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ASIA-PACIFIC HNWI WEALTH AND POPULATION NOW SECOND LARGEST IN THE WORLD ACCORDING TO SIXTH ANNUAL WEALTH REPORT

Asia-Pacific's HNWI Population Exceeds Europe's for the First Time at 3.3 Million

Wealth Management Firms Need to Offer Capabilities From Other Business Units to Meet Demands of Asia-Pacific HNWIs

New York, Paris, October 13, 2011 – Asia-Pacific's population of high net worth individuals (HNWIs[1]) grew 9.7 percent to 3.3 million in 2010, exceeding Europe's for the first time and placing the region as the world's second-largest market after North America, according to the 2011 Asia-Pacific Wealth Report released today by Merrill Lynch Global Wealth Management and Capgemini. Asia-Pacific HWNI wealth, which overtook Europe's in 2009, gained 12.1 percent to US$10.8 trillion in 2010, compared with Europe's US$10.2 trillion. With the fastest regional growth rate, the number of ultra-HNWIs (UHNWIs[2]) in Asia-Pacific rose 14.9 percent to 23,000, while their wealth jumped 16.8 percent in 2010, beating increases of 10.2 percent and 11.5 percent in global UHNWI population and wealth respectively. Now the world's second-largest market for HNWI wealth and population, the region's HNWI numbers are also 18.3 percent larger than 2007, prior to the global financial crisis.

1 HNWIs are defined as those having investable assets of US$1 million or more, excluding primary residence, collectibles, consumables, and consumer durables

2 Ultra HNWIs are defined as those having investable assets of US$30 million or more, excluding primary residence, collectibles, consumables, and consumer durables

"Asia-Pacific remains a region of enormous wealth creation, spearheaded by China, India and Japan, which continues to outpace global levels," said Michael Benz, head of Asia-Pacific Wealth Management at Merrill Lynch Global Wealth Management. "The increasing sophistication and demands of Asia-Pacific HNWIs mean that those wealth management firms that can leverage across their businesses are best-placed to better serve their clients' needs."

Asia-Pacific HNWI wealth and population still highly concentrated

The top three countries – Japan, China and Australia – accounted for 74.4 percent of the Asia-Pacific HNWI population and 68.2 percent for wealth in 2010. Japan and China together were home to 68.6 percent of HNWIs in the region and 62.8 percent of regional HNWI wealth, down from 70.4 percent and 64.7 percent respectively a year before.

Japan is by far the largest HNWI market in Asia-Pacific. Alone, it accounted for 52.5 percent of the Asia-Pacific HNWI population and 38.2 percent of its wealth at the end of 2010. At the same time, growth in Japan was less than in other markets due to the slowdown in Japan's macroeconomic growth and the relatively weak performance of its stock markets. China remained the second-largest HNWI base in the region, and fourth-largest in the world, with 535,000 HNWIs, up 12.0 percent from the previous year.

Australia and India posted robust growth in 2010 as well, with both rising through the world's top 12 markets for HNWI population. Australia progressed one place to number nine while India became the world's twelfth largest in 2010, entering the top 12 for the first time.

Hong Kong's HNWI population surpasses 2007

In 2010, Hong Kong's HNWI population jumped 33.3 percent to 101,300, recouping the declines posted during the global financial crisis and surpassing the previous peak of 96,000 in 2007. This is the second straight year in which Hong Kong's HNWI population growth was the most in the world, as it continues to benefit from a healthy economy as well as gains in the equities and real estate markets. The growth rate of Hong Kong's HNWI wealth was also the fastest in the world, at 35.0 percent, bringing the total figure to US$511 billion.

Outlook for Asia-Pacific HNWIs

Asia-Pacific excluding Japan is expected to remain the engine of global economic growth in 2011 and 2012, but increasing capacity constraints are likely to slow the rate of expansion, keeping GDP growth to an estimated 6.9 percent in 2011 and 6.8 percent in 2012. While the region will continue to be the engine of global growth through 2012 at least, the actions Asia-Pacific governments take to restrain inflation, control foreign-capital inflows and deflate potential asset bubbles will certainly affect the pace of that expansion.

Asia-Pacific HNWIs Continued to Favor Equities and Real Estate in 2010

Similar to 2009, HNWIs in Asia-Pacific were heavily invested in real estate and equities. They ended 2010 with 27 percent of their assets held in real estate. While this was little changed from 2009's 26 percent, it is far above the global average of 19 percent as many Asia-Pacific HNWIs have long favored real estate –bricks and mortar as well as other real estate assets such as real estate investment trusts – as an important investment vehicle. Across the region, the majority of HNWIs allocated the biggest single share of real estate holdings to residential investments. In China, HNWIs had 70 percent of real estate holdings in residential investments.

Equities accounted for 26 percent of their investments in 2010, down from 27 percent in 2009. Still, the numbers belie the fact that HNWIs in certain markets are highly exposed to equities. For instance, China's HNWIs had 42 percent of their holdings in equities, far higher than the global average, compared with 19 percent for Japan.

Looking forward, Asia-Pacific HNWIs are likely to increase their exposure to equities and fixed-income holdings, while cutting the amount held in cash/deposits by 2012. They are also expected to reduce their relative holdings of real estate to 20 percent next year amid concerns that property prices in many Asia-Pacific markets are due for a major correction after the past few years' gains.

Wealth management firms need to offer capabilities from other business units to better serve Asia-Pacific HNWIs

As the majority of Asia-Pacific HNWIs source their wealth from business ownership, wealth management firms that can generate enterprise value – the ability to leverage capabilities from across different business units – will be able to serve their clients better. More HNWIs in Asia-Pacific than in other regions believe it is important for wealth management firms to create enterprise value, such as leveraging the corporate and investment banking resources, as their businesses progress through different stages.

"Implementing a comprehensive enterprise value approach in Asia-Pacific will require iteration to capture market-specific opportunities, especially in fast-growing emerging markets," said Jean Lassignardie, global head of Sales and Marketing at Global Financial Services, Capgemini. "Among the key components will be firmwide accountability, appropriate incentives, and integrated IT. Most importantly, firms will need to hone their strategy for each market, and not impose arbitrary standards from highly developed markets."

The ability of wealth management firms to provide enterprise value is especially pertinent for Asia-Pacific's ultra HNWIs because of the large scope of their wealth and investments, which span regions as well as asset classes. In addition, entrepreneurs will likely require investment banking services as well as wealth management services.

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Source: Bank of America. Merrill Lynch Global Wealth Management (MLGWM) represents multiple business areas within Bank of America's wealth and investment management division including Merrill Lynch Wealth Management (North America and International), Merrill Lynch Trust Company, and Private Banking & Investment Group. As of

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Note to Editors/Reporters: For more information or to download the 2011 Asia-Pacific Wealth Report, please visit www.capgemini.com/worldwealthreport.

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