, but that we can also expand our wallet share in areas such as FinTechs, and with new economy clients. We're looking for payment connectivity across our footprint.

Then, when you look at the SC Ventures angle, with a very strong conviction theme for e-commerce, we've invested in the merged Assembly Payments and CurrencyFair, which addresses the pain points in the fragmentation of the payments ecosystem.

Now, I've been told I've got to shorten my introduction, so I won't go into some of the other of the many initiatives that SC Ventures is launching, but what I would suggest, that you check out CardsPal, which is now the number one Google Play app in Singapore. And what's really interesting about that, is it actually came from an idea from one of our intrapreneurs.

So, what I hope you see through the discussion so far, is that, we're committed to creating new, viable, and scalable business models. Bill captured why we're positioned to succeed. It's our understanding of markets from regulation, our ability to combine the DNA of banking and technology, and converting bank grade governance and security, into being an advantage. And an ability to leverage intellectual property across our network, and to build scale. So I suggest, we watch the film and then come back for questions.

Short Film

<<Shrina Gohel (Corporate Finance Graduate, Standard Chartered)>>

Even though I've been working with Standard Chartered for just under a year, I feel like this is a great time to be part of the financial services sector, especially when I'm working for an organisation that's re-wiring the DNA in banking, disrupting and shaping the financial institutions of the future.

Standard Chartered is exploring and building new business models that address unmet client needs, like never before, as these stories will show you.

<<Simon Cooper (CEO, Corporate, Commercial & Institutional Banking and CEO Europe & Americas, Standard Chartered)>>

It's well-known that micro, small, and medium enterprises are pivotal to growth in emerging markets, it represents roughly 90% of all businesses, 50% of employment, and 40% of GDP. Despite this, many find it difficult to grow. Traditional banking has had mixed success in addressing this problem, partly because it's predominantly focused on financing, and even then, only for a very small part of the market.

<<Alex Manson (SC Ventures, Standard Chartered)>>

Banking alone isn't the solution, but Solv could be. Solv aims to be a trusted B2B commerce platform for Indian MSMEs, enabling them to connect, find buyers, suppliers, access to financing, but also a whole range of business services. This is all enabled by leveraging alternate data, to arrive at a trust score for MSMEs.

<<Arun Kumar (Proprietor, Arun Traders)>>

Now after associating with Solv, I have listed my products in Solv and I'm getting at least 2,000 to 3,000 orders per month, and I'm expecting at least to 4,000 to 5,000 within three months. Solv is cooperating in good manner, and we are also feeling happy to do business with Solv.

<<Alex Manson (SC Ventures, Standard Chartered)>>

Since going live earlier this year, over 60,000 small retailers, traders, wholesalers, manufacturers, have come to the Solv platform, generating roughly 40 million of gross merchandise value. We'll be rolling out Solv to other markets, Kenya is the next step.

<<Simon Cooper (CEO, Corporate, Commercial & Institutional Banking and CEO Europe & Americas, Standard Chartered)>>

By combining our understanding of emerging market credit, with Solv's capabilities, and leveraging our relationship with multinational anchors, we're addressing the growth pain points of these smaller clients, in global supply chains.

<<Shrina Gohel (Corporate Finance Graduate, Standard Chartered)>>

Standard Chartered is committed to leading the way and strengthening the foundations of financial institutions of the future. Here's just one of the ways we're doing that.

<<Simon Cooper (CEO, Corporate, Commercial & Institutional Banking and CEO Europe & Americas, Standard Chartered)>>

Cryptocurrencies represent 0.3% of the world's accounts and deposits, and this is only going to grow.

<<Justin Chapman (Northern Trust)>>

There's increasing interest from institutional investors, but right now, they only account for 9% of the investments in cryptocurrencies.

<<Simon Cooper (CEO, Corporate, Commercial & Institutional Banking and CEO Europe & Americas, Standard Chartered)>>

What institutional investors are looking for, is a means of investing safely, in digital assets, a cryptocurrency custodian that combines the risk management, governance, and security expertise of a bank, together with the innovation and agility of a tech company.

<<Alex Manson (SC Ventures, Standard Chartered)>>

Zodia Custody does just that. Zodia Custody makes it possible for institutional owners and managers to invest in digital assets efficiently, without ever compromising on safety, compliance and reliability.

<<Justin Chapman (Northern Trust)>>

Zodia Custody provides services from the leading cryptocurrency assets, such as Bitcoin and Ethereum. The introduction of Digital Custody, but with the know-how and experience with global banks like Northern Trust and Standard Chartered, is a breakthrough in the evolution and support of institutional crypto-asset markets.

<<Alex Manson (SC Ventures, Standard Chartered)>>

Zodia Custody is now registered with the UK Financial Conduct Authority and now provides commercial services to its clients. In addition, in order to grow the ecosystem and help the nascent industry to mature, we're establishing Zodia Markets, a brokerage and exchange platform for digital assets. In order to do this, we're partnering with BC Technology Group, a leader in digital assets in Asia, and aim for an operational launch later this year, pending regulatory approvals.

<<Simon Cooper (CEO, Corporate, Commercial & Institutional Banking and CEO Europe & Americas, Standard Chartered)>>

Interest in and demand for cryptocurrencies, continues to grow. We'll be here to help our clients navigate this complex but fascinating space, together with our partners we will establish Zodia, as a leader in digital assets infrastructure.

<<Shrina Gohel (Corporate Finance Graduate, Standard Chartered)>>

I see daily just how committed the bank is, to evolving on a global level, moving away from the traditional image of a bank, to a more modern, more digital and more relevant one. This next story shares a spotlight on a forward thinking work we're doing in the world of online economy and payments.

<<Alex Manson (SC Ventures, Standard Chartered)>>

E-commerce, the inexorable rise of the online economy, is one of our high conviction themes at SC Ventures. Global e-commerce sales are estimated to be around $26 trillion, and we expect global cross border payments, to cross $150 trillion next year.

With that in mind, we're turbo charging our digital payments proposition, by merging CurrencyFair with Assembly Payments.

<<Nick Bouris (Director, Managed App)>>

When we expand overseas, we have to string together a number of payment products, which is complex, and involves many steps, systems, and interactions.

<<Simon Cooper (CEO, Corporate, Commercial & Institutional Banking and CEO Europe & Americas, Standard Chartered)>>

CurrencyFair and Assembly Payments will offer the whole range of payment products, including non-card payments, fraud management, reconciliation, foreign exchange and liquidity. Our vision is to give our clients the building blocks to launch their online propositions, without all the technical or geographical complexities when it comes to payments and related steps.

<<Nick Bouris (Director, Managed App)>>

We need seamless, secure, and cost-efficient platforms that integrate payments across multi-markets and multi-currencies.

<<Alex Manson (SC Ventures, Standard Chartered)>>

We're in the midst of integration, which we expect to complete later this year. The combined entity has close to 4 billion in total volumes and some 160,000 client accounts.

<<Simon Cooper (CEO, Corporate, Commercial & Institutional Banking and CEO Europe & Americas, Standard Chartered)>>

Alternate payment models is a space where our traditional banking, is still playing catch up. This unique payment proposition showed how we're committed to supporting the transition to digital economies.

<<Shrina Gohel (Corporate Finance Graduate, Standard Chartered)>>

I believe banking tomorrow will look very different to how it is today. Standard Chartered is laying the building blocks of the financial institutions of the future, and I'm proud to be part of that.

Questions and Answers

<<Adnan Akhtar (Head of Sell Side, Investor Relations, Standard Chartered)>>

Okay. We only have time for one question before we have to go back to the main Q&A in the main hall. So has anybody got a short question?

<<Perlie Mong (KBW) >>

Yeah, so just quickly, so I know the scope for SC Ventures is obviously very wide, and is, investing in new ventures as well as looking internally to improve processes. So just quickly, are you more focused on projects that would help Standard Chartered succeed in more the established market, you know, whether it's London or Hong Kong and just sort of as having more additional capabilities for those products, or are you trying to disrupt more and sort of set yourself up as the next Monzo, Starling or Mox in some of the smaller markets, you have 60 markets to play in. So just wondering where the focus is.

<<Alex Manson (SC Ventures, Standard Chartered)>>

I'll take a stab at this and Simon can add. So the fundamental question is, are we the rightful owner of what we're backing and investing in. And we won't back a venture where we don't have a significant competitive advantage, it makes no sense. One of the advantages is the fact we know how to operate in a regulated environment. A lot of the ventures are in fact regulated entities, and so we have an expertise in building a compliant, safe system, bank grade, I should say, is a word for it.

Another aspect of this is our markets, meaning that the knowledge that we have on markets, identifying client needs, the effervescence of technological innovation that is happening from India, to China, to all our markets, it's a good competitive advantage. And so, the majority of the ventures we have backed, are starting there, and we're not constrained by it. So, open minded as to where things go. An example of other ways, we incubated Zodia in Singapore, and transported it to London, because this is closer to where the clients are. So, an example of a venture that is now in London. We're not constrained by any policy or by anything like this, the question is a commercial one, which is, are we going to create value for shareholder, and if so, are we the rightful owner of this venture, and if we're not, we shouldn't do it.

<<Simon Cooper (CEO, Corporate, Commercial & Institutional Banking and CEO Europe & Americas, Standard Chartered)>>

Just to add very quickly, remember, from the wholesale side of the bank, it's Standard Chartered's network, there's a huge differentiator, so the fact that Solv is in India, doesn't mean it's just helping us with our clients from India. So, for Solv, we were able to do that in both, we were able to help at least one major multinational, from not just United States, help with their supply chain in India, adds value to us from a global relationship perspective. So, it's wrong to just think of geography in such a discrete way, I think.

<<Alex Manson (SC Ventures, Standard Chartered)>>

Yeah. Think of Linklogis, a partnership started in the bank, it's a China FinTech obviously, we've worked with them within the bank, ended up investing, the relationship grows, we've now just announced a JV. The whole point is, it's a Singapore company the JV, and we will take this JV across the footprint in different markets. So, idea being to scale across markets as well as scale in individual ones.

<<Adnan Akhtar (Head of Sell Side, Investor Relations, Standard Chartered)>>

Okay, we'll have to wrap up there. If we make our way back to the main hall, we can carry on with the Q&A there. Thank you all.

Main Event Q&A

<<Bill Winters (Group Chief Executive, Standard Chartered)>>

Okay, welcome back, everybody. I hope you found the last couple of hours really useful. Thank you for a super level of engagement. We're a little bit over time, so we're going to go straight into Q&A. Reminder to everybody, this is being recorded, so to the extent that you have to leave or dial off, you can obviously get the whole story later, but you're most welcome this last bit of engagement today. We're talking about how we're fundamentally transforming, we talked about how we're differentiating ourselves, and our strategic approach and we talked about the growing evidence of success.

I'm going to be joined by Andy now, we have Kahina and Alex in the room. Shortly, the rest of the presenters will appear on the screen. I will take questions online, you got the instructions on how to do that, or Niluka can fill that in for others to take questions in the room. So, Andy, if you join me now, we'll dive right into Q&A, and we'll probably go until 12 o'clock or so. We have the first question right here, in Basinghall Avenue on a sunny day in London. We've got a mic coming.

<<Amandeep Rakkar (Barclays Bank)>>

Thanks very much, it's Aman Rakkar from Barclays. So, good morning first of all. I was just interested in, regarding the partnerships, if you could give us a sense of how the economics differs from offering through partnerships versus directly banking with clients yourself. Is this high ROE, fee income, low balance sheet business, or are you kind of giving away a decent chunk of the value by virtue of not owning the primary relationship? I mean particularly, I think the example that you gave in Indonesia was quite interesting. If you're able to quantify that, it'd be really helpful.

<<Bill Winters (Group Chief Executive, Standard Chartered)>>

So, I'll give Andy that question. There were a number of questions that we picked up from the sessions we were listening in, I don't think we got everything, but we heard about it. I suggest that Andy try to bring a bit of that stuff together now. Andy?

<<Andy Halford (Group Chief Financial Officer, Standard Chartered)>>

Okay, right. So, in the interest of time, I mean today was intended very much about sort of product, clients; it wasn't so much about numbers, but, clearly, the culmination of all of these is the endeavour to the roll up to double digit [RoTE]. So, ultimately, it does come back to financials.

I guess the way I'd look at this is, over the last four or five years, we've invested a huge amount in sort of standardising and simplifying systems and processes within the business. We've now got much more consistency, which enables now to digitise, and put platforms in, that will be ubiquitous, that will span product sets, that will be much more intelligible for customers, it will be much easier for our staff, and a lot of what we're doing here is about that.

Bill mentioned earlier, the cash investment we've been making, we have gradually increased over the last few years, it's about $1.9 billion of cash in IT each year. The proportion of that that is going into these more forward-looking strategic initiatives, is progressively increasing. We think just over half of that 1.9 billion, will be on these strategic initiatives going forward. If you go back on average over the last five years, it was probably about half that level, so there is an absolute focus upon investing into new platforms, into new ventures, and I'll come to partnerships in a minute.

Secondly, separately, but in a way linked, we have been investing in selective equity stakes. About $200 million of those, in pure equity stakes over the last two years, two and a half years. We would expect that sort of run rate to go forwards. Those businesses are largely early-stage investments, we haven't crystallised, realised a lot of them but a pretty conservative valuation of those would be roughly a doubling. That doesn't feature in our numbers at the moment because of the way it's accounted, but just want to get visibility on that.

Expenses-wise, we will be investing more into the new venture areas and the more they take off, the more we will be doing that. We will obviously need to look at the collective of the cash expenses of the business to make sure that by investing in the new businesses, we're still leaving enough for the core businesses to go forwards.

But a number of initiatives we heard here, will both be additive to the customer growth opportunity and efficient in terms of running the business. The cost of acquisition of new customers is fundamentally lower, for instance, in Africa today than it was two years ago. Branch closures, more digital is taking the cost per customer acquired, down about two-thirds. And in that period of time, the profitability as we've gone through this evolution to digital, has actually increased in the retail business in the Africa and Middle East regions. So this year's profit in retail, will be higher, than pre-COVID levels, despite the fact we've see interest rate reductions during that periods of time. So that sort of thing gives us the confidence, actually, that we are on the right track.

Eventually, this comes to your question on the partnerships. There will be different commercial arrangements with different partners, but generally speaking, it will be a small percentage of the income that would go to their referring partner, and then we will deal with all the economics behind it, so that typically, either will be no upfront cost, and a small, slither of the taking goes to the partner. Occasionally, we will do a pay upfront, and then we'll take the full economics, but either way, the cost of acquisition will be much, much lower. And indeed, it has to be much, much lower, because if we're going to get times five increase in the retail customer base, we have fundamentally got to get our customers at a different price point to the ones that we have historically acquired. I think eventually, I got your question.

<<Amandeep Singh Rakkar (Barclays Bank)>>

Yes, thank you very much.

<<Manus Costello (Autonomous Research)>>

Hi, thanks, this is Manus Costello from Autonomous. Bill, you talked about giving us more visibility on SC Ventures in 2022 which is exciting. I wondered if you have thought about any more fundamental restructuring of the group, to help realise value, because, I know one of your peers in Asia, Siam Commercial Bank had a pretty remarkable reaction when they reorganised their group. Is there anything more fundamental that you would consider down the line, given that the scale of that ambition, I think you were talking about 50% of revenues coming from these ventures?

<<Bill Winters (Group Chief Executive, Standard Chartered)>>

It's a good question. Obviously, we've seen what other people have done or are in the process of trying to do. What we're trying to do is build value in Standard Chartered. We don't believe, you may tell us that we're wrong, that we can create value or at least realise untapped value, simply by moving the deck chairs around, and changing the shareholder structure in some way. Now, that said, if there's a different ownership arrangement, for something, that we think liberates value, we're more than happy to do that, and that's exactly what we're doing at SC Ventures, you know, 65% of Mox, we own 60% of our venture in Singapore, we own 100% of nexus, but as Andy mentioned, there's a referral payment that obviously based on success, we only make payments to the extent that there's income, we have 5% stake in Toss Bank in Korea or LINE bank. We have many different ownership configurations that we think will maximise the value for us, in each of the ventures.

And we could easily see those ownership stakes changing, we could increase our stake in one, we could decrease in the other. The idea that we package this up, and the SC Ventures or some superset of ventures, including SC Ventures, package it up, sell it off and hope that that increases the value for the whole, I remain to be convinced that that's value creating.

Now, if we do the work, and we think that somehow that creates a different environment, a different culture, different partnering opportunities, different competitive dynamics versus the people we'd like to work with, then we'll look at that, it's not our pre-occupation right now. Our pre-occupation right now is, build great stuff that needs that delivers against unmet customer needs, create value that way.

<<Andy Halford (Group Chief Financial Officer, Standard Chartered)>>

But we will pull out from next year, the ventures activities, and give them more visibility as a sort of entity in their own right, and we can see where we go to thereafter, but we will get more visibility on them, going forwards.

<<Thomas Rayner (Numis Securities)>>

Thank you, it's Tom Rayner from Numis. On digitisation, I think that the benefits for retail are fairly obvious given the big numbers and the fact that you can increase scale, quite effectively. I'm just wondering, with the corporate side, is that quite the same because there's less customers with larger flows? I'm just interested in your thoughts around that. And also, in the Wealth Management space, obviously these digital offerings are very attractive to the younger cohorts, but I'm assuming that most of the wealth is currently sitting with the older sort of parts of the population that might not be so open to digital offerings. So I'm wondering how that progresses. Thank you.

<<Bill Winters (Group Chief Executive, Standard Chartered)>>

So, we'll bring Kahina, Kahina and Simon can take the first part of your question, while they're getting up there. On the Wealth side, as we talk about increasing the number of retail customers up to 5 million, obviously, we would expect to keep on going from there. A meaningful proportion of the incremental income from our mass client base, will come from Wealth products, it's quite small today, it's a growth opportunity from here. It's also the feedstock for our future Premium, then Priority, then eventually, Private Banking client base.

We're getting a high proportion of our new Wealth clients, our new Affluent clients in the bank, are coming from our Mass population, something like two-thirds today, are people who are upgrading from that less wealthy categorisation.

But you're right, and Andy's point, if we have 5 million customers, that are going to be at a different price point, and we'll have to evolve that customer base into the Wealth offering. But it's nothing but upside in opportunity for us, especially given the cost of acquisition for the clients, and just statistically, a very small percentage of 5 million, can be quite impactful over a few years, to our Wealth business. Kahina, maybe you can start and then Simon can chime in.

<<Kahina Van Dyke (Global Head Digital Channels & Data Analytics for Corporate, Commercial & Institutional Banking, Standard Chartered)>>

Yeah. So, as we talked about, actually in our session, Corporate and Institutional in many ways, has been seen as kind of the last vestige of the digitalisation versus retail, which has been going on for a couple of decades, just as an industry trend. But what is really interesting right now and why it's so exciting, is that we are actually seeing our Corporate and Institutional clients kind of demanding technology, because they are using data and digital in their businesses, across industries.

So, you can see, just as we talked about APIs, you know, why are APIs important? Well, APIs are important because that's allowing us direct connectivity with our corporate clients. We are seeing demand, you saw the numbers, over 200 million, and growing, transactions through APIs, you couldn't even imagine that two years ago, and now, we're at a point where whether it's Nigeria, or Hong Kong, clients are saying, connect with me via APIs, show me all of my accounts via dashboards, let me get real time connectivity, so I can make real time decisions. And I actually think that there's tremendous value to be unlocked on the corporate side because of the size of the flows, the sophistication of the clients, and leveraging data, and real time connectivity. Simon, did you want to add anything?

<<Simon Cooper (CEO, Corporate, Commercial & Institutional Banking and CEO Europe & Americas, Standard Chartered)>>

Yeah. The only thing I'd add, Kahina, you've obviously covered most of it. I'm in the middle of what's my first business trip of 2021, which is very exciting, and I think every single client meeting that I have had, has had two consistent themes, one has been Sustainability, but the other has been Digitisation. And as we now start to pitch for business, the clients are asking us less about what's your products expertise, they're asking us much more about what is your plan for digital rollout. And that is what the real lever for the wholesale banking is in terms of digitisation.

<<Bill Winters (Group Chief Executive, Standard Chartered)>>

We have a meaningful market share in the corporate business today, it's a very fragmented market, we have tremendous opportunities for share growth. And we also have tremendous opportunities to grow the number of clients that we deal with, most obviously on the smaller and SME side, but also in multinational corporations where we pick up more and more of the business. So the EVA impact of these investments on the corporate side, are every bit as exciting if not more so, than the EVA opportunity on the retail side. Alex?

<<Alex Manson (SC Ventures, Standard Chartered)>>

Just add one last one, which is corporate clients, are a major origination channel for new ideas to ventures, engagement, leading to workshops can lead into JVs and new venture initiatives, so it's a major interaction for us.

<<Raul Sinha (JP Morgan)>>

Hi, it's Raul from JP Morgan. I guess a broader question about capital allocation. There's a lot on your plate right now. You've got a very strong capital ratio as a bank. You obviously got a very big investment budget now into the strategic initiatives versus where you were. But we can point to a number of different banks, which are your competitors, which have got bigger budgets. So the question really is, how do you decide that $1 billion is the right number? And if you look at your plate, you've got your marginal dollar that could go into buying back your stock, buying the assets of a competitor that's exiting some of your markets, or putting it into a new venture that somebody came up with an idea for which might be worth a lot. So what is the highest priority for you as a Management Team?

<<Bill Winters (Group Chief Executive, Standard Chartered)>>

Yeah, so the priority for this portfolio that we're talking about today, very straightforward, first-in-class, best-in-class, scalable fast, disruptive with purpose, that's it.

That's what we've been doing. I can tell you that the returns, we believe, on that portfolio, are superior, to the other options that we see in the market right now. Obviously, there are other things that coming up from time to time, we'll adjust regularly. But if we can satisfy those three criteria, and by the way, there's only a few things out of the millions of opportunities, that meet first-in-class, best-in-class, fast scaling, and disruptive with purpose. Those are the ones that we go for, they're leveraging our core strengths, everything else is going to go to somebody else, and if there are other opportunities for capital allocation, always looking at share buybacks, especially at the share price as a benchmark. The things that we're investing in, are far superior to buying back our own shares, in our opinion. And if you see any transactions from Standard Chartered, in the weeks or months to come, it would also be far superior to buying back our own share. Otherwise, we'll buyback our shares.

<<Andrew Coombs (Citi)>>

Hi there, it's Andrew Coombs from Citi. I guess I just stay on the same theme. You talked about the three key points in terms of investment and as you said, so, I'm just trying to link those three themes in with the financial aspect, you have the aspiration on the cost-income and the RoTE in the medium term. When you look at your investments where you take a majority holding, are there specific financial targets for those investments? As in 'you need to breakeven by year X', 'you need to generate a cost of capital return by year

Y', or are you thinking about it much more holistically in terms of there might be second order benefits to the rest of our franchise in these regions?

<<Bill Winters (Group Chief Executive, Standard Chartered)>>

We're looking at it more holistically, and we're also looking at it, at least with a substantial, if not complete lens of the way the market is looking at these investments. So to the extent that we're building something that is preferred by customers to their existing mode of dealing in a particular sort of products, or dealing with a particular set of problems, if we believe that we can deliver something that's differentiated, we believe that we can generate value from that, although it's not always crystal clear on day one, where that's going to come from.

The amount of capital that we've invested so far, is actually quite limited. The success that we've seen off that capital that we've invested so far, is a lot, we've had a lot of success, it gives us a lot of confidence in knowing how to target incremental investment. We also had to build on what we've already got. Do we have an eye to more FinTechs or trading in the market? Sure. Do we think that that's the valuation that we're using for our calculation? Absolutely not.. We've got a good old fashion financial model, it ultimately gets down to EBITDA, and discounted cash flows, that we think is going to generate value.

Have any of our ventures gone exactly according to the original financial plan? Absolutely not. I mean let's just start with the fact that interest rates went to zero, and people travelling from Hong Kong, went from everybody a lot, to nobody at all. The only person that's used their Mox card for a cross border transaction, is me, and that's only because I can get into Hong Kong with limited quarantine. But that's obviously going to change, and when we can tap into that million person Trip.com partner that we got, I mean how exciting is that.

Yeah, but it's definitely setting the financials back two years, does that deter us from investing in great products? No. Did we pivot completely from travel product to credit product? Yes, we did, first credit card in the market, single card, one click, debit to credit, super exciting, completely differentiated, and seamless, right? So yeah, we're creating value, it does not show up in the P&L yet.

<<Andrew Coombs (Citi)>>

I guess just staying on this, asking the trickier part of the question, but you gave some great examples of success stories today, but can you give us an example of something where you did invest and actually, after a couple of years, you decided, actually, we don't see a way forward here, and you pulled the investment?

<<Bill Winters (Group Chief Executive, Standard Chartered)>>

Yes. So the number of things that we killed after a couple of years is zero, because nothing lived that long, but Alex, give your three greatest failures.

<<Alex Manson (SC Ventures, Standard Chartered)>>

There's a lot more than three, really. So we tend to discontinue things quite early. The method we follow is specifically not one of building something and hoping they come later, having invested a lot from. The method we follow is a lot nimbler in which consists of having a prototype, testing it, iterating it, testing it again, iterating again. And we like to think that the better ventures are the ones that have iterated the most, as opposed to the best original idea.

So, we only really invest once we know we're on to something, and that something is going to scale. On the back of which, there are a lot of things never see the light of day. And sometimes it's the idea, sometimes it's the teams, sometimes it's the product-market fit, I mean there can be a lot different reasons why it can't see the light of day, but the vast majority of ventures will never exist. The ones we're talking about today, are the ones we think can scale.

<<Bill Winters (Group Chief Executive, Standard Chartered)>>

Any write-offs in the investment portfolio?

<<Alex Manson (SC Ventures, Standard Chartered)>>

No.

<<Bill Winters (Group Chief Executive, Standard Chartered)>>

Aggregate amount of the 600 [million dollars] we've invested that is on the cutting room floor? We've invested $600 million life to date in ventures broadly defined, what's the percentage of that that's been left on the cutting room floor?

<<Alex Manson (SC Ventures, Standard Chartered)>>

Cutting room floor?

<<Bill Winters (Group Chief Executive, Standard Chartered)>>

How many of those 600 [million dollars] have we spent money on, but then didn't carry on with?

<<Alex Manson (SC Ventures, Standard Chartered)>>

Well, by definition of the 600 million, they're the ones we've carried on with, again, we start very small, so meaning –

<<Bill Winters (Group Chief Executive, Standard Chartered)>>

It's (low) single digit million?

<<Alex Manson (SC Ventures, Standard Chartered)>>

So, it's single digit. The idea is very small outlay in the beginning. And then as we know we're on to something, as we know that platform is going to scale, then, start investing, and then invest materially on the successful ones.

<<Bill Winters (Group Chief Executive, Standard Chartered)>>

So, it is absolutely the right question. What is it costing us to generate these successes? And so far, the answer is very little and maybe we've gone a little bit slow and maybe we've left some great ideas behind because we've discontinued or under-emphasised some things that could have been great maybe, but, you know, we're quite happy with the portfolio that we've got.

I know we're running tight. So, if we have any questions coming in online…

<<Omar Keenan (Credit Suisse)>>

Can I ask about the client growth target please? Do you have the portfolio of ventures today, that you need to deliver the 5X number and is there any more colour that you can potentially give us around: is it more about Banking as a Service or digital banking? Can you just give a few numbers around that? That would be great.

<<Bill Winters (Group Chief Executive, Standard Chartered)>>

Thank you. Yeah, we have the portfolio today. Clearly that portfolio needs to be extended into new markets. So as we take Mox and roll it out into Singapore, as we take nexus and roll it out into Korea, as well as to Kenya and, two or three or four other markets from there, as we grow. Assembly-CurrencyFair, which is a high volume transaction with very high touch points, as we continue to accelerate the product offering in the African digital banks. So all of the pieces are there, there will be new pieces as well, but for sure there will be new pieces as well, but to get to 5 million and we just need to grow the existing business at the pace that we're growing at today. But rolling out to new markets, that's going to take both operating expense, so that $200 million that we spent last year is going to grow, and that will require incremental capital. Why are we talking about all this? Because I want you to know what we're spending your money on. And, and obviously we wanted to get your feedback on whether you think this is what we should be prioritising. Part of that is understanding whether we can generate value. So, yes, we have the portfolio today, but it requires significant ongoing investment.

<<Ed Firth (KBW)>>

If you look across the wider FinTech space, a number of new entrants have won tens of millions of customers, despite having none of the competitive advantages that you alluded to in terms of brand, licenses, et cetera. Why do you think this is, and how might that change going forward?

<<Bill Winters (Group Chief Executive, Standard Chartered)>>

I think everybody has picked their niche and, there are some stunningly, fantastic FinTech companies out there that have addressed unmet customer needs. They've been highly reactive. They probably flew underneath the regulatory radar screen for some time. And then they get swept into the regulatory environment, sometimes in a low touch way, sometimes in a very impactful way as, as we're seeing, for example, in China. But only after tremendous value has been created.

So, I take nothing away from the FinTech competitors. And in fact, many of those are our partners. I mean, those are exactly the systems that we're plugging into. But is there anything that prevents us from being as agile, as deliberate in terms of addressing or identifying and addressing unmet customer needs? No, there's nothing that prevents that. Do banks typically have the culture that is so customer obsessed and so focused that banks are going to take over the FinTech world? I don't think so. I don't think so. I don't think banks generally have the culture, the focus or the regulatory latitude. But, is Standard Chartered different? Our proposition is yes. Why are we different? Because we have no choice, right? We had no choice five years ago, and we have no choice today. I'm really happy with the choices that we've made. I think we've got a good track record of success. I don't know that we'll be the most agile and the most innovative organisation in the world, but we're pretty good. And you combine that with the comparative advantages that we got, and we can win this game. That's our proposition.

<<Ian Gordon (Investec)>>

Just in terms of the journey to a sub 60% cost-income ratio. How do you conceptually think about it? Clearly you're generating additional cost head room for the new strategy. Clearly you expect scale to deliver revenue uplift quickly. So are you asking the market to swallow any meaningful J curve, or do you aspire to generate a pay as you go?

<<Andy Halford (Group Chief Financial Officer, Standard Chartered)>>

We are today in the high 60%. And in part that is because interest rates have depressed the top line. But that is a fact. So I think going forwards, so we'll have two or three things play out. One is rates over time picking up, and everybody will have their own views, but that might be not immediate, but sort of later. Secondly, next year we should have the benefit that the top line is unfettered by rates holding us back, which has been the case this year. And therefore the true volume growth in the business should be more visible. And thirdly, progressively, the sorts of things we're talking about today should cut in.

So I think there is a momentum that is building rather than this being, you know, from the 1st of December, it will all be clicking into place. We are very focused on the costs. You know, we're very happy with the current year cost guidance. We have said repeatedly today that we want to get the balance right between investing enough expense to get these new areas to grow, but not stifling the core business of what it needs to also get the growth in there. And that's something which we are giving thought to at the moment. So the simple answer to your question, I don't think it's going to be entirely linear. I think a number of these will build, but I think if you put all of those together and indeed you do the math on our 10% RoTE, you pretty much depending upon your assumptions that have to get to around that number for everything else to lock in place.

<<Bill Winters (Group Chief Executive, Standard Chartered)>>

If I could just be a little bit specific in a couple of cases, and I saw some of this came up in the Q&A in the rooms, and the nexus as a business model, once fully scaled, we'll have an extremely low cost-income ratio because you've got very low cost to acquire, Andy mentioned the small referral payments, extremely low cost to serve and entirely 100% ownership of the residual income. So that's a very low cost-income model. So at the onset, like today, that's not benefiting our cost-income ratio at all; in fact, it's having a negative impact because we're spending money on it; as we get to full scale, it dramatically reduces the cost-income ratio for our Indonesian retail business; and obviously as we roll that out, for the rest of the bank.

The African digital banks where we are closer to full scale today, we're close to the same number of customers in the African digital banks as we are for the rest of our African business, extremely low cost-income ratio. Cost to acquire very low, cost to acquire is one-third of the conventional branch based account. The cost of serve is one-third of the existing cost of serve. We're reducing branches along the way, because those branches are no longer required by our customers. So that's further reducing the cost base for the business as a whole. That's driving the cost-to-income ratio for that business well below 60%. That's going to play out as Mox gets fully scaled. As our Singapore Phoenix operation gets fully scaled, much lower cost-income ratios. We are not going to offset that with much higher credit losses. There may be slightly higher credit losses. There's no question when you're going at a different price point with a credit led strategy or credit embedded strategy, we will have more loan impairment, much more than offset by the income improvement that we're getting. That's our bet. And obviously, we'll see if we're right, but it's something that I think we'll all be watching a lot as things like buy now pay later become the fad of the moment.

<<Niluka Ratnayake (Regional Head of Investor Relations, Standard Chartered)>>

We'll take one final question. We have massively over-run. So any more questions in the room?

<<Pearlie Mong (KBW) >>

You said in the last five to six years, you've already spent a lot of time sorting out a legacy system and just how much is there left to do, in terms of that? And obviously 50%, on innovative spend is a very, very good number. But I think most of the FinTechs and challenger banks are probably on 70%. Is that something that you would aim for? And that's one and the second one is, do you see a time when cost to service customers in the UK or some of your more entrenched markets could be reduced by two thirds similar to the scale that you've seen in African market as well, and what sort of timeframe are you thinking that might be achievable? Because if I look at the scale, a typical cost of service as a current account is probably 150 for an incumbent in the UK, for a Monzo or Starling probably about 50. So that's sort of the difference we’re thinking. So just wondering how you see that.

<<Bill Winters (Group Chief Executive, Standard Chartered)>>

And thankfully, some of my old friends, we’re not planning on attacking the UK retail market anytime soon. But yeah, good luck. The core banking systems are now rolled out in two of our three largest markets. So this is a cloud-based, is a proprietary application. All the migrations have happened smoothly so far. The big ones left are Korea and Hong Kong. There we've left those for last and that'll come in 2023, for two reasons. One is they're big and two is they're on completely different core banking systems today. Whereas the other migrations were more evolutions within the core. So as we get out to 2023, we'll be fully migrated to cloud-based unified core banking systems. That means when we roll out, when Kahina rolls out a new set of products for the CCIB client base, you only have to test it once, you don't have to test it 17 different times, which is what we had to do last year: 17 core banking systems, 17 testing protocols, 17 opportunities to screw up the migration and upset customers, right? So that directly affects the speed of delivery on the corporate side, also on the retail side, we are in the final stages of developing our third generation mobile banking app, footnote: generation one and generation two are best in class, they were best in class when launched, continue to be recognised as leading; not best-in-class anymore, but leading; generation three, we benchmarked against the existing mobile banking apps in the market, it's best-in-class, not number two, best-in-class.

Now, by the time we get out there, other people who have innovated, we will see if we're still best-in-class. We will also be evolving our capabilities. So backend will be largely sorted this year, the remainder will be sorted over the next 18 months. The front end of retail, continuous improvement, but in very, very good shape, I think for a first-in-class best-in-class experience for customers. The stuff in the middle is mixed. So we still have meaningful proportions of manual intervention. We still have a population of employees that's long operational services. People typically outlaw wages and short automation at every point along the way. So when you hear some of the stats of 85% straight-through, or 70% straight-through in core CCIB products, et cetera, those are the successes. There's more that we can do, much more than we can do, which is why we're comfortable, leave aside the increases in expenses that we're talking about in SC Ventures just for a moment which we're going to be very transparent about and we'll be talking about, which is why we've been able to keep our expenses flat for five years, six years, while significantly increasing our investment and growing our income consistently over the past several years, because we do have plenty of productivity opportunities left.

So we don't want you to think that we're sitting here with this perfectly oiled machine today, no opportunities for productivity from here. That's not the case. What we do have is a track record of delivering on those productivity commitments, delivering the end-to-end process, delivering the better and improving customer experience. And obviously having that drive our income growth, drive the cost-income ratio down and get us to the 10% plus, plus, plus RoTE. So exactly the right question. Work in progress, encouraged so far.

You guys have been really, really super engaged. Thank you for that. Thanks for coming. Thanks for coming here in person, if you made it here in person, and if you didn't, I hope you had a wonderful virtual experience on your nth video conference over the last 18 months, and look forward to seeing you in person going forward. And obviously as always, the IR team, Andy and I, and the rest of the team are all happy to keep on engaging, answering questions and committing to more transparency.

[END OF TRANSCRIPT]