

UOB puts wealth as core to growth strategy

United Overseas Bank (UOB) is sharpening its focus on making wealth more central to its value proposition, says Dennis Khoo, who is spearheading this strategy.

Asia's steady economic growth has made the region home to a large population with rising personal wealth. UOB is focused on helping customers grow their wealth as they move through different life stages using a segmented approach from Personal Banking to Privilege Banking Reserve.

ers with financial solutions that help them manage their money wisely," says Dennis Khoo, head of personal financial services for Singapore at UOB.

More specifically, the target is to grow the bank's AUM to SGD100 billion (USD 73 billion) across all wealth cat-

"The target is... SGD100 billion [AUM] across all wealth categories and key geographies by the end of 2015."

In particular, the bank is seizing opportunities across Asia, through its existing retail banking network in countries such as Indonesia, Malaysia, Singapore and Thailand.

"As middle class wealth in these markets increases, our aim is to meet the needs of personal banking custom-

ers with financial solutions that help them manage their money wisely," says Dennis Khoo, head of personal financial services for Singapore at UOB.

CORE OFFERING

While nobody can dispute the rationale for this approach, Khoo is aware that a larger wealth management business also creates greater exposure to two specific forces with which a balance



DENNIS KHOO
United Overseas Bank

sheet-based strategy is unfamiliar. "There is a certain amount of volatility which is brought about by the income swings that come from offering wealth

management products and services,” explains Khoo.

The rising cost of business is also a challenge, with cost-income ratios typically in the 60% to 90% range.

With these dynamics firmly in mind, UOB has been building what Khoo refers to as a “core wealth management strategy” and combining it with a tactical one. In short, it means creating products that encourage and help clients to adopt a longer-term mindset for their portfolios.

The need for this is clear: a significant portion of consumers’ assets today are in fixed deposits, savings and current accounts. However, with the cost of living rising and returns on cash declining, an asset allocation that is heavily skewed towards cash products rather than investments may not be ideal.

“We have introduced a new back-to-basics investment solution called the UOB Income Builder for consumers who find investing a daunting task,” explains Khoo. “It offers more diversified, risk-managed funds which clients hold for the long term.”

According to a UOB survey, half of the consumers in Singapore do not invest because they are afraid of making a loss (66%), they do not understand how to invest (60%), and they do not understand investment products well enough (55%).

Recognising these challenges, the UOB Income Builder investment solution, launched in Singapore in October 2014, uses the basic investing principles of time, diversification and compounding to give consumers more confidence when investing.

A SOLID INCOME PROPOSITION

The product comprises three funds hand-picked by the bank’s investment specialists: BlackRock Multi-Asset Income Fund; JP Morgan Global Income Fund; and Schroders Global Multi-Asset Income Fund.

The funds were selected because they adopt a flexible asset-allocation approach that allows fund managers to move investments among different asset classes quickly. This approach helps to mitigate the risks from volatile market conditions. The funds span geographies and asset classes, such as

equities, bonds and real estate investment trusts (REITs).

“Ultimately, we want to help our customers achieve a regular income stream to support their aspirations and to supplement their savings when they stop working,” says Khoo.

“While market cycles cannot be controlled, we believe market risks can be managed better by investing on a regular basis over a long period of time in a diversified portfolio,” he adds.

Such a strategy, it seems, is a more prudent and disciplined way of investing as compared with one that focuses on short-term gains.

So far, the solution is proving popular. To date, UOB Income Builder has achieved over SGD1 billion in funds.

FINDING THE RIGHT PEOPLE

Investments aside, UOB is also strengthening one of its most important pillars – people.

Despite the growing influence of robo-advisers over the next five to 10 years, Khoo believes success in Asia will continue to depend on individuals who are able to provide face-to-face services to customers.

That said, employee retention and the lack of industry experience are perennial challenges in retail banking. In response, Khoo’s recruitment strategy,

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he says, is to be an “employer of choice” and take a long-term view of the training process.

This largely comes down to the career progression that the bank can offer. “We are working very closely with our HR colleagues to develop more continuous training opportunities for employees,” he explains. “For example, we are now visiting universities much earlier to help undergraduates understand how UOB can help as they look for opportunities.”

The bank is also ramping up its practical training sessions. This involves calling on the experience of some of its most skilled practitioners within the bank to get involved with training new hires. “It is more important and relevant for new hires to learn from the best,” explains Khoo. ■