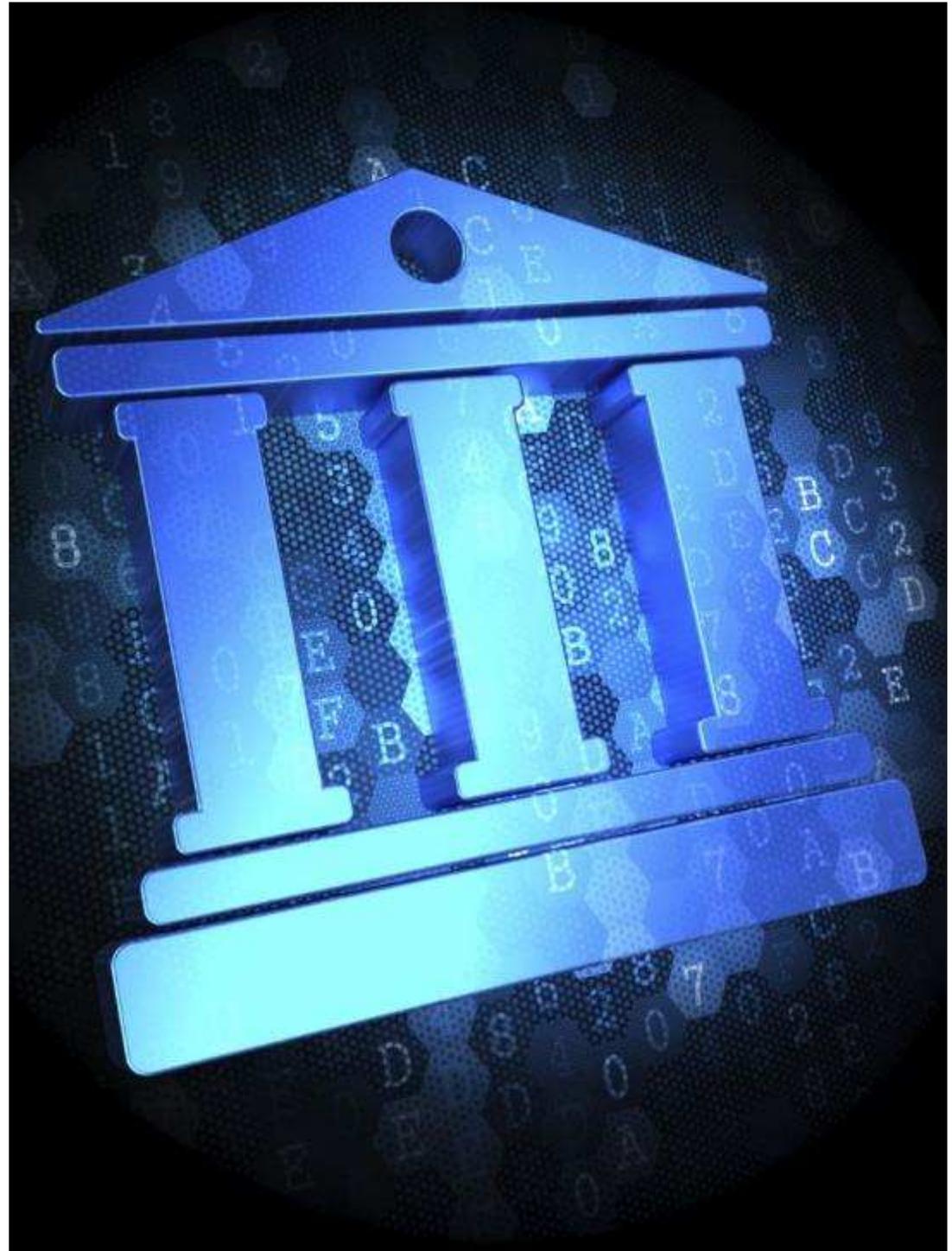


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Future of Wealth Management

March 2016



Agenda

Context

Forces of change and implications

Context

Current industry challenges



- **Increasing regulatory / tax burden:** Need for enhancement in controls, compliance and transparency
- **Customer acquisition:** Competition between onshore and offshore wealth centers, coupled with challenges in cracking the onshore market
- **Revenue mix:** The battle for non-capital market solutions is intensifying
- **Efficiency:** Cost-to-income ratio under pressure as Hong Kong and Singapore become too expensive as booking centers
- **Digital:** 80% of Asian HNWI's prefer their wealth management relationships to be digital by 2018
- **Inter-generational wealth transfer:** 80% of the Asian wealth to be transferred in the next 15 year

Growth Imperatives



- **Understand current and emerging trends** impacting the industry and your bank
- **Plan for uncertainties** that will potentially influence the industry and your bank
- **Establish framework** for recognizing and adapting to change over time—ahead of time

Agenda

Context

Forces of change and implications

There are two types of forces of change outside the organization that will shape future dynamics in predictable and unpredictable ways

Two Types of Driving Forces

Predictable



Unpredictable



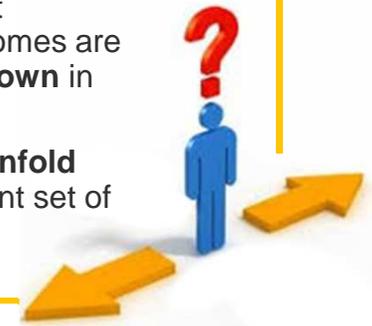
Predetermined Trends

- Forces of change that are **relatively certain** within the relevant timeframe, such as population aging
- It is a given that predetermined elements will play out in the future, though how they interact with and impact other variables remain uncertain



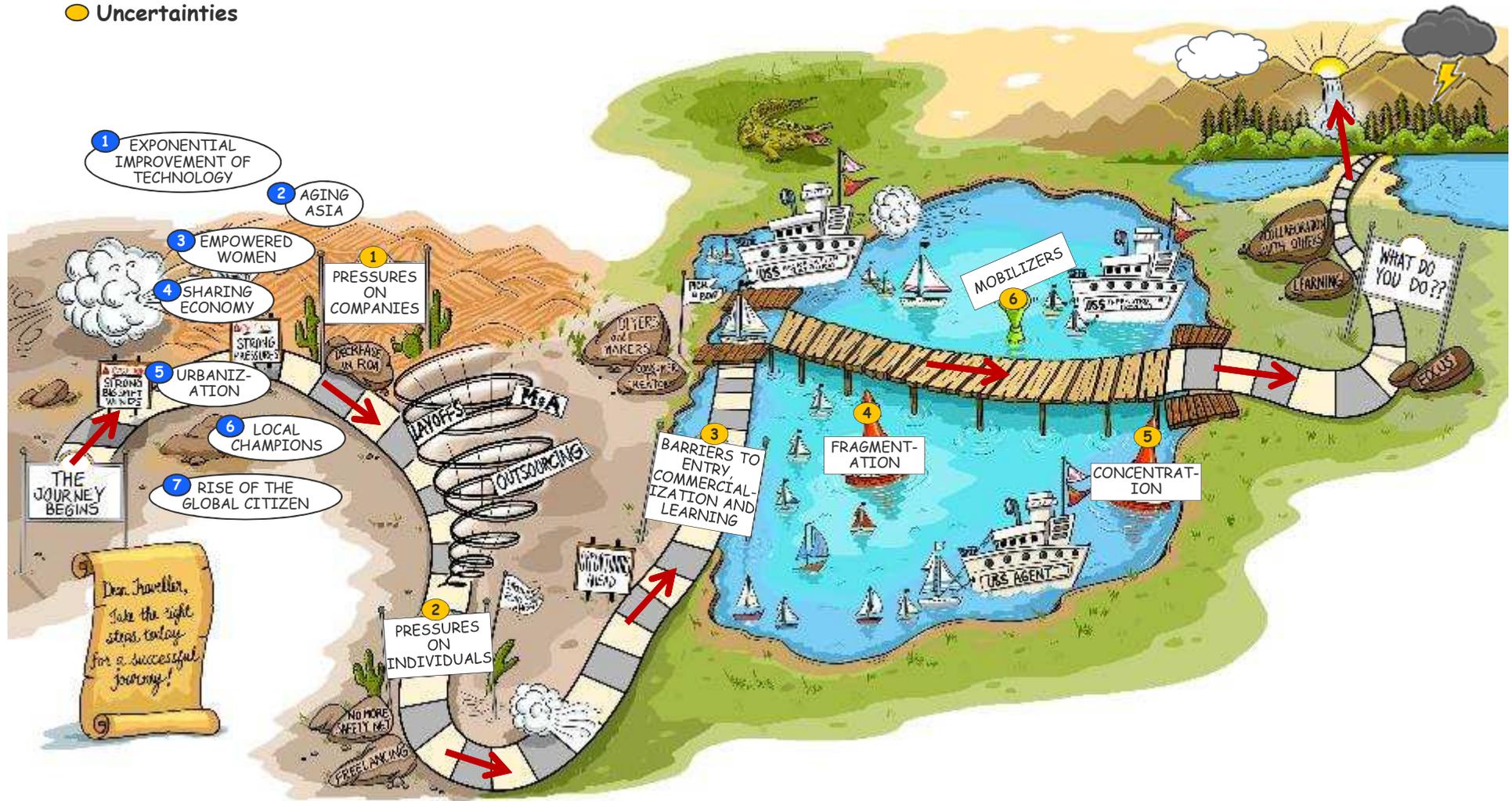
Uncertainties

- Unpredictable driving forces, such as public opinion or the state of the economy, that will impact the environment and/or market conditions but whose outcomes are **highly uncertain or unknown** in the planning timeframe
- **How uncertainties may unfold** form the basis of a divergent set of **scenarios**



Looking ahead to 2025, the wealth management industry will be impacted by seven predetermined trends and may be shaped by six uncertainties in the environment

- Predetermined trends
- Uncertainties



Today, we will discuss implications of selected predetermined trends and uncertainty scenarios on how Service Providers will and should operate in the future

Predetermined Trends

- 1 Exponential improvement of technology
- 2 Aging Asia
- 3 Empowered women
- 4 Sharing economy
- 5 Urbanization
- 6 Local champions
- 7 Rise of the global citizen



Uncertainties

- 1 Pressures on companies
- 2 Pressures on individuals
- 3 Barriers to entry, commercialization and learning
- 4 Fragmentation
- 5 Concentration
- 6 Mobilizers



 **Focus of today's discussion**

Illustrative impact of predetermined trends on WM industry and Service Providers

4 In a sharing economy, Service Providers need to enhance product and value propositions to differentiate their platforms (RMs, advice, products)

| | | |
|--|---|---|
| <p>Predetermined trend: Sharing economy</p> | <ul style="list-style-type: none"> • Shared creation, production and consumption of goods and services by people and organizations • 78% of consumers in Asia are willing to participate in the sharing economy vs. 68% globally | <p>Examples</p>   |
|--|---|---|



- Growing interest in **interactions and collaboration amongst HNW peers**, e.g. co-investments
- Industry competitiveness and cost pressures intensify as **FinTechs enter** the wealth management space, leveraging virtual networks and crowdsourcing to **provide services to clients and to Service Providers**

| Service provided | Example FinTechs |
|-------------------------------|--|
| HNW networking |   |
| Co-investing |  |
| Structured product super mart |  |

- **Erosion of exclusivity of opportunities** traditionally only available to HNWIs, e.g. ownership of hospitality assets, early stage investing
- **Proliferation of investment ideas and advice** due to sharing

Where to play?

- **Products:** What **exclusive investment opportunities** can Service Providers offer that are unavailable to crowd investors?



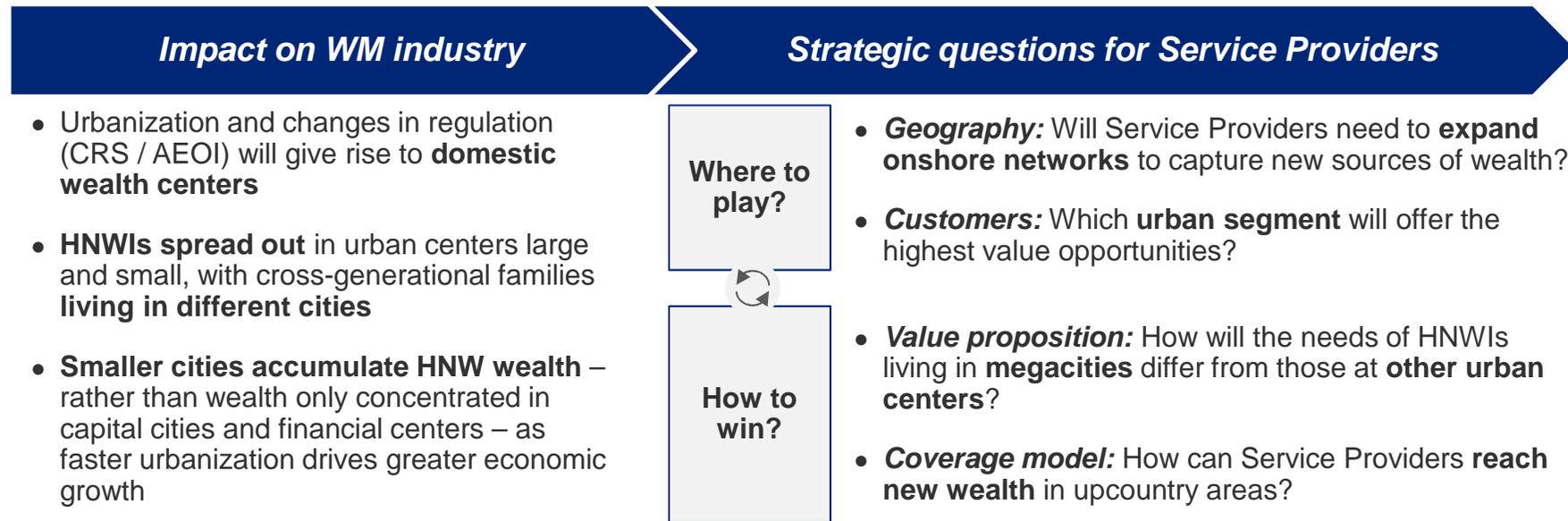
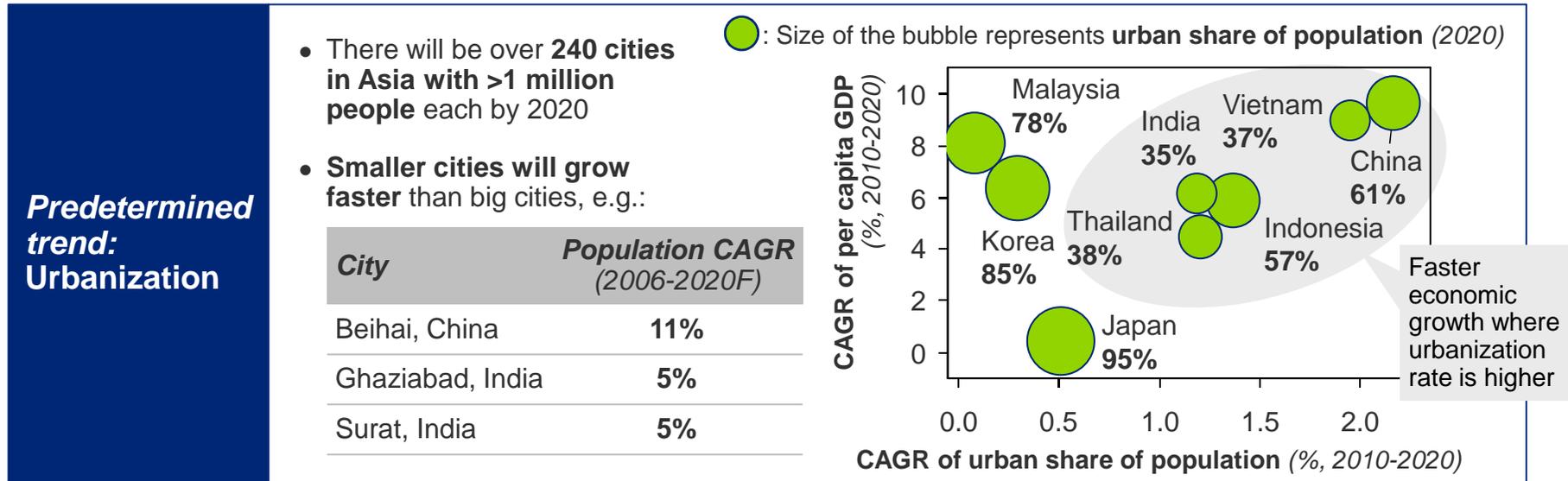
How to win?

- **Value proposition:**
 - How can Service Providers rethink relationship model to **co-create and co-produce** with clients or foster **collaboration** amongst clients?
 - How can Service Providers support clients to **distill information** and in **decision making** in a world of information and choice overload?
- **Profit management:** How can Service Providers **compete with lower cost providers** that rely on crowdsourced ideas rather than cost-intensive proprietary insights?

How can Service Providers achieve differentiation with greater transparency and availability of alternative platforms?

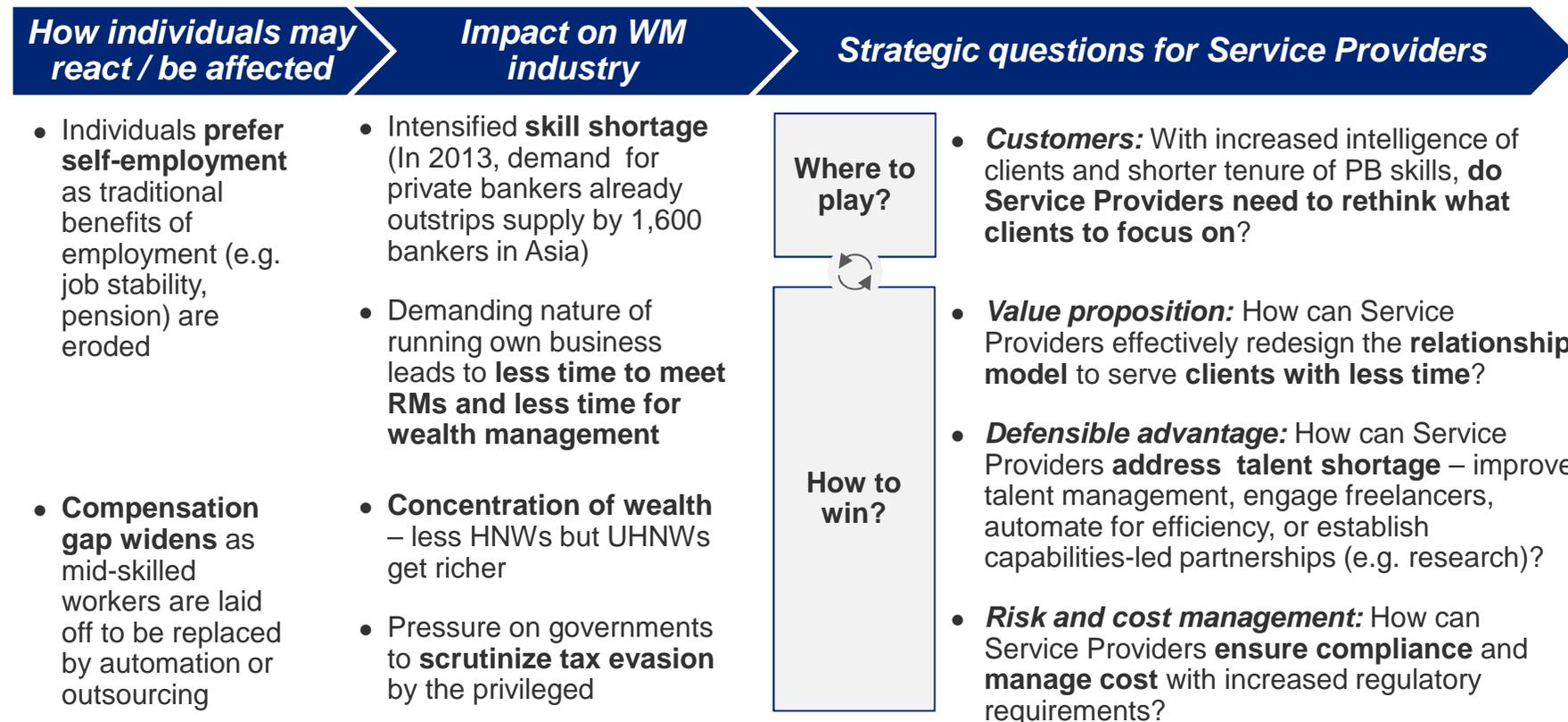
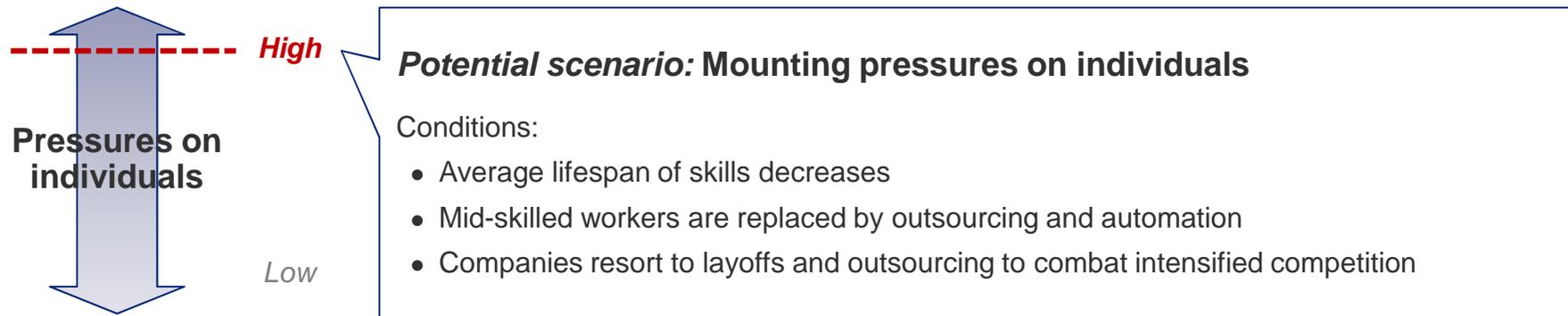
Illustrative impact of predetermined trends on WM industry and Service Providers

5 It is imperative for Service Providers to strengthen play in upcoming domestic wealth centers to exploit opportunities from urbanization



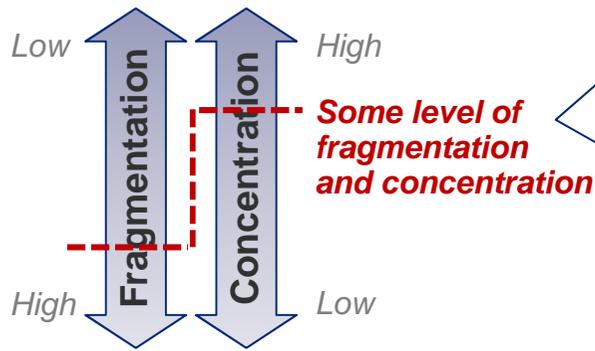
Illustrative impact of uncertainty scenarios on WM industry and Service Providers

2 In a scenario of mounting pressures on individuals, Service Providers need to rethink what clients to focus on and how



Illustrative impact of uncertainty scenarios on WM industry and Service Providers

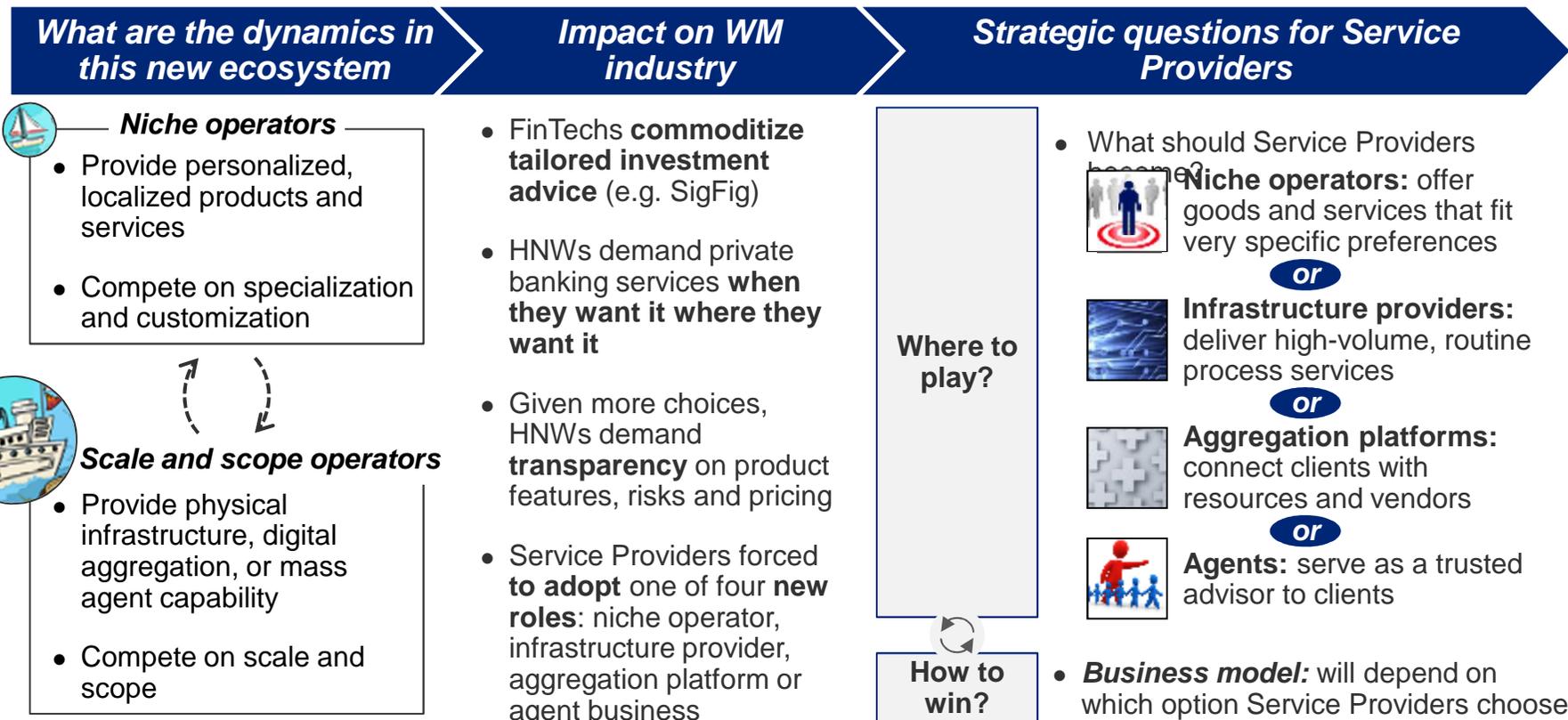
5.6 Where fragmentation and concentration coexist, Service Providers need to redefine their roles to become niche operators, infrastructure providers, aggregators or agents



Potential scenario: Fragmentation and concentration coexist

Conditions:

- Parts of the economy fragment while other parts concentrate
- More niche operators driven by desire for autonomy and increased ease of managing a business of any scale
- Concentration driven by need for infrastructure, platforms, and agents to support niche operators





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