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Asia's millionaires

Who's banking them?

For the first time, the Asia Pacific has the highest population of high net worth individuals (HNWI) in the world. In a year when the number of HNWIs fell by 1.7 percent, and India's market slump saw the country fall out of the global top 12, the number of HNWIs in the Asia Pacific expanded 1.6 percent to 3.37 million, with estimated private wealth of US$10.7 trillion.

The world's private banks know this trend very well, and that is why recent years have seen a stampede of private banks into Asia. For them, the sweet spot is Asian families with investable assets of between US$1 and US$25 million. The Asian HNWI market is undoubtedly attractive, but it is highly competitive and the road is littered with casualties.

None of this is stopping new entrants. The Bank of China announced only this month that it is starting up wealth management operations in Singapore.

But while the statistics on the demographics make Asia attractive, it is another thing to persuade HNWIs to invest with private banks. A recent East & Partners survey of HNWIs in Asia showed just how close to home they like to keep their assets.

Of investable wealth, 72 percent was kept onshore and 28 percent offshore. 22.6 percent of investible wealth was in onshore real estate, with the next most popular asset class onshore equities, at 11.8 percent.

Then there is the fact that a lot of Asian wealth is tied up in family businesses where succession plans do not necessarily create liquidity for share market investments or advice from private bankers.

The Asia Pacific Wealth Report highlighted the fact that inherited wealth doubled to 23 percent over 2012, explaining why Citibank held a "Future Leaders Forum" in Singapore recently for the 18 to 24 year old children of HNW clients.

Standard Chartered is taking another approach to private banking with the launch of Islamic private banking products, and hopes to have up to 25 percent of its assets under management in Shariah compliant products over the next three years.

Indonesia, with its young and increasingly affluent population, is also becoming a focus. One European private banker says this market segment could be 40 million strong by 2015, and be worth over US$500 million.

Standard Chartered says its Indonesian wealth management business is growing by 30 percent, and Australia's CBA is investing in adding to its current 87 branch network, with a focus on small and medium sized enterprises.

The number of wealthy individuals in Asia is growing at almost twice the global average, and much of that new wealth is in the hands of younger entrepreneurs.

Banks which understand and make that connection are likely to be the ones to win in Asia's wealth management race. Getting the customer proposition for external wealth management right is critical.

Private Investors stay Onshore

	Average % of Investable Wealth	
	Onshore	**Offshore**
Commodities	3.9	0.9
Real estate	22.6	4.7
Bank deposits	11.8	3.2
Fixed income securities	6.8	8.1
Equities and shares	18.0	5.2
Private business ventures	6.5	5.4
Other	2.1	0.8
TOTAL	71.7	28.3

Note: individual interviewees treated as retail investors in this question
Source: East & Partners' Asian Institutional TB Markets Report – May 2012