



PODCAST TRANSCRIPTION SESSION NO. 171/ANJU PATWARDHAN

Welcome to the Lend Academy Podcast, Episode No. 171. This is your host, Peter Renton, Founder of Lend Academy and Co-Founder of LendIt Fintech.

Today's show is sponsored by LendIt Fintech USA 2019, the world's leading event in financial services innovation. It's coming up on April 8th and 9th, 2019, at Moscone West in San Francisco. We've recently opened registration as well as speaker applications. You can find out more by going to lendit.com/usa

Peter Renton: Today on the show, I'm delighted to welcome Anju Patwardhan, she is a Managing Director at the CreditEase Fintech Fund. She has also been a Fulbright Fellow and Visiting Scholar at Stanford; she's had a very distinguished career in banking, she's worked with the World Economic Forum and much more. So I wanted to get Anju on the show, she's got a very unique perspective and the reality is that the CreditEase Fintech Fund has become one of the most prolific VC investors in the fintech space, particularly when it comes to the US and China, and they've got a unique perspective.

As I said, they haven't been around that long and they've already made dozens of investments. I wanted to get Anju to talk about their investment philosophy, what they look for in fintech companies when it comes to investing. We talk about CreditEase, the company a little bit and how the money is raised for this fund, we talk about the state of fintech today and where the biggest opportunities lie. It was a fascinating interview, I hope you enjoy the show.

Welcome to the podcast, Anju!

Anju Patwardhan: Thank you, Peter, glad to be here.

Peter: So you've had a very interesting career to date so why don't we get started by giving the listeners a little bit of background about yourself and what you've done in your career.

Anju: Sure, I currently work with CreditEase, which is a fintech company from China and I'm based in the Bay Area. Prior to that, I spent most of my working life in banking; I worked with Citibank and with Standard Chartered Bank. I lived in Singapore for about 20 years and then moved to the Bay Area two and a half years ago, did a variety of roles when I was at these two banks, some years in India and then several years in roles covering Asia Pacific and also global roles.

I grew up in India and studied in India as well. I did my engineering degree from Indian Institute of Technology and then I did my MBA from Indian Institute of Management. I actually joined Citibank right after my MBA as a management associate and was there for several years after that. Peter, I also want to add that I do listen to your podcast regularly and I enjoy it.

Peter: Oh, thank you.



Anju: I do learn about companies that were not on my radar then I find out about them through your podcast.

Peter: Oh, that's good to hear.

Anju: Thank you for doing this.

Peter: Of course, of course, I enjoy it immensely.

Okay, so then how did you get connected to CreditEase, I mean, we know CreditEase. They've been at our LendIt events for many years, but I'm curious to know how you got connected.

Anju: Yeah, it was a little unusual and great in some ways. In my last job at Standard Chartered Bank, I was the Global Chief Innovation Officer, and one time I was speaking at a panel at the World Economic Forum, at the summit I was. The panel was on crowdfunding, and I was the banker on the panel and Ning who has built this great company in China, he was there as a founder and then there were two other people. It was one of those CCTV panels which was later going to be broadcast on national television in China and that was the first time that I met Ning Tang, who's the CEO, Founder and Chairman of CreditEase.

We kept in touch after that and I think met again at the World Economic Forum and a couple of years later when I was in the process of leaving Standard Chartered Bank, I was about to come to Stanford and move to the Bay Area, I was on my notice period and Ning was in Singapore for some business meetings. We ended up meeting for breakfast and I realized that the company had grown significantly from when I first knew of CreditEase.

It had started as a marketplace lender, but in the previous years it had also expanded into wealth management, asset management and insurance. It had started several funds and Ning asked me if I would like to join CreditEase. You know, during that one week that he was in Singapore, I think we met for breakfast three times, three really long breakfast meetings, about two to three hours each time, and by the end of the week, I had decided to join CreditEase and it's been a wonderful journey since then.

Peter: Right, so you joined with the intention of setting up this VC fund? Was that how it kind of played out?

Anju: Not exactly, I joined because I think the real need Ning had was all of the different things that I had done in banking. He wanted people who could help with the CreditEase business in China in different aspects. So there were no clear mandates, but it was more like join us and see how you can help the company, but he also mentioned to me that they had just started a fintech fund, they had started a VC, PE fund of funds a couple of years before that. There was a real estate fund of funds so I started getting involved in some of these things and I joined the investment committee for the fintech fund. And then over time, it became more of like where could I add value living in the US because the company's core business, as you very well know, is in China.



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There are over 40,000 employees in China focused on core lending, wealth and asset management business so I was the first person to be in the US and then I started spending more and more time on the investment and on the VC fund. I think the fund had been set up in March of 2016 and by the time I joined, I think two investments had already been made.

Peter: Okay, so then what is the fund's mandate, who are you trying to focus on when you're investing money? Also, maybe tell us the size of the fund, because I know it's one of the largest funds in the world when it comes to fintech so can you tell us a little bit about the fund.

Anju: Yeah, in terms of size, it's a billion dollar fund, half of it is in US dollars and half in RMB. The mandate of the fund is basically to invest in and partner with entrepreneurs who have a unique approach to core challenges in the financial services space. It's a fintech fund, but it's a broad definition of fintech so we invest in companies that are in lending and the related ecosystem; we also invest in wealth and financial planning companies, insurtech, payments, enterprise software solutions. We invest in companies that are in B2B, B2C, B2B2C so, you know, also Regtech so yeah, it's a broad definition of fintech.

Peter: Right, okay. So then what do you look for...is there something specific that will cause a startup to get on your radar, is it growth, is it a big market opportunity? What are you looking for when you're considering a company for investment?

Anju: We primarily invest in growth stage companies so that's companies which are raising...generally raising Series B onwards. Now we have all kinds of exceptions to various things, but I would say the broad mandate is Series B onwards. Again, the broad mandate, in terms of geographic focus, is investing in the US and China and also in the UK and EU.

We look for strong founding teams, we look for management teams which have an exceptional execution capability and given that it's a fintech fund, we definitely look for the management team which has deep domain expertise in both finance and technology. So that's our main focus.

Peter: Okay, and so I noticed recently...I mean, pretty much all the listeners will know Renaud Laplanche, the former CEO of Lending Club, now the CEO of Upgrade, and this was actually a company that I believe you led the recent funding round in Upgrade. So tell us what attracted you to that business.

Anju: Yeah, so you know, as I mentioned, we look for exceptional founders with very strong execution capability and a strong management team and Upgrade ticks all of the boxes. Renaud is an amazing founder, he has an amazing management team, strong expertise in finance and he attracts very good people and we like the company because of the business that it focuses on and also the additional focus that they have on credit health and financial literacy in Upgrade.

The company started with personal loans, it's already launched a personal line of credit and intends to go into other products as well. CreditEase, as you know, is also in marketplace



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lending. We started in China 12 years ago as a peer-to-peer lender and we are probably the largest marketplace lender in the world, but we operate only in China.

CreditEase started at almost the same time that Lending Club and Prosper started in the US and therefore, the founders have also known each other for a very long time, have tracked their respective companies and we have a huge amount of respect for what Renaud has built. In the past, we have not been leading rounds, we generally do follow on investments partly because our fund was new. We didn't have the resources or the bandwidth to do these things and as we got more settled and well resourced in the US, we may be doing more of this.

Peter: Right.

Anju: So far from our fund we've made about 45 investments, we are now the second most active fintech fund globally, according to a report from CB Insights and out of those 45 investments, I would say about 25 are in the US, maybe 12 or 14 are in China, five are in the UK and then I think two in Africa and one in Singapore. So we've now realigned our resources, we have team members now in China and in the Bay Area so that we can continue to do more in these two markets and we also have a couple of people in London. So now our team distribution and composition is more aligned towards the strategy that we want to follow.

Peter: Right, got it. So I'm curious, you said you spent 20 years in banking and now you're evaluating fintech investments, how has your experience in banking helped you in making good decisions for investing in fintech?

Anju: Peter, that's a good question. When I first started doing this and when Ning asked me to start getting involved in this, to be very honest, I did not think that I would know how to do this. I think I kind of underestimated my own experience and knowledge, but in the last two and a half years that I've been doing it, I realized how helpful that experience has been.

So when I joined Citibank in India, I was part of the initial team that launched most of the consumer lending products in India. I was there when the bank launched mortgage loans, auto loans, share financing, credit cards; we were the first credit card in the country, and also SME lending. It was like being in a very fast growing startup, right, the businesses were growing so fast that we were constantly trying to figure out, okay, now I need to set up a collections team or now I need to add more underwriters or now I need to upgrade the system or I need to outsource to external partners to be able to deliver the growth.

So it's a great experience being part of that journey and then I moved to Singapore where I was then in various regional roles. I was the first Digital Banking Business Head for Asia. In those days it wasn't called digital banking, we just called it internet banking and mobile banking, right, so it was the first time that Citi was launching internet banking and mobile banking and e-statements and sms alerts in different Asian countries.

It was great to be part of the team which was working on the strategy...I worked on the strategy, we did the rollout and then we were involved in selecting partners and also trying out different



marketing tactics in different countries to increase consumer awareness and engagement and that...you know, while I was doing that job, I covered all of Asia, all the way from Japan to Australia and different countries in between and that was a wonderful experience in terms of looking at how financial institutions select partners, you know, so when you're working with B2B fintech companies.

It was also a very good experience because we made some mistakes. In some cases, we worked with companies which were at a very early stage and then didn't exist two or three years down the line. Again, you know, that whole notion of looking for stable funding, certain level of growth, who their backers are, who are the investors; all of those became quite important.

Peter: Got it.

Anju: And then after that I became the Consumer Finance Credit Head for Asia and we were involved in launching these products that I mentioned earlier in different countries. Some countries we already had the products, in some countries we were rapidly growing them, and in some other countries, during the time I was there, both at Citibank and at Standard Chartered Bank...you know, I've also been in various roles during the Asian financial crisis, during the global financial crisis, during the [inaudible] crisis and saw periods of amazing growth in many countries, in some countries we also had to shut the products down.

Peter: Right.

Anju: And that also was an important lesson on what are the things to look out for, or what prevents you from getting to scale or how to be very mindful of the regulatory environment. So I think all of these experiences have significantly shaped our fund in the way we look at fintech companies. So when we look at B2B companies, my own experience of having been in a management team, at Standard Chartered I was part of the Global Operations and Technology Management Group and we used to partner with a lot of companies so that helps us a lot when we're looking at B2B fintech companies.

When it comes to B2C companies, we are then looking for how they operate and what could potentially be their strategic advantage when they are trying to compete with large banks and financial institutions, or maybe the other way around is what are the barriers within large banks and therefore they provide opportunities for these companies to be able to compete and grow. And then our fintech funds team...the other team members also have very rich backgrounds.

Most of the team members have previously worked in private equity firms or in the M&A teams in investment banking, most of them have either lived or studied in the US and then gone back to China so they're very familiar with the environment, both in the US and in China and that helps us move very fast. You know, a lot of people say, how did you guys make so many investments in two and a half years?

Peter: Right.



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Anju: And I just say, partly because we have an amazing team with really big domain expertise. So when we meet the companies, most of the time after the first meeting, we have a good sense of whether we want to move forward or not, right, because we've all been in this for a very long period of time. And I think, being a distributed team in the US and China allows us to work at double the speed, like the team here does external meetings, we do calls, you know, we have a lot of contacts in the industry and usually after 4 p.m. we start having calls with our team in China, like 4 to 7 is typically our China/US call time.

Peter: Right.

Anju: And then the people here go to sleep and the team there gets to work and by the time you wake up, a lot more has already been accomplished so I think it allows us to move much, much faster.

Peter: Right, right. I have met several members of your team and I've always been very impressed with the quality of people that you've attracted. So then do you feel like given that...I mean, you are unique insofar as you are a very international team. I don't think anyone was born in America in your team so do you feel like you're very different, that gives you a different perspective from other VCs who are entrenched Silicon Valley VCs that a lot of people know, but they've got a different sort of team to you guys. Do you feel like you're different because of that?

Anju: I think we're different in several ways. First of all, you know, we are very unique in terms of the way we're structured. We are not a typical VC fund, we are also not a corporate VC, we are not investing balance sheet money where we have to have a strategic angle, we are not that. If I go back to the CreditEase lines of businesses, I mentioned that we have wealth management, asset management and marketplace lending. So as part of our wealth business in China, we offer robo advisory for mass affluent clients and then we have a private banking business for our high net worth and ultra high net worth clients.

We have over 3,000 relationship managers, we have very high end branches for such clients and we offer several proprietary funds to our private banking clients, right, and that includes our VC/PE fund of funds, real estate fund of funds, we have a credit fund that buys whole loan portfolios, we have an [inaudible] fund, we have a fintech fund so these funds are not balance sheet money. These are the funds that we are offering to our high net worth clients and they are offered with the primary objective of generating financial returns so there is no strategic angle. I think that's one area where we are very different.

The second angle there I would say we are very different is because of the entire ecosystem, right. So we have a fintech fund which makes direct equity investments because we feel like that's the only thing we know really well. We don't know biotech or pharma or other things, but we do know fintech, but then through our VC/PE fund of funds, we are limited partners in over 20 funds and very large private equity firms in the US, China and elsewhere in the world.



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Through that, we have access to a lot of knowledge that they share with us, or sometimes the deal flow which comes through the funds that we are LPs in. That makes a difference.

Peter: Right.

Anju: And then we have a credit fund, right, which can offer debt. Most VCs can't offer debt and equity, but we can offer debt through our debt fund as well. And then we have a real estate fund, fund of funds, which invests in REITs and real estate projects.

So through the ecosystem, we've built a very, very strong network, both in China and in the US which helps our funds....I think the third angle where I would say we are unique, is that our US dollar fund invests in both US and China, right. We meet a lot of people, even in the US, who are looking for exposure to China, but China is one of those markets where you have to be on the ground to be able to assess opportunities and make good decisions.

Peter: For sure.

Anju: Yeah, so our USD fund allows our investors to get some exposure to China and also to other countries.

And then the last thing I would say is that while the reason for our investment is not a strategic investment we can be very helpful to our portfolio companies if they have plans to be in China, or quite often they go to China for fundraising and we can help them in terms of introductions to other funds or to other potential LPs.

If they want to do business in China, we can introduce them to partners, help them understand the regulatory or legal environment, or introduce them to people who can explain all of that. In some cases, if there is a possibility for CreditEase to be their client in China then that's great, but that's not a necessary condition.

Peter: Right, right. Okay, so then if there is an entrepreneur listening to this show who's looking for funding, how easy is it and what do they have to do to get on your radar?

Anju: A lot of people reach out to us directly. You know, initially like two years ago, most people did not know of CreditEase in the US, but I think now a lot of them, especially the fintech companies, know us. There's a very high chance that we may have already met them, but if not, they reach out to us either through LinkedIn or you know, we are very active at various conferences and they can find us there or they can just get an introduction to us through other VCs, other founders.

Yeah, there are so many ways and then people can find out more about us on our website which is cefintechfund.com. There is also a CreditEase.com website, but that's the parent company, that site, and a lot of it is in Chinese and English, but for the fund it's cefintechfund.com.



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Peter: I will link to that, I will link to that in the show notes so everyone can go there. It's an English language site and it's great. So, we're getting close to time here and there are a couple of things I really want to get your take on here. You've invested across fintech, obviously you know the marketplace lending space intimately well, but I'm curious to get your take on...when you look at fintech today, where do you see the biggest opportunities?

Anju: I would say that we are just about getting started in fintech, right, the whole fintech landscape. Initially, until about three years ago, 75/80% of the investments were just going into payments and lending and now we're starting to see a whole range of opportunities coming up in the B2B space, whether it's B2B payments or it's capital markets or it's trade finance, the SME ecosystem, on the wealth management side, micro savings, micro earnings. So I'm very excited about this space. I think we've just barely scratched the surface and we're going to see a lot more.

In fact, last year in the US, 65% of all VC investments were in B2B fintech companies so we are going to start seeing more and more collaboration and partnership with banks. And then, I'm also very excited about what the big tech companies like Amazon and Google and Facebook are doing. That's also something that they're very mindful of.

Both Google and Facebook are experimenting with P2P payments in India which I'm sure they intend to take to other countries. And as I talked about getting into insurance and other areas, I think it's very exciting, it's going to be great to see how it pans out over the next five, ten, fifteen years and I'm really looking forward to it.

Peter: Right, yeah, that makes sense. We were chatting before we hit record and you were talking about...you were a Fulbright Fellow at Stanford focusing on fintech and financial inclusion, can you just explain some of the work you were doing there at Stanford and maybe what you're doing today at Stanford?

Anju: Yeah, sure. So you know, when I was with Citi, I mentioned earlier that I was the Consumer Finance Risk Head for Asia, the Chief Credit Officer. We often had this problem that the customer segment, the near prime customer segment that we were trying to reach out to...the underwriting cost was too high and a lot of these countries did not have a bureau or those consumers didn't have a bureau score, distribution was always a challenge, CAC was high and therefore, the economics didn't make sense in several of these countries.

In some cases, the bank had to scale back or exit the market because of these challenges and then when I moved to a different role, when I became the Global Chief Innovation Officer at Standard Chartered and I started meeting a lot of these companies which were doing marketplace lending or which were using technology to make better credit decisions, whether it was using data science or AI or machine learning, I got really excited about it. To me it was like, okay, here is a solution to all of those things that we could not solve for in those days, right, and especially with increasing use of smartphones, it also solves the distribution problem.



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With online access, you don't need physical branches to be able to reach people so my research at the time when I came....so when you apply for the Fulbright Visiting Scholar Program, you have to pick a topic and write a short paper on why that topic. So the topic I picked was the use of technology to support financial inclusion for lending and in a for profit way, right. The reason I chose that was because even in my own organizations I felt that either people were not aware of financial inclusion, or even if they were aware of it, they often thought of financial inclusion that was either done at CSR or it was done as philanthropy by foundations.

Basically, the notion was you could not make money in this, right, and that's why many large financial institutions stay away from it and what I wanted to do was to somehow learn more about it and then be able to showcase to large institutions that you can do it in a scalable way using technology and you can make money.

As I got more and more into my research, this program was for five months, I realized that it was indeed true. In fact, earlier this year, we published a paper, more like a report, jointly with Stanford Business School and with IFC, it's called "Financial Inclusion in the Digital Age."

Again, in that paper we talked about the various frictions, the biggest problems that consumers face and how fintech companies can help solve for those problems and make money at the same time. We featured 100 companies that are doing this all over the world. In fact, we picked companies which are already Series B funded or more, right, VC funded because that kind of makes the point that they've got VC funding, they've gone beyond Series B, they are mission-focused, but at the same time also focused on the bottom line.

We've covered companies in lending, in payments, in financial planning and also in insurance because the other misconception people often have is when it comes to financial inclusion the only thing offered is access to credit, but you know, it's just not access to credit. The problem is also inability to save or lack of access to insurance or lack of access to low cost payment options so we've tried to talk about all of those things.

Also, last year, Stanford Business School, I think it was the first business school in all of the US...it launched a program on fintech and I worked closely with Professor Ken Singleton as the program was being finalized in terms of what should be covered and eventually the title of the course became "Innovating for Financial Inclusion" and Ken was wonderful in the way he structured the course.

I helped a little bit in terms of getting a few guest speakers and I also taught some of the classes jointly with him and we found a huge amount of interest and passion amongst the students to take this forward so that's how I did that. I am still affiliated with Stanford, but now it's more as a Fellow at the Distinguished Careers Institute and I occasionally teach some guest classes, or you know, I'm looking for like what paper should we write next, but it's a very limited engagement but it's just great to be part of the Stanford community.

Peter: Right, right. I will also link to that paper that you did with the IFC. I feel like that's...this is something that I feel personally strongly about, you know, we really should be attacking financial



inclusion in a bigger way in fintech. It's great that you are sort of leading the way here when it comes to putting that message out there.

So we're out of time, but last question. Given your perspective, you do have a very unique perspective here given...you've worked in the developing world for large banks, you're looking at a lot of startups now and you mentioned Amazon, Facebook, Google are big tech companies, but where do you think the future of fintech is going to kind of...or who's going to dominate the future of fintech? Is it going to be the banks, is it going to be the technology companies, or do you think that entrepreneurs are going to continue to create great new ideas, or is it going to be like a combination of all three?

Anju: I would say that it is going to be a combination. I think it's going to be more of a symbiotic relationship between banks and fintech companies and the ultimate winner is going to be the consumer. In some areas, in some B2C areas, I think no one should underestimate the role that the big tech companies are going to play, especially when it comes to B2C payments, but you know, in a lot of other areas the banks and fintech companies will continue to have a very significant role to play.

I'm a member of the steering committee on Disruptive Innovation in Financial Services with the World Economic Forum and I've been involved with the forum in some of the reports that got published. There was one on fintech, in general, there was one of digital identity, AI, blockchain. You know, when it comes to a lot of emerging technologies like using artificial intelligence and machine learning, banks are usually much slower to move forward, whereas the fintech companies are much more nimble, more agile; they're able to innovate faster.

And then, sooner or later comes the time where they can either collaborate or the banks can adopt new technology so I see a strong role for both; banks with their access to low cost of funding, with regulatory knowledge, with licenses, with the capital markets infrastructure and then the fintech companies which are nimble, faster, innovative, very digitally savvy and I think the combination is what is going to help us move forward much faster.

Peter: Yeah, I agree. We'll have to leave it there, Anju, I really appreciate you coming on the show today.

Anju: Thank you, Peter, really enjoyed it. Thanks.

Peter: See you.

First, let me apologize for the sound quality of my voice during that episode. I made a mistake in inadvertently had the wrong audio source dialed into the computer here so apologize for that. I will be sure it doesn't happen again.

Anyway, just wanted to follow up on some of the things that Anju was talking about there, the future of fintech. You know, I think entrepreneurs have a history of looking for gaps in the market and filling them with new and better and quicker ways of doing things and I think...I really feel that while banks are going to be a huge part of fintech going forward for decades to come, there will always be entrepreneurs coming in and working with the banks potentially, maybe even working with the Amazons' and Googles' of the world. But there will always be entrepreneurs coming in and making the experience better for the customer, making it cheaper



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and making it faster. I feel like that is going to continue forever because I think humans have a tremendous ability to think outside the box and innovate.

Anyway on that note, I will sign off. I very much appreciate your listening and I'll catch you next time. Bye.

Today's show was sponsored by LendIt Fintech USA 2019, the world's leading event in financial services innovation. It's coming up on April 8th through 9th, 2019, at Moscone West in San Francisco. Registration is now open and we are also taking speaker applications. You can find out more by going to lendit.com/usa

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