

HOW PRIVATE BANKS CAN CAPITALIZE ON HNWI OPPORTUNITIES

BACKDROP AND OUR OBSERVATIONS:

- Number of High Net Worth Individuals (HNWI) is growing at a fast rate globally
 - The number of employees in private banks is growing slower than the market size
- More than 50% of HNWIs indicate that their selection of a wealth management firm is influenced by the value-added services being offered
 - The percentage is even higher in APAC (65%)
- More than 70% of younger investors believe alternative investments can deliver above-average returns, and therefore allocate three times more to this asset class compared to their older counterparts
 - Younger investors allocate only 25% into stocks, while older investors allocate 55%
 - Younger people allocate 16% into alternative investments, whereas older investors allot 5%

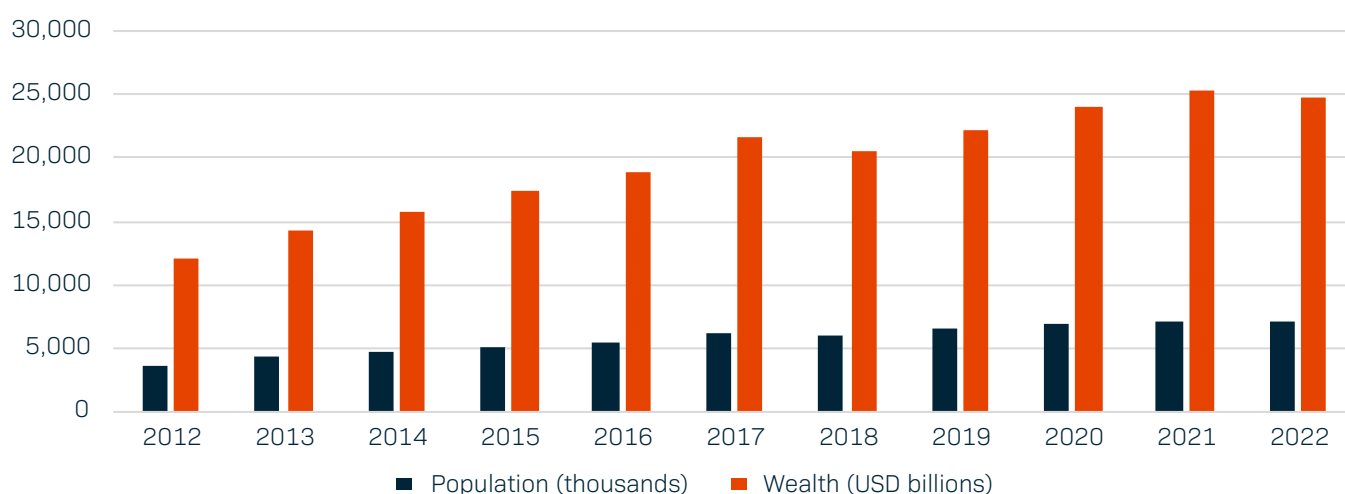
KEY TAKEAWAYS:

- In partnering with EquitiesFirst, private banks can enjoy the following advantages:
 - Increased AUM
 - Diversification of services (by providing alternative financing solutions)
 - Different investment opportunities (with non-purpose loan feature)
- With EquitiesFirst's solutions, private banks can maintain better client retention and business flexibilities

GROWING NUMBER OF HNWIs IN ASIA

In the past decade, the number of Asian people with more than USD 1 million in investable assets has almost doubled from around 3.7 million to more than 7 million. The total wealth of these HNWIs has also increased to USD 24 trillion in 2022. The private banking market today has seen its assets under management (AUM) increase and the number of clients double. This has made it more difficult for private banks to manage each client as private banking services are usually highly personalized and therefore time-consuming.

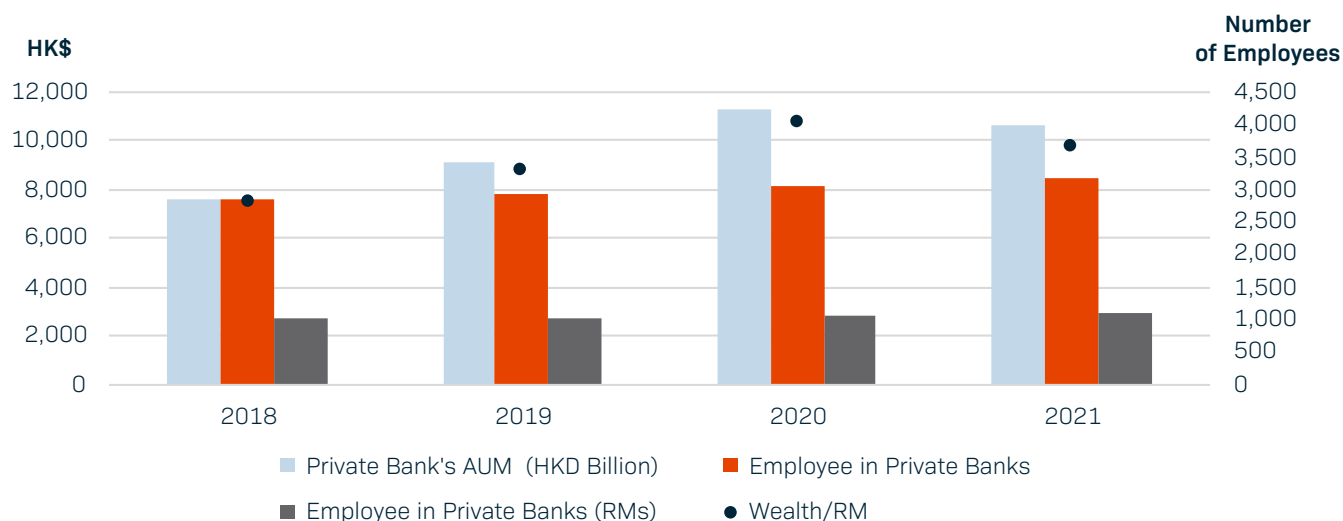
HNWI POPULATION AND WEALTH IN ASIA



HEAVIER BURDEN FOR RELATIONSHIP MANAGERS IN HONG KONG

For example, private banks' AUM in Hong Kong grew by almost 40% in 4 years since 2018, while the number of private bank employees only increased by 10%. The number of relationship managers even increased by less than 10%. The situation has made it challenging for private banks to manage their clients at previous levels, which may eventually negatively impact the client's retention rate. To address the problem, private banks may opt to partner with third-party service providers to differentiate themselves while simultaneously conserving their efforts to focus on their core services.

HONG KONG PRIVATE BANK MARKET SITUATION



INCREASED DEMAND FOR VALUE-ADDED SERVICES AT PRIVATE BANKS

Furthermore, according to a Capgemini report, around 56% of HNWIs noted that value-added services (legal consultation, tax planning, inheritance advice, etc.) are attractive when selecting wealth management firms, and the percentage is even higher in APAC (65%). However, only around 50% of clients are satisfied with their relationship managers' capabilities to deliver the value-added services. Again, it will be crucial for private banks to partner with other entities to deliver more efficient services to their clients.

INCREASING INTEREST IN ALTERNATIVE INVESTMENTS

Another trend for private banks to keep an eye on is the increasing interest in alternative investments such as private equity, direct investment, private debt, etc. According to a Bank of America report, more than 70% of younger investors believe alternative investments can deliver above-average returns, and therefore allocate three times more to this asset class compared to older investors. The investment timeframe for these products is longer with lower liquidity and also has lower correlation to the market. It will be challenging for clients to be exposed to the market while also investing in these alternative assets. Yet, EquitiesFirst can provide capital for 3 years or more with low interest rates against equities held by clients. This approach enables clients to achieve their investment targets and hence help private banks to attract more younger clients, which can potentially emerge as the primary group of clients in the next few decades.

Partnering with EquitiesFirst can be an ideal solution for private banks to stand out from the crowd with the following benefits:

- 1. Increased AUM:** Private bank clients may be entrepreneurs of listed companies or have most of their asset and wealth concentrated in their shareholding of listed companies. When clients pledge their shares with EquitiesFirst, they can put the loan proceeds in the bank for other investments, which will increase the AUM.
- 2. Diversification of services:** By providing alternative financing solutions, clients will have more financing options. EquitiesFirst's non-recourse feature is largely different from the typical margin loan provided by banks, which will protect clients from the downside. Also, banks may be unable to provide financing against Hong Kong-listed small- to mid-cap stocks due to risk exposure, while EquitiesFirst's collateral requirement is more borrower friendly. As such, private banks can greatly benefit and provide a wider range of share financing products.
- 3. Different investment opportunities:** With EquitiesFirst's non-purpose feature of the loan, private banks can help clients to further diversify their portfolio by investing in different types of products to achieve their investment goals. As EquitiesFirst provides a loan term of three years or above, clients will find it easier to match with investment products that have a longer investment time frame compared to margin loans or other financing products.

CONTACT US



GORDON CROSBIE-WALSH

CEO Asia

+852 3958 4589

gcrosbie-walsh@equitiesfirst.com

BANGKOK

+66 2059 0242

THinfo@equitiesfirst.com

BEIJING

+86 10 5929 8686

info@equitiesfirst.com

HONG KONG

+852 3958 4500

HKinfo@equitiesfirst.com

SEOUL

+82 2 6370 5180

info@equitiesfirst.com

SHANGHAI

+86 21 8033 3601

info@equitiesfirst.com

SINGAPORE

+65 6978 9100

SGinfo@equitiesfirst.com

DISCLAIMER

China, Hong Kong and Singapore - Equities First Holdings Hong Kong Limited holds a Hong Kong Securities and Futures Commission Type 1 License and licensed in Hong Kong under the Money Lenders Ordinance (Money Lender's Licence No. 1780/2022). EquitiesFirst ("EquitiesFirst" refers to Equities First Holdings LLC, and all subsidiaries of such company in all countries where they are engaged in business activities of any nature). This document is prepared by EquitiesFirst. It is not intended as an offer to sell securities or a solicitation to buy any product managed or provided by Equities First. It aims to provide general information on the EFH loan facility which is not authorized for retail use in Hong Kong and is only available for Professional Investors. This document is not directed to individuals or organizations for whom such offers or invitations would be unlawful or prohibited. Past performance is not a guarantee or a reliable indicator of future results. All investments contain risk and may lose value. The information contained herein may be incomplete or incomprehensive. Accordingly, the information is qualified in its entirety by the terms applicable to the facility as set out in its constitutive documents (Loan Documents) and should be read together with such Loan Documents. This presentation has been prepared without consideration of the investment objectives, financial situation, or particular needs of any individual investor. You should consider your own investment objectives, financial situation, and particular needs before taking any action with respect to a financial product referred to in this presentation. In preparing this presentation, EFH is assuming your organization is capable of evaluating the merits and risks of any financial transaction described herein and its suitability for your organization's purposes and its legal, taxation, accounting, and financial implications and that in making this evaluation you are not reliant on any recommendation or statements made by EFH. Before entering into any transaction EFH strongly encourages you to independently assess these things and fully understand the transaction in its entirety. EFH does not act as an adviser in any capacity and strongly recommends all borrowers seek independent advisement when assessing the transaction and its suitability. To the extent it is permitted by applicable law, Equities First, its affiliates, and any officer or employee of Equities First or its affiliates do not accept any liability whatsoever for any direct or consequential loss arising from the use of this presentation or its contents, including for negligence. Trading in equities, futures, options, commodities, currencies, or derivatives can have risks and is not appropriate for all persons. Under some market conditions, it may be impossible to liquidate a position. Copyright protections exist in this presentation. The contents of this presentation are strictly confidential and may not be disclosed, reproduced, distributed, or published by any person for any purpose without the expressed written consent of EFH, LLC. EFH makes no guarantee, representation, or warranty and accepts no responsibility or liability as to its accuracy or completeness. Expressions of opinion are those of Equities First only and are subject to changes without notice. Further information is available upon request.

Thailand - EquitiesFirst ("EquitiesFirst" refers to Equities First Holdings LLC, and all subsidiaries of such company in all countries where they are engaged in business activities of any nature). The foregoing is intended solely for certain, or certain class of, recipient who is qualified to independently consider and act on the information provided herein pursuant to laws and regulations applicable to such recipient. As such, the information provided herein is for information purposes only and does not constitute an offer to sell (or solicitation of an offer to purchase) the securities or investments referenced herein, to participate in any particular trading strategy, or to provide any particular advisory services ("Offer"), in any jurisdiction in which such Offer would be illegal. Any Offer shall only be made through the relevant offering or other documentation which sets forth its material terms and conditions pursuant to applicable laws and regulations. The foregoing and any non-public information contained therein are confidential and have been provided solely for the benefit of the intended recipient and for the limited purpose of the potential transaction that the intended recipient has already discussed with the Company. Except with the Company's prior written consent, such confidential information may not be shared with any party other than with professional advisors and affiliates of the intended recipient, in which case the information may be shared for such limited purpose and on a need-to-know basis. If you are not the intended recipient of the foregoing, any disclosure, copying, distribution or use of its content is strictly prohibited. The foregoing does not provide or purport to provide investment advice and has been prepared by the Company based on or derived from sources the Company reasonably believes to be reliable. The Company has not independently examined or verified the information provided herein and no representation is made that it is accurate or complete. Before acting on any information, the recipient is thus encouraged to seek independent financial and/or legal advice. Opinions and information herein are subject to change without notice.

South Korea - The foregoing is intended solely for sophisticated investors, professional investors or otherwise qualified investors who have sufficient knowledge and experience in entering into securities financing transactions such as securities repo or securities loan transaction. It is not intended for, and should not be used by, persons who do not meet that criteria. Information provided herein is for information purposes only and does not constitute an offer to sell (or solicitation of an offer to purchase) the securities or investments referenced herein ("Offer"). Any such Offer shall only be made through a relevant offering or other documentation which sets forth its material terms and conditions. The foregoing does not provide or purport to provide investment advice, nor does it provide or purport to provide any legal or financial advisory or other professional advice or services which are regulated in jurisdiction in which EquitiesFirst (Equities First Holdings, LLC and its subsidiaries) operates, does business, resides, including, Republic of Korea or that may otherwise have regulatory authority over EquitiesFirst. The foregoing has been prepared by EquitiesFirst based on or derived from sources EquitiesFirst reasonably believes to be reliable. However, EquitiesFirst has not independently examined or verified the information provided herein and no representation is made that it is accurate or complete. Opinions and information herein are subject to change without notice.
