

Morgan Stanley

## The Future of Private Banking in Asia

Charles Mak, Head of Morgan Stanley PWM Asia

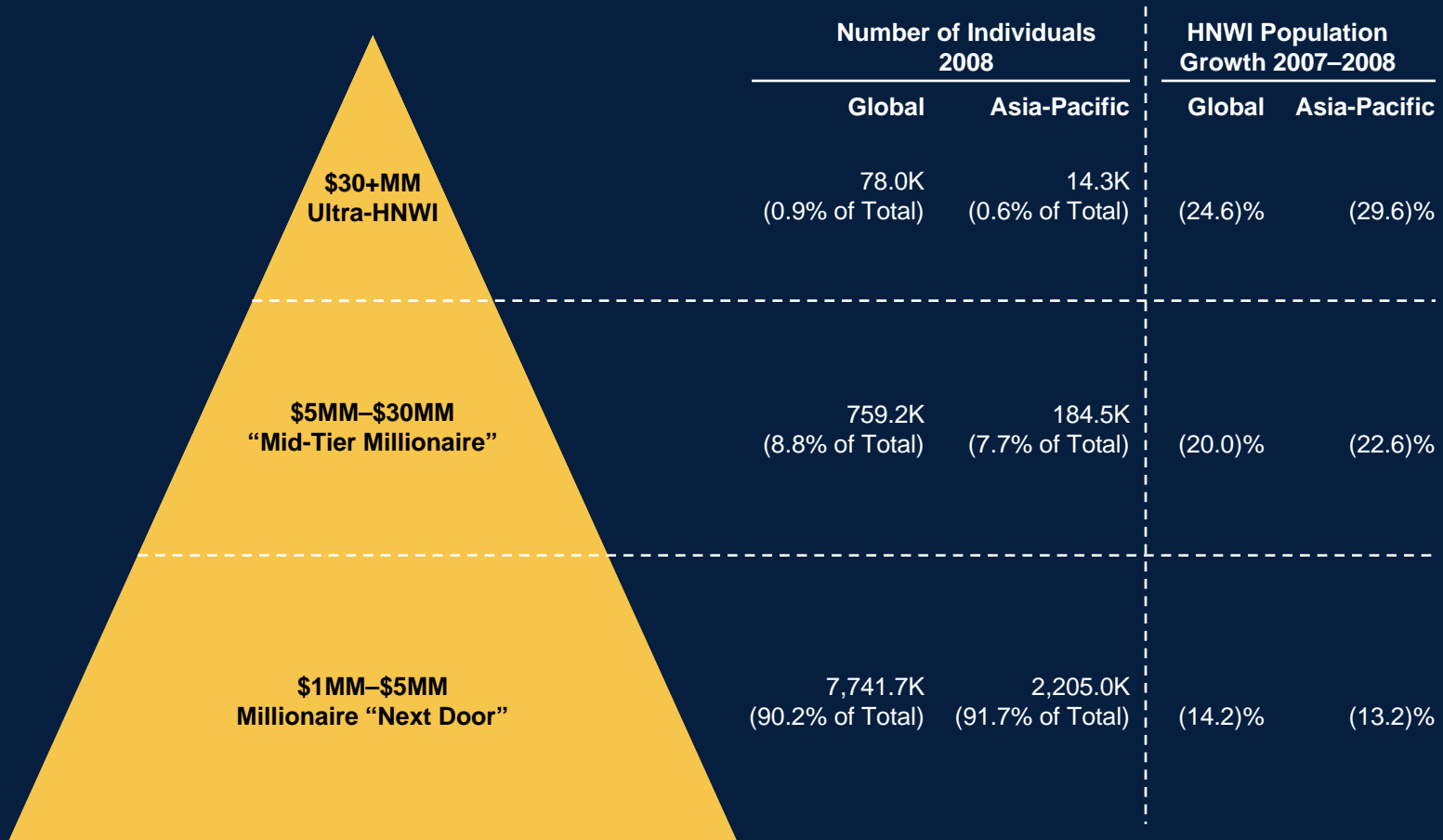
October 29, 2009

# Agenda

- Market Sizing and Growth
- Introduction to Morgan Stanley Smith Barney and Morgan Stanley PWM Asia
- Lessons from the Crisis

# Section One – Market Size and Growth

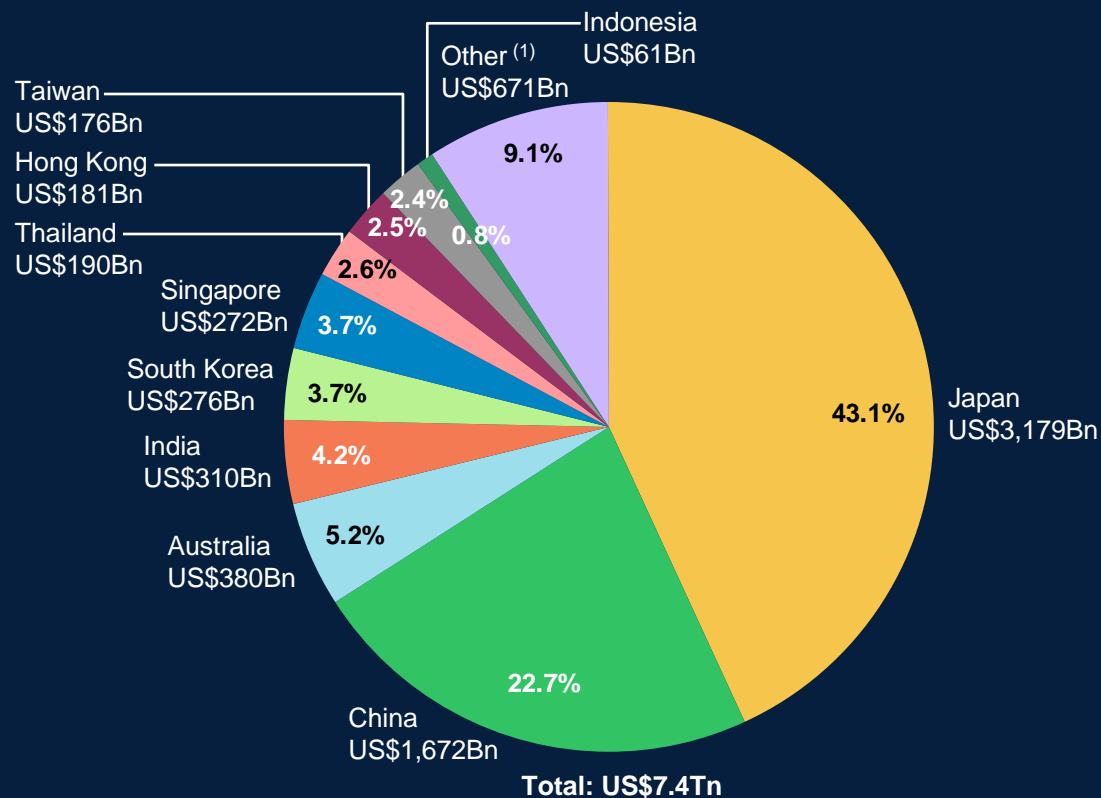
# Wealth Management in Asia: Market Size



# Wealth Management in Asia: Country Distribution

## Distribution of Asia-Pacific HNWI Wealth by Market, 2008

%



**Source:**

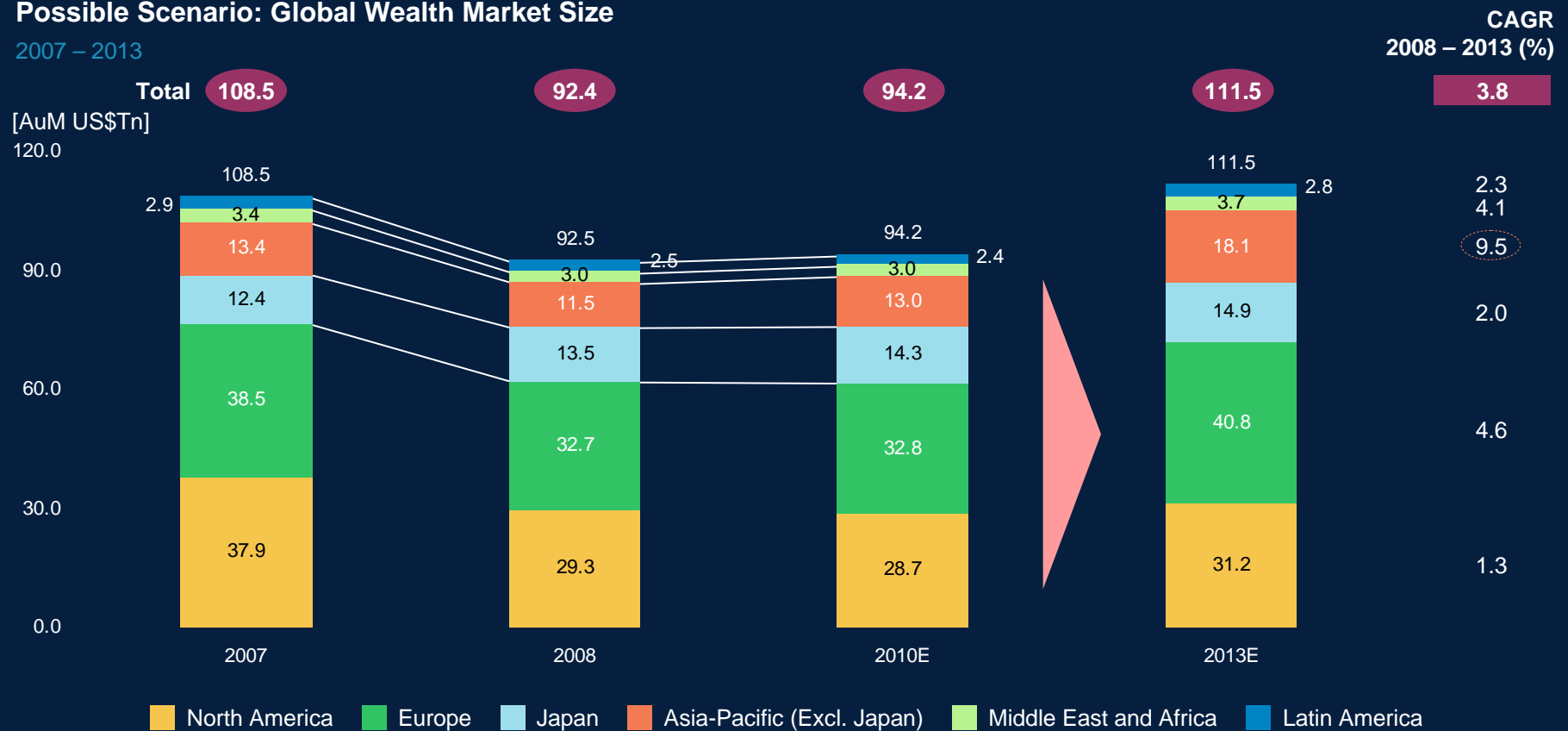
Capgemini Lorenz curve analysis, 2009

(1) 'Other' category comprises eight markets: Kazakhstan, Malaysia, Myanmar, New Zealand, Pakistan, Philippines, Sri Lanka and Vietnam. All chart numbers are rounded.

# Wealth Management in Asia: Growth Projections

## Possible Scenario: Global Wealth Market Size

2007 – 2013



Section Two – Introduction to  
Morgan Stanley Smith Barney and  
Morgan Stanley PWM Asia

# Morgan Stanley Smith Barney

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Smith Barney



- Morgan Stanley Smith Barney (“MSSB”) is **owned jointly by Morgan Stanley (51%) and Citi (49%)** and combines MS’s global wealth management business with Citi Smith Barney (including Quilter in the UK, and Smith Barney in Australia)
- Officially launched on June 1, 2009, MSSB is the **world’s largest wealth management firm in terms of number of financial advisors** (18,000+ financial advisors globally) **and in terms of the size of client assets** (\$1.5Trn)



# Introduction to Morgan Stanley PWM Asia

## Current Footprint



## Section Three – Lessons from the Crisis

# Lessons from the Crisis (continued)

## Observations on the Developments in the Private Wealth Industry in Asia

- **Crisis hit** Asia in August 2008, which is **later** than other parts of the world
- **Crisis** seems to be **leaving Asia earlier** too
  - Australia first G20 country to raise interest rates; manufacturing in China rebounding; region as a whole is still awash in reserves & liquidity
- **M&A activity strong** as multinational banking giants divested select Asian businesses to raise cash and focus on their core business in home markets
  - **Sale of ING's Asia Private Banking business to OCBC for \$1.46Bn in cash**
  - **Sale of RBS's retail and commercial banking operations in Taiwan, Hong Kong, Singapore and Indonesia to ANZ**

# Lessons from the Crisis

## Observations on Changes in Client Attitudes and Behavior

- Many of our clients have lost a significant portion of their wealth during the downturn and they are becoming more active and vocal about their disappointment
  - **Lehman mini-bond saga**
  - Margin calls, forced liquidations
- How clients think about investments has changed
  - **Reduced risk appetite** – especially Equities. Increased focus on Fixed Income (US Treasuries, Tier 1 Perpetuals of Financials, Asian Corporate Bonds)
  - **Rejection of “black box” investing** amid push for simple-to-understand products
  - **“Cash is king”** – liquidity is paramount and reluctance to purchase products with multi-year lock-up periods
  - **Loss of trust in financial advisors and the financial industry in general** and in the quality of advice dispensed

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