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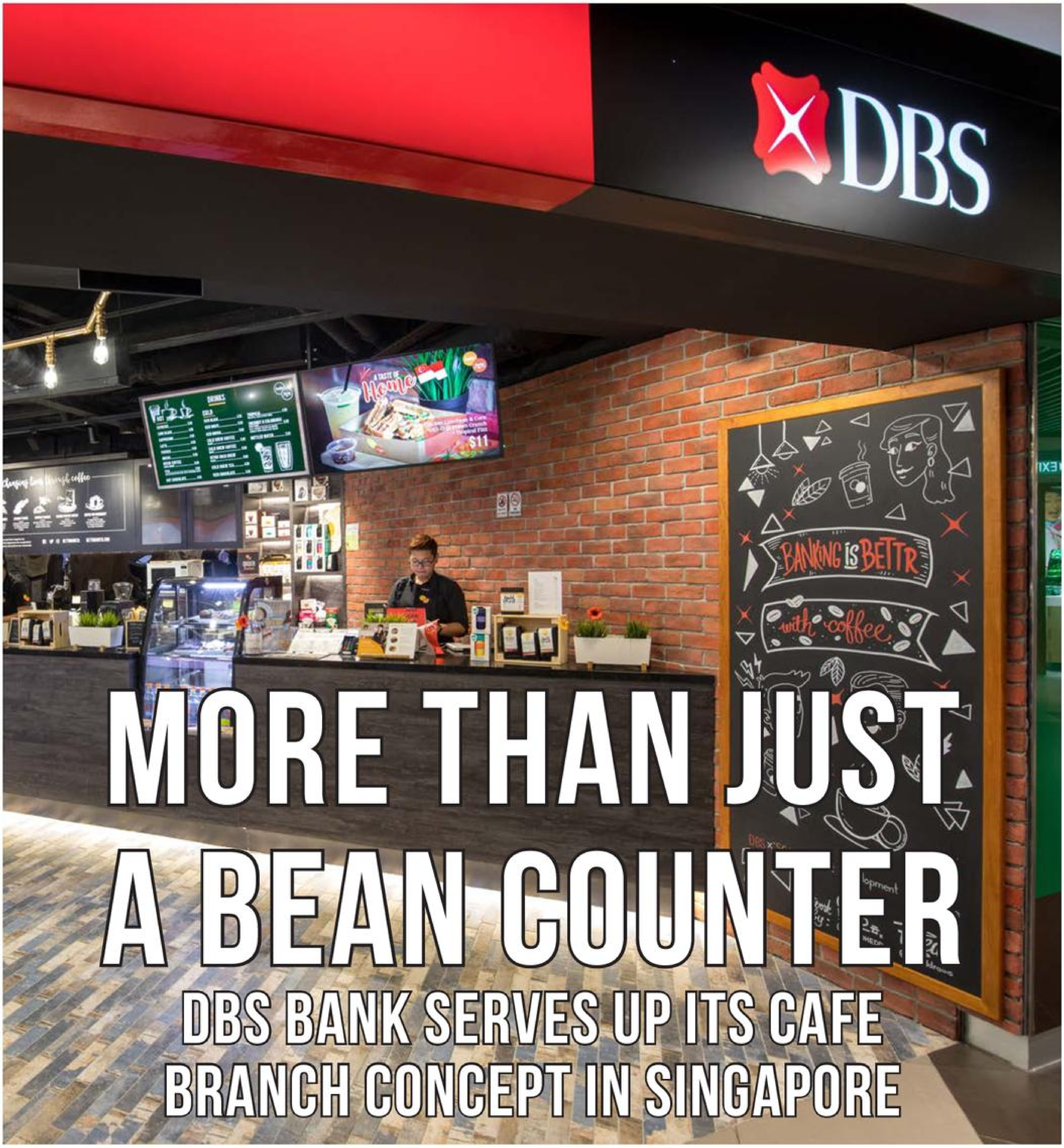


MORE THAN JUST A BEAN COUNTER

DBS BANK SERVES UP ITS CAFE BRANCH CONCEPT IN SINGAPORE

INNOVATION

Bancolombia's Nequi digital sub-brand aims to redesign the mobile banking concept

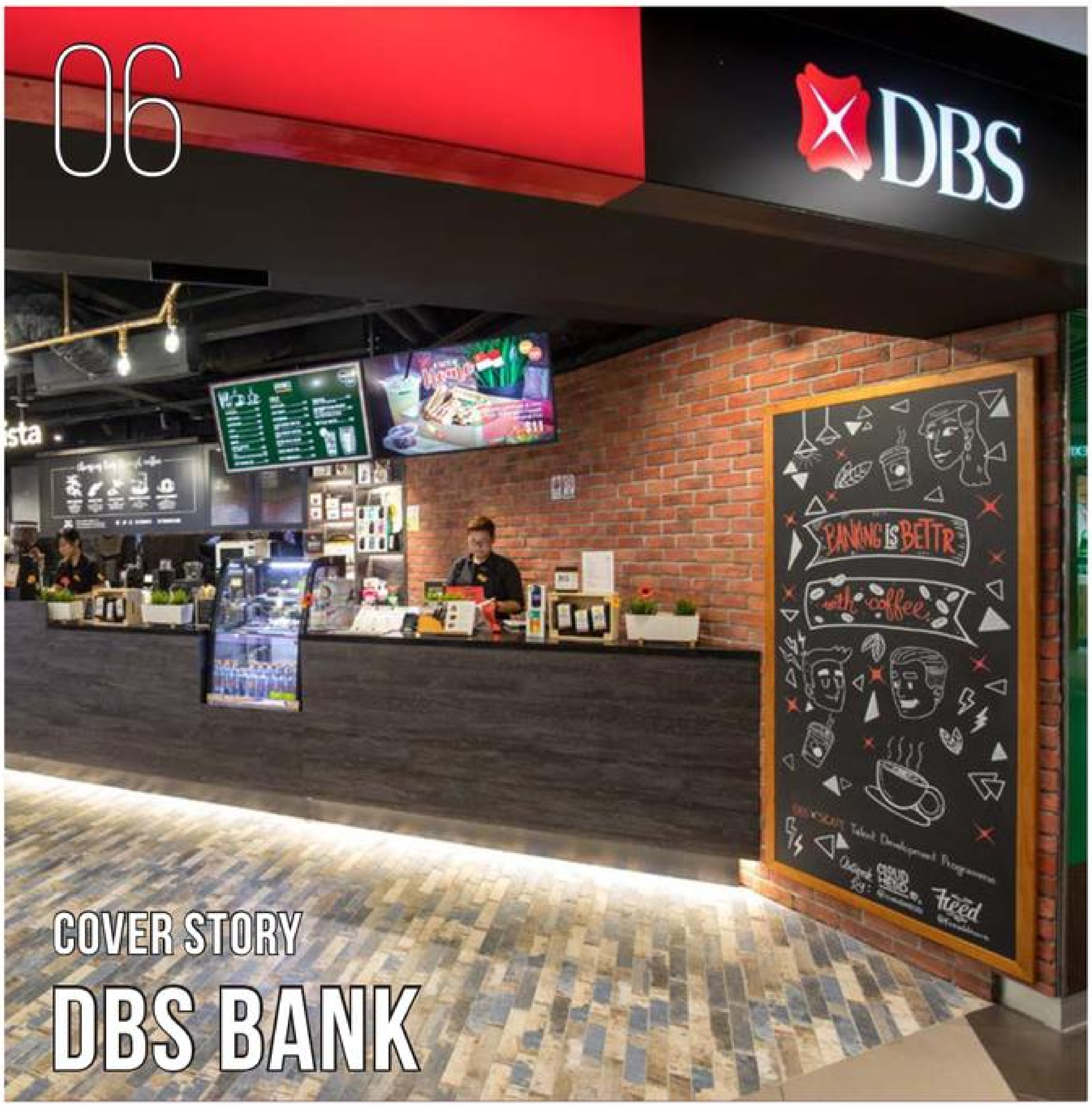
DISTRIBUTION

Standard Chartered's Jaydeep Gupta discusses digitisation in Africa

FEATURE

UOB launches TMRW and new concept branch initiatives in Thailand

THIS MONTH



NEWS

Editor:
Douglas Blakey
+44 (0)20 7406 6523
douglas.blakey@verdict.co.uk

Group Editorial Director:
Ana Gyorkos
+44 (0)20 7406 6707
ana.gyorkos@globaldata.com

Head of Subscriptions:
Alex Aubrey
+44 (0)20 3096 2603
alex.aubrey@verdict.co.uk

Senior Reporter:
Patrick Brusnahan
+44 (0)20 7406 6526
patrick.brusnahan@verdict.co.uk

Sub-editor:
Nick Midgley
+44 (0)161 359 5829
nick.midgley@uk.timetric.com

Director of Events:
Ray Giddings
+44 (0)20 3096 2585
ray.giddings@compelo.com

Junior Reporter:
Briony Richter
+44 (0)20 7406 6701
briony.richter@verdict.co.uk

Publishing Assistant:
Mishelle Thurai
+44 (0)20 7406 8633
mishelle.thurai@verdict.co.uk

Customer Services: +44 (0)20 3096 2603 or +44 (0)20 3096 2636, briefings@verdict.co.uk

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For more information, please telephone +44 (0)20 7406 6536 or email briefings@verdict.co.uk.

London Office: John Carpenter House, John Carpenter Street, London, EC4Y 0AN

Asia Office: 1 Finlayson Green, #09-01, Singapore 049246
Tel: +65 6383 4688, Fax: +65 6383 5433 Email: asiapacific@sg.timetric.com

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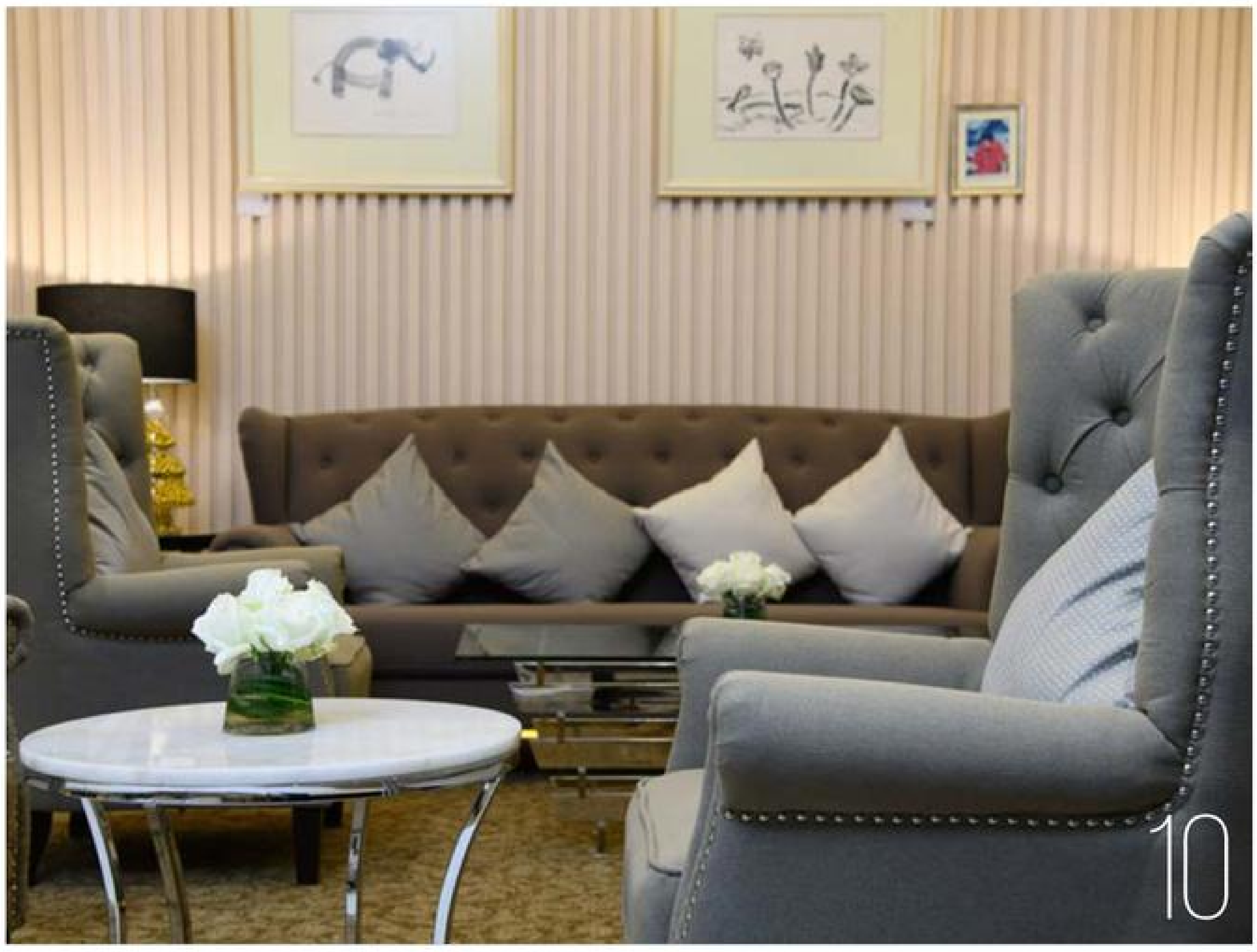


BANKING SERVICE QUALITY: TAKE A BOW METRO BANK AND FIRST DIRECT

Douglas Blakey, Editor

Metro Bank, first direct and Nationwide top the second Competition and Markets Authority (CMA) survey ranking UK banking service quality – and to the surprise of few in the industry, RBS again ranks bottom.

Since August 2018, UK banks are required to publish information on how likely people would be to recommend their bank – including its online and mobile banking, branch and overdraft services – to friends and relatives. The results show the proportion of customers for each brand 'extremely likely' or 'very likely' to recommend each service.

For overall banking service quality, Metro is top with a score of 83% just ahead of first direct on 82%. Nationwide rounds off the top three with 72%.

The top three ranking brands remain unchanged from the original CMA survey but the top two swap places. Last August, first direct ranked top with 85% ahead of Metro (83%) and Nationwide (73%).

CMA RANKINGS FOR OVERALL QUALITY

1	Metro Bank	83%
2	first direct	82%
3	Nationwide	72%
4	Coventry Building Society	70%
5	Barclays	64%
5	Yorkshire Bank	64%
7	Santander	61%
8	Halifax	60%
8	Lloyds Bank	60%
10	NatWest	59%
11	Bank of Scotland	58%
12	HSBC	57%
13	TSB	52%
13	Co-operative Bank	52%
15	Clydesdale Bank	51%
16	RBS	47%

Source: CMA

Banking service quality: RBS ranks last

RBS brings up the rear with a miserable 47%, behind Clydesdale (51%), Co-operative and TSB (both 52%). Again, there is little change at the bottom: in the original survey, RBS was joint last with 49% along with Clydesdale, with Co-op ahead of them on 55%.

RBS admits that it has much work to do to improve its dire net promoter score: the RBS 2018 full-year results presentation reveals dismal NPS scores. The NPS for RBS's business banking was -36 at the end of 2018, possibly the worst ever reported by any major bank. RBS's retail banking NPS is little better: it fell from -6 a year ago to -17 at the end of the fourth quarter of 2018.

In the online and mobile banking survey, TSB is, unsurprisingly, last with 59%, five percentage points behind Co-op with 64%. Given the disastrous and much-publicised IT failures suffered by TSB last year, its poor rating is no surprise.

Ranking top for online and mobile banking is first direct 83%, ahead of Barclays and Metro Bank, both with 81%.

Banking service quality: branches

Metro Bank also ranks top in the branches survey with 85%, ahead of Coventry Building Society (80%). The strong showing for the Coventry is not a surprise: it is currently reinforcing its commitment to the branch via a significant investment programme designed to transform its network.

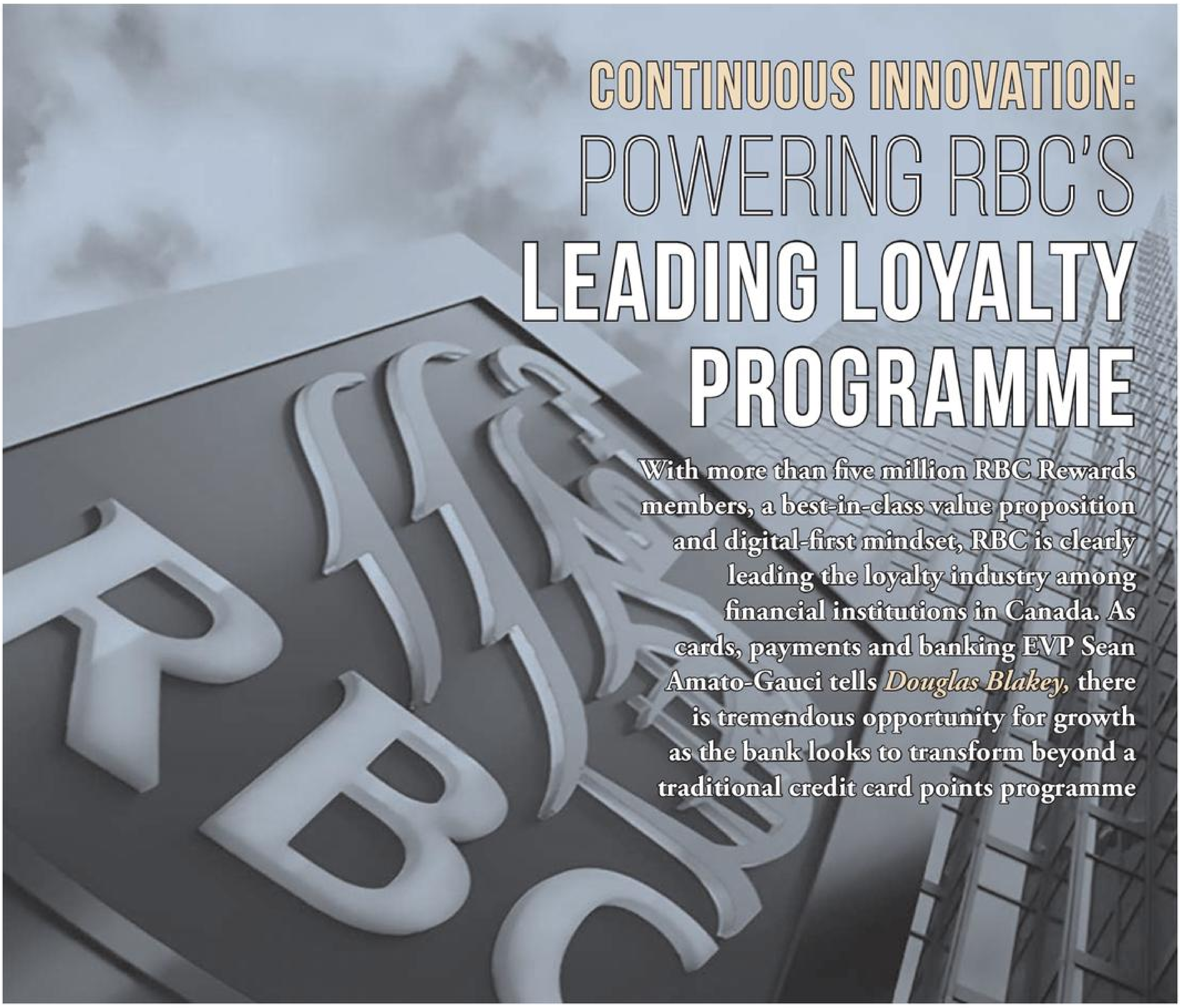
Approximately 1,000 customers a year are surveyed across Great Britain for each provider. Over 16,000 people were surveyed in total.

Handelsbanken: in a league of its own

In addition, the CMA survey asks customers how likely they would be to recommend their business current account provider to other SMEs.

In this survey, Handelsbanken is in a league of its own: it ranks top with 85%, some way ahead of Metro Bank (71%) and Santander (67%). At the bottom of the survey there is much work to do for RBS (46%) and TSB (42%). ■

GET IN TOUCH WITH THE EDITOR AT: **DOUGLAS.BLAKEY@VERDICT.CO.UK**



CONTINUOUS INNOVATION: POWERING RBC'S LEADING LOYALTY PROGRAMME

With more than five million RBC Rewards members, a best-in-class value proposition and digital-first mindset, RBC is clearly leading the loyalty industry among financial institutions in Canada. As cards, payments and banking EVP Sean Amato-Gauci tells *Douglas Blakey*, there is tremendous opportunity for growth as the bank looks to transform beyond a traditional credit card points programme

Loyalty programmes are big business in Canada: not only are 91% of Canadians part of a loyalty programme, but Canadians have 12 loyalty memberships on average, seven of which they actively engage with and use.

For Royal Bank of Canada (RBC), the affinity that Canadians have for loyalty programmes was an opportunity the company first saw almost 20 years ago when it launched its proprietary loyalty programme, RBC Rewards. Since then, RBC has invested in making it a unique, market-leading programme that provides unparalleled value to consumers on a digital platform, personalised to individual clients.

RBC Rewards is the largest proprietary rewards programme in Canada. It delivered over C$1bn ($0.75bn) in value to its members in 2017 alone, and today serves more than five million Canadians.

"From the beginning of its development, we recognised that RBC Rewards was a core competency that should not be outsourced," says Sean Amato-Gauci, EVP of cards, payments and banking at RBC. "Today, all you have to do is look at the disruption in the marketplace that consumers are faced with to see the value in that decision."

Even with its leadership position, Amato-Gauci tells *RBI* that RBC is focused on continued growth and constantly innovating as the company looks to the future.

REINVENTING REWARDS

The rewards landscape in Canada is constantly changing, and consumer value propositions have undergone fundamental shifts over the past few years.

RBC is taking the opportunity to lead the way in redefining what loyalty programmes look like for Canadians, providing them with experiences that align with their evolving digital expectations.

The theme of constant innovation is embedded in the culture of the RBC Rewards team; this encompasses new partnerships with leading merchants to digital experiences that drive a more engaged client. Moreover, new value propositions are continually tested and refined to improve the programme. The success of the proprietary loyalty programme can be attributed to the strong focus on putting the customer at the centre of every decision. Having a value-first approach to loyalty is helping RBC to accelerate growth and deepen engagement with consumers.

The programme offers value ranging from attainable everyday rewards to highly aspirational travel and experiential rewards. Notably, RBC Rewards members are 1.7 times more digitally engaged, have 1.5 times more RBC products and are two times more profitable.

"Providing superior client value has always been a core strategy for RBC Rewards," says Amato-Gauci. "Having this privileged proprietary asset is something that can't be easily replicated. We get to control the strategy, manage the value proposition and measure success while driving deepened client relationships."

CONSUMER CHOICE

A one-size fits all approach is a thing of the past for loyalty programmes. To be successful, they must have a client-centric approach that creates rewarding experiences for consumers. This holds true for financial incentives such as points, cash-like rewards or discounts, which continue to be the primary reason to participate in loyalty programmes.

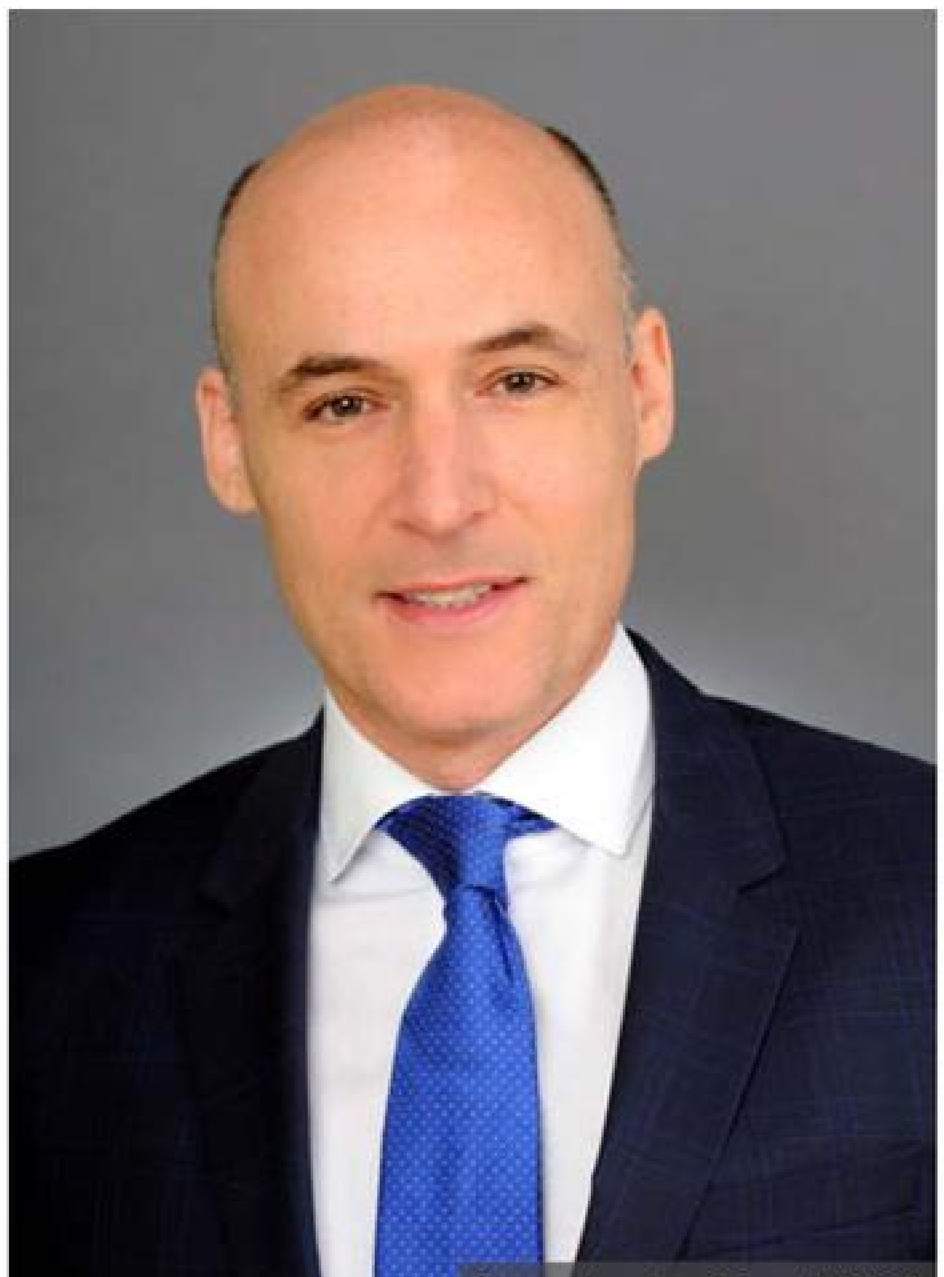
"Consumers want and expect choice and flexibility in how they earn, what they earn and how they can use their rewards," explains Amato-Gauci. "They are also looking for a loyalty experience that is embedded into their everyday lives, gives them more control over the type of rewards they can access, and offers the ability to earn and redeem points across multiple channels and products."

More recent innovations allow members to unbundle the reward-redemption experience and rebundle it with the payment experience. An example of this is the recent launch of Pay with Points: a capability that allows RBC clients to pay for part, or all, of a purchase at the point of sale using RBC Rewards points. This is one of the ways in which RBC is creating a true digital currency that can be used at almost any retailer in real time – reward points are essentially as good as cash.

"This most recent innovation is central to our broader strategy, which is to provide relevant and unmatched value that goes beyond traditional transactions," explains Amato-Gauci. "We're redefining loyalty to be much broader than earning and redeeming points. Clients have the ability to access events, concerts, big-ticket sporting events and once-in-a-lifetime experiences. They have such a broad range of choices, and almost anything can be a redemption item using RBC Rewards points."

A DIGITAL-FIRST MINDSET

At RBC, the focus is on building a digitally enabled relationship bank where the client is at the centre of every decision made. What



Sean Amato-Gauci, RBC

sets RBC apart and drives its success is the ability to seamlessly integrate into its clients' daily digital habits and be a consistent partner that provides value on their life journeys.

The success of the RBC Rewards app and website is proof that the strategy of continuous digital innovation is paying off. The pace of adoption has been staggering, with approximately 90% of all redemptions now completed using digital channels. This not only delivers a seamless and convenient experience that clients expect, but it also provides RBC with efficiencies, as the rewards redemption process is now completely digital.

Says Amato-Gauci: "For RBC, integrating new technologies makes it simple and easy for members to earn, redeem and manage rewards, while creating a seamless experience that bridges online and offline channels. Having a proprietary programme also enables us to leverage our own data and insights to provide a more relevant, tailored and engaging customer experience."

LEADING BRANDS

Partnerships will continue to be a core element for best-in-class loyalty programmes.

"A significant amount of growth has been driven by the strength of our strategic partnerships with iconic brands that Canadians love," notes Amato-Gauci. "These partnerships allow us to offer robust redemption options and more value to our clients.

"A good example of how we have innovated our business model is RBC's partnership with Petro-Canada. In just the first year since its launch, the loyalty programme has resulted in more than 830,000 linked loyalty accounts, delivering more than C$17m ($12.8m) in fuel savings to consumers."

Traditionally, banks have partnered with fuel companies to design a co-brand credit card or other niche products. This innovative business model allows RBC to benefit from a range of products – debit, credit, retail and business – for both RBC clients and Petro-Canada customers.

RBC also has a strong relationship with WestJet. Their partnership resulted in record growth for new accounts in fiscal 2018, along with delivering over 36% year-on-year growth in purchase volume and 70% acquisition via digital channels. Leading retailers that leverage RBC Rewards offers as a digital marketing platform for their customers include global and Canadian brands such as Starbucks, Indigo, Apple and Roots.

MAKING IT PERSONAL

With different consumer segments valuing different rewards, RBC is focused on offering consumers a simple, relevant and highly personalised rewards experience.

"We want to empower our members to create a tailored loyalty experience that allows them to enjoy rewards how and when they choose," says Amato-Gauci. "Offering clients personalised value based on their preferences through our digital marketing platform as well as our banking and rewards apps is what we have found to be a winning formula."

THE FUTURE

According to Amato-Gauci, an expanded RBC Rewards programme open to all Canadians on a common platform is a strong focus for the future.

He explains: "For RBC, the future ultimately means evolving our loyalty programme beyond the traditional loyalty landscape. It's about creating a personalised, digital-first, open loyalty and engagement platform that offers almost endless access to rewards and experiences for all Canadians, not just RBC clients."

The loyalty landscape will only continue to evolve, and RBC has a clear view on what its future will look like. As a leading loyalty program with a highly engaged membership, the opportunities to continue to provide personalised everyday value to digitally engaged consumers will drive the success of RBC Rewards for years to come. ■

ASIA-PACIFIC BANKS: CHINA HOLDS STEADY, BUT JAPAN WOBBLES

China, inevitably, dominates any ranking of the largest 100 Asia-Pacific banks by market cap: six of the top 10 by this metric – and more than 30 of the top 100 – are in China. However, a challenging 2018 for Japanese lenders results in a number of the country's banks exiting the top 100, writes *Douglas Blakey*

The share price performance of the largest 100 Asia-Pacific banks by market cap in the past year is decidedly mixed.

The big six large commercial banks in China continue to post rising net profits and encouraging falls in non-performing loans. Net interest margins inched up at the six: ICBC, China Construction Bank, Agricultural Bank of China, Bank of China, Bank of Communications and Postal Savings Bank (PSB), and the last-named boasts the strongest performing share price of any major Chinese lender since the start of 2018.

PSB, along with regional lender Ping An Bank, has been among the most enthusiastic China lenders targeting credit card growth.

China credit card debt soars

Chinese banks issued around 650 million credit cards as of the third quarter of 2018; this represents a rise of more than one-third in the past three years. Balances outstanding on Chinese credit cards have soared by 120% in the past three years to almost $1trn, and Citi researchers now forecast that China's largest issuers will be keen to rein in card balances.

Non-performing loans at the major Chinese lenders continued to inch down in 2018. According to research from PwC, non-performing loan ratios for the largest 15 Chinese banks in the first half of 2018 fell to 1.53% – that represents a four-basis-point fall from the year-ago period.

On the other hand, total written-off provisions across the largest 15 banks have increased year on year, and analysts caution that Chinese lenders need to be wary of potential red flags. As well as rising credit card balances, these include real estate loans and local government debt.

Japan woes

If China is relatively stable, then the share price performance of Japan's lenders is anything but.

Since the beginning of 2018, Japanese lenders' share prices represent a car crash, with double-digit falls; even the share price of the country's largest bank, Mitsubishi UFJ, is down by a third. Capital adequacy ratios are also declining across the sector, and the market is pricing in risks from a forecast slowing economy.

But it is the regional banks that are most adversely affected by negative interest rates and a shrinking population. In addition, Japan's regional lenders have been hammered by shedding foreign debt that has declined in value. The aim is understandable: to avoid mega future paper losses.

The combination of rising yields on US Treasurys and the steeper costs of procuring the dollar worsened the cost-benefit ratio of holding US debt.

The market has been merciless, with Shizuoka Bank down by 27% in the past year. Mebuki no longer ranks in the largest 100 Asia-Pacific banks by market cap, and is down by almost 40%.

And then there is the Suruga Bank saga. Suruga's shares have been hammered following a probe that reported compliance failures, undue pressure on staff, and weak corporate governance.

The Shizuoka-based bank made its name by targeting the subprime lending sector. Until last year, it boasted sector-beating net interest margins more than double its rivals. Since the start of January 2018, however, shares at Suruga are down by 77%, and it no longer ranks in the largest 100 Asia-Pacific banks by market cap.

Australian losses

To the surprise of nobody, the past year has been unkind to share-price performance at Australia's Big Four banks.

Worth more than $250bn combined, Australia's Big Four all rank in the country's largest seven companies by market cap. However, the market is pricing in forecast slower loan growth, rising bad debts and increased competition – not to mention punishing the Australian banks for the humiliating Royal Commission.

The investigation found evidence of banks taking fees without providing advice, mistreating superannuation customers, and unfairly failing to pay out insurance claims. And now three of the Big Four are shrinking, with ANZ, CBA and NAB selling or planning to shed their wealth management divisions.

2018 highlights

Double-digit share price rises in the past year are rare across the region, but those bucking the trend include Kotak Mahindra.

Kotak has been among the strongest-performing Indian banking shares for the past 12 months, driven by strong loan growth. Kotak's net profits rose by 23% for the quarter ending 31 December, with savings deposits up by more than one-third.

Other highlights? As *RBI March* goes to press, DBS kicks off the reporting season with a record annual profit. South East Asia's largest lender reports fiscal 2018 profits up a whopping 28% to a record S$5.63bn ($4.15bn). Notably, DBS's return on equity of 12.1% is near its historical high in 2007, prior to the global banking crisis.

The DBS figures set a positive marker for the reporting season; all eyes now turn to results from its smaller rivals. ■

ASIA-PACIFIC – TOP 100 BANKS BY MARKET CAPITALISATION, 15 FEBRUARY 2019							
RANK	BANK	$BN	CHANGE FROM 2018	RANK	BANK	$BN	CHANGE FROM 2018
1	ICBC China	285.6	-7.4%	51	Suncorp Australia	12.2	6.4%
2	China Construction Bank	240.1	-5.6%	52	Mega Financial Taiwan	11.6	4.7%
3	Agricultural Bank of China	186.2	-5.7%	53	Bank Negara Indonesia	11.5	1.4%
4	Bank of China	160.8	-8.3%	54	Hong Leong Bank Malaysia	11.2	18.8%
5	China Merchants Bank	108.8	-3.2%	55	BDO Unibank Philippines	11.2	-2.1%
6	Commonwealth Bank Australia	88.7	-12.7%	56	Bank of Jiangsu China	11.0	-15.4%
7	HDFC Bank India	79.9	12.2%	57	Resona Holdings Japan	10.8	-17.2%
8	Mitsubishi UFJ Japan	71.6	-33.1%	58	Hana Financial South Korea	10.7	-22.4%
9	Westpac Australia	64.5	-9.5%	59	Bank of East Asia Hong Kong	10.2	-14.4%
10	Bank of Communications China	63.7	-2.1%	60	China Zheshang Bank	10.2	-2.1%
11	ANZ Australia	54.1	-7.9%	61	Woori South Korea	9.8	-8.8%
12	Japan Post Bank	51.7	-17.2%	62	Joint Stock Commercial Bank Vietnam	9.6	12.4%
13	Postal Savings Bank of China	48.8	7.8%	63	Bank of Nanjing China	9.1	-9.1%
14	Industrial Bank China	48.4	-9.3%	64	Krung Thai	8.7	2.9%
15	NAB Australia	48.0	-22.2%	65	First Financial Taiwan	8.3	3.9%
16	DBS Singapore	47.0	-6.6%	66	Hua Nan Thailand	7.9	12.8%
17	Bank Central Asia Indonesia	46.4	21.7%	67	E.sun Financial Taiwan	7.7	12.1%
18	Shanghai Pudong Dev'nt Bank China	45.3	-15.9%	68	Bank of the Philippine Islands	7.7	-15.2%
19	Hang Seng Bank (HSBC subsidiary) HK	44.5	2.5%	69	Taiwan Cooperative Financial	7.6	10.6%
20	Mizuho Financial Japan	40.8	-18.4%	70	Yes Bank India	7.2	-35.7%
21	China Citic Bank	37.6	-12.7%	71	Bank of Jinzhou China	7.2	-0.8%
22	China Minsheng Bank	36.9	-17.1%	72	Industrial Bank of Korea	7.1	-13.3%
23	OCBC Singapore	36.3	-9.2%	73	Yuanta Taiwan	6.6	23.1%
24	Kotak Mahindra Bank India	34.3	27.1%	74	Guangzhou Rural Bank	6.2	-18.2%
25	State Bank of India	33.0	-12.2%	75	Metropolitan Bank and Trust Philippines	6.2	-14.1%
26	Bank Rakyat Indonesia	32.7	6.9%	76	Zhongyuan Bank China	6.2	-2.9%
27	UOB Singapore	31.9	-3.7%	77	Chongqing Rural Bank China	6.0	-16.2%
28	ICICI Bank India	30.9	8.2%	78	Bank of Hangzhou China	6.0	-3.3%
29	Macquarie Australia	30.3	23.1%	79	Shanghai Commercial & Savings Bank	6.0	31.1%
30	China Everbright Bank	29.7	-2.5%	80	Chang Hwa Bank Taiwan	5.8	7.5%
31	Ping An Bank China	28.6	-14.3%	81	RHB Bank Malaysia	5.5	10.9%
32	Maybank Malaysia	25.7	-5.4%	82	Chiba Bank Japan	5.4	-26.7%
33	Axis Bank India	24.7	22.9%	83	Huishang Bank China	5.4	-11.1%
34	Public Bank Bhd Malaysia	23.8	20.3%	84	Concordia Financial Japan	5.2	-32.2%
35	Guotai Junan China	21.9	-5.3%	85	Comm. Bank Investment & Dev. Vietnam	5.0	-2.5%
36	Bank Mandiri Indonesia	23.5	-8.5%	86	Shizuoka Bank Japan	5.0	-27.5%
37	Bank of Beijing China	18.7	-14.6%	87	IDBI Bank India	4.8	-27.5%
38	Bank of Shanghai China	18.7	9.4%	88	Taishin Taiwan	4.7	1.4%
39	Shinhan Financial South Korea	18.4	-11.7%	89	Bank of Chengdu China	4.3	-20.5%
40	Huaxia Bank China	17.9	-11.1%	90	Bank of Zhengzhou China	3.9	-20.4%
41	KB Financial South Korea	17.1	-27.2%	91	SinoPac Financial Taiwan	3.9	9.2%
42	Kasikornbank Thailand	15.0	-9.6%	92	Bank of Qingdao China	3.9	-8.1%
43	Sumitomo Mitsui Trust Japan	14.8	-10.7%	93	Bank of Guiyang China	3.9	-22.8%
44	Siam Commercial Bank Thailand	14.5	-8.2%	94	Bank of Baroda India	3.8	-38.6%
45	Bank of Ningbo China	14.1	0.4%	95	Punjab National Bank India	3.7	-59.6%
46	Nomura Japan	13.7	-30.1%	96	Fukuoka Financial Japan	3.7	-18.1%
47	CIMB Malaysia	13.4	-14.9%	97	Shin Kong Financial Taiwan	3.6	-16.1%
48	CTBC Taiwan	13.0	-1.9%	98	Shinsei Bank Japan	3.6	-22.5%
49	IndusInd Bank India	12.9	-8.2%	99	Bank of Tianjin China	3.6	-18.9%
50	Bangkok Bank Thailand	12.6	1.9%	100	Bendigo and Adelaide Bank Australia	3.5	-17.4%

Source: *RBI*