

A closer look into Maybank's private wealth mission

When Maybank launched its private wealth offering in Singapore two years ago, it was the last piece of a jigsaw to complete its banking model. Lim Hong Tat and Alvin Lee explain the journey so far, and how the bank has put each component of the platform in place in preparation for further expansion.

Maybank has taken a bold step in wealth management in recent years. In a bid to build a private banking offering to complete its overall proposition, it has made a significant commitment in time, resources, people and branding. And this has started to pay off.

Two years after launching its private wealth arm in Singapore, it is well on the way to bringing an enhanced suite of products and services to what was largely a retail-oriented business before.

In short, this means an end-to-end service to its SME, corporate and individual clients.

This ties into the strategy for Maybank's Community Financial Services (CFS) business being all about segment play. "We used to be about product and distribution, but around four to five years ago we started to do more specific segmentation. It was part of our transformation," says Lim Hong Tat, group

head of CFS, and also chief executive officer for Singapore at Maybank.

This involved strategies for transforming several aspects of CFS – SME banking, business banking, premier banking and private wealth. And as part of each initiative, the aim is to steer the offering towards a specific segment.

The upshot has been a focused effort to put the platform in place, build out the product range, change the mindset and create more client connectivity.

Now, the aim is to further deepen its pool of relationship managers and advisers in Asia, expand the client base, boost AUM, create a broader set of investment solutions and, more generally, open up new markets within the region and beyond.

TAPPING THE HNWI PIPELINE

For the private wealth component of the transformation within CFS at



LIM HONG TAT
Maybank

Maybank, it essentially meant the creation of a new business. "We never had this as a distinct part of the business because we were focusing on premier



ALVIN LEE
Maybank

wealth, given our DNA and the fact that it was creating good profit for us,” explains Lim.

But he soon realised the potential to access a ready-made customer pool through a more dedicated offering. This could also help it generate new income streams and meet growing demand from customers for a broader service.

In Malaysia, for example, Maybank has roughly 9 million consumer customers, accounting for about half the market. “We could see that if we didn’t provide this service to our customers, either in the individual or in the business space, we would lose this so-called share of wallet to banks in Singapore,” adds Lim.

After all, Maybank was already uniquely-placed with a physical presence in each of the 10 ASEAN countries.

Alvin Lee was then hired to take charge of the private wealth business and

harvest what the bank saw as a segment which was rightfully already its own. And it took a logical step by basing the team out of Singapore. This enables it to service a combination of local clients as well as use its offshore desk to cater to clients based overseas but who want to bank in Singapore.

The view was that in the medium term it could be a source of liquidity, and in the longer term, one of profitability.

Further, by deciding to position the private wealth arm within the consumer bank, this ensured it is closely linked to the corporate and investment banking divisions.

“This enables us to tap into what we estimate as between 20,000 and 25,000 potential HNW clients across the whole Maybank group,” adds Lee, group head of private wealth.

There is also an obvious benefit that having something to offer these customers prevents an outflow of funds once they start to look for more sophisticated wealth management solutions.

The decision was more than justified when, within its first year, it broke even. “We expected private wealth to take three years to achieve this,” says Lim.

He says the bank has seen new private wealth customers flow from business and corporate banking, including entrepreneurs. “They were previously using international banks.”

For those client leads which are what Lee calls “warm”, he says the conversion rate has been around 65%. “My vision in another two to three years’ time is to have about 6,000 to 7,000 private wealth clients. If each of them has, on

average, between USD2 million to USD5 million with us, we will have roughly USD20 billion AUM. I think this is the right critical mass to work with.”

Notably, adds Lim, various clients of Maybank’s private wealth business say they have been attracted by the potential to get serviced by a banker who has perspective on the total relationship of customers across the various banking segments.

CREATING A COMPELLING VALUE PROPOSITION

Maybank’s foray into private wealth has been one of gradual evolution. This is because to more fully develop its wealth proposition, the bank realises the need to take a step-by-step approach.

The first stage is to focus on existing customers whose needs are perhaps not being fully met. Next is to try to attract new customers who want real wealth management, not just lending. In the long run, the private wealth division could grow into a one-stop-solution, where the lending, wealth management and other financial needs of a client are fulfilled in a coordinated way.

Operationally, Lee’s initial view was that it was important to put in place robust middle and back offices before he looked to bring in more front-line staff. This has worked well, with some experienced compliance, operations and product practitioners arriving from across the Singapore banking landscape. “I was very conscious about building the infrastructure before hiring bankers,” explains Lee. “There is no point having a banker with no products or no operational support. Now this has been in a place for a while, the next phase of our hiring is focused on RMs and potentially investment advisers.”

Putting in place the building blocks has taken less time than originally anticipated. It has required a lot of work to address issues relating to culture, to break silos and to encourage cross selling, for example. "What worked well for us is the fact that we are able to break the silos," adds Lee.

This has required a bit of a mind-set shift, he says. And there was a need to tweak various policies and procedures to make them private banking-friendly.

Tackling these dynamics has involved ensuring stakeholders from different business segments share KPIs.

With cross-sector referrals, there are two key factors to how effort is recognised and rewarded – who does the work to create the sale, and who takes the risks. "This will determine the share of the profit," says Lee.

He says he prefers to opt for a model that rewards the right behaviour, to remove any resistance or fear an RM might have in terms of losing control over their own AUM.

KPIs are also aligned so as to encourage performances to be in sync.

PRODUCT CAPABILITY

From the perspective of the investment offering, the journey began with what was a relatively basic product suite.

But since Lee wants to onboard as many customers as possible, this requires the right products, so the bank has been focused on adding credit, discretionary portfolio management (DPM) and margin financing on share trading.

By introducing new ideas, there is less need to be over-reliant on unit trusts.

This stems from a focused effort by senior management to drive a fee-driven business while keeping the focus on loan-based income.

The intention for the product offering is to cater to the needs of clients in the key markets of Malaysia, Singapore and Indonesia. This has led to a focus on financing to give clients access to working capital in their home country regardless of their account being based offshore in Singapore.

Part of the rationale is this allows clients to improve potential returns in the current low interest rate environment.

In relation to managed solutions, in particular, the bank is nearing a more formal launch of its DPM service in Singapore in the coming months.

This will most likely start with standard mandates, and then a move to diversify what's available over time.

In the long run, there appears to be a determination that the private wealth division will grow into a one-stop-solution, where the lending, wealth management and other financial needs of a client are fulfilled in a coordinated way.

TAKING ON TECHNOLOGY

Maybank has also been very willing to develop its overall platform to support its growth ambition, including implementing the core technologies and systems required.

This stems from the constant need to invest in technology, whether focused on mobility, internet access, real-time information, or updating systems to meet regulatory needs. "I think we have done well in terms of our system implementation," admits Lee. "By early next

Community as a key contributor

Community Financial Services (CFS) proved itself to be a key business pillar for the firm in its latest published financial figures. It saw 11.6% growth in net operating income for the half year ended 30 June 2015 – to RM4.07 billion (USD963 million).

Revenue was partly boosted by healthy increases recorded in total financial assets from both the high net worth and affluent segments, which rose 10.9% year-on-year, as well as the mass segment at 1.4%. The product cross-selling ratio for both customer segments also improved respectively to 7.09 and 3.18 from 6.54 and 3.08 a year earlier.

The bank's international operations have continued to record solid growth with net operating income growing 9.5% to RM3.06 billion in the first half of 2015. The Singapore business, for example, saw a 0.7% rise in net operating income to S\$398.12 million on the back of a 13.2% rise in net fund-based income as loans expanded by 8.2% annualised.

year, we will be live on the Avaloq system, which then can support a wider suite of products."

Having more sophisticated infrastructure and digitising more and more provides some key benefits for clients, such as speed and connectivity.

It also gives the bank certain advantages: offering an expanded range of products; having better controls in relation to customer relationships and

product management; and providing scalability and more efficiency across the entire private banking operation.

ATTRACTING TALENT

A key focus for Lee in his private wealth arm continues to be increasing the strength of the investment and client advisory personnel.

This is from two main sources: first, nurturing internal talent, which has seen the bank take some of its best corporate and affluent bankers and then put them through a selection process before up-skilling them; and secondly, recruiting.

“We now need to up-the-ante and hire a number of bankers,” adds Lee.

What is unique to Maybank is its commitment to work-life excellence, ensuring business objectives are met without sacrificing client satisfaction and staff well-being.

At the same time, there is no tolerance for non-performance once an individual has been given what Lee describes as “due opportunity to improve”.

If they don't, he says he won't compromise the interests of the wider group because of one person.

KEY POINTS OF DIFFERENCE

Key to Maybank's success in the private wealth space is linked to its positioning as a regional player rather than a Malaysia-centric player.

“That's the beauty of Maybank,” says Lee. “It is not creating separate businesses within consumer banking that can work well together; the cross-border, cross-sector collaboration is extremely strong. I want to bring in the capabilities of other business units and

tap the client base in another country to be much better overall.”

In addition to the scope of the product and services offering, the bank wants to ensure it is delivered with speed and also an awareness of the customer's total relationship with Maybank.

“Generally customers like the fact that we value the relationship,” explains Lee.

With a lot of its corporate bankers able to count 15 to 20 years with the institution, they are the people who have directly been there to support their clients as they have got wealthier over the years.

One of the strategic objectives now on Lee's wish-list is leveraging Maybank's Islamic finance strengths and experience to improve its Islamic wealth management offering.

“This particular segment might sit within the Islamic bank, but we will provide the relevant content and know-how,” he explains.

Meanwhile, one of Lim's personal goals is to bring the Maybank mission of “humanising” to as large a number of customers as possible.

This basically means doing the right thing for customers, which is in line with the objective of being a true partner to the broader community.

There are three thrusts to this, he explains. One of them is to provide easy access to finance, which includes microfinance. Another is needs-based selling. The third is ensuring fair pricing.

Combining these elements of the offering with the ethical-driven nature of

Meeting aspirations further down the pyramid

Another wealth segment which Maybank has worked hard to create is the emerging mass affluent group of customers.

It services them under the brand ASPIRE.

This sits one below premier wealth, and basically provides a lighter-touch version to target customers in the age range of around 25 to 37 who come to the branch.

They get looked after by a Personal Financial Adviser (PFA).

“The idea is that if this aspiring individual gets to like our people and believe that we won't just do what a lot of the other banks do, and instead we will do what is right for the customer, then they trust us,” says Lim Hong Tat.

The product set is intentionally kept fairly simple and is offered as part of a bundle – including online banking, basic insurance and funds.

This is a key part of the ASPIRE proposition, explains Lim, as it enables a waterfall approach to onboard a customer.

The fact that these aspiring individuals have disposable income, Lim's goal is that a PFA will teach them about financial planning and what to do to achieve this.

Maybank's Islamic heritage, Lim is optimistic of being able to create an important differentiator for his private wealth business. ■