Number of Chinese high net worth individuals nearly doubles since onset of global recession, according to far-reaching "2011 China Private Wealth Study"

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NET WORTH INDIVIDUALS NEARLY DOUBLES SINCE ONSET OF GLOBAL RECESSION, ACCORDING TO FAR-REACHING "2011 CHINA PRIVATE WEALTH STUDY"

Beijing, China-April 20, 2011-The number of Chinese high net worth individuals (HNWIs) is projected to rise to 585,000 in 2011, nearly twice as many as in 2008, finds a new study of more than 2,500 HNWIs conducted by Bain & Company, in collaboration with China Merchants Bank. HNWIs are those with more than 10 million renminbi (RMB) in individual investable assets, or approximately $1,500,000 at current exchange rates. The study also finds that the fastest growth is coming from HNWIs with more than 100 million RMB in assets, or more than $15,000,000.

"Wealth creation in China is marching on unimpeded," said Johnson Chng, head of financial services for Bain in Greater China and study author. "This is creating a new, sizeable and discerning class of investors, with unique wealth management needs."

According to the study, the greatest concentration of Chinese HNWIs reside in Guangdong, Shanghai, Beijing, Zhejiang and Jiangsu, with more than 30,000 HNWIs living in each city/province. Among the 15 provinces with the number of HNWIs exceeding 10,000, Chinese HNWIs with the most investable assets per capita live in Shanghai (40 million RMB per capita), Beijing (38 million RMB) and Jiangsu (37 million RMB)-though the highest growth rates in the number of HNWIs (31 percent to 40 percent growth between 2008 and 2010) occur in central and western China, including Sichuan, Hunan and Hubei, and in the Bohai Bay basin, including Tianjin and Liaoning.

In contrast to survey responses in the 2009 edition of the study, Bain finds a greater diversification of wealth management objectives. Once again, wealth creation is the top priority of HNWIs, but wealth safety is now the second highest rated objective, suggesting economic stability-both local and global-has risen in terms of importance for Chinese HNWIs. Further, providing for their children's education and inheritance are cited as key HNWI wealth management objectives in the 2011 survey.

The study finds that a sizeable shift in Chinese HNWI asset allocation is underway. The largest changes in asset allocation in 2011 versus 2009 are increases alternative investments (5.4%), stock and equities (5.3%) and wealth management products (4%). Cash and deposits (-7.4%) and property (-4.3%) saw the largest decreases in investment levels. There are no signs in the survey that portfolio diversification will abate. Eighty-one percent of survey respondents plan to diversify further in the future: 44 percent say to spread risk, 32 percent to improve their risk-reward profile and 23 percent to widen portfolio selection. However, according to the study, survey respondents are shifting away

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from high risk wealth management products toward moderate risk investments, when compared to attitudes in 2009.

"Chinese HNWIs are exhibiting sophisticated investment strategies," added Bain's Chng. "They are no longer satisfied with safe, stable investments such as cash, but seek increasingly diversified portfolios that include a broad range of wealth management products."

Other key findings from the study include:

- Chinese HNWIs are dominated by business owners, but their share is down versus 2009. Business owners have been diversifying assets in order to accumulate wealth more rapidly in capital markets over the last few years
- The vast majority of the HNWIs are first-generation-less than one percent of HNWIs are second generation successors with investment decision-making power
- Forty-five percent of Chinese HNWIs cite private banks as a major investment channel, compared to only about 15 percent in 2009, suggesting increased trust in private banks. Bain predicts that the trend will continue as more than 30 percent of HNWIs indicate that they will further shift their assets to be managed by private banks going forward
- Sixty percent prefer to do business with multiple wealth management institutions, with nearly half believing that each institution brings specialized products and services, and nearly half viewing increased difficulties in private banking relationship management and funds transfers as the largest sources of inconvenience in dealing with multiple institutions
- Eighty-five percent of HNWIs who use financial institutions for wealth management now select domestic banks as one of their wealth management institutions and less than forty percent of them choose foreign banks. Among them, sixty percent of HNWIs select domestic banks as their primary wealth management institutions. In 2009, notably, the Bain report emphasized that Chinese private banks could take advantage of global recessionary disruption by grabbing share from foreign banks over the subsequent two years
- Chinese HNWIs are seen to have a higher level of brand awareness in selecting a private bank; expertise and relationship management service follow as the second and third highest-rated criteria in 2011
- Chinese HNWIs' demand for both personal and corporate financing have increased more than 40 percent over 2009, as have demands from wealth management institutions for value-added services-tax planning (increased three-fold), healthcare (nearly tripled), children's education (more than doubled) and introduction of investment opportunities (nearly doubled)

"The Chinese HNWI is quickly becoming a savvy shopper of wealth management products and services," concluded Bain's Chng. "Private banks that recognize this shift and adapt their strategies and business models accordingly will be the best positioned to gain share in this increasingly valuable market."

For a copy of Bain & Company's '2011 China Private Wealth Study' or to schedule an interview with Johnson Chng, members of the Chinese media please contact Tong Wu at +86 21 2211 5585 (desk) or +86 1381 669 2602 (mobile) or tong.wu@bain.com or Dan Dai at +86 21 2211 5570 (desk) or +86 1331 178 7076 (mobile) or dan.dai@bain.com. Members of the international media should contact Cheryl Krauss at cheryl.krauss@bain.com or +1 917 783 0013 or Frank Pinto at frank.pinto@bain.com or +1 917 309 1065.

About The 2011 China Private Wealth Study Methodology

The methodology and analysis of Chinese HNWIs' investment attitudes and behavior characteristics is based on large volume primary research and rigid statistical models. Bain and China Merchants Bank completed over 2,600 effective questionnaires and over 100 in-depth interviews with private bank customers, other Chinese HNWIs, relationship managers and industry experts in 37 major cities of 28 provinces / municipalities covering important economic regions from Yangtze River

Delta in eastern China, Pearl River Delta in southern China, northern China, to northeastern, central and western areas to ensure the sufficiency and representativeness of the data sample to the greatest extent.

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