Standard Chartered's Affluent Investor Seminar 2024

Hosted by:

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(Amended in places to improve accuracy and readability)

Judy Hsu:

I am Judy Hsu, CEO of Wealth and Retail Banking or WRB, and I am joined by my colleagues Jean Fernandes, CFO for WRB; Raymond Ang, Global Head of Private Banking and Affluent Clients; and Samir Subberwal, Global Head of Wealth Solutions, Deposits and Mortgages.

Now, two years ago, during our last Affluent Investor seminar, we took a deep dive into our business and committed to a set of growth targets for 2024. Today, I am very pleased to share that since then, the business has powered ahead and outperformed expectations. In this seminar, we will unveil our new targets and, more importantly, discuss how we are sharpening our strategy to ensure sustainable growth over the next five years.

Let me start with the key messages of this session.

Firstly, we see tremendous growth opportunity for wealth management services in our footprint across Asia, Africa and the Middle East. And this is on the back of rising affluence, expanding middle-class and a generational shift in wealth. We are a large international wealth manager in these regions, and we are growing faster than market.

Secondly, our outperformance is driven by a highly differentiated platform consisting of our client continuum, global network and Wealth Solutions.

Thirdly, to further accelerate growth, we are investing $1.5 billion in our affluent business. This increase is funded by reshaping our mass retail business. And lastly, we are targeting $200 billion of net new money over the next five years and double-digit income CAGR for Wealth Solutions.

I will now hand over to Jean, who will provide an overview of the financials of our Affluent business.

Jean Fernandes:

Thank you, Judy.

Hello, everyone. I am excited to share about Affluent, which is a fast-growing and highly profitable business.

Firstly, let us take a look at what makes up this business.

Our Affluent income is 68% of WRB's income. From a product perspective, this is largely split between Wealth Solutions and Deposits, and this diversification makes our performance resilient. In terms of P&L, 41% is non-interest income, mainly from a well-diversified product suite in Wealth Solutions.

We have 2.5 million Affluent clients to whom we offer propositions tailored according to their AUM levels. Our Premium segment starts at assets under management of $25,000 while our highest tier of clients sits in the Private bank who would typically have more than $10 million under management. Supporting clients through their wealth life cycle is a key imperative for us, and Ray will share more about this later in his presentation.

At the Group level, Affluent represents a significant business. It contributes one-quarter of income and a third of profits and will always remain a key driver of the Group's performance in the future as well.

In addition, our Affluent franchise generates higher returns with an income return on risk-weighted assets that is more than double the bank's average and a cost-income ratio of close to 50%.

We have been extremely focused on sustainably boosting our returns by leveraging our competitive advantages, to expand our Affluent franchise, and by driving efficiency and productivity to maintain cost and capital discipline.

Looking at a long-term view of Affluent income and AUM performance, I wanted to highlight a couple of things.

Firstly, growth in AUM and income was both strong and consistent before the pandemic, but like many others it faced headwinds during the COVID years. Since the pandemic has come to an end, our growth has been reignited, with income and AUM now growing at 15% and 23% year-on-year, respectively.

Our superior performance is driven by our key differentiators which are our client continuum, our global network and our expertise in Wealth products. The other point I would like to highlight is that, except for the pandemic years, within this product suite we are seeing the strongest growth in Wealth Solutions income. This is driven by our product and geographic diversification and Samir will talk about this later in his presentation.

We have been able to catch the strong structural wealth tailwinds across our markets because we have been building core capabilities in Affluent for many years, and in the last four years we really sharpened our focus on international and higher-value clients where we have seen the strongest growth.

Our Wealth product suite has been broadened and deepened. In the past, we offered core fund offerings for mass affluent clients. Now, we have added Alternatives and Structured Solutions which appeal to high-net-worth clients. We have significantly strengthened our propositions and our capabilities, adding high-end lifestyle and cross-border privileges, family advisory and trust services.

In the last couple of years, we also accelerated the hiring of RMs and expanded our training and advisory tools to support them, thereby scaling our service. Our growth in recent years has been entirely organic, leveraging our extensive network across Asia. Ray and Samir will go into more detail on some of these capabilities later.

The growth in our AUM is primarily from net new money rather than market movements. It is driven by our commercial efforts to gather new clients and to deepen their share of wallet.

Before 2021, our average annual net new money was around $14 billion per annum and for the first nine months of this year, we have acquired $34 billion of net new money. We think that the capabilities we have built in our Affluent business combined with the $1.5 billion of investments we will make in the medium term can further accelerate our net new money growth.

Our new target of $200 billion of net new money out to 2029 implies an average annual rate of around $40 billion.

If we look externally, we are in the right markets in Asia, Africa and Middle East. The overall size of financial assets in these markets is large and growing at an 8-9% CAGR. This is faster than the rest of the world, which is growing at a 6% CAGR.

We are extremely excited to be in these fast-growing markets, where in particular the upper end of higher net worth wealth is expected to outpace other segments. With the delivery of our new targets, we would expect to comfortably outperform the level of market growth in AUM and income.

This strong momentum has cemented our position as a leading wealth manager in Asia, ranking fourth by affluent AUM. Despite intense competition, our AUM has grown at a higher rate than the aggregate AUM of the top 20 players over the past two years. And this year, too, we have acquired net new money faster than our peers.

In closing, there are two key messages I would like to leave you with. First, Affluent is a fast-growing and highly profitable franchise of the Group. And secondly, by building our core capabilities across Affluent, we are now delivering growth which is faster than market, and our ambition is to continue to drive that forward and take market share.

I will now hand back over to Judy, to take you through our three key areas where we will be focusing investments to deliver this growth.

Judy Hsu:

Thank you, Jean.

As mentioned earlier, our superior performance is built on three competitive differentiators.

Firstly, unlike private banks, we service the full client continuum, which is a powerful engine of growth. Let me illustrate. About half of our new Affluent clients each year are up-tiered from Personal. When a client up-tiers from Personal to Premium, income doubles. Now this effect is true along the entire continuum all the way to the Private bank. As clients up-tier, income per client increases exponentially.

From 2021 to September this year we have up-tiered over 850,000 clients from Personal to Affluent, and this has added $33 billion of AUM. We are investing further to grow this engine by tailoring propositions and service models that best meet the needs of emerging Affluent clients as they grow with us.

The second competitive differentiator is our international network. There are structural tailwinds driving cross-border wealth flows as wealthy clients increasingly seek geographical diversification.

We are one of the few universal banks still active in supporting clients cross-border banking and investment across major corridors such as China to Hong Kong and India-to-UAE. For example, in China and India, we are present in the top 10 cities with strong local presence and a trusted brand. Combining local strength with seamless collaboration of our relationship management team across the network, AUM of our international clients has grown at twice the rate of domestic affluent.

We will continue to invest in cross-border propositions and international relationship managers to support growth.

The third differentiator is the strength of our Wealth Solutions and advisory platform. Our open architecture enables us to curate and offer the most innovative solutions in the market across funds, capital markets products and bancassurance. We also collaborate with our product partners to launch first-to-market solutions exclusive to us, and these have been extremely well-received by our clients. What is equally important is being able to provide clients with timely and personalised portfolio advice through RMs and advanced digital advisory capabilities. This has enabled us to scale our services, as evidenced by the 9% CAGR in Wealth AUM over the past three years.

Looking forward, we are investing $1.5 billion over the next five years, focusing on further strengthening our competitive advantages.

To create this investment capacity, we are reshaping our mass retail business, moving away from single-product borrowers to focus on emerging Affluent clients, who will grow with us over time. We will be investing in our international banking franchise, where we are the most differentiated. We will invest in people, mainly RMs and wealth specialists, and accelerate product development and digital client journeys. This will help increase RM productivity and drive scale. And lastly, we will invest in marketing to further uplift our brand.

We have consistently grown net new money over the last six quarters and this year we have already brought in $34 billion of net new money, which is more than 40% of our three-year target. And we have also up-tiered over 200,000 clients and grown international client base to 319,000. As you can see, we are running ahead of our medium-term targets.

With our track record, we are raising our net new money target to $200 billion over the next five years, and this will contribute to our target to deliver double-digit income CAGR in Wealth Solutions. Finally, the expected outcome of our strategy is to increase the Affluent share of WRB income to 75%.

I will now hand over to Ray, who will provide more colour of our Affluent segment.

Raymond Ang:

Thank you, Judy.

Hi, everyone. I am delighted to have this opportunity to share who our clients are, why they choose to bank with us and what we are doing to further strengthen our competitive position.

There are three messages I would like to leave you with.

First, our Affluent clients span a continuum across asset levels. We believe that the ability to source, service and up-tier clients through their wealth lifecycle is a critical differentiating factor which is helping to drive our superior asset and revenue growth. Second, our network is a key source of advantage, and we are investing in our international Clients business to optimise the potential of our global footprint. Thirdly, our clients rate us highly on our service and offerings, and these ratings have improved in recent years.

Let me expand on each of these messages.

Thanks to our large retail footprint, we serve a broad range of clients at different wealth levels. Across this client continuum, we have been seeing the strongest growth in the upper segments of Priority Private and Private banking, which we believe offer the most attractive growth opportunities going forward. These clients contribute to about 75% of our net new money, invest more in wealth products and are leading our income growth.

If we take an international versus domestic client view, we see that our international business is a critical ingredient to our growth, both in terms of income and net new money. Our international clients gravitate towards the higher end of Priority and Private banking segments. But you might note that the net new money in our Premium segment looks low. Remember, though, that this is a net number. It includes flows into Premium but also flows out of Premium into higher client tiers. Hence, this low net number is in part the result of our success in moving clients up the continuum.

This upgrade process is critical to our success as it provides a pipeline of new business for the next segment and has proven to retain our clients within the bank as their wealth needs evolve.

We think this is a key differentiating factor contributing to our success. Moreover, as we move up the client continuum, we gain multiples of income per client. For example, a Priority Private client gives us eight times higher income per client compared to a Priority client. Given we up tier almost 300,000 clients yearly, this is a key growth engine for us. It demonstrates the value we bring to our clients and to the bank as our clients grow along their wealth journeys. This continuum also provides a career path for RMs within the bank.

We are now targeting to up to 350,000 clients per annum, which will be an important source of asset and income growth for our future.

Let me now speak about our international clients business.

Our wealth hubs in Hong Kong, Singapore, the UAE and Jersey positions us well to capture the large and fast-growing international client opportunity. These are amongst the fastest-growing cross-border wealth centres globally, with high single-digit growth in wealth assets expected into 2028. In fact, Hong Kong is expected to overtake Switzerland to become the world's largest booking centre by 2028.

The value of our network is evident in the growth we see in AUM and net new money when it comes to international clients, who have contributed to more than half of our net new money year-to-date. For this business, we are primarily focused on growing the global Chinese and global Indian client segments. Our footprint allows us to be well-positioned to capture the wealth of these clients, and there has been significant growth in Chinese and Indian wealth in our hubs.

For global Chinese clients, we are focused on accelerating growth in the China, Hong Kong, Singapore axis, the Greater Bay Area and also capturing the segment's growing interest in the UAE. We offer these clients seamless access to relationship managers and specialists who understand their culture, speak their language and are able to advise them with meaningful and effective international wealth solutions.

The addressable market for our footprint has almost doubled to $1.3 trillion since 2019, and we expect this growth to continue. We have seen strong growth in our global Chinese segment in the bank, both in terms of clients and AUM.

When it comes to global Indian clients, we will step out our focus to deepen client success across the India, UAE, Africa, Singapore corridor and invest in digital capabilities, along with cross-border Wealth Solutions.

We are actively monitoring Gift City, India's first international financial centre, which caters to both domestic and international investors. With this business-friendly environment and tax benefits that facilitate seamless foreign currency transactions, it promises to be an attractive destination for wealth management of individuals, family offices and more. We have introduced the model of an anchor RM, who is a connector, a single point of contact working seamlessly with a network of specialists to provide clients with access to propositions cross-border.

The Global Indian opportunity in our footprint is estimated to be almost a similar size to the global Chinese opportunity, and we believe we can grow our market share here significantly.

Let us now hear from one of our international clients as he shares his experience banking with us.

Guest speaker: Vikram Rajvanshy, International Client

We chose to work with Standard Chartered Bank because of its brand and recognition in Hong Kong. However, it was not until we started the account opening process, we realised that Standard Chartered Bank offers such a powerful platform for investors to leverage its expertise in international markets, such as Singapore, Middle East and India.

Financial products are generally commoditised. However, having a relationship in Singapore for a client in Hong Kong to invest in India truly was remarkable. It was so seamless and generally speaking, it was a game-changer. Time is on our side and allowed us to make more informed decisions without the bureaucracy of talking to various people within a large organisation.

Raymond Ang:

Now let me speak to our third point on service and offerings.

Let us take a closer look to what our clients say they value about us, and what they would like to see us improve. In Priority banking, our clients rate us best-in-class on Net Promoter Score in six of our nine top markets. They have trust in us, value of international and differentiated propositions, digital experiences and the quality of our frontline staff. They rate us strongly on RM service, advisory and digital. They indicate that we can do better when it comes to client onboarding, rewards and refurbishing our branches.

When I look at the results of our Private banking surveys, our Net Promoter Scores and RM satisfaction scores are strong and have further improved in recent years. Clients value the trust they can place in our experienced staff, the neutrality of banking with a UK-based bank, the fact that we can offer corporate and investment banking solutions as well as full, retail and digital offerings as part of a universal bank. They rate us highly on the quality of our RMs, service, solutions and advisory. They also tell us that we can do better when it comes to our Private banking digital offerings and areas such as wealth planning, second-generational programmes and newer client centres; areas we are actively investing in.

Let me close by saying that we have plans to invest substantially to drive further growth in the Affluent business. We are focusing our investments in four key areas:

First, we will continue to upgrade our digital propositions and platforms, bringing digital advisory and DIY solutions to clients. At the same time, we are enabling our frontline staff via continuous improvements in CRM systems and investing in operations to increase service excellence.

Second, we will act on clients' feedback and continue to upgrade our client centres in key markets to become state-of-the-art experiential facilities. We have already opened and upgraded seven centres in

Hong Kong, Singapore and mainland China since 2019, and have recently inaugurated global Indian client centres in Mumbai and Chennai and more will follow.

Third, we are conscious that our marketing spend lags competition in our key markets. Moving forward, we will invest to reinforce our position as a leading international wealth manager. Our clients rate us very highly. We will do more to communicate this more broadly and raise awareness of our capabilities and strengths.

Lastly and equally as important is people. As previously discussed, we plan to grow our RM bench by about 50% by 2029.

We have a strong track record in attracting experienced talent and in developing our frontline staff via the Standard Chartered INSEAD Wealth Academy, which we launched three years ago. Our RM hiring is highly accretive, and we typically break even on RM and wealth specialist costs within one and a half years for both Priority and Private banking businesses.

RMs choose us for a number of reasons, including our transparent reward system, strong people managers and our international network, which provides excellent career opportunities and exposure.

Let me now hand over to Samir, who will talk about our wealth advisory approach and our product propositions.

Samir Subberwal:

Thank you, Ray. There are three key messages that I would like to leave you with:

First, we have a diversified and best-of-breed product offering in wealth that positions us really well for growth. Second, we follow a clear wealth advisory approach that is enabled by digital wealth capabilities and based on unbiased CIO house views. Third, our open architecture approach provides differentiated and comprehensive wealth solutions tailored to unique client needs, including a holistic bank assurance proposition.

Our Affluent business is well-diversified across geographies, which positions us strongly for future growth. Our Wealth Solutions income is also well-diversified across investment funds, both public and private capital markets products, which includes fixed income, FX, cash equities and structured products as well as bancassurance.

It is important to note that all of these are growing strongly in 2024. Our business is not highly leveraged, reflective in the relatively small Wealth Lending income. This may be an opportunity as interest rates come off. We are investing in enhancing our Wealth Lending platform in anticipation of this. In addition to being diversified, the return on our investments AUM is very attractive and relatively stable except for the COVID period. This is because we serve the wealth needs of clients across the affluent client continuum.

As Jean showed, our net new money is accelerating and within that, we are seeing a higher share of wealth net new sales that is helping drive income. We expect to see this trend continue as rates come off, given that clients will look for alpha over deposit rates.

Over a period of time, as we engage and advise clients that are acquired or upgraded, their AUM makes changes with an increasing wealth AUM share driving income growth. Our Wealth Solutions business is diversified and has strong foundations.

Now let us take a look at how our advisory approach and product offering is helping to drive growth.

We have a global advisory framework for clients that focuses on building foundational portfolios and providing opportunistic ideas anchored on our unbiased CIO house views. Our CIO team with decades of experience delivers strategic and tactical asset allocation models that feed into our proprietary advisory platform called myWealth Advisor. The output from this is used by our frontline relationship managers and wealth specialist teams to have portfolio reviews with clients, enabling them to provide personalised advisory at scale.

We will continue to strengthen our advisory capability and improve this platform by bringing in structured products in 2025. In the video that will play now, we demonstrate an advisory journey for a client using our myWealth Advisor platform and a chat functionality called myRM, used to execute the trade.

We believe our open architecture platform for investment offerings allows us to provide unbiased, advice and best-to-breed wealth solutions by partnering with leading product providers in the industry. to help clients build diverse foundational and opportunistic portfolios, we hand-pick solutions from about 100 traditional and alternative asset managers. To help clients capture market opportunities, we enable real-time pricing feeds from multiple counterparties for capital market products like fixed income, structured notes and FX. This allows us to select the best price for execution and customise payoffs and is a key differentiator which is greatly valued by our clients.

We continuously look to deepen and expand these partnerships to ensure we meet clients' evolving needs.

In the last couple of years, we have started to evolve our Managed Investments business from being a supermarket of funds to being focused on helping clients build foundational and opportunistic portfolios for which we bring innovative solutions. For example, we launched our signature CIO Fund two years ago. This is a series of foundational portfolios built on our CIO insights, which is today available in 12 markets and contributes about $2 billion in wealth AUM.

Earlier this year, we set up a VCC structure in Singapore, through which we offer exclusive and hard-to-access sub-funds to clients. We launched our first sub-fund in June. It is the first of the kind sub-fund offering a highly concentrated equity strategy, which has generated $0.5 billion of net sales in a few months.

Our second sub-fund has just been launched in November, and we plan to introduce one new such sub-fund every quarter and are building a strong pipeline for the coming years.

We have also introduced the best of alternative investments in the last few years and now have 7% of our investment fund AUM in these products. Expanding this product set will be a key focus for us in the coming years.

The next video shows how our clients could invest into a foundational signature CIO Fund in four clicks.

This is a great example of how we are driving end-to-end digitization and creating intuitive journeys across client touchpoints. When market opportunities arise, it is important for clients to have access to the right solutions and execute quickly. This is what we offer in our Capital Markets business.

Capital market products like fixed income, cash equities and structured products are increasingly forming the core portfolio of high-net-worth clients. We drive great velocity of new product ideas in various market conditions, which has resulted in our structured product income doubling in the last four years. Structured products can be designed to take advantage of rising, falling or range-bound markets.

We offer different structures for different market conditions and to illustrate our velocity of ideation, we have had more than 60,000 transactions across more than 30 payoffs in Hong Kong and Singapore just this year. This would not be possible without the excellent execution capabilities we have built. We invested heavily and constantly into our product platforms for both frontline and clients.

We now have a platform that shows clients structures from various counterparties and allows them to customise payoffs and get the best pricing. We see this platform as a key differentiator in our structured product offering.

Finally, we have a holistic bank assurance proposition offering products across savings, retirement, legacy and health and protection. For core savings, protection and retirement needs, we leverage our long-term strategic partnership with Prudential. Over 25 years, we have expanded this partnership to 11 markets across Asia and Africa and grown annualised premium at a CAGR of 8% since 2021.

We now have close to 0.5 million affluent clients insured with our policies. And with our focus on acquiring and up-tiering clients, we think this provides a continuing opportunity.

We also partner with other leading insurance providers in markets where Prudential is not present. For private banking clients who largely have legacy protection needs, we partner with various insurance brokers, providing our clients with a choice of best products.

In summary, our open architecture business model and being a player across the complete client continuum has helped us build great product and platform capability to support our clients. We will continue to innovate with products and enhance our platforms to serve our clients in order for us to deliver double-digit income growth.

Let me now hand over back to Judy, for her closing remarks.

Judy Hsu:

Thank you, Samir.

In conclusion, let me summarise why we are confident in our ability to deliver sustainable growth above market.

We have a proven track record of outperformance. The strong growth in our client base and net new money affirms our differentiated offerings and the trust clients place with us. We are now stepping up our investments to sustain our momentum and capture growth opportunities in our markets.

With that, I will hand over to the Operator and take your questions.

Q&A section

Andrew Coombs – Citigroup:

Good morning. One strategic question and one slightly more boring question, but a definitional one if I may.

The strategic question is if you could just elaborate on how you are thinking about onshore versus offshore hubs and where the $1.5 billion incremental investment is going.

And then the second question on definition was looking at slide ten. Can you just remind us of how you define net new money? Are you including interest income on cash? Are you including dividend income on equities? We would just love to know your definition and how you think that compares and contrasts to the peers that you list on the slide.

Judy Hsu:

Thank you, Andy, for that question. I will take the question on both the strategic and the definition of net new money.

Maybe I will just start with net new money. Net new money is just net new money. It does not include any interest income on cash. It is just pure net new money that is brought into the bank.

On the strategic question on how we are thinking about our onshore franchise, when we talk about the strength of our network, it really encompasses both our onshore presence as well as our offshore Wealth hubs. And the Wealth hubs you heard from the introduction, is Singapore, Hong Kong, UAE and Jersey.

Both domestic and international are equally important. And in fact, as I said, that is what we call our network. They go hand-in-hand, and they do reinforce each other.

If I look at our domestic business, it is the larger part of our business, In terms of AUM income and number of clients. And this year, whilst, on the chart, you see that the growth has been slower than international, this year has been a very strong growth. In fact, year-to-date, we have seen AUM grow 19%, so, it is also a very robust business. And if I think about the role of the domestic business, given that we are in large markets like India, like China, and also some of the smaller markets like Malaysia, Indonesia, the fact that we are present in these markets really allow us to support our clients' onshore wealth as well as offshore wealth.

And coming back to the question on investment of the incremental investment that we are making into the Affluent business, it will go to our relationship managers. And you heard from our presentation, our Wealth centres as well as marketing. Earlier in Ray's presentation, we talked about what we are doing in India in terms of meeting the needs of global Indians and NRIs [non resident Indians]. And there we have set up two NRI centres in Mumbai and Chennai.

Whilst a large part of our investments will go to supporting the international Wealth business, we are also investing behind our onshore business.

Nick Lord – Morgan Stanley:

Thank you very much and thank you for the presentation. I have got two questions.

If I can just ask, first of all about the global Indian and the global China client opportunity, so slides 22 and 23. You give us the size of the addressable market, which looks to be about 20% larger, for the global Chinese community versus global Indian community. I just wondered if you could comment whether that is reflective of the size of your businesses, or whether you are much more skewed towards global Chinese clients at the moment?

And then maybe if you could just talk a little bit about what you think is happening in terms of your market share. Does your market share of that global Chinese client exceed, say, your share in Hong Kong?

And then my second question is just on risks. You have given us an expectation for net new money. Obviously, it is a pretty uncertain world going forward. I wonder if you could just talk about what you are thinking about strategically when you are thinking about some of the risks to that net new money forecast?

Judy Hsu:

Thank you, Nick, for that question. I will ask Ray to talk about our both global Indian and Global Chinese opportunities, and then we will come back to the risk question. Over to you, Ray.

Raymond Ang:

Thank you, Judy. The question on global Chinese and global Indian. We have a large contribution of our net new money and AUM from global Chinese and global Indians. Admittedly, global Chinese is today bigger, and we are now focusing more in terms of global Indians. The global Indian opportunity, it is like global Chinese, a trillion-dollar opportunity. It is something that we are now really focused on, especially when we have an offshore network and booking hubs which are relevant to global Indians.

Onshore for the Indians, we also have a full banking license, securities license and also a non-bank financial company. With that, both on and onshore, we are highly relevant to these global Indian clients, and we invest, and we continue to focus on connecting them both on and offshore.

Nick Lord – Morgan Stanley:

Are you able to give us just an indication of relative size? Is the current global Chinese 20% larger than the global Indian opportunity, or is it sort of four times the size? Just a vague indication of difference in size of those businesses would be useful.

Raymond Ang:

Yes, it [size of global Indian addressable market] is just slightly smaller than global Chinese. Global Chinese, it is about a third of our net new money and global Indian is smaller than global Chinese.

Nick Lord – Morgan Stanley:

Perfect, thank you.

Raymond Ang:

With regards to market share, it is hard to determine market share because it is not reported with regards to market share for what we are versus the market. But, for us, like we articulated is about a third of our business.

Back to you, Judy.

Judy Hsu:

Yes, thank you. Thank you, Ray.

On risk of net new money, as you can see, we have grown our net new money very strongly year-to-date, and that is on the back of our very strong new-to-bank engine. And as you heard from Ray, our net new money is very well-diversified across our various client segments, while international [clients] is a large part of that, within international it is very well-diversified.

Having said that, this industry is very competitive. Our ability to continue to expand our relationship managers team, which we have done well, but clearly, the war on talent continues. It is very important that we continue to be able to attract the best talent into the bank, especially at the higher net worth segments. And I think second is everybody is investing in this business, and we have to continue to keep up with our investment, and that is what we are doing. That is why we are increasing our investment in this business.

Of course, interest rates may also play a role in some of that, how people will allocate their assets. But, at the end of the day, we are confident in the fact that we have a very differentiated platform. The structural tailwinds in our markets, from just growth of wealth as well as the growth of the wealth flows, give us a confidence that, together with great execution and the investment we are making that we are able to meet our target of the $200 billion over the next five years.

Alastair Warr – Autonomous:

Good evening, guys. Thanks very much for making the time for this. I think it is probably another risk question, just to follow up on the previous one.

Obviously, the business is going extremely well in Wealth at the moment. Inevitably, that does make us look a little bit where it might get more difficult. Just on the flows, you mentioned back in 2015-16, the global Chinese flows via Hong Kong were obviously very strong to the extent that it became a concern for SAFE, given how strong these flows been cross-border through Hong Kong and into Singapore particularly, and visibly, how good they are for the offshore providers, is there any risk that could attract more attention from SAFE? Do you think there is a level of flow here where the PBOC might become a bit more concerned?

Judy Hsu:

Thank you, Alastair. Again, I think maybe I will ask Ray to continue responding to that question.

Raymond Ang:

Thanks, Judy. With regards to concentration, the net new money again for our global Chinese is only one-third. Two-thirds are non-Chinese flows in net new money that we have seen, in the last 1-2 years. I would say that we are very diversified today. We see flows in Southeast Asia, which is a very important cluster for us. We spoke about global Indians as well. I think from a concentration perspective, we are not concentrated, and we are growing different clusters equally strongly.

Back to you, Judy.

Judy Hsu:

Yes, I will just also add, earlier you mentioned of the one-third that is global Chinese, a large part of that is offshore wealth. And if I look at how we have grown in Singapore where we have significantly increased our Private banking business, a lot of the wealth flow is actually from offshore. I think that diversification gives us the confidence that we can continue growing this segment.

Robin Down – HSBC:

Good morning, and thanks for taking the questions. Can I come back to slide 30, There are a whole raft of questions I could ask about slide 30, but if I could just start with the return on the total wealth AUM number, the 1.4% you have got this year. Can you give us some indications as to what drives that number and how you might see that going forwards? One of the questions is 1.4% to 1.5% where we were kind of pre-COVID, is that the kind of right level here?

And then if I look at the chart in the middle, which shows the income breakdown by product, it is a question I could have asked before to Diego and the IR team. When we look at things like the Investment Funds business there, could you break down the income there between front end fees and trailer fees? What I am trying to drive at is how annuity-like is the income streams that we have got coming through there? Thank you.

Judy Hsu:

Thank you, Robin. I will ask Samir to respond to this question.

Samir Subberwal:

Thank you, Judy. Just first addressing our return on assets question, we have seen our return on assets fairly stable over the years, as you can see in the chart, except for obviously the COVID period. What drives that? It is a combination of product pricing, product mix and client segment mix within that. And obviously, most of that is to do with fixed income, structured products, FX, Wealth lending, as well as obviously, our Managed Investments business that has a combination of upfront and annuity. That is the second part of your question.

It is a mix between these products that drives our return on assets, and it has been fairly stable over the years. This is largely because our Wealth business is diversified across geographies and products. We have obviously built the product capability for us to be able to provide solutions to customers across all market situations. As we will see a shift change potentially between going higher in the value chain to PP [priority private] and private bank, we might see a reduction in return on assets, but it will be more than compensated by the revenue increase, absolute revenue increase given the relative AUM size and the wealth mix within the AUM, as Ray mentioned in his presentation.

So quite confident on our return on assets. The 1.4% this year is obviously supported by extremely supportive markets as well, just keeping that in mind.

In terms of product breakdown, we do not disclose upfront fee and trailer fee breakdown. I imagine you got that answer from Diego and the IR team as well. But, needless to say, this is a business where our AUM has been really strong, the growth in the last couple of years, largely because of our net new sales effort. And if you see our mix of net new money, more than 50% of that mix is now in net new sales, which is obviously resulting in AUM growth. We will see more of that annuity income as we grow our AUM as well.

Hopefully, that answers your question. Back to Judy.

Manus Costello - Standard Chartered:

We have one question online. The question is would it please be possible to comment on current trends given the impact of the China stimulus announcements and elevated stock exchange turnover?

Judy Hsu:

I can start responding to that and ask Samir to add.

I suppose the question is really around the impact of the China stimulus on our Wealth activities. If I look at the momentum in our Wealth business, it has been extremely strong this year. The first part of the year is really around broad-based market positivity and clients, with interest rates peaking out, coming back into the market. And as you have heard from Samir, we have a very well-diversified business.

In September, on the back of the stimulus announcement, we did see quite a significant increase in activities that has given us a big boost to our September Wealth momentum. And we are seeing that also flowing into October. So, October has started very positively in terms of our Wealth momentum, but it is moderating right now. So overall, ultimately, I think we have a very well-diversified business. We remain quite positive on the markets, and a lot of our Wealth activity is driven by net new money and net new sales.

Is there anything else you want to add?

Samir Subberwal:

Yes, just to add, Judy, we have actually diversified our client assets away from what we used to have as an exposure to China markets over the last few years, consciously driven them through our effort to moving clients to foundational portfolios that are obviously guided by our CIO office view. Our real impact on the China stimulus is really in the cash equities business more than our fundamental Managed Investments business. So that, and like you mentioned, some of that has waned in November as the stimulus expectations have slowed a bit.

Back to you, Judy.

Manus Costello - Standard Chartered:

The next question is also online. Thank you. From Aman Rakkar at Barclays. The question is: Why would you not look to capture additional value by manufacturing insurance products in-house rather than distributing third-party?

Judy Hsu:

That question can go to Samir.

Samir Subberwal:

Thank you, Judy. I think we believe our open architecture model that provides best-of-breed products from best-of-breed asset managers or insurance companies is a clear differentiator for our clients, and I think they value that unbiased advice. For us, that is the model that we want to pursue, even if it comes at some of the manufacturing income not being available to us. The reality, though, is insurance manufacturing also requires large capital commitment and a scaled business over many years. It is very difficult for us to think about manufacturing insurance at this point in time.

Manus Costello - Standard Chartered:

We have one more online from Gurpreet at Goldman Sachs. Gurpreet asks: Can you please give more colour on where we are lacking versus the competition on our product mix, and what is being done to address that?

Judy Hsu:

Good question. Samir, would you like to comment on that?

Samir Subberwal:

I think we have a product offering that is highly competitive, particularly when we compare ourselves to bank peers. We have the best-of-breed public and private funds, given our open architecture model that I talked about earlier. We believe our fixed income and structured product solutions are possibly the most extensive in the market, again, given our open architecture model.

Our VCC [fund] that we set up in Singapore is quite unique. It is enabling us to bring really unique mandates in Singapore for our clients, and we are using that to offer those to customers in many other markets other than Singapore as well.

Possibly, the only exception I can think of is digital assets. We have not included that in our advisory capacity to recommend that to clients. We are looking at what we do in that space. Other than that, I do not think we have a big gap from a product capability perspective with competition.

Back to you, Judy.

Judy Hsu:

Yes, I could also add Ray to talk about how we are expanding our Private banking capabilities to meet the high-net-worth clients. And there were some gaps, but I think we have been able to catch up quite a lot over the last couple of years. Ray, you want to comment?

Raymond Ang:

Yes, Judy. In Private banking, I think, even to the previous question on manufacturing, because we have an open platform, this open platform allows bigger clients, ultra-high-net-worth clients. They actually appreciate our open platform quite a fair bit because when you hit that certain segment of wealth, pricing from open platform, sharper pricing is highly valued and unbiased advisory is something that the family offices do look out for.

In terms of further offerings within the Private bank, the last couple of years, we have been investing in wealth planning, family advisory, areas which we invested only in the last two years. Structured lending for big promoters are also areas which we focused on. The last one I would end with is a corporate solutions partner team, where today we originate some corporate needs from Private banking clients directly with the promoters in collaboration with our Corporate and Investment Bank.

Back to you, Judy.

Kian Abouhossein – JP Morgan:

Yes, hi, thanks for taking my message, my questions. The first one is just looking at things like slide 20, and then also your breakeven point in 21 as well, and then your breakeven point on the advisors, it looks like Private is a very good space to be. And actually, breakeven point versus Priority on the advisors, roughly the same, which is interesting. Just wondering if you can talk a little bit more around the $200 billion target and in that context, how we should think about the growth between the different buckets: Premium, Priority, Private?

And secondly, in respect to lending, can you talk a little bit about lending penetration of these clients, in particular in the Priority Private bucket, and what you expect to happen in lending going forward, and if this is a focus area for you as well?

Judy Hsu:

Thank you, Kian. I will ask Ray to comment on the first question on RM breakeven. And on lending, I will quickly respond to that.

In the Priority banking space, including the Priority Private, lending is not a big part of our overall portfolio. Of course, across our continuum we do mortgages, we also do some wealth lending, but it is not a big part of that business. But, over time, as we grow that segment as well as growing the Private banking segment, we do expect, especially if rates do continue to come down and market continues to be supportive, we do expect lending to play a bigger part.

Now, I will pass to Ray, to talk about the RMs.

Raymond Ang:

Thank you, Judy. Indeed, the Private banking RMs breakeven is fairly similar to the Priority RMs. There is a distinct difference between the Private and the Priority. The Priority RMs basically take some time to learn the products and also to know the clients before they start generating revenue. Whereas for the Private RMs, they come in, and they bring in their own clients, and once the clients are onboarded, they start advising the clients towards Wealth Solutions. The breakeven is fairly similar, but the profit pools of Private and Priority are different. Just naturally there are less Private Banking clients in the industry, therefore the number of clients is different or much smaller. Whereas Priority, the number of clients in the industry is far, far bigger. You see it in our numbers is probably representative of the market at large. You have a lot of Priority clients.

But, really, I like to talk about Priority Private, which is, we believe, a sweet spot for us because in Priority Private you have critical mass and at the same time you have a certain margin which is fairly attractive relative to the Private Banking segment.

With regards to the $200 billion target for net new money across the continuum, this is a total for the whole continuum. I would say that Private banking, out of the $200 billion, will be probably 40-50%. The rest will still be in Priority Private, Priority and also in Premium.

So back to you, Judy.

Edward Firth – KBW:

Yes, thanks very much indeed. Sorry, I had two questions, actually.

One was just in terms of detail, of the $34 billion, I think you mentioned a number, but I did not quite get it. How much of that is of net new money is upscaling of existing clients, and how much would you expect that to be of the $200 billion going forward? So that was the first question if I could.

And then the next question was, I think it was about a week ago, ten days ago, the US House of Representatives wrote a letter saying that they were concerned that Hong Kong had become a money laundering centre for the world and a centre for sanctions evasion. And I just wondered if you would like to comment on that in terms of what you are seeing? I mean, are you seeing a much greater rejection rates in terms of applications? Is it a concern that you have, or are they looking at something which you think is a sort of fundamental misunderstanding of how the market works? Thanks so much.

Judy Hsu:

On the first question on upscaling, how much of that is upscaling? Roughly a third of our net new money is from upscaling our clients. Earlier, in our introduction, we did talk about the fact that we have upgraded 850,000 clients. That is predominantly from Personal to Affluent, and that has brought us $33 billion, but of course, that is from 2021 to the first nine months of this year. However, overall, the $34 billion, about a third of it is from internal upgrades and a lot of that is from Priority to Priority Private. And earlier, Ray talked about our sweet spot of Priority Private, 70% of those clients are upgraded from Priority. And as we know, when clients grow with us, as I said in my introduction, as they grow with us in the continuum, they hold more products with us, they are very low attrition rate. And this whole continuum really gives us a fabulous acquisition engine that is extremely low-cost.

As to the second question, no, that has not had any impact on our client activity.

Perlie Mong – Bank of America Merrill Lynch:

Hello. Thank you for the presentation, and you have talked a lot about, the self-help measures that you are going to take in the next few years, and thanks for the details. Most of my questions have been asked, how much can geopolitical events change your outlook? The question is: What is good news? If China were to come up with more direct stimulus to consumer, is that good news that would make the outlook even better? Your share price reaction was very, very strong post the previous round of stimulus, even though, as you say, it mostly affected the capital market side of things. And what would be bad news? Trade war maybe? It is not even necessarily just about China because the new Trump administration is looking increasingly unhappy with all sorts of imports and talking about Vietnam, etc. And obviously, export has traditionally been an important avenue for wealth generation for developing Asian markets in the last 10 to 20 years. Just wondering what your thoughts are on that?

Judy Hsu:

Thank you, Perlie. Clearly there are some of these events, geopolitical events that will create volatility in the global markets. Some of them will be positive, some of them will be, clearly, a challenge. Our view is that the markets will adjust to new norms over time. And for us, we remain very positive on the long-term structural tailwind of our footprint, and which we talked about. It is really driven by the economic growth in this region that then leads to wealth creation, and this continued growth in cross-border wealth flows, as our clients become more affluent, they want to diversify cross-border.

We do think that these structural tailwinds will continue to present really significant opportunities for the growth of our business. But, obviously, in the short-term some of these changes will drive some volatilities. And what we focus on is helping our clients to navigate some of these opportunities as well as challenges. Because it is just during this time that clients are looking for expert advice, they are also looking to diversify their portfolios, and this is where we are focused on helping our clients. And if we do that well, we will continue to win business, we will continue to grow.

James Invine – Redburn Atlantic:

Hello there, and thanks for taking my question. I was just wondering if you could say, please, what impact you think the growth of the Affluent deposit base will have on the overall net interest margin. Specifically what is the average cost of the Affluent deposit base? And then also, when you are up-tiering a customer from Personal, what is the interest rate change on that customer's deposits as they make the transition?

Judy Hsu:

Thank you, James. I would like to pass that question to Samir.

Samir Subberwal:

I think if you look at our deposit NIMs, we have actually done really well all of the nine months and last year as well in managing our pass-through rates as interest rates have gone up. We clearly, obviously, price Affluent clients differently for deposits as compared to mass market or mass affluent clients. That is because at a client level the relationship spans across deposits and there is obviously an opportunity for us to cross-sell Wealth products as well. And it is relationship pricing that we do for Affluent clients. It depends on the AUM that they have with us, and the extent of the relationship as well.

There is a difference in how we price Affluent deposits. However, our deposit income overall in the bank has been quite stable and fairly strong. And if you look at our total income, and you look at our total AUM, you can actually look at what those returns look like.

The second question was: When you are up-tiering a deposit, is there a difference in behaviour? I think as clients upgrade their AUMs with us, they increase their relationship with us and the AUM. They obviously expect a little bit different pricing on deposits, like I mentioned in the first part of the question, which we will obviously support the clients with given that the relationship is bigger once we have up-tiered the clients with us.

James Invine – Redburn Atlantic:

I was just going to ask what is the currency mix of the Affluent deposits, please?

Jean Fernandes:

We do not specifically give currency mix across all our sub-segments. However, yes, among our high-net-worth clients the preferred currency is US dollars, given that the largest opportunity for them to eventually convert that into Wealth is in that currency. Of course, clients place deposits with us across all currencies where they see interest rate opportunities or where they have their own individual wealth tied in to a particular location or currency.

I also want to add on the NII question earlier, as I said earlier in my presentation, over half of the affluent income is NII, and this is primarily driven by deposit income. It will have an impact of the interest rate environment in the future. But, what we are guiding today is on double-digit Wealth Solutions income, and we expect that to more than offset the impact of rate headwinds for the Affluent income overall. Eventually, our focus will be on driving returns in this business. Wealth is a very capital-light and high-returning business, and we expect that with this growth in Wealth, we will be able to contribute more sustainably to the Group's returns.

Back to you, Judy.

Katherine Lei – JP Morgan:

Thank you. I have three questions.

One is that for your guidance of a double-digit CAGR growth on the Wealth income, can you let us know a simple guidance of what percentage of that will be from the cyclical factors, i.e., the market is doing well? What percentage is from structural factors, such as like your natural growth in clients or client up-tiering?

The second questions will be turnover ratio on the RM for the Private bank and then the Priority Affluent classes for the RM, what is the turnover ratio, and what is the trend that you have observed recently?

And the last one is minor questions on the insurance, even on your product side. Since you have an open platform, do you have the flexibility to tailor-make some of the products for some of the like, say family offices or for some segments of clients, if you think that certain trends fit them, do you have the flexibility or ability to talk to your partners in order to provide more tailor-made products? Thank you.

Judy Hsu:

Let me just quickly take the question on RM turnover. Our RM turnover attrition rate has been improving over the years, and in Singapore, we have done a lot of work around just retention, compensation, upskilling and the fact that we are growing business, we have access to you know a network of markets. That has been a terrific attraction for us to retain and attract RMs. In fact, if you think about Hong Kong and Singapore, where we are one of the largest international banks, and in fact, we are seen as very much a local bank, that puts us really in a very envious position to attract top talent.

With that, I will ask Samir to talk about question one, which is the double-digit CAGR growth for Wealth and around the tailored products for family offices around bancassurance.

Samir Subberwal:

Yes, sure. Thank you, Judy. Let me address the easier one, which is the insurance products. Like I mentioned in the presentation, for Private banking clients, we do have an open broker model where we source the best-of-breed products from various manufacturers in line with what the Private bank customer needs. So that model already exists.

In terms of double-digit CAGR growth, this is obviously a commitment we are making over the next five years. Lots of reasons for that. One is, of course, I have talked about this earlier, our open architecture model provides us the capability to be able to bring the best-of-breed products, which, I think, is really important for our clients for unbiased advice. We have great product capability to support clients through all market conditions. That is helpful as well, over a five-year period. Our Managed Investments and Bancassurance business is less dependent on markets, and our global advisory approach is moving clients to foundational portfolios, which is reducing the risk of volatility in our net new sales and AUM.

Having said all of that, obviously, a five-year period is a very long period for us to commit a double-digit CAGR growth. There will be some years where the market is not supportive and then there will be some years where the market would be supportive, and that is the reason why we have given a CAGR growth of double-digit for the next five years. I do not think there is a clear formula as to what part of that is structural and what part of that is cyclical.

Back to you, Judy.

Manus Costello - Standard Chartered:

Thank you. We have a couple more questions online. The first one comes from Kunpeng at China Securities. Please, could you comment on the similarities and differences on investment preferences of global Chinese and global Indians, especially when compared with their onshore peers?

Judy Hsu:

I will direct that question to Ray.

Raymond Ang:

Thanks, Judy. I think broadly for global Chinese, I think this has changed a fair bit. In the past, global Chinese, given the rise of China, will be very concentrated on Chinese equities, in the area of tech and real estate. Post the last couple of years, I think the global Chinese are beginning to diversify that concentration into well-diversified portfolios, including the US names.

Global indians in the past were very, very diversified, but largely very safe bond traders, generally. But today, given the rise of India domestically, a lot of global Indians are beginning to invest back into India equities.

So these are the two differences that we see currently for the two different segments.

Back to you, Judy.

Manus Costello - Standard Chartered:

And the next question online, I will actually put two questions together because they ask on a similar theme. One is from Amit at Mediobanca and from Aman at Barclays. They ask how is the competitive environment for RMs changing? For example, the cost of hiring RMs, has the break even here increased over time? And then related to that, from Aman, to what extent has your business been impacted by the merger of CS and UBS? Have you attracted clients and AUM, and does this continue?

Judy Hsu:

Thank you for that question. Again, I think that is a question that Ray could respond.

Raymond Ang:

Yes. On RM's breakeven, we showed the breakeven of less than 1.5 years fully loaded for our Private banking RMs and also the Priority RMs. We believe that we have a system where our breakeven point is actually very healthy compared to the industry. And there are different reasons for that.

The key reason would be some of the items that we described earlier, which is the RM see a lot of value and the ability to leverage on the network that we have. One of the reasons why they can breakeven earlier is because they can source clients easier or, within the network, we are able to give some of these RMs new clients to work on. That is one reason.

The other reason why they can break even faster is because we have invested in tools that give them more client time. In the video that you saw just now, where you saw myRM, myWealth Advisor, these are all tools where the RM advises the client, but the client can self-direct to close the transaction in myRM. What that means is they have more time with clients and less time doing administration. These are different examples on why the breakeven has been relatively healthy for us.

With regards to UBS and Credit Suisse, yes, we have seen some UBS bankers and Credit Suisse bankers joining us, as a result of the merger. But, I think this is driven more by clients wanting not to have a concentration into one bigger bank. So we see some clients wanting to basically diversify.

Back to you, Judy.

Judy Hsu:

Thank you, Ray.

Thank you, everybody, for joining us today and for your questions. I hope that you got a much better idea or better view of the strength as well as the opportunities in our Affluent Wealth franchise.

Before I close, let me just summarise again some of the key messages you heard from us today.

One, we have demonstrated that we have a great track record and excellent execution in delivering the outperformance so far, and that is something we will continue to focus on. Our business is highly differentiated. We talk about our strong network, and our network is not just about having a presence in a market. It is also about how we effectively collaborate to bring the network to bear to support our clients. We also talk about our continuum. Again, the continuum on how we are able to have a very disciplined approach to work with our clients to up-tier them with better proposition, with advice etc. That is also a critical focus for us, to continue to activate that continuum.

And third, of course, is our world-class Wealth platform, an area that we have continuously invested behind and something that we will continue to ensure that we have the right products and the right advice and great advice for our clients. Ultimately, we are a trusted brand by our clients and clearly from the performance that we have had so far, the net new money, clients have the trust in us, and they value what we offer.

We are stepping up our investment to further propel this business, and we are confident that we can achieve the targets, be it the $200 billion net new money over the next five years as well as our Wealth Solutions double-digit income [growth]. I think ultimately, the more important thing is that our focus is to build a very, very strong franchise, a world-class franchise, to meet the needs of our clients. And in doing so, really deliver that sustainable long-term value to our stakeholders.

Thank you very much again for joining us and have a great day.