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**GCC Private Banking
2010–2011**

*Successful Growth
Strategies After the
Perfect Storm*

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EXECUTIVE SUMMARY

There is tremendous individual wealth in the Middle East region, particularly the six countries of the Gulf Cooperation Council (GCC),¹ that will continue to grow in the years to come. And thanks to the financial crisis, which undercut confidence in many established private banking relationships, a significant part of this private banking business—estimated at US\$1 trillion to \$1.2 trillion—is up for grabs.

To shape their wealth offerings appropriately and succeed, private bankers must understand how the financial crisis has altered investor behavior—at least temporarily but perhaps permanently. They must also analyze several key characteristics of the GCC market: the structure of family businesses, the large expatriate communities, the desire for Shari'a-compliant investment products, and the need for both onshore and offshore offerings.

These characteristics make the GCC private banking market unique but not impenetrable. To succeed, private banks must choose their cornerstones for growth, articulate sources of competitive differentiation, and select a distinctive strategic play. Local banks need to define their target client segments, improve customer-centricity, and upgrade their value propositions in order to

acquire new customers and deepen relationships with existing customers; this may require switching from the simple model of pushing investment products to a more comprehensive, advice-based wealth management model, as well as investing in state-of-the-art IT tools for sales and advisory. Meanwhile, more established, global players will need to defend their market share against local players by continuing to raise the bar on value proposition and operating model, while retaining best-in-class resources (and that includes keeping the best talent from being poached). Their challenge is to cost-effectively leverage their brand and global capabilities while maintaining a personal touch and catering more specifically to local needs in the GCC. By taking these steps, private banks of all sizes, from all areas of the globe, can win a place in this lucrative, promising market.

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Methodology

The Booz & Company Middle East Wealth Model covers all GCC countries and selected Middle East and North African (MENA) countries and remains the intellectual property of Booz & Company.

Market sizing method: We estimated the size of wealth and number of households through a top-down method based on country-specific demographic data, household income and assets data, and a Lorenz curve, which models distribution of wealth across segments.

The methodology was consistently applied to all countries, but input parameters varied depending on availability and quality of local data.

Data sources included:

- International statistical data (e.g., from the World Bank, International Monetary Fund, and Economist Intelligence Unit)
- Publicly available data as published at the country level
- Booz & Company proprietary data as generated during demographics, public-sector, and financial services projects in the region

The outcomes of the model have been validated through interviews with industry experts in relevant markets and comparisons with other studies, research, and publications on wealth distribution in the Middle East.

Definitions: The definition of “wealthy household in the GCC” is a household living permanently (i.e., under a residency agreement) in the GCC with a stable balance of total investable and liquid assets of at least US\$200,000. Because of the strong correlation of GCC currencies to the U.S. dollar (monetary “pegging”), there are no currency effects that may have an impact on this definition in the short term.

The segment thresholds have been based on balances of investable and liquid assets as follows:

- Ultra-high-net-worth individual (UHNWI): over and above \$50 million
- High-net-worth individual (HNWI): between \$1 million and \$50 million
- Affluent: between \$200,000 and \$1 million

The definition for “investable and liquid assets” includes deposits with banks, fixed income investments, equity investments and brokerage accounts, mutual funds, real estate funds and derivatives, alternative investments (e.g., structured products, private equity, hedge funds), discretionary and non-discretionary investment accounts and managed portfolios, fiduciary deposits, and trusts.

It excludes such assets as property and real estate, illiquid equity stakes in proprietary businesses, rights and vested interests, non-banked cash holdings, precious metals, jewelry, collectibles, consumables, or consumer durables.

Investable and liquid assets may be held onshore or offshore by nationals and residents, whereby “offshore” is defined as a jurisdiction other than the country of residence.

KEY HIGHLIGHTS

- Many wealthy individuals lost 30 percent to 40 percent of their net worth in the financial crisis, thanks in part to poor advice.
- A third of GCC clients prefer Islamic products over conventional products, depending on ethnicity and investment style.
- GCC investors house 50 percent to 60 percent of investments offshore—among the highest rates in the world.
- Post-crisis, global private banking players are consolidating while smaller local players are emerging.

THE OPPORTUNITY FOR PRIVATE BANKING IN THE GCC

Private bankers have spent two years coping with one of the most difficult periods in modern financial history. A global “perfect storm” of asset-price declines and the near or actual collapse of well-known financial institutions and even sovereigns have altered the private banking landscape and the behavior of wealthy clients.

The private banker’s predicament is made worse by the halting recovery of most Western economies—the largest wealth management markets. Their recovery is particularly anemic when compared to several emerging-market economies that have accelerated quickly. In China, India, and the Middle East, GDP and individual wealth are fast on the rise, and a recent Booz & Company study shows that many private bankers now consider the opportunities in these emerging markets substantial and deserving of their attention.²

This Leading Research paper concerns itself with the Middle East, specifically the markets of the GCC. We estimate the total liquid wealth in the region to be between \$1 trillion and \$1.2 trillion, with most of that wealth in the hands of local families. By market size, Saudi Arabia and the United Arab Emirates are the largest wealth markets, with \$500 billion to \$550 billion and \$260 billion to \$280 billion, respectively.

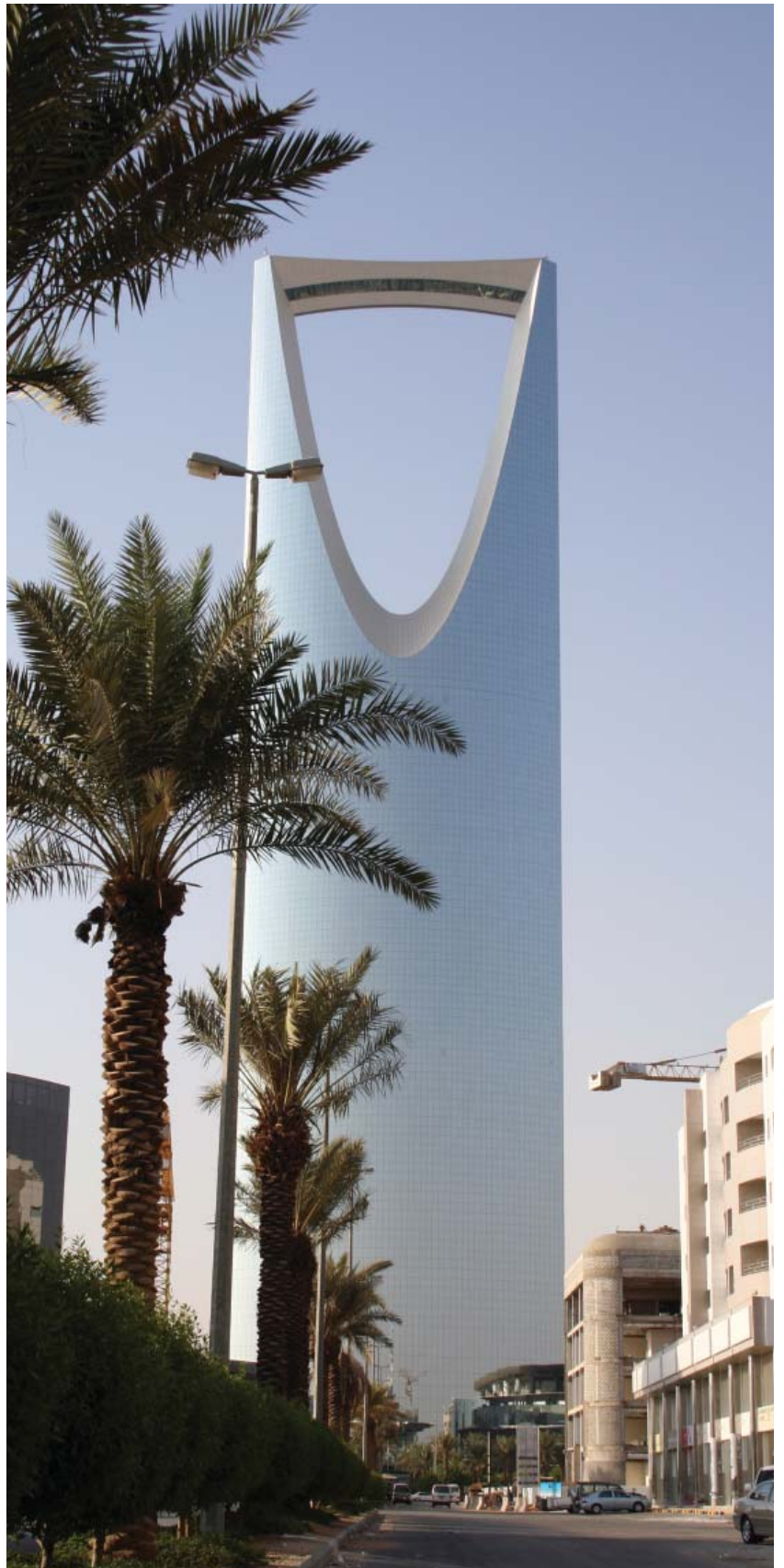
Much of the wealth-advisory business is up for grabs thanks to the financial crisis, which severely battered the reputations of some of the most well-known, established providers of wealth management services to the region. Many high-net-worth individuals (HNWIs) moved their assets out of these global institutions and back onshore with local banks until the crisis passed. Now they are ready to redeploy their capital and are mulling their options.

Private bankers with aspirations in the Middle East must pay close attention to the region’s cultural and economic characteristics. For instance, many HNWIs are business owners or entrepreneurs. In fact, they often have multiple businesses and overlapping needs that range from corporate banking to personal wealth management. This presents a fine opportunity for private bankers, but

the structure of the family businesses complicates the picture: Companies often involve large extended families with various roles and interests. What's more, the governance and finances of these businesses can be opaque.

Religion is also a factor in the GCC. Arab HNWI's often want some or all of their investments to adhere to Shari'a law. Unfortunately, designing Shari'a-compliant products that can match the returns, diversification, and liquidity of conventional products is extremely difficult and sometimes impossible. In the end, the extent to which a HNWI opts for these investments depends on ethnic background and investment strategy; but the trend is toward using Shari'a-compliant products more often and so banks need to define their strategy vis-à-vis Shari'a-compliant investing.

The bottom line is that post-crisis, the GCC offers private bankers both opportunities and challenges. Those with aspirations in the region can analyze the GCC market in order to identify "sweet spots" of client needs, differentiate their wealth offering (and articulate this effectively to clients), and pursue a growth strategy related to the size and scope of their operations. By taking these steps, private bankers from around the world, and from institutions of various sizes, can win a place in this lucrative, promising market.



THE ORIGINS OF WEALTH

The Middle East is blessed with an abundance of one of the most valuable commodities on earth: oil. Since the 1970s, when several GCC member countries nationalized oil companies and prices spiked, the region's gross domestic product has grown significantly, as have individual fortunes. As a result, the GCC is today one of the newest and most important markets for wealth management.

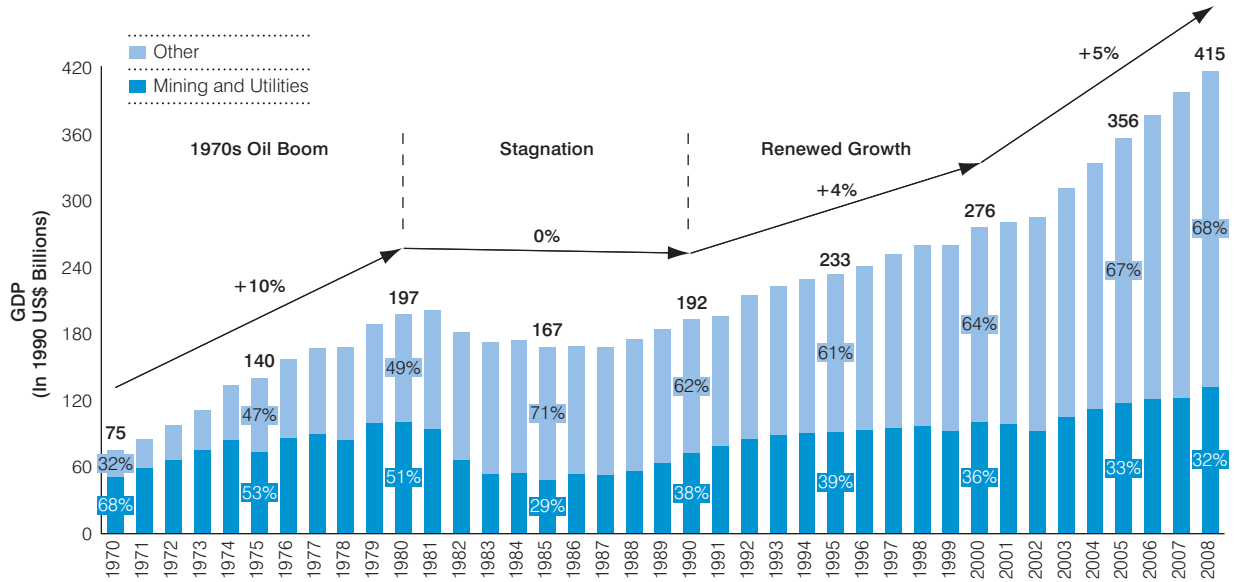
Originally, the region's wealth was concentrated among the ruling families and a few large families that benefited directly from oil revenues and large government projects, but since the 1970s governments have established elaborate social programs to distribute wealth among their citizens. These programs include subsidized housing and grants or subsidized loans to cover expenses such as housing, education, and marriage.

These generous social programs, combined with high salaries for public-sector employees, have allowed many GCC citizens to accumulate substantial personal wealth. But government largesse is not solely responsible for the accumulation of individual wealth. After the price of oil dropped in the 1980s and local economies stagnated, many GCC countries made diversifying their economies a priority; this created opportunities for entrepreneurs in sectors such as construction, retail, and consumer goods, and many of these business people have become wealthy.

Overall, GDP and personal wealth have increased over the past 40 years; so too has the GCC population. Strong GDP growth has helped GCC countries sustain high levels of GDP per capita, albeit real GDP per capita remains below the peaks reached in the 1970s (*see Exhibit 1*).

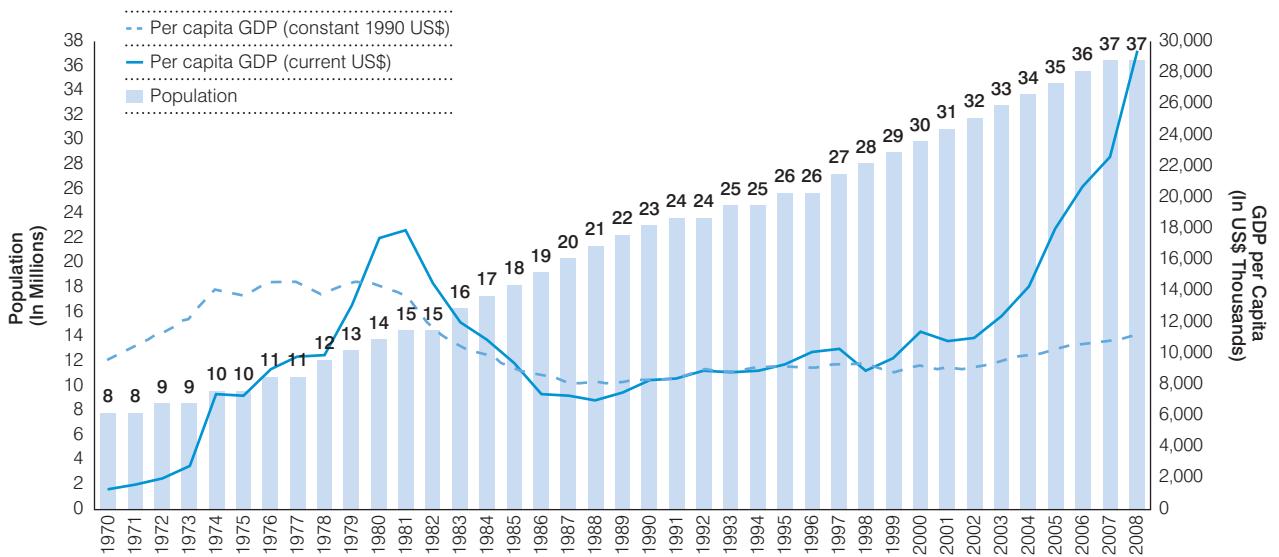
Exhibit 1
GDP and GDP per Capita Have Shown Strong Growth in Recent Decades

GDP GROWTH IN THE GCC
(IN CONSTANT 1990 US\$ BILLIONS)



Note: The oil and gas sector is a subset of Mining and Utilities.
 Source: United Nations Statistics Database; Booz & Company analysis

POPULATION AND GDP PER CAPITA IN THE GCC



Source: United Nations Statistics Database; Booz & Company analysis

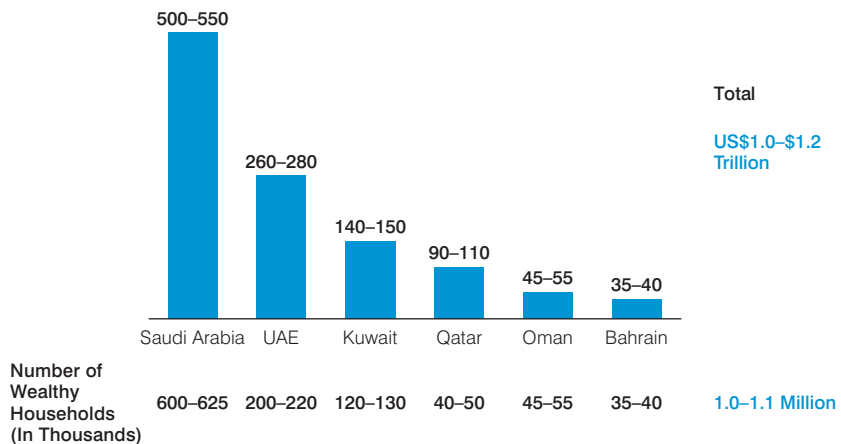
Who Qualifies as Wealthy?

Booz & Company estimates that today there are between 1 million and 1.1 million wealthy households in the GCC with total investable assets of \$1 trillion to \$1.2 trillion (see *Exhibit 2*). Of these, 260,000 to 280,000 households have more than \$1 million in assets. These figures include total investable assets belonging to wealthy GCC-based individuals; assets are held both within the region (onshore) and outside it (offshore).

We define “wealthy” as any household with stable investable assets of more than \$200,000. Affluent or mass-affluent clients are included in this definition. High net worth (HNW) begins at \$1 million of investable assets, and the ultra-high-net-worth (UHNW) segment begins at \$50 million.

Exhibit 2
The GCC Has Significant Wealth for Investment

TOTAL INVESTABLE ASSETS¹ OF GCC HOUSEHOLDS, 2010
(IN US\$ BILLIONS)



¹ Excludes non-wealthy segment, includes offshore investments by nationals and residents.
 Note: Investable assets = liquid financial assets; wealthy household = household with investable assets of at least \$200,000.
 Source: UAE Ministry of Economy Central Statistical Department; Saudi Ministry of Labour; Booz & Company Middle East Wealth Model 2010

Investable assets include deposits with banks, fixed income, equities, mutual funds, real estate funds, derivatives, REITs, and alternative investments (e.g., private equity and hedge funds). Non-investable assets are not included in wealth calculations for two reasons. The first is technical: illiquid assets such as real estate, business equity, or collector's items are difficult to value due to the lack of market prices. The second reason is practical: these assets are difficult to convert and use for the purposes of wealth management and require derivative instruments based on lending.

Within each country of the GCC, investors' profiles vary (see *Exhibits 3 and 4*; for a more detailed breakdown by country, see *Appendix 1*).

Exhibit 3
Assets per Segment, 2010 (in US\$ billions)

COUNTRY	SEGMENTS		
	AFFLUENT	HNWI	UHNWI
Saudi Arabia	150	210	170
UAE	40	140	90
Kuwait	30	60	55
Qatar	10	45	45
Oman	20	20	10
Bahrain	10	20	10

Note: Figures are rounded; HNWI = high-net-worth individual, UHNWI = ultra-high-net-worth individual.
Source: Booz & Company Middle East Wealth Model 2010

Exhibit 4
Ethnic Stratification of Wealth, 2010 (in US\$ billions)

COUNTRY	ETHNIC GROUPS				
	NATIONALS	EXPATRIATES (TOTAL)	ARAB EXPATRIATES	ASIAN EXPATRIATES	WESTERN EXPATRIATES
Saudi Arabia	400	130	80	20	30
UAE	205	65	25	20	20
Kuwait	125	20	10	2	8
Qatar	85	15	N/A	N/A	N/A
Oman	35	15	N/A	N/A	N/A
Bahrain	20	20	N/A	N/A	N/A

Note: Figures are rounded. Breakdowns of expatriates' ethnicity were not available for Bahrain, Oman, or Qatar.
Source: Booz & Company Middle East Wealth Model 2010

Interestingly, the financial crisis did not affect all strata of wealth equally.

THE FINANCIAL CRISIS AND ITS AFTERMATH

Like other nations around the world, the GCC countries and their wealthy citizens suffered during the financial crisis. But the governments intervened decisively to guide their countries quickly through the downturn by, for instance, announcing bank deposit guarantees, monetary easing, and some direct equity purchases.

By the second quarter of 2009, all GCC countries started to show signs of recovery: interbank lending rates dropped back to normal, the once-frozen credit markets began to function, equity markets turned upward, and the real estate market stabilized. The IMF projects that real economic growth will resume more broadly in the first half of 2011. Barring an unforeseen plummet in oil prices, the IMF predicts that real GDP growth will average 4 percent to 6 percent across the GCC countries between 2011 and 2014.

To support this economic recovery, a raft of government-led infrastructure projects will continue or be launched in the areas of transport, rail, economic cities, water, oil and gas, and alternative energy. These large infrastructure projects will directly benefit the HNW and UHNW segments given their ownership in small and medium-sized enterprises

(SMEs) and the interconnectedness of family businesses.

Although oil and gas will remain the primary driver for wealth generation in the GCC countries, important secondary drivers will include the recovery and growth of real estate markets, particularly in the hard hit market of Dubai, but also in large cities such as Riyadh, Abu Dhabi, and Doha; recovery of equity markets across the GCC region and abroad; increased bank liquidity; and lending to finance investment in sectors outside oil and gas.

Interestingly, the financial crisis did not affect all strata of wealth equally. For instance, most UHNWIs benefited from sophisticated family offices or by being advised by seasoned private banking advisors or large international banks. These advisors acted swiftly and implemented defensive measures that helped insulate most UHNWIs from debilitating losses. Based on research and interviews, Booz & Company estimates UHNWIs lost an average of 10 percent to 20 percent of total investable wealth during the crisis.

At the lower end of the wealth pyramid, affluent investors

also weathered the storm with reasonable losses, but for a different reason: They tended toward more conservative investments, particularly bank deposits and fixed income.

It was investors in the middle range, HNWI with investable assets of \$1 million to \$50 million, who were hit hardest. Many combined an aggressive investment strategy with subpar management and they paid a steep price. Many lost 30 percent to 40 percent of their wealth, and some lost much more. Often they suffered some combination of:

- being exposed to global equity markets or regional real estate markets, in many cases with leverage ratios of 1:2, 1:3, or higher
- being short of cash and other liquid assets as margin calls increased
- having limited investor sophistication and the belief that certain instruments are “100 percent safe”
- relying on overextended and overwhelmed relationship managers who could not service all their HNW clients fast enough

Of course, not all HNWI were aggressive investors. There are “traditional” investors, often nicknamed “Old Bedu” by private bankers. These more experienced investors focus on wealth preservation, have a strong risk aversion, and often deposit wealth in

non-interest-bearing (NIB) accounts and direct real estate investments. Their offshore investments are frequently in deposit and fiduciary accounts, with a smaller share in actively managed accounts. The so-called modern investors are younger. They pursue “high octane” performance, have a high risk tolerance, and take on a great deal of leverage.

The line between traditional and modern investors is not absolute. (For example, before the crisis many traditional investors began investing large amounts in single, blue-chip equities, which they perceived as being low-risk, conservative investments.) Even so, the crisis hurt modern investors much more than traditional investors. This has implications for the dynamics within wealthy families and their plans for generational wealth transfer. Many families are divided between older, traditional investors and younger, modern investors, and the financial crisis has clearly tilted the influence toward the older generation’s approach to investing.

It is not surprising that both traditional and modern investors sought low-risk assets, such as fixed income and cash, during the crisis. A big question hanging over the market today is whether this shift among formerly aggressive investors is permanent, or whether they will resume their previous posture soon.

To get at this question, Booz & Company recently asked

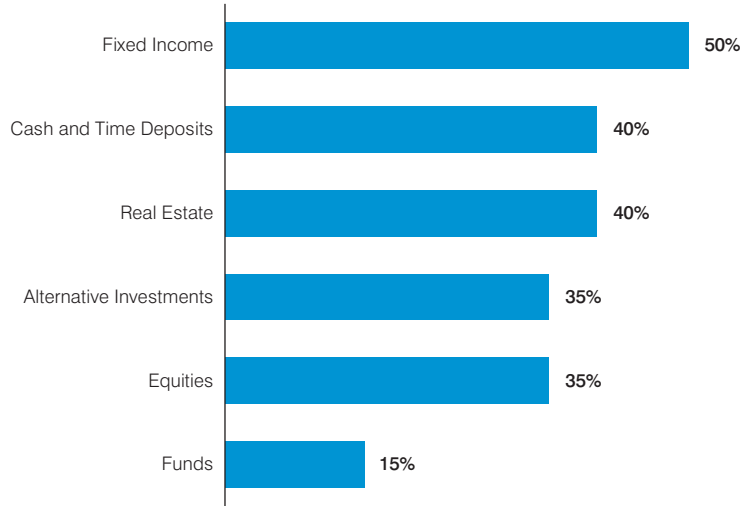
GCC private bankers to name the asset classes that wealthy investors prefer post-crisis and whether this allocation is permanent—or temporary until more normal economic conditions prevail. (*For more about the survey’s methodology and other results, see Appendix 2*).

As *Exhibit 5* shows, fixed income is now the most attractive investment class as investors try to strike a balance between security and performance. Cash and time deposits, which include NIB deposits, remain an attractive asset class. Real estate, despite seeing stark declines during the crisis, is also popular (mainly as a direct investment) due to a perceived low correlation with financial markets and expected price increases in the region. Finally, most private bankers say that alternative investments—such as regional private equity, private equity in Asia and Africa, and hedge funds—are gaining momentum again in attracting capital.

Private bankers were almost evenly divided on another question: Has the crisis permanently changed investor behavior? Sixty percent said the product mix will remain more conservative than pre-crisis, which will crimp revenue at private banks as complex instruments generate higher fees. However, 40 percent said that “greed will come back” and that many aggressive investors will return to their pre-crisis investment style (*see Exhibit 6*). Complex, highly leveraged, and high-margin products will regain popularity as these investors once again seek double-digit returns.

Exhibit 5
Post-crisis, the Most Preferred Investments Are Relatively Conservative

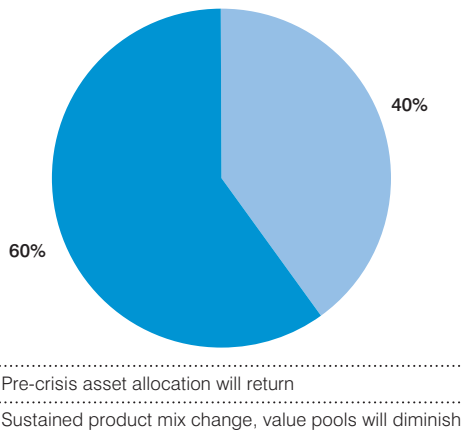
**SURVEY QUESTION: WHAT ARE THE MOST PREFERRED ASSET CLASSES POST-CRISIS?
(PERCENTAGE OF RESPONSES)**



Note: Multiple answers possible; percentage figures rounded.
Source: Booz & Company

Exhibit 6
Private Bankers Are Divided on Whether the Conservative Trend Is Sustainable

**SURVEY QUESTION: WHAT IS THE OVERALL IMPACT ON ASSET ALLOCATION?
WILL THE RECENT TREND TOWARD LOWER RISK BE SUSTAINED?
(PERCENTAGE OF RESPONSES)**



Note: Percentage figures rounded.
Source: Booz & Company

However, even if investors do revert to a pre-crisis mind-set, it will take time. In the near to medium term we expect to see the following client behavior:

- *Greater risk aversion.* The crisis led to a shift from wealth generation to wealth preservation. Going forward, investors will seek security for deposits and assets. Indirectly, this will lower leverage and increase demand for risk diversification across more assets, regions, and sectors.
- *Longer-term perspective.* Active trading by unsophisticated investors will lessen while investment horizons lengthen. The focus will shift from short-term opportunities to assets that can provide a stable, long-term yield.
- *Risk transparency.* Investors' greater sensitivity to portfolio risks will force banks to disclose and discuss risks more frequently and in more detail.
- *Attention to product details.* Investors will display greater focus

on understanding the complete risk/return profile and the “fine print” (such as contractual obligations and legal terms).

- *Transparency in pricing.* Clients will want to see any fixed and performance fees together with any hidden costs.
- *Better portfolio reporting and accounting.* They will demand more accuracy in accounting as well as more comprehensive and more readable portfolio reporting.
- *Transparency in product and provider recommendations.* Clients will be more cautious about, even suspicious of, product recommendations. They will want the selection criteria and process for providers and products explained to them.

Investors' new conservatism and their disillusionment with the advice they received previously create a rare opportunity for private bankers to gain market share with an appropriate, client-centric product

and service offering. But to succeed, private banks must have a keen appreciation for the region's unique characteristics and adapt their wealth offerings accordingly. These characteristics include the importance of family businesses, the large expatriate communities, the desire for Shari'a-compliant investment products, and the need for both onshore and offshore offerings.

It's worth noting, however, that for all the differences between wealthy investors in the GCC and their Western counterparts, there are important similarities. As in the U.S. and Europe, wealthy people rely on a network of family and friends to recommend advisors and investment opportunities. Indeed, given the interconnectedness of families, businesses, and governments in the GCC, client referrals carry enormous weight. Peer comparison is also important. Local investors tend to follow the investment strategy of peers—a kind of herding effect—that is common elsewhere.



KEY CHARACTERISTIC #1: LOCAL FAMILY BUSINESSES

Family ties are important in the Middle East given the rich heritage of tribal and clan-based societies. Many of today's most influential families in the Gulf have a large family tree that goes back several centuries. And it's common for these families to have 100 to 200 family members spread over several countries, controlling a network of diversified family businesses and investments.

As a rule, families that were influential before the 1970s still enjoy influence and wealth today, but families with humbler beginnings have also accumulated significant wealth over the past several decades. Some of these families migrated from lower-growth to higher-growth areas in the Middle East and succeeded through hard work and entrepreneurship. Today, many of these families have established strong relationships with the business establishment and governmental networks.

Of course, these are just broad strokes. Each family is different. Some are tightly centered and controlled around a single patron, whereas others are more laterally distributed among, say, a group of

brothers and half-brothers. Some families are spread across several geographies with different residences depending on the season; other families are closely knit around a single compound of villas and live there throughout the year.

But no matter what their exact family structure, their sprawling family businesses pose special challenges for private bankers. Even some very basic questions can be difficult to answer. For instance:

- *What is the family's total wealth?* The exact total can be difficult to measure for a number of reasons. Sometimes only a few family members know the complete asset allocation picture and the details are kept opaque on purpose, especially to the outside world. For cultural reasons, wealthy clients in the Middle East rarely talk openly about their total wealth.
- *What is the share of investable versus illiquid assets?* Much of the wealth is often in illiquid assets, such as shares in non-listed family businesses or investments in asset classes with limited market liquidity

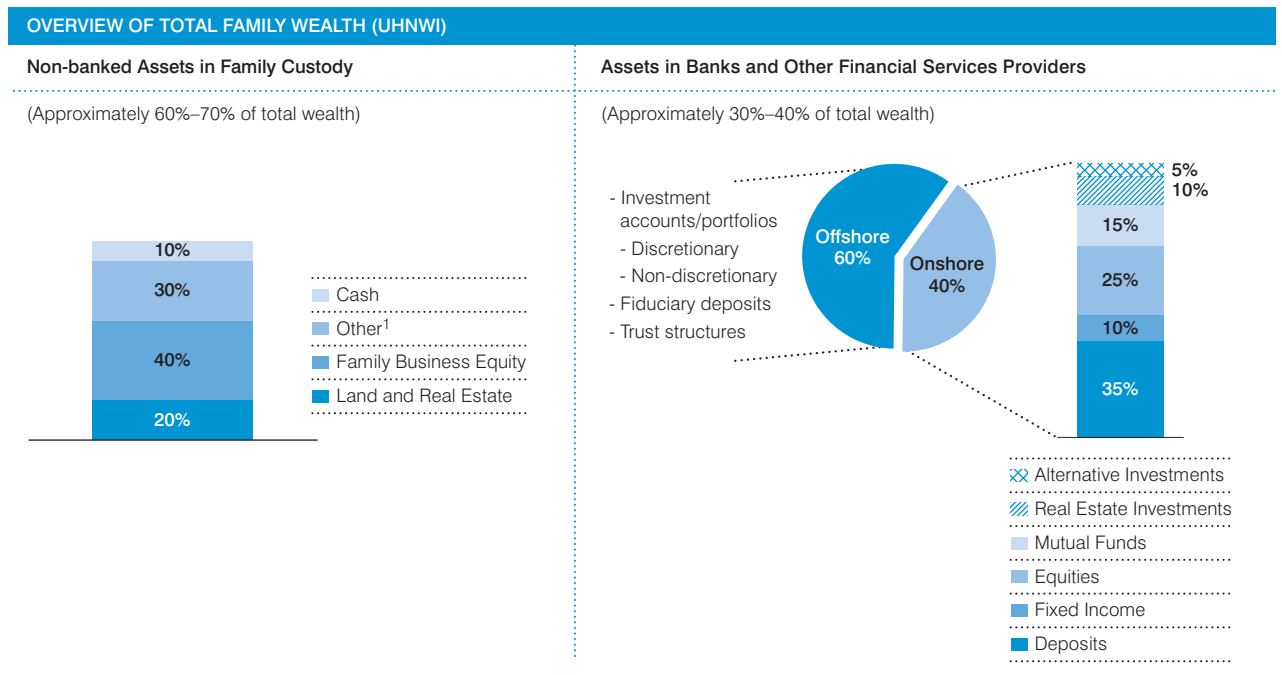
and price transparency (e.g., real estate, rights issues, private equity, and OTC traded investments). GCC investors also favor jewelry, art collections, valuable animals (e.g., race camels, horses, falcons), and car collections. These can be difficult to value and liquidate.

Exhibit 7 shows a typical asset breakdown for an UHNWI.

- *How and where are the liquid assets invested?* Investable and bankable assets are typically split between onshore and offshore accounts, usually by different providers.

- *Who are the decision makers within the family?* Different family members can control different parts of the family’s interests. It’s common for them to bank with different providers, which makes a single, integrated view of the family’s finances virtually impossible.

Exhibit 7
Family Wealth in the Middle East Is Split Between Non-banked Assets and Offshore/Onshore Assets with Banks



¹ Jewelry, precious stones, gold, art, collectibles, cars, animals, etc.
Note: Illustrative example of a local UHNW family in the GCC with own family business.
Source: Booz & Company

-
- *What are issues around generational wealth transfer within the family, or succession planning and governance within the family businesses?* This is an increasingly important but delicate topic. Many family patrons who began businesses and accumulated wealth in the 1970s and 1980s are now in their 60s and 70s.

- *Is there a formal family office? Who are the key private bankers and advisors?* Over the last five to 10 years, most wealthy families have established a family office to help manage the family's wealth and occasionally to support family businesses. In many cases these family offices are headed by members of the family, supported by dedicated full-time resources and often advised by individual advisors, private banks, or specialized family business advisors.

A private bank must establish several relationships to manage a single family's wealth effectively: key individual family members, the family office, and the family businesses. Thus, the product offering should be comprehensive, catering to individuals' wealth management needs and the family businesses' corporate finance and banking needs.

Besides offering the right array of products, private bankers can play a vital advisory role. There is a strong need in four specific areas: further institutionalizing the family office, enhancing governance structures, managing succession and intra-generational transfer of wealth, and accessing illiquid wealth.

Further Institutionalizing the Family Office

Most UHNW families have some type of family-office structure to manage their wealth, but these

structures vary significantly. At one end of the spectrum, one or two family members, perhaps working part time and supported by one or two "financial stewards" to help with back-office work, might constitute the family office. At the other end are fully resourced family offices, often supported or led by independent family office providers or private banks.

Although there is variety, the trend is toward the more formal family offices that involve external service providers. As this evolution continues, the scope of the family office will widen from a focus on investment-related asset management to an extended menu of services, such as pooled accounting for multi-bank relationships, global trust solutions, philanthropy, risk management and insurance, governance review and advisory services, corporate

finance advisory, and support of the regional or international expansion of family businesses.

Enhancing Governance Structures

Most family businesses have grown substantially over the last 10 to 20 years; often, however, their governance structures have remained largely unchanged. Even some international enterprises are governed like the small local enterprises they once were. In some cases family members in charge of governance duties lack the time or specific industry knowledge, or both.

This is a sensitive topic, but rating agencies have begun raising the issue more frequently, and a dedicated OECD working group recently listed the following governance challenges in the Middle East:

- High level of concentration of business ownership

- Substantial role of family ownership and control
- Differing legal traditions and enforcement patterns
- Increasing privatization and rise of the SME model

Some families are responding to these governance concerns by, for instance, creating professional oversight committees; they are also trying to balance employment between family members and outsiders so the business has the capabilities and expertise to compete. This is not an easy transition. Families must grapple with how to motivate, reward, and retain non-family executives and employees without giving up too much control.

Although family businesses are prone to weak governance, their benefits should not be underestimated: a web of family relationships offers a strong support

network, shared values and beliefs, and a high degree of loyalty. Such traits are increasingly difficult to find in publicly owned companies with a so-called institutionalized governance model.

Given these governance issues, private banks have an opportunity to establish themselves as independent, unbiased advisors for family businesses. This will cement relationships and facilitate referrals and cross-selling.

Managing Succession and Transfer of Wealth

Private bankers can also advise on succession management. With many patrons in their late 60s and 70s, the complicated, delicate issue of succession planning will push to the forefront in the next five to 10 years. Besides assigning responsibilities in various family businesses, there is also the actual transfer of wealth—who gets what. The illiquidity of these assets can complicate the process.

Acquired rights and expectations, shares in family businesses, and real estate must be balanced within the family and the transfer meticulously orchestrated. Many times the solution requires offshore trust arrangements in which private banks, family offices, or independent providers play a lead role. The issue of succession is often complicated by differences in rights for male and female heirs, as religious and cultural traditions typically give

male heirs preferential rights. Even when there are no male heirs, male extended family members often benefit at the expense of female direct heirs. Private bankers must be familiar with succession rules and advise accordingly.

Accessing Illiquid Wealth

Unlocking the value of illiquid assets is a growing concern. Some HNWI's want to invest in the family business; others want to sustain a

lifestyle crimped by the financial crisis. Whatever the reason, private bankers are increasingly called upon to monetize illiquid assets through complex, bespoke derivative instruments, or to leverage the private bank's balance sheet or third-party lenders. Local banks are also stepping in by offering reverse mortgages and other forms of collateralized lending to help wealthy clients achieve greater liquidity.



Private bankers are increasingly called upon to monetize illiquid assets through bespoke derivative instruments.

Case Study: A Picture of Wealth

This real-life case study illustrates the complexities private bankers face when managing a family's wealth in the GCC.

The patron is 73 years old and took over the family governance from his father 10 years ago. He has one current and one former wife; his children include six sons and nine daughters. Most are married and have children of their own. He shares the governance of his various family businesses, which his father founded, with his two brothers.

He lives in a large compounded villa complex outside of the city, and he has another smaller villa with a large amount of land approximately two hours away by car. He recently bought a three-bedroom apartment in London, where two sons have completed their studies. He also owns three apartments in another GCC country that he bought as an investment on the advice of a family friend. Two of these apartments are rented out; the third is used occasionally by family members for business or leisure trips.

The patron enjoys long-range camel racing, in which some of his own animals compete, as well as collecting and occasionally racing vintage British cars.

Distribution and Source of Wealth

The patron inherited most of his wealth directly from his father. This includes family estates, several plots of land, and a large herd of camels, which were used in the old days for dairy farming and now also include high-value animals trained for exhibitions and long-distance racing.

In terms of investable assets, his wealth includes cash holdings in local and foreign currencies, several deposit accounts with local banks, and an offshore investment account with an international bank.

The family businesses include a cement factory, a trading company specializing in basic supplies for manufacturing and construction, and a company producing bottled mineral water.

Over the last 10 years, he has acquired and co-founded several businesses, including a majority stake in a car dealer network, a trading company specializing in construction, and a minority stake in a real estate trading company.

At the same time, the patron invested large amounts in the local equity markets after the country's exchange opened. These assets have appreciated in value significantly, as have the plots of land, some of which are in commercial construction zones.

His current wealth is split into non-banked and investable assets (see *Exhibit 8*).

Sources of Income

The patron sits on the board of directors of six companies, three of which belong directly to him, and three of which are owned within his wider family by brothers and half-brothers. He also acts as an advisor to other businesses and local organizations. This direct business involvement, including advisory services and board memberships, nets him a \$200,000 annual income.

His own businesses generate hefty dividends that he typically reinvests in the companies. In addition, his combined onshore and offshore investment portfolio usually generates double-digit million-dollar returns annually; he usually reinvests dividend returns and sometimes applies leverage, for instance, in the case of IPO opportunities.

His rented apartments in the neighboring country have also yielded an excellent return on investment; he paid about 30 percent of today's estimated value.

In sum, the patron's annual direct and investment-related income falls into the double-digit million-dollar range. He redistributes a significant share within his family and reinvests the remaining part.

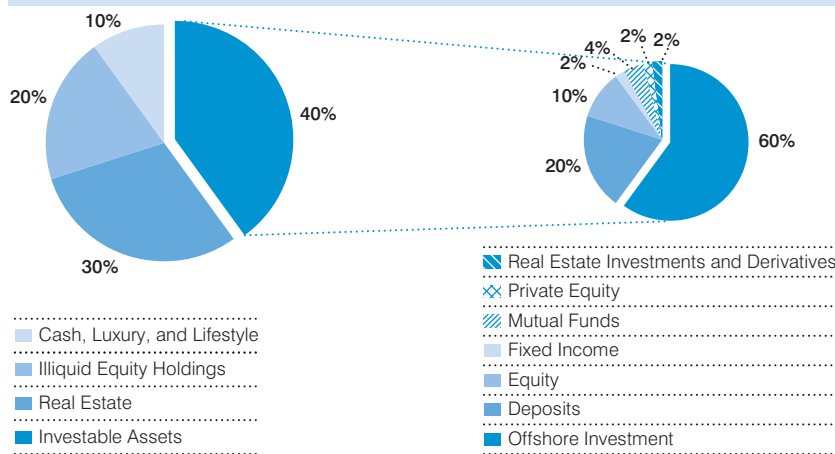
Investment Preferences and Banking Needs

The patron's father was reluctant to engage private bankers to manage the family wealth, thus most banking relations were established with the commercial departments of local banks that lacked sophisticated private banking services. Case in point: he held a significant share of wealth in non-interest bearing deposit accounts. His only international relationship was with a Swiss private bank in Geneva, where he used to invest offshore, following the example and recommendations of several close friends.

The patron today is more open to engaging private bankers and asked the regional office of a major U.S. investment bank to support his family office. He also appointed two external, independent specialists to support the family office, where some of his family members work part and full time.

Following the advice of the U.S. investment bank, the patron approved a restructuring of his assets to achieve greater diversification, including private equity and commodities. He also established another offshore relationship, this one in Singapore to be closer to the Asian emerging markets.

Exhibit 8
Illustrative Overview of Assets



Source: Booz & Company

KEY CHARACTERISTIC #2: LARGE EXPATRIATE COMMUNITIES

Investment behavior differs significantly between GCC citizens and the large, wealthy expatriate communities. GCC citizens often house significant wealth offshore, but expats transfer virtually all wealth offshore. There are at least two reasons for this. First, citizen and residency restrictions in the Middle East mean many expats don't put down deep roots; second, the limited range of onshore investment products reinforces this behavior.

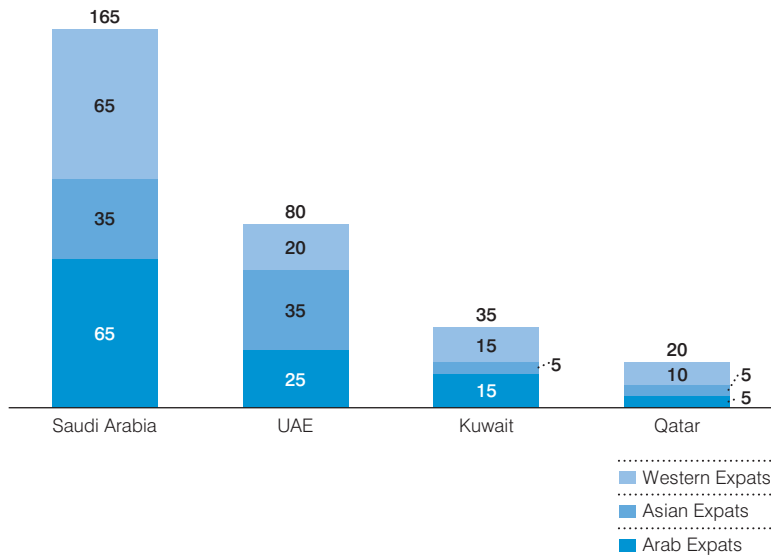
Most expatriates fall into one of three groups: Asian, Arab, or Western (see Exhibit 9). Each group has its own distinct priorities and investment behavior. Asian expatriates include, for example, Indians, Pakistanis, and Kazakhs, the majority being non-resident Indians (NRIs), i.e., Indians

residing outside their homeland. There is a significant diaspora of NRIs in the Middle East, especially in Saudi Arabia (roughly 1.5 million) and the UAE (roughly 1.4 million). Most wealthy NRIs are entrepreneurs and therefore keep some share of their wealth onshore and liquid to meet business needs; however, they are strongly inclined to invest in India instead of Western markets. As a result, many private banks in the GCC have investment platforms geared specifically for Indian investment.

The second major group is Arab expatriates, which includes people from Jordan, Egypt, Palestine, and, increasingly, Iraq. But the biggest and most established wealthy Arab group is Lebanese. Over the years, these Lebanese expatriates have

Exhibit 9
Asians, Arabs, and Westerners Are the Primary Wealthy Expat Groups

WEALTHY EXPATRIATE COMMUNITIES IN SELECTED GCC COUNTRIES, 2010
(NUMBER OF HOUSEHOLDS, IN THOUSANDS)



Note: Figures are estimated and rounded.
Source: Country statistics; interviews with market experts; Booz & Company Middle East Wealth Model

accumulated wealth as business owners and as senior executives. They seek sophisticated private banking products and services and high diversification of assets.

The third major ethnic group, Western expatriates, was most transformed by the recent crisis. Before the crisis, Westerners occupied almost all economic and social tiers. After the crisis, the Gulf countries screened out less-skilled Western expatriates; at the same time, more top-tier professionals gravitated to the region as opportunities diminished back home. Today the Western expatriate community is smaller but wealthier than it was. This is probably not a sustainable trend. Many of these top executives are

already being lured from the Middle East to Asia's surging economies.

The future growth of these expatriate groups is constrained. Governments increasingly fret about the demographic balance between expats and nationals, especially in countries with small local populations. In the UAE, for example, the priority has shifted from attracting foreign executives for their business expertise to giving locals adequate representation. But the UAE is hardly alone. Most Gulf countries are becoming hesitant to issue visas to certain ethnic groups and are monitoring expatriate inflows carefully.

Even so, there are still large, wealthy expatriate groups in the GCC worth the attention of private bankers. The

key challenge for private banks is how to align their coverage models and—to a lesser extent—value propositions to various expatriate communities. For example, several banks make it a policy to introduce wealthy non-resident Indians to Indian relationship managers. These relationship managers are well attuned to the NRIs' concerns and needs and can often establish a rapport fairly quickly. This in turn makes it easier to promote suitable products for NRIs, such as multi-account openings, both onshore and offshore, with convenient transfer of funds via partner banks; foreign exchange products to hedge currency exposure; and investment products that target specific market opportunities in India (such as infrastructure, mid-cap funds, or real estate funds).

KEY CHARACTERISTIC #3: SHARI'A-COMPLIANT OFFERINGS

The GCC is also distinguished by the growing importance of Shari'a-compliant investment offerings. Shari'a prohibits the payment or acceptance of interest fees for loans of money, for specific terms, as well as investing in businesses that provide goods or services considered contrary to its principles (haram). Data on the preferences for Shari'a-compliant offerings among private banking clients is difficult

to find, but Booz & Company has made some estimates based upon the survey of private bankers in the GCC (*see Exhibit 10*). Kuwait, Saudi Arabia, and the UAE are considered the markets with the highest demand for Shari'a-compliant investments.

Private bankers' views on Shari'a-compliant offerings are evolving. Until recently the assumption was

Exhibit 10
Distribution of Private Banking Clients by Preference for Islamic Private Banking

"100 PERCENT ISLAMIC" 10%	"PREFER ISLAMIC IF NO MAJOR DISADVANTAGES OVER CONVENTIONAL" 10%–30%	"INDIFFERENT, THE BEST PROPOSITION WINS" 30%–50%	"100 PERCENT CONVENTIONAL" 10%–30%
<ul style="list-style-type: none"> - Distrust non-Islamic and foreign (non-Arab) institutions - Large share of wealth non-bankable (held in real estate, cash) - Clients often from old, influential families (pre-generational wealth transfer) 	<ul style="list-style-type: none"> - Strong preference for Shari'a-compliant banking and investing, but with restrictions - Expect performance and service quality broadly in line with conventional private banking offerings 	<ul style="list-style-type: none"> - Secular investors (Arab and non-Arab) generally open to any kind of private banking value proposition regardless of religious considerations - Decision on investment products on a case-by-case basis, whereby Shari'a compliance is perceived as a positive differentiating factor for Arab investors - Secular Arab investors still prefer to mix Shari'a-compliant assets into their portfolios even at the expense of overall performance 	<ul style="list-style-type: none"> - Secular investors (mainly Western and Asian expats), who prefer to deal with conventional private banks - Sustainable/ethic investments covered by other, non-Islamic products

Directly addressable market for Shari'a-based private banking value propositions

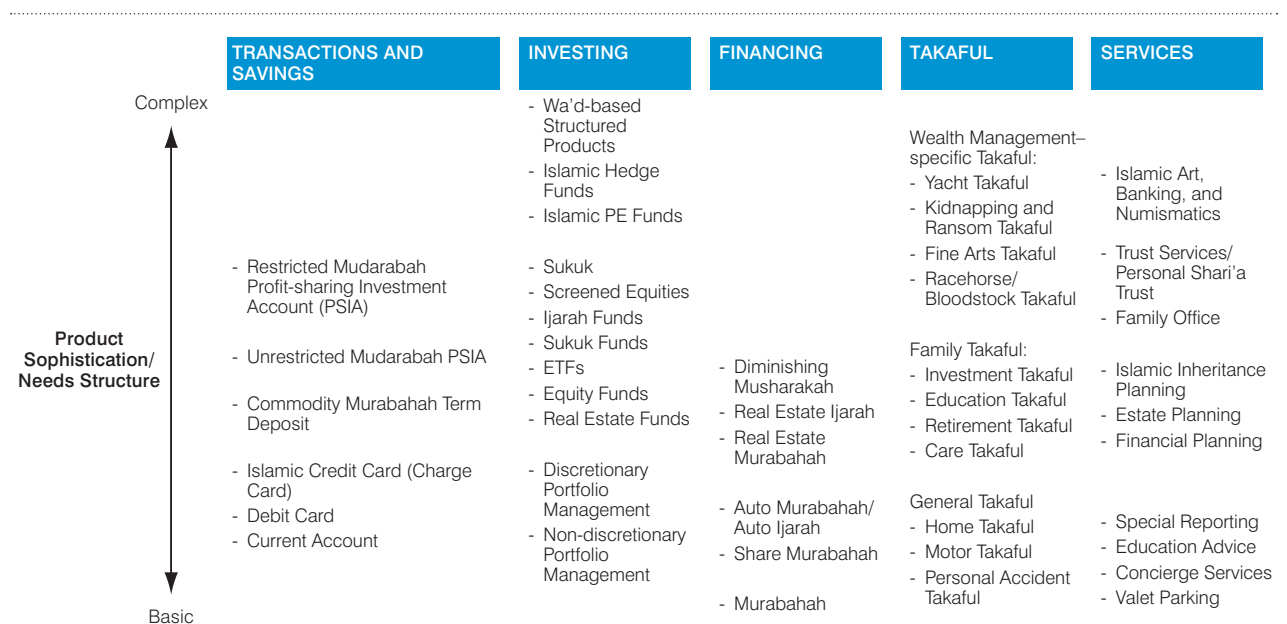
Source: Interviews with market participants; Booz & Company analysis

that Islamic banking appealed more to lower wealth segments whereas HNW and UHNW clients preferred conventional products, for several reasons: Shari'a-compliant investment products are limited in number and variety (e.g., there are

virtually no hedge funds or REITs), they lack liquidity in secondary markets, they don't provide the diversification of a conventional portfolio, and they face uncertainty due to the independent judgment of decentralized Shari'a boards.

However, these limitations are gradually being addressed. In fact, most private banking products have a corresponding Shari'a-compliant offering (*see Exhibit 11*).

Exhibit 11
Overview of Client Needs in Islamic Private Banking



Source: Booz & Company

Over time, more-complex Shari'a-compliant products are arriving (*see Exhibit 12*). The number and volume of *Sukuk* funds are still low, but more recurring-income products are being developed, such as *Ijara* funds and Islamic trade finance funds. There's also a growing appetite for restricted, *Mudarabah*-based investment accounts. These accounts allow a customer to select which of the bank's financing and investment activities the customer will participate in.³

On the equities side, Shari'a-compliant ETFs are now used widely. These investments have recently attracted attention by outperforming some of the underlying indices—including the popular S&P 500; however, whether

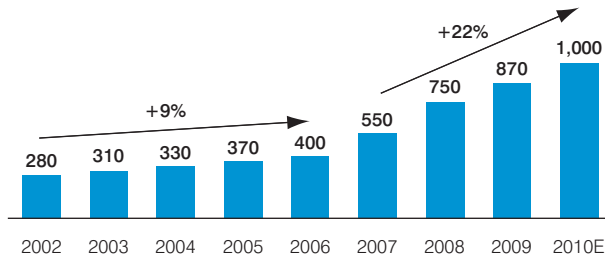
this outperformance is sustainable once the financial markets stabilize remains to be seen (*see Exhibit 13*).

In the wider mutual fund universe, Shari'a-compliant funds now exist for equity linked funds, money market, and real estate funds. Recently the first Islamic REITs and private equity funds were launched with much success. Going forward, we expect to see large international players further push the limits, transforming innovative conventional investment solutions into Shari'a-compliant structures. Many of the product innovations in the recent years have been driven by such banks and we expect this trend to continue for the foreseeable future.

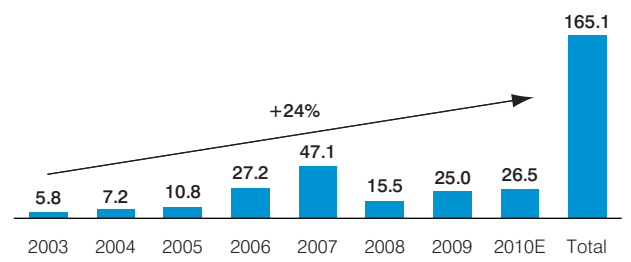
Despite the progress, there are still some roadblocks. Attempts to emulate hedge funds and derivatives—which use short selling and leverage—have been unsuccessful so far. These obstacles might be temporary until financial engineering becomes more sophisticated. However, private bankers that direct all their energies to adapting conventional products to Islamic banking might miss an opportunity. We've witnessed a growing trend in Islamic banking away from copycatting conventional products toward building more genuinely Shari'a-based products from the ground up, such as *Mudarabah*-based investment accounts. This could become a differentiating edge.

Exhibit 12
Islamic Finance Shows Continuous Growth

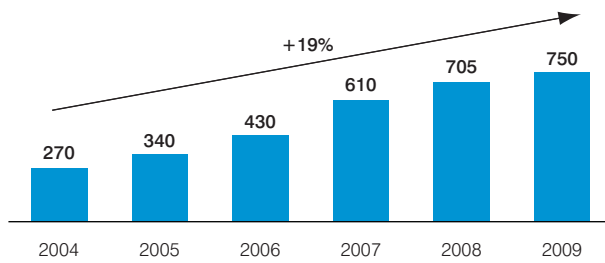
ISLAMIC BANKING ASSETS (US\$ BILLIONS)



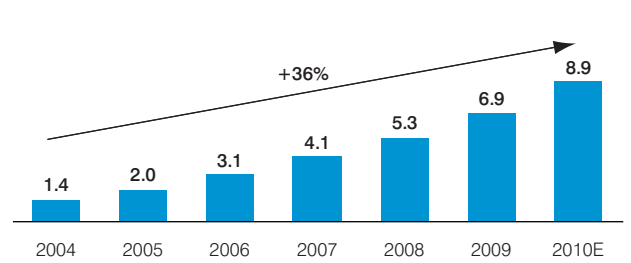
SUKUK ISSUANCE (US\$ BILLIONS)



NUMBER OF ISLAMIC FUNDS



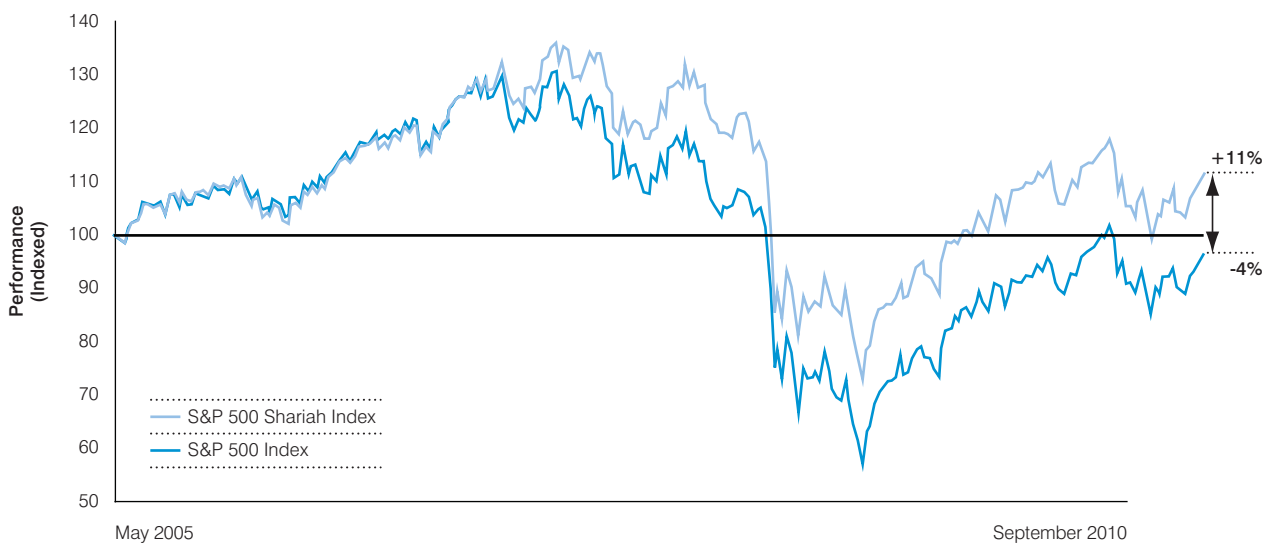
TAKAFUL PREMIUMS (US\$ BILLIONS)



Source: "Islamic Funds and Investments Report 2010," "World Takaful Report 2010," Ernst & Young; Booz & Company analysis

Exhibit 13
Shari'a-compliant Products Have Recently Outperformed Conventional Products

CONVENTIONAL VS. ISLAMIC INVESTMENTS



Source: International Monetary Fund; Bloomberg; Booz & Company analysis

Although we expect conventional products to remain popular and dominant in the GCC, demand for Shari'a-compliant investments is sure to grow. Private bankers ignore this trend at their peril. Going forward, private banks will need to adopt one of four strategies for Shari'a-compliant offerings.

a) Islamic private banking could be a core offering: Our market research shows a growing appetite for Islamic private banking solutions across all customer segments, including UHNW and corporate

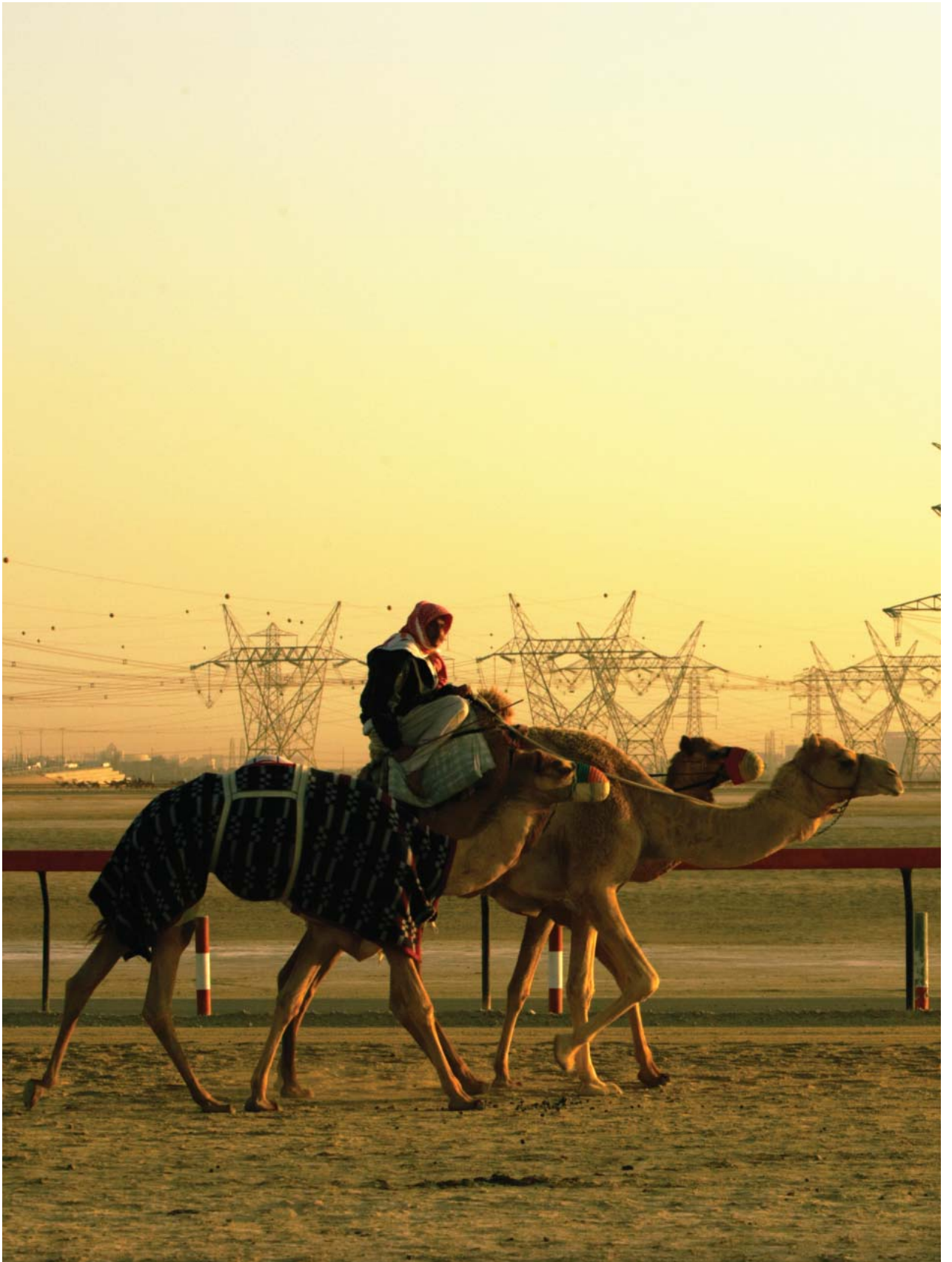
customers. There is an opportunity for multiple dedicated and full-fledged Islamic private banks in the GCC region. These providers could target up to 80 percent of the eligible client base.

b) Established private banking providers could offer Shari'a-compliant offerings through a dedicated Islamic window or subsidiary. This arrangement separates Islamic and conventional operations but gives clients the benefit of working with an established, conventional brand.

c) Alternatively, a financial institution could outsource its Islamic

offering to a third-party provider/partner. This way a comprehensive Shari'a-compliant offering could be integrated into the value proposition without the institution building specific skills and capabilities.

d) Finally, an established bank could simply offer Shari'a-compliant products and services alongside its conventional offerings. These could include discretionary Islamic portfolio management and Islamic inheritance planning or investment products such as Shari'a-compliant equities, Ijarah, or Sukuk funds.



KEY CHARACTERISTIC #4: OFFSHORE VS. ONSHORE INVESTING

The share of GCC investable assets that resides offshore is among the highest in the world, estimated at between 50 percent and 60 percent. GCC investors go offshore for various reasons: geopolitical risk in the larger MENA region, access to better investment opportunities, interest in professional services abroad, and the desire to preserve privacy. Anecdotal evidence suggests that Switzerland is still the most popular destination for Middle Eastern assets, especially for Saudi investors. Other favored offshore destinations include London, the Channel Islands (Jersey, Guernsey), Isle of Man, and, to a lesser extent, Singapore.

The long-term trend, however, is toward more assets staying onshore. Although geopolitical risk is still a factor, GCC countries are increasingly becoming an island of stability in the MENA region. Also, the local market, both for wealth services and for actual investments, is becoming more competitive. Finally, the privacy that some offshore locations once offered and

many HNWI's hold dear has been eroded as economies become more interconnected.

That said, there will be short-term fluctuations in this long-term trend driven by specific economic and political events. In the near term we expect the share of offshore assets to increase for several reasons. First, offshore deposits will swing up as the financial crisis abates and investors reallocate their portfolios from a very defensive, low-risk onshore position. Second, local markets, although developing quickly, are still relatively immature; they have fewer products and services than offshore markets and a less established regulatory environment. Finally, although the GCC is politically stable, there is still a threat to stability in the greater MENA region; thus, offshore accounts remain an important safe haven. To capture this offshore share of wallet, local banks should consider forging partnerships with offshore banks or establishing a presence of their own in an offshore market.

THE COMPETITIVE LANDSCAPE

Several types of financial institutions offer private banking services in the GCC: local players, international universal banks, U.S. investment banks, and pure-play private banks. There are also smaller, independent specialty players. Each type will face different strategic challenges as they battle for market share in the years ahead.

Indeed, we expect an especially dynamic competitive landscape in the next two to three years with a few major trends shaping the industry. One is consolidation among the largest providers, a trend already under way. These deals fall into two groups. One group involves large financial institutions that struggled during the financial crisis and decided to sell off their private banking franchises. The other group involves independent private banks that lacked the scale to survive the crisis on their own.

However, M&A will not be the sole driver of consolidation. Some

existing players will simply exit the Middle East, because either they lack the critical mass to compete or they change their geographic focus. Regulators are another factor: They remain concerned about financial stability and may decide to rescind some pre-crisis licenses. The net effect is that the remaining large players will get even stronger, increasing market share and poaching the best relationship managers and executives.

But these large providers will not be unchallenged. Many wealthy investors in the GCC lost faith in the global firms that dominated the market pre-crisis and are now open to trying smaller, more local alternatives. Local banks and specialist providers will assert themselves and new ones will arise. This changing tableau will create a more diverse and complex private banking environment in the GCC than existed before the crisis.

Adding to this complexity is the gradual disintegration of the value

chain. Wealthy investors want open product architectures and platforms that give them unbiased advice and “best-in-class” product solutions—not just those offered by their private bank. As a result, more and more financial institutions are focusing on where they are strongest and have the most pricing power and are outsourcing basic functions such as research; some have even sold off their asset management unit. To fill in the gaps, private banks are striking more strategic partnerships and offering more white-label products. This is a fundamental change. Even big banks are giving up on the idea that they can offer a full menu of proprietary products (i.e., products developed by the bank itself rather than a third party) to clients.

Whereas in the past private banks differentiated themselves with a large

menu of in-house products, the new pitch is unbiased advice. Nearly all private bankers we spoke to expect a steady shift from a product-based business model to an advice-based business model. Comprehensive wealth advice is still less prevalent in the GCC than in other regions, but the need is no less—especially for UHNWIs and the high end of the HNW segment.

Today, most private banks in the Middle East fall into one of five groups (*see Exhibit 14*).

Local Banks

Local banks have emerged as serious competitors to international banks. With their extensive branch networks these banks control most of the local retail and commercial banking market. They traditionally offered basic corporate banking services for family

businesses or transactional retail banking services for family members, including basic loans, credit cards, and deposits. Historically, these banks did not actively pursue HNWIs.

Local banks’ passive approach is changing. Over the last five to 10 years, most local banks have invested to build private banking franchises with a menu of products and services; they’ve also hired seasoned investment professionals and relationship managers from top-tier international banks. These new products and services range from affluent “red carpet” offerings to full-fledged wealth management services—often in conjunction with corporate finance and basic investment banking services. And often they have Islamic windows or subsidiaries to offer Shari’a-compliant banking. Originally, local banks sought to deepen relationships with existing

Exhibit 14
The Competitive Landscape Is Segmented into Five Types of Providers

EXAMPLES OF INSTITUTIONS OFFERING PRIVATE BANKING IN THE MIDDLE EAST

	Integrated Private Banking Providers			Pure-play Private Banking Providers	
	LOCAL BANKS	INTERNATIONAL UNIVERSAL BANKS	U.S. INVESTMENT BANKS	PURE-PLAY PRIVATE BANKS	SPECIALISTS
	ADCB ADIB Emirates NBD NBAD NBK NCB QNB Riyad Bank Samba Union National Bank	ABN AMRO Barclays BNP Paribas Citigroup Credit Suisse Deutsche Bank HSBC Standard Chartered UBS	BofA/Merrill Lynch Goldman Sachs J.P. Morgan Morgan Stanley Smith Barney	EFG International Falcon Private Bank Julius Bär LGT Lombard Odier Darier Hentsch Pictet Sarasin Vontobel	Encore GWM Group HighNetWorth Rockefeller <i>Independent financial advisors</i>
Typical Strengths	<ul style="list-style-type: none"> - Large potential PB customer base in retail and corporate business units - Increasing capabilities and standardization of operating model - Strong brand equity - Well-connected to influential local families 	<ul style="list-style-type: none"> - Integrated solutions for Affluent, HNWI, and UHNWI - Typically strong referral business from investment banking or affluent/retail (if GCC branch footprint) - Highly standardized offerings and operating model 	<ul style="list-style-type: none"> - Excellent integrated capabilities with investment banking/corporate finance - Small teams on the ground that traditionally target the high end of the HNW segment and UHNWIs 	<ul style="list-style-type: none"> - Strong capabilities across HNWI and UHNWI segments - Superior service quality - Established, strong private banking brands - In most cases, long-standing track record in the Middle East 	<ul style="list-style-type: none"> - Credible value proposition as independent, unbiased advisor - Focus on family offices, UHNW and HNW clients - Lean operations - Strong network of third-party providers

Note: This is a partial list of private banking providers, for illustrative purposes only.
 Source: Booz & Company

*Most local banks
have invested to build
private banking franchises
with a menu of products
and services.*

customers, but increasingly they are targeting new clients—both wealthy nationals and expatriates (though mostly Arab and Asian expats, not Westerners).

Their efforts are bearing fruit. Immediately after 9/11, and then again during the recent global financial crisis, local banks received significant assets from accounts in the U.S. and, to a lesser extent, Europe. Indeed, the annual Euromoney Private Banking and Wealth Management Survey implies that local banks have succeeded at the expense of U.S. investment banks and international universal banks.

Going forward, local banks will probably continue to increase market share among the affluent. But in our assessment they will struggle to win and keep HNW and UHNW customers unless they make significant investments

in upgrading their private banking capabilities and product and service offerings. What's more, competition will soon become more intense. The international universal players are sure to reassert themselves as they emerge from the financial crisis and refocus their attention on the region.

International Universal Banks

Many international universal banks have large, well-established private banking operations in the GCC. (A few, notably HSBC, Citigroup, and Standard Chartered, also have retail banking operations in the region.) These banks typically operate a dual coverage model: an onshore private banking team based in local branches and an offshore regional desk at the corporate headquarters manned by relationship managers who travel to the GCC.

These banks have a compelling, still-popular wealth offering: a strong global brand, sophisticated products and services tailored to different wealth segments, onshore/offshore coverage, and a network of referrals from corporate and investment banking. But these banks have suffered some loss of trust and market share.

To rebuild this trust, it is critical that they retain their seasoned, highly-sought-after relationship managers. Losing talent to competitors will make the process of rebuilding trust all the tougher. These banks must also create new sophisticated products to differentiate themselves; to this end they would be wise to focus on Shari'a-compliant products. A state-of-the-art Shari'a-compliant offering could become a significant competitive advantage.

U.S. Investment Banks

Typically the bulge bracket firms don't have a large, physical onshore presence. Instead, they provide wealth management services alongside investment banking activities in the region with dedicated relationship management teams. Linking investment banking and wealth management made sense given the focus of these banks on the high end of the HNWI segment, and especially the UHNWI segment.

Their private banking activities often focus on offshore brokerage accounts or discretionary mandates with custody performed outside the GCC. In this respect, their private banking offering is closer to the pure-play private banks than the international universal banks. The challenge for U.S. investment

banks is that, given their close ties to Wall Street and the financial crisis, they suffered more reputational damage and market share losses than other private banking providers.

Pure-play Private Banks

The wealthiest clients in the GCC have traditionally used established pure-play private banks located offshore for comprehensive offshore wealth management solutions. Either the client would visit the offshore location or the relationship manager would visit the client in the GCC.

Pure-play private banks managed through the crisis fairly well, maintaining their market share and reputations. Now, as the global recession ebbs, they are reassessing

their international strategies and showing renewed interest in the Middle East. A few have recently established a physical onshore presence in the GCC for the first time.

Interestingly, despite the growing appetite for Shari'a-compliant banking, no full-fledged, pure-play Islamic private bank has yet been launched in the GCC.

Specialist Providers

Some independent wealth specialists—which include boutiques offering family office services as well as individual advisors—have long track records in the GCC. Often these specialists offer unbiased wealth management advice and act as “feeders” to funds and hedge

funds. Some have teamed up with large private banks as custodians and product providers or have positioned themselves as intermediaries between product providers and the family office, which is often run by family members. Going forward, some

specialist providers will continue to prosper, but the regulatory pressure to “raise the bar” for risk management, information technology, and compliance will force others to reconsider their business model. The annual Euromoney poll, one of

the few rankings of private banks in the GCC, provides a perspective on how these different private banking providers stack up. Based on a peer poll, the ranking reflects the views of private bankers active in the region (see Exhibit 15).

Exhibit 15
Euromoney’s Peer Poll Ranking for Private Banking in the Middle East

EUROMONEY PRIVATE BANKING POLL
(MIDDLE EAST REGION, 2010)

RANK	NAME	TYPE OF BANK	RANK IN 2009
1	HSBC	Int. Universal Bank	1
2	Credit Suisse	Int. Universal Bank	4
3	UBS	Int. Universal Bank	2
4	Samba	Local Bank	20
5	NCB	Local Bank	14
6	Citigroup	Int. Universal Bank	3
7	Bank Audi	Local Bank	18
8	Riyad Bank	Local Bank	-
9	Julius Bär	Pure-play Private Bank	7
10	Barclays	Int. Universal Bank	16
11	Blom Bank	Local Bank	17
12	BNP Paribas	Int. Universal Bank	5
13	Ahli United Bank	Local Bank	8
14	Pictet	Pure-play Private Bank	11
15	J.P. Morgan	U.S. Investment Bank	6
16	NBK	Local Bank	12
17	Standard Chartered	Int. Universal Bank	23
18	BofA/ Merrill Lynch	U.S. Investment Bank	10
19	Emirates NBD	Local Bank	27
20*	Deutsche Bank	Int. Universal Bank	12
20*	Burgan Bank	Local Bank	28

* Deutsche Bank and Burgan Bank tied for the 20th position.
Source: Euromoney 2009, 2010 (peer poll)

*Some specialist providers
will continue to prosper, but
regulatory pressure on risk
management and compliance
will force others to reconsider
their business model.*

GROWTH STRATEGIES FOR THE FUTURE

During the crisis, many wealthy families built up cash reserves for their family businesses as a liquidity cushion. With the crisis coming to an end, sentiment is starting to shift, and some are looking at tactical opportunities to invest—including regional real estate, regional private equity, local equity, and even structured products. Private banks with GCC clients, or with aspirations in the region, must be alert to this shift and align their growth strategy now or risk being outmaneuvered.

We suggest the following three steps for private banks to review and align their growth strategy: analyze the GCC private banking market and identify the sweet spots; build cornerstones for growth and articulate sources of competitive differentiation; and choose a distinct strategic play.

Identify the Sweet Spots in the GCC Private Banking Market

We have outlined in this Leading Research paper a set of trends that will affect the GCC private banking market going forward. To be successful in this challenging

environment, private banks need to carefully study both cultural and economic trends, and consequently adapt their post-crisis market positioning. In summary, these key trends are:

- *Continued Macroeconomic Transformation:* GCC growth will be driven by oil-led macroeconomic growth; large, government-led infrastructure projects; diversification of economies (i.e., more small and medium-sized businesses and non-oil businesses); GCC monetary union; and increased coupling of economies. Concurrently, the region's equity and fixed income markets will continue to develop. If inflation risk rises, countries may even review dollar-peg policies.
- *Increased Regulation of Banking and Financial Markets:* In light of the global crisis, regulators want to increase regulation of capital and insurance markets and coordinate oversight. At the same time, comprehensive changes to key regulatory frameworks are being made—such as Basel III, customer

protection, Islamic banking, client and product suitability, corporate governance, and bankruptcy laws. This trend will increase the pressure on smaller private banks and specialist providers to invest significantly in IT and risk management systems—for client risk profiling, client reporting, or KYC (“know your customer”).

- *New Competitive Landscape:* The competitive landscape in the GCC is undergoing significant changes. Many of the established, large international players have been hit hard by the crisis, and local banks are quickly ramping up their capabilities. Additionally, offshore private banks are increasingly coming onshore. In this shifting landscape, banks have to define how they are going to position themselves in the market and determine where they have a right to win by assessing where they can consistently outperform competitors.
- *Socio-demographic Challenges:* Despite the region’s favorable demographics and increasing wealth, private banks face new

challenges as clients and their wealth become more mobile—especially as wealth transfers to the next generation. Private banks may need to create targeted offerings for socio-demographic sweet spots, such as young executives who travel extensively and need to communicate via smart phones and iPads; female entrepreneurs and executives who value networking and special events dedicated to their interests; and wealthy families that need advice concerning generational wealth transfer or the governance of their own businesses.

- *Increasing Importance of Shari’a-compliant Offerings:* Private banking clients in the GCC are showing increasing interest in Shari’a-compliant investment products. Some attractive alternatives to conventional products are emerging, and providers will endeavor to offer Shari’a-compliant products across asset classes. But questions remain about long-term performance vis-à-vis conventional instruments, as well as the size and stability of secondary markets.

- *Changed Client Behavior:* Although private banking clients shied away from high-risk products during the crisis, this is mostly cyclical behavior. Some are already looking for tactical opportunities in selected equities, funds, real estate, or private equity. Going forward, clients will care more about the details and the “fine print,” such as product and pricing transparency and accuracy in accounting and reporting.

Build Cornerstones for Growth

Given the challenging post-crisis environment, private banks operating in the GCC need to make sure that the cornerstones for growth are in place. In principle, growth can come from increasing share of wallet with existing clients through active cross-selling and referrals from affiliates (such as corporate banking, treasury, and retail banking); from actively targeting new clients via a “hunter-farmer” model emphasizing lead conversion and sales effectiveness, in which “hunters” bring in new business and then pass it over to “farming” relationship managers for maintenance; or both. Increasing share of wallet is likely the preferred path to growth for local banks with

an already well-established customer base, whereas a hunter-farmer model targeting new clients may be the first choice for an international player with an established brand and a well-trained sales force.

Independent of the choice between these approaches, any growth plan is moot if a private bank cannot define and articulate its sources of competitive differentiation in the GCC market. Given the post-crisis environment, we see the following cornerstones as key to successful growth:

- *Relationship-centered Distribution Model:* Although branch-based distribution remains important for mass-affluent and affluent clients, such classic bricks-and-mortar distribution is less relevant for HNW clients, as it is expensive and few HNWIs actually show up in person. The key to succeeding with either a branch-based model or a more mobile, flexible distribution model is the ability of relationship managers, branch managers, and customer service representatives to forge and maintain strong relationships with their clients

based on repeated interaction, convenience, and proximity.

- *Advisory Capabilities:* A successful transition from a “product-push” approach to advice-based relationships requires a strong cohort of well-trained relationship managers, which is organized around a sophisticated suite of client profiling and advisory tools, and a modular, comprehensive product offering. Such best-in-class advisory services further strengthen and sustain client relationships based on competency and trust. This differentiating factor is important not only for HNW and UHNW clients but also in the affluent segment to cover emerging needs around financial and retirement planning.
- *Integrated Solutions:* The ability to provide integrated services across wealth management, corporate, and investment banking to HNW entrepreneurs, family businesses, and UHNWIs remains an important differentiating factor. Such a bundled offering—which some

competitors can even provide with global reach—needs to cover individual and corporate lending and investments, plus value-added services such as corporate finance and M&A advisory, trust solutions, succession planning, generational wealth transfer, art investments, and philanthropy.

- *Shari’a-compliant Offering:* Developing new Shari’a-compliant wealth management products and providing comprehensive Shari’a-compliant advisory and private banking solutions to clients can tap into the growing demand for such offerings.

Choosing the Right Strategic Play

Choosing the right strategy is clearly contingent on a private bank’s current strengths and positioning. We can divide the competitive landscape broadly into two categories: local banks and international players. Local banks are, without exception, GCC-based universal or Islamic banks that focus on wealth management as part of their overall offering for individual clients, typically within retail banking or in separate investment and securities

*International players active
in the GCC need to focus
primarily on leveraging
their global capabilities in
a cost-efficient manner.*

subsidiaries. International banks include pure-play private banks, U.S. investment banks, and international universal banks that operate wealth management units in the GCC.

We have identified a dominant strategy for each of these two groups:

Local Banks: Although many local banks have a well-established wealthy-client base in their retail and corporate franchises, the challenge is to enhance the existing client value proposition and—correspondingly—the operating model. The crucial questions regarding value proposition are: What basic product and service offering is critical, and should this offering be provided entirely in-house or via partners and third parties?

Moving from a classic product-push approach to a more comprehensive, advice-based wealth management model requires a fundamental realignment of the operating model. This transition is rarely smooth and may require significant investments in, for example:

- Building a brand and reputation around wealth management

- Training of frontline staff in required capabilities for a comprehensive client advisory model
- Upgrading information technology and operations, especially regarding front-end tools for CRM, profiling, asset allocation, and sales management, but also covering client reporting, profitability management, and swift, error-free execution of transactions
- Robust policies, procedures, and systems that link the front, middle, and back offices

The key challenge for local banks—especially if they are operating in a small home market—is to achieve the required scale to make these investments pay off. Thus, the growth strategy must focus on leveraging the existing customer base, by enhancing referrals, collaborating, and cross-selling across business units. In order to do so, banks must put incentive schemes and policies in place that encourage the right behavior and reshape the organizational culture to fit the new model.

International Players: International players active in the GCC need to focus primarily on leveraging their global capabilities in an effective and cost-efficient manner. To be entirely client-centric, their product and service offering, which is in many cases standardized, needs to be tailored to local needs (for example, with Shari'a-compliant investments) and must emphasize the personal touch, for instance, with in-depth knowledge of needs relating to ethnicity, lifestyle, or investment behavior.

The establishment of physical presences in the GCC and the corresponding client coverage models may require upgrading, in order to increase proximity to clients and to sell an integrated, comprehensive suite of offerings to HNW entrepreneurs and local family businesses, which extends over asset management, corporate finance, investment banking services, and real estate planning. This enhanced proximity and client focus will allow international players to successfully attract new clients and grow their market share in the GCC.

CONCLUSION

The Gulf region is an attractive market for private bankers, and the region's quick recovery from the financial crisis—especially compared to some Western markets—increases its allure. We expect competition to heat up over the next few years as local and regional players upgrade offerings and the global players—the incumbent private banking powerhouses—reassert themselves to defend and pursue market share.

Going forward, we have identified four key success factors:

1. A comprehensive and integrated client offering that extends from individual wealth management to family business advisory, including corporate finance and investment banking service.
2. A high sensitivity to cultural predispositions, family relationships, and behavioral preferences. Advice-led coverage models must consider investable assets, sources of wealth, ethnicity, and needs based on life cycle and lifestyle.
3. A best-in-class delivery model that serves the client in an efficient, personalized and hassle-free manner, and is flexible enough to accommodate additional client requests, such as Shari'a compliance, comprehensive trust solutions, and placing assets offshore.
4. A strong brand or at least an established track record in the region, a clear long-term commitment to serving clients in the GCC, and a strategy based on continuity and client-centricity, not product sales and short-term profits.

Last but not least, private banking in the Gulf requires immersion in the local cultures, where traditional private banking values—secrecy, security, diligence, trust, honest and fair advisory relationships—blend well with cultural values and predispositions in the region. With the financial crisis coming to an end, now is the time to rethink your strategic positioning and seize the private banking opportunities in the GCC.

APPENDIX 1: ASSETS BY COUNTRY/WEALTH LEVEL

Bahrain

Bahrain's long history as a business hub, coupled with limited natural resources, has created a diversified economy. Another important economic factor is its proximity to Saudi Arabia, with which Bahrain has strong political and economic ties. For example, the Saudi government supports the Bahraini economy with soft loans and oil subsidies. Also, Bahraini tourism is based to a great extent on visitors from Saudi Arabia. Many Saudi companies have offices in Bahrain to take advantage of the expatriate-friendly environment and more flexible regulation. Last but not least, Saudis use Bahrain's developed financial services through offshore accounts.

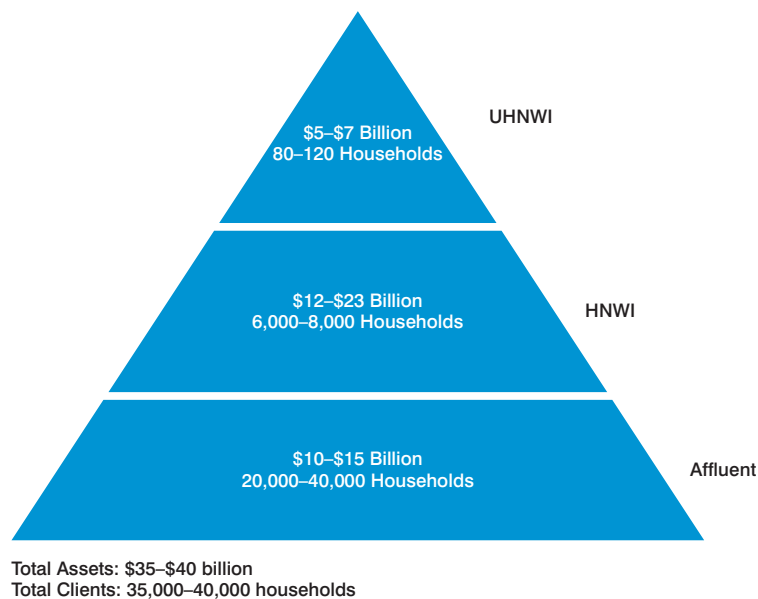
Bahrain has 35,000 to 40,000 wealthy households (not including the foreign inflow of wealth from mostly Saudi customers that use Bahrain as an offshore destination). The affluent and HNWI segments in Bahrain are split between Bahrainis and expatriates, with expatriates constituting 50 percent to 60 percent of wealthy households and holding about half of the total wealth. Only 80 to 120 households in Bahrain are UHNW, most of whom are nationals; this segment holds less than 20 percent of total wealth.

Bahrain's expatriate population includes a relatively high proportion of HNWI business owners who took advantage of Bahrain's expatriate-friendly environment to set up businesses to serve the Saudi market. Additionally, Bahrain's status as a financial hub encouraged many highly qualified, and highly paid, expatriate professionals to move to Bahrain and work in its financial services industry.

More than 50 percent of domestic wealth is held offshore, which is close to the average in the region.

Exhibit A

SEGMENT DISTRIBUTION OF INVESTABLE ASSETS IN BAHRAIN 2010



Source: Booz & Company analysis

Kuwait

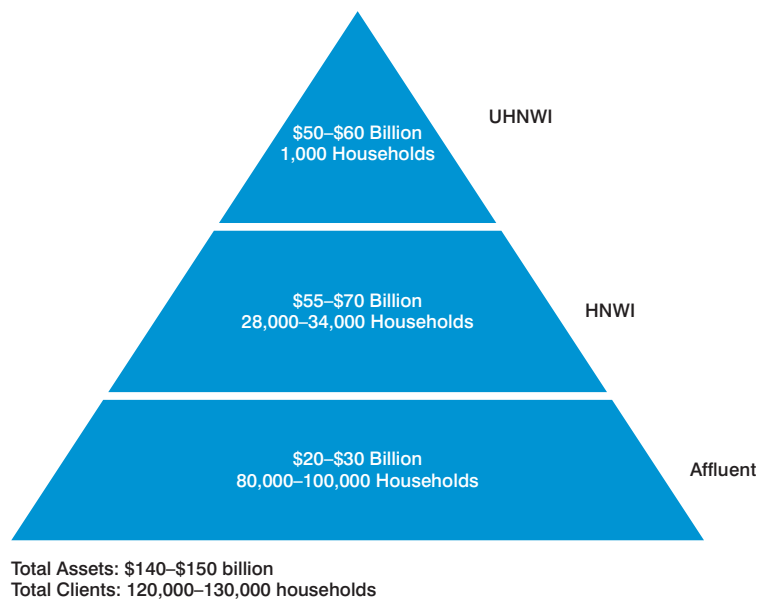
The oil sector is the predominant driver of wealth in Kuwait, accounting for about half of GDP, and it generates the lion's share of government revenues. Other government revenues come from the investment income generated by the Kuwait Investment Authority (KIA). This wealth is subsequently spread to the private sector through government spending.

There are 120,000 to 130,000 wealthy households in the country, and distribution of wealth is highly skewed: Fewer than 1,000 households belong to the UHNW segment (typically coming from the well-established local families), but hold more than 40 percent of total wealth. The affluent and HNWI segments consist mostly of Kuwaiti executives and entrepreneurs (with expatriates representing only a quarter of total affluent and HNWI households).

We estimate that 45 percent to 50 percent of total assets are held onshore, as the local real estate market and the Kuwait Stock Exchange have absorbed a significant share of these assets.

Exhibit B

SEGMENT DISTRIBUTION OF INVESTABLE ASSETS IN KUWAIT 2010



Source: Booz & Company analysis

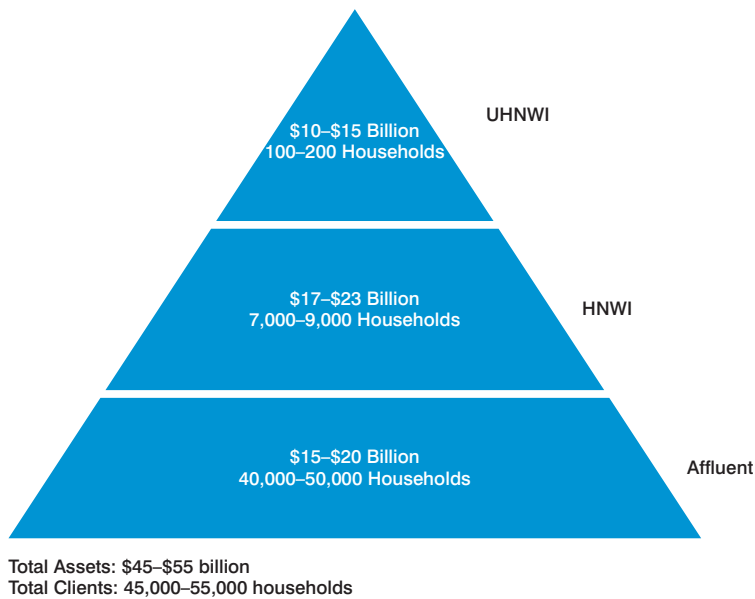
Oman

Oman depends less on revenues from oil and gas than other economies in the region. Its natural resources are limited; indeed, within two decades oil reserves will likely be exhausted. The result is a less wealthy but more diversified economy. Oman has a long tradition of trade with India and Eastern Africa, which has encouraged the formation of many small and medium-sized businesses. The government is pushing for further diversification, particularly in the services sector, which currently makes up more than 50 percent of GDP.

Oman, like Bahrain, counts many expatriates among the affluent and HNWI segments. About 10 percent of the total households are wealthy, 2 percent of which are HNWIs, and expatriates represent around 40 percent of the affluent and HNWI households. The traditional trade links with other countries helped a number of families, particularly from India, to settle in Oman and establish small businesses over several generations. Today many of these families are among Oman's affluent and HNWI segments. Wealth concentration in Oman is relatively low for the region with only 100 to 200 households being classified as UHNWIs; they hold less than a quarter of the total wealth in the country.

Exhibit C

SEGMENT DISTRIBUTION OF INVESTABLE ASSETS IN OMAN 2010



Source: Booz & Company analysis

Qatar

Rapid revenue growth from oil and natural gas in the past decade has made Qatar one of the world's richest countries in terms of GDP per capita. In addition to natural resources, Qatar attracted foreign investments with its Free Investment Zones and the Qatar Financial Centre. Equally important is the extensive privatization program that over the past decade has included Qtel, Qatar Steel Company, and Qatar Gas Transport Company.

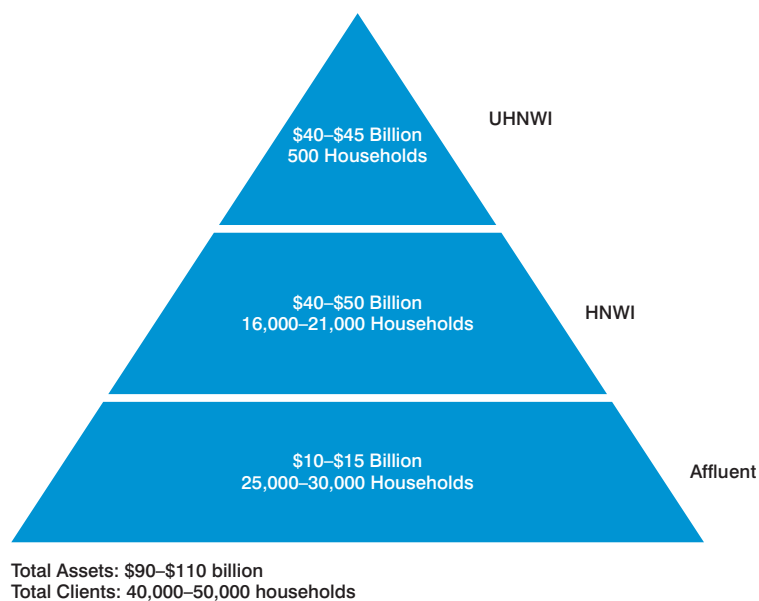
Qatar's wealth is highly concentrated. There are about 200,000 Qatari citizens, representing just 20 percent of the total resident population, but they hold almost 90 percent of all investable assets. Even among Qatari citizens the concentration of assets is high. Around 500 households—mostly established Qatari families—hold over 40 percent of total wealth. In fact, according to statistics from the Dubai International Financial Centre, just 15 families in Qatar hold 55 percent of all board seats in the country.

Not surprisingly, only about 16,000 to 18,000 expatriate households count among the affluent and HNWI; most of the expatriate population are so-called blue-collar workers.

We estimate that about half of the wealth is held onshore. Improvements to the Doha Securities Market (such as NYSE Euronext's acquisition of a stake in 2008) provide a credible vehicle for onshore investments. In addition, the growth of the banking sector (currently 15 commercial banks) has yielded a wider range of investment products, while the booming local real estate market provides attractive investment opportunities.

Exhibit D

SEGMENT DISTRIBUTION OF INVESTABLE ASSETS IN QATAR 2010



Source: Booz & Company analysis

Saudi Arabia

The Kingdom of Saudi Arabia is the region's largest wealth market. The main source of wealth is the country's oil reserves, estimated to be the largest in the world. The country is roughly separated into three regions. The Western region, which includes Jeddah, Mecca, and Medina, is the focus of religious tourism and today is the most diverse and economically open area. The Central region with the capital of Riyadh is the center of political power and major national companies. The Eastern region is where most of the oil is generated and is thus a vital economic center.

Relatively low social mobility in the country favors a relatively high concentration of wealth. As a result, the UHNW segment consists of approximately 2,000 households and holds one-third of the total individual wealth. The affluent segment is relatively large, with over 500,000 households.

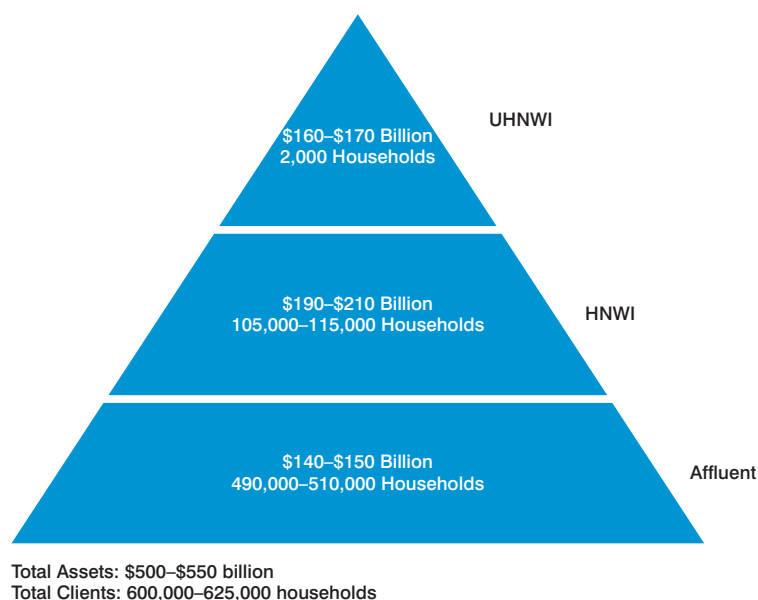
Saudi Arabia is a challenging private banking market for several reasons. First, strict regulations prohibit the onshore sale of international funds without approval of the local regulator. Second, expatriates, particularly Westerners and non-resident Indians, represent about a third of the total affluent households and require distinctly different wealth services.

Adding to the complexity of onshore wealth management is the penchant for affluent nationals to self-direct investments. Over the last five to 10 years, these individuals have been investing in the growing domestic capital market, which is the largest in the GCC region by market cap. During the crisis, retail brokerage subsided. To what extent the self-directed investors will come back over the next few years remains to be seen.

Affluent nationals keep most of their wealth onshore. Among HNWI and UHNWIs the balance between onshore and offshore tends to fluctuate depending on perceived geopolitical risk and available investment opportunities. The offshore share has declined from a range of 70 percent to 80 percent to an estimated average of 55 percent to 60 percent today.

Exhibit E

SEGMENT DISTRIBUTION OF INVESTABLE ASSETS IN SAUDI ARABIA 2010



Source: Saudi Ministry of Labour; Booz & Company analysis

UAE

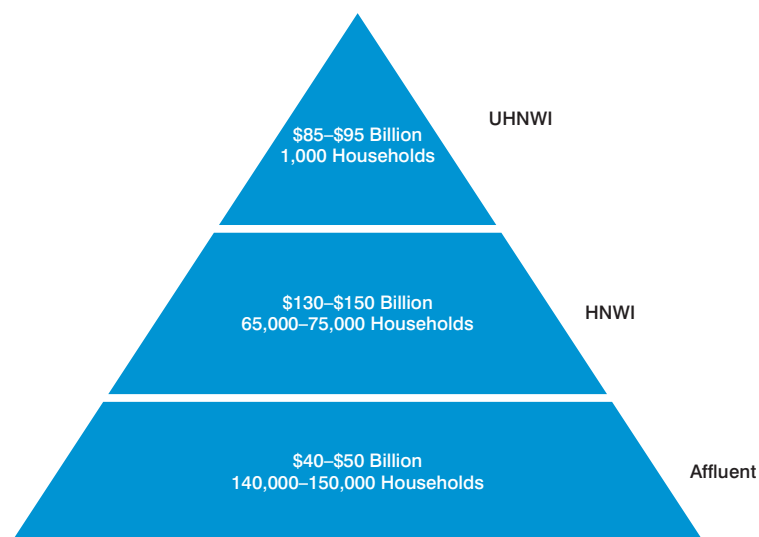
The United Arab Emirates is one of the most open countries in the Middle East, both culturally and economically. Abu Dhabi, the pre-eminent emirate and political center of the federation, holds most of the oil reserves, which are estimated to be the fourth largest in the world. Dubai is less reliant on oil revenues; through shrewd planning and policy making the emirate has become the region's commercial center and the city of choice for Western expatriates in the Gulf.

There are 200,000 to 220,000 wealthy households with a fairly balanced asset distribution among the different sub-segments. The business-friendly economy and status as a commercial hub have spurred the growth of the HNWI sub-segment of executives and entrepreneurs. This sub-segment holds about 40 percent of the total wealth in the country, a share that is among the highest in the region. Despite a robust HNWI segment, the UAE has a high concentration of wealth; there are about 1,000 UHNW households holding a third of the country's total wealth.

The limited range of wealth management products and services offered onshore plus perceived geopolitical risk in the region prevents wealthy expatriates from keeping more assets onshore. Onshore assets total 40 percent to 50 percent.

Exhibit F

SEGMENT DISTRIBUTION OF INVESTABLE ASSETS IN UAE 2010



Total Assets: \$260-\$280 billion
Total Clients: 200,000-220,000 households

Source: UAE Ministry of Economy Central Statistical Department; Booz & Company analysis

APPENDIX 2: THE INDUSTRY PERSPECTIVE: RESULTS OF OUR PRIVATE BANKING SURVEY

To prepare this Leading Research paper, Booz & Company interviewed Middle East-based private banking heads, senior relationship managers, asset managers, and independent advisors to assess the impact of the recent financial crisis on the private banking industry.

Our goal when selecting interviewees was to achieve a balanced mix of international and local private banks, as well as incumbent and new market entrants. We conducted 20 in-depth interviews, most of them face to face, between November 2009 and May 2010. The split of participants by type of bank is as follows:

- 10% International pure-play private banks
- 35% Private banking units of global wealth management companies
- 55% Local/regional banks

The result of these interviews, in conjunction with other research, helped us to analyze the current state and future direction of private banking in the GCC.

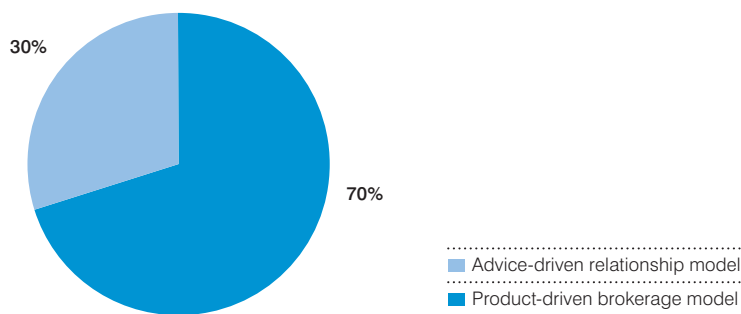
One question we asked is whether the financial crisis will change the predominant business model. Traditionally, the GCC has been served with a product-driven brokerage model. In *Exhibit G*, we see that 70 percent of the respondents believe that the GCC will stay focused on this product-driven model. Investment products will remain central to the client/banker relationship; the investment horizon will typically be short term to mid-term.

It is important to note, however, that nearly all respondents expect a gradual shift to a more advice-based business model over the next several years. The need for advice-based relationships is mainly among the upper wealth segments on topics such as portfolio optimization/asset allocation, long-term investments, real estate, and private equity. But the affluent segment and the lower end of the HNW segment will remain largely product- and brokerage-driven, however, with a strong demand for pension and financial planning.

Exhibit G

Dominant Business Model Expected to Remain Product-driven Brokerage in the Short Term

QUESTION: WHAT WILL BE THE DOMINANT BUSINESS MODEL GOING FORWARD?
(PERCENTAGE OF RESPONSES)



Note: Percentage figures rounded.
Source: Booz & Company

Exhibit H shows the expected changes between onshore and offshore asset allocation. A large majority—75 percent of the industry respondents—expect that offshore asset allocation will remain an important “safe haven” given geopolitical instability in the greater MENA region, an unsatisfactory regulatory environment, and relatively undeveloped local markets for investment products and services.

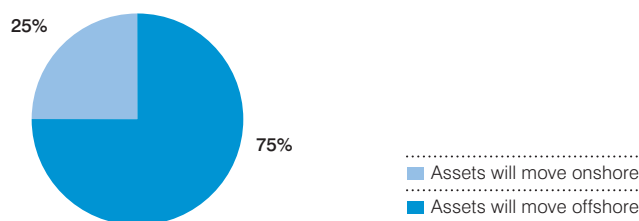
However, in the mid-term to long term, industry experts expect that offshore allocations will gradually decline as the local markets develop—both in terms of regulations and investment opportunities. Another factor inducing HNWIs to keep their money onshore is the erosion of secrecy and confidentiality in offshore locations.

Opinions vary about the future role of Shari’a-compliant investments, as demonstrated in *Exhibit I*. A small majority believe that conventional investment products will remain the dominant asset class. Saudi Arabia—and to a lesser extent the UAE—are the markets with the highest demand for Shari’a-compliant investments.

Strong growth of Shari’a-compliant products is expected among mass-affluent and affluent customers. But among HNWIs and UHNWIs demand is more constrained as they consider a number of issues: the small market size (especially in core asset classes like Sukuks), the lack of liquidity in secondary markets, the limited availability of attractive products (e.g., ETFs, real estate funds, REITs, private equity, hedge funds), and the significant uncertainty due to independent judgments of decentralized Shari’a boards.

Exhibit H
Short-term Trend on Asset Allocation, Onshore vs. Offshore

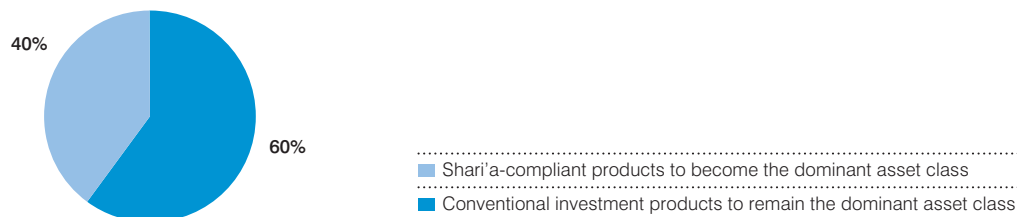
QUESTION: WHAT WILL BE THE CHANGES IN ASSET ALLOCATION BETWEEN ONSHORE AND OFFSHORE?
(PERCENTAGE OF RESPONSES)



Note: Percentage figures rounded.
Source: Booz & Company

Exhibit I
Shari’a-compliant vs. Conventional Investments

QUESTION: WHAT WILL BE THE DOMINANT INVESTMENT CATEGORY GOING FORWARD:
SHARI’A-COMPLIANT OR CONVENTIONAL INVESTMENTS?
(PERCENTAGE OF RESPONSES)



Note: Percentage figures rounded.
Source: Booz & Company

There are also questions about the long-term performance of Shari'a-compliant products versus conventional products. Can the performance of these investments make up for their higher management fees and compliance costs? Can Shari'a-compliant products emulate important investment levers (e.g., leverage, short-selling), and can their performance be decoupled from global markets to reduce systemic risks?

The final set of questions posed to private bankers focused on how the financial crisis has impacted their own firms and influenced their priorities and agendas.

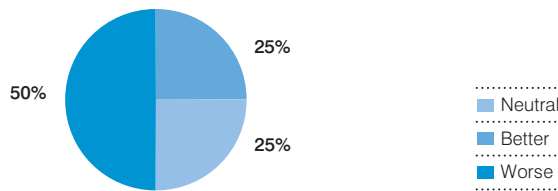
As *Exhibit J* demonstrates, the local banks see themselves as the winners coming out of the financial crisis. They cite positive money inflows, a growing trust in local institutions, and intact client relations. Among international banks only 25 percent consider themselves better off than before the crisis, mostly because of damaged reputations.

Exhibit K shows how bankers plan to enhance client offerings post-crisis. The top priority is reestablishing and invigorating the trust between relationship managers and clients. The next priority is an increased focus on internal risk management and discussing risk issues with clients. Third is developing new pricing models based on increased transparency and risk/reward sharing between clients and banks. Another area of focus, though a lower priority, is to define a strong value proposition for family businesses by integrating personal and corporate advisory services.

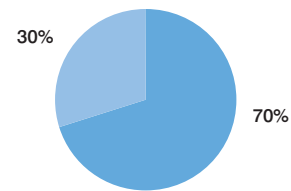
Exhibit J
Perceived Impact of Crisis on International and Local Banks

QUESTION: HOW WAS YOUR OWN INSTITUTION IMPACTED BY THE CRISIS?
ARE YOU TODAY BETTER OR WORSE OFF THAN BEFORE THE CRISIS?
(PERCENTAGE OF RESPONSES)

Respondents:
International Banks



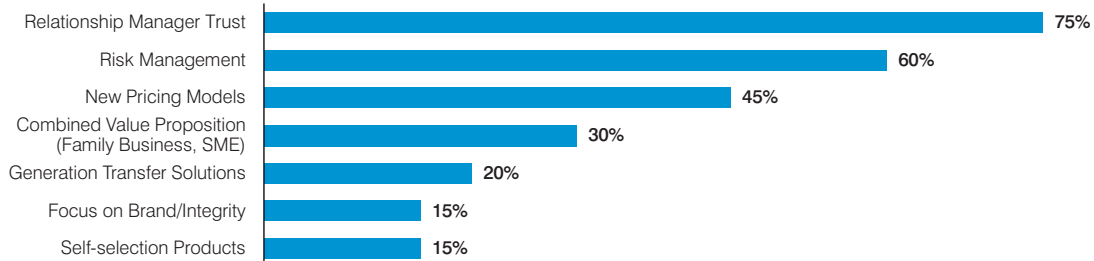
Respondents:
Local Banks



Note: Percentage figures rounded.
Source: Booz & Company

Exhibit K
Key Priorities in Enhancing Private Banking Offering Post-crisis

QUESTION: WHAT ARE YOUR KEY PRIORITIES IN ENHANCING YOUR PRIVATE BANKING OFFERING POST-CRISIS?
(PERCENTAGE OF RESPONSES)



Note: Multiple answers possible; percentage figures rounded.
Source: Booz & Company

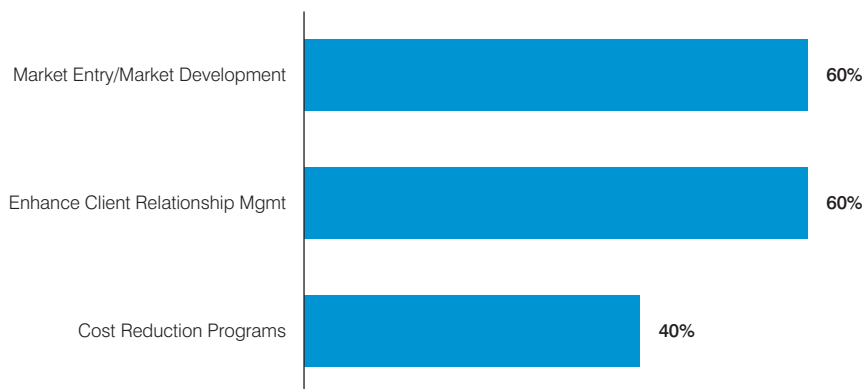
Finally, private bankers were asked to describe their strategic agendas for the next few years (*Exhibit L*). Sixty percent plan to develop domestic markets and enter new markets—meaning other GCC or MENA countries as well as India. They plan to pursue these new markets both through organic growth and mergers and acquisitions. Some of these acquisitions will be relatively small; for instance, “buying teams rather than banks.”

Sixty percent also intend to improve how client relationships are managed. Their plans include: greater client-centricity with core offerings and coverage models, a better dialogue around product and allocation risks, education about long-term investment strategies, retirement planning, and risk/return profiles, and adding different channels to facilitate convenient customer interaction—such as online and mobile channels.

A significant number of respondents, 40 percent, also identified cost reduction as a key strategic priority. They plan to focus on the back office and critically review non-core activities. They will strive to further standardize the operating model, especially through bundled offerings and segment-specific coverage models. Additional savings will come by establishing partnerships and white-labeling certain products.

Exhibit L
Private Banking Strategic Agenda for 2011

QUESTION: WHAT IS AT THE TOP OF YOUR PRIVATE BANKING STRATEGIC AGENDA FOR THE YEARS 2010 AND 2011?
(PERCENTAGE OF RESPONSES)



Note: Multiple answers possible; percentage figures rounded.
Source: Booz & Company

Endnotes

¹ The GCC consists of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates.

² Alan Gemes, Carlos Ammann, and Andreas Lenzhofer, "Private Banking After the Perfect Storm," Booz & Company, 2010: http://www.booz.com/media/uploads/Private_Banking_After_the_Perfect_Storm.pdf

³ A Sukuk is the Shari'a-compliant alternative of a conventional bond. Ijara is the Islamic equivalent of conventional leasing. In a Mudarabah-based profit-sharing investment account, the return and potential losses are shared between the client and the bank in a pre-agreed ratio, e.g., 60:40. In an unrestricted Mudarabah account, the bank can independently invest the client's funds to generate returns; in a restricted Mudarabah account, the client can set some investment restrictions.

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