

بنك الإمارات
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EMIRATES INVESTMENT BANK

GCC Wealth Insight Report



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About this Survey

The GCC Wealth Insight Report is based on a survey of High Net Worth Individuals (HNWIs) across the Gulf Cooperation Council (GCC). For the purposes of this study, HNWIs are defined as individuals with US\$2 million or more in investable assets. The study was initiated and sponsored by Emirates Investment Bank (EIBank), an independent private and investment banking boutique based in the United Arab Emirates. EIBank chose Ipsos and Brunswick Insight to conduct this study on their behalf in order to ensure the accuracy of the findings and independence of the analysis.

All data/findings are sources
from Brunswick Insight/IPSOS

BRUNSWICK

INSIGHT



Left
A traditional
architectural
element, the
Arabian Wind Tower

Foreword from the CEO
**Our focus is
 on thoroughly
 understanding each
 client's unique needs**



I am very pleased to present this inaugural GCC Wealth Insight Report, drawing attention to the GCC economy and its investment community. As a private and investment bank dedicated to growing and safeguarding wealth, we are delighted to lead the conversation on wealth management in the GCC. Our focus is on thoroughly understanding each client's unique needs and designing a wealth strategy that is tailor-made to meet them. We understand that one size does not fit all. This survey embodies the varying characteristics, commonalities and differences of views among a truly unique cross-section of society.

The first of an annual series, these results are derived from the voices of wealthy business people and professionals based in the Gulf – the entrepreneurs, the executives, the doctors, the lawyers. Most entrepreneurs surveyed made their wealth through a combination of building their own business and inheritance, while almost half are self-made. Entrepreneurs

form the bedrock of growth and opportunity within the region. They grow businesses and boost employment; they are visionaries and they innovate. By building their own businesses, entrepreneurs are supporting their countries' growth. As we see in this report, they are focused on wealth creation not simply preservation which indicates they will re-invest in their businesses in the future. We salute this dedication and believe that the attitudes of regional entrepreneurs offer optimistic signs that signify times of great opportunity for all in the region. From these individuals we deliver independent and rich data, data which offers insight into the prosperous, and the prosperity, of the Gulf.

KHALED SIFRI
 CHIEF EXECUTIVE OFFICER
 EMIRATES INVESTMENT BANK

An upward view
 of the iconic
 Burj Khalifa in
 the heart of
 Dubai, UAE



Executive summary

The Gulf has been outpacing other high growth markets

The GCC Wealth Insight Report has been created to better understand the views of High Net Worth Individuals across the Gulf on the economy, both global and local, financial challenges and opportunities and decision-making in regards to investments. This report is the inaugural edition and is intended to be repeated annually.

This survey was undertaken between November 2013 and January 2014, a time when the GCC was widely recognised as the standout emerging/frontier market. The Gulf has been outpacing other high growth markets and we see this as a trend set to continue. Governments and leaders in the GCC have set the ground work for sustained future growth. This is borne out by a number of favourable factors within the countries of the GCC – the United Arab Emirates, Qatar, Kuwait, Saudi Arabia, Oman and Bahrain. These include stable and improving levels of infrastructure, financial policies, political stability and accessibility as well as a definitive move towards diversification away from the region’s reliance on wealth derived from the hydro-carbon industry. Healthcare, tourism, education and housing are also areas of growth, building on the bedrock of these encouraging platforms.

Specific stand out moments in 2013 include winning Expo 2020, a monumental milestone in Dubai’s success story and a commendable achievement for the UAE. In addition, the Morgan Stanley Capital International (MSCI) Indices

upgraded the UAE and Qatar from “frontier market” to “emerging market” status – an achievement six years in the making, as both countries had been denied entry five times since the first review in 2005. The UAE and Saudi Arabia have also witnessed an increase in IPO activity along with the introduction of new mortgage laws which helped boost their real estate sector. The region also witnessed discussion on regulation reform in Saudi Arabia regarding the opening up of the equity market to foreign investors, and robust activity in Qatar amidst the preparations for the FIFA World Cup in 2022. As part of the Global Competitiveness Report for 2013-14, Qatar, the UAE and Saudi Arabia were among the top 20 most competitive economies in the world. This progress signalled a clear endorsement from the investment community and brought about renewed confidence in the Gulf as a whole.

This report validates a number of trends seen in 2013. With more infrastructure spending and higher consumer confidence across the

GCC, better GDP is forecasted to grow for the region by 3.7% in 2013 and 4.1% in 2014. However, among the Gulf’s wealthy, there is a healthy balance of caution as well as optimism.

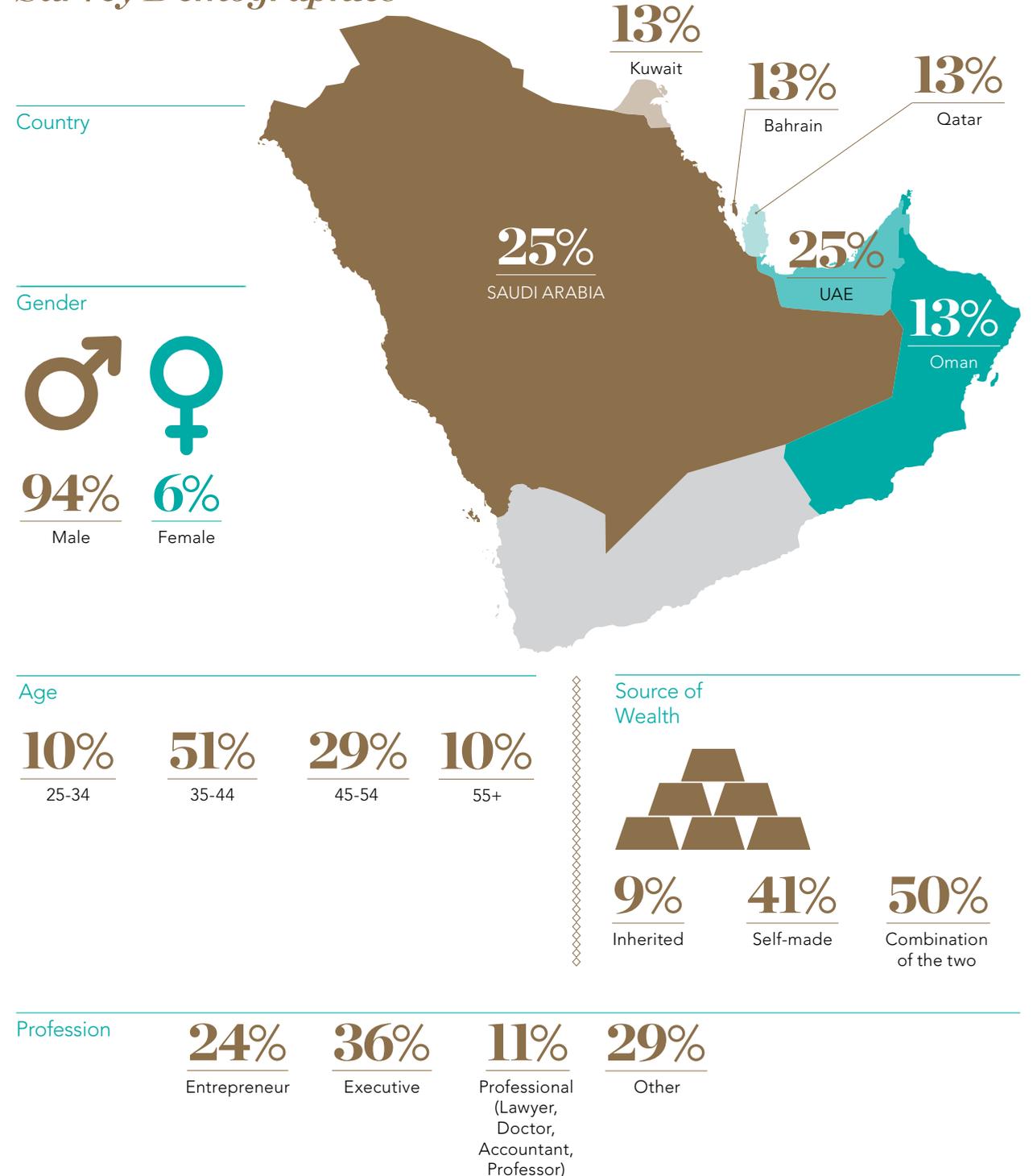
There is a large appetite for wealth accumulation, a distinct move among GCC based High Net Worth Individuals to creating and growing wealth rather than simply preserving it as we have seen elsewhere following the global financial crisis. Even as economic health improves after the multitude of ailments that resulted from this crisis, High Net Worth Individuals are more optimistic about longer-term prospects for the Gulf region over the global economy. Most respondents prefer keeping their assets closer to home; identifying and developing investment opportunities within the region is likely to be attractive in the future. The findings also identify a shift in the relative importance of different investment asset classes. HNWI’s expect to increase the proportion of their wealth invested into own business and in real estate.

Real GDP growth rates (%)

Real GDP	Avg. 2006-2010	2011	2012	2013E	2014F
Bahrain	5.9	2.1	4.8	4.4	3.3
Kuwait	1.3	6.3	6.2	0.8	2.6
Oman	6.9	4.5	5.0	5.1	3.4
Qatar	18.1	13.0	6.2	5.1	5.0
Saudi Arabia	5.9	8.6	5.1	3.6	4.4
UAE	2.6	3.9	4.4	4.0	3.9
GCC	6.0	7.7	5.2	3.7	4.1

Source: IMF

Survey Demographics



Base: all answering (80)

Economic Sentiment

In recent times, we have witnessed a global recession, political instability and even stagnation in some economies around the world, which have had a significant effect on investment choices. We asked the region's wealthy about their optimism for the recovery of the local and global economies. We also enquired about how the so-called "Arab Spring" has affected their choices to gain a deeper insight into their attitudes to investing – now, and in the future.

Overall, the respondents are fairly positive in their future outlook for both the regional and the global economy with almost half expecting the global economic situation to be better in a year's time. In the main, positive sentiment towards the global economic situation is based on perceived business growth and stabilisation of developed markets and currencies.

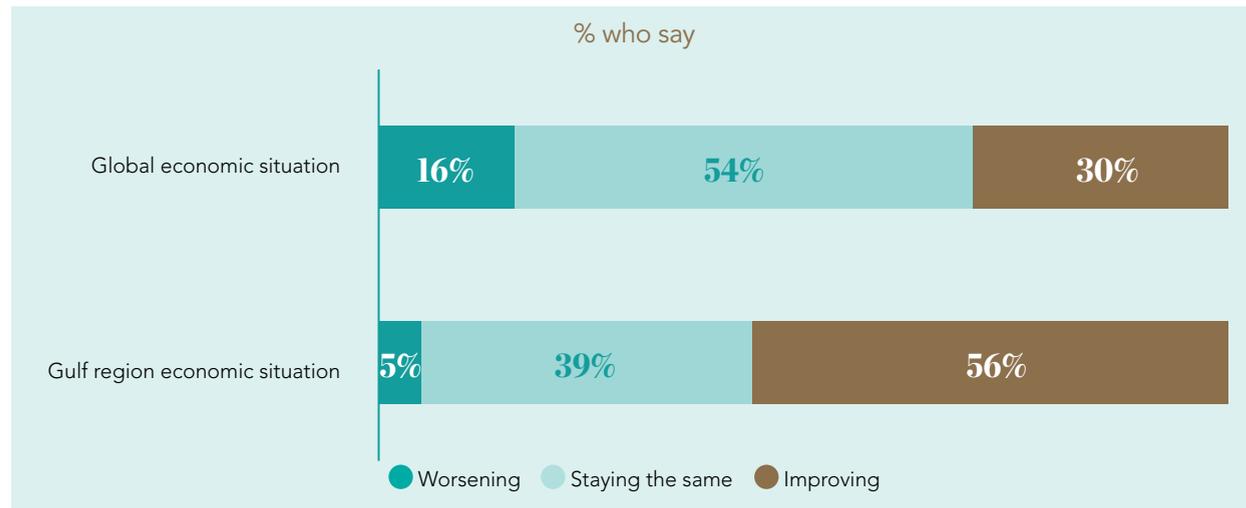
Overall, the respondents are fairly positive in their future outlook for both the regional and the global economy

Left
Palatial interiors
of Dubai's Burj Al
Arab hotel, UAE

Views of the current economic situation

HNWIs are more likely to say the condition of the global economic situation is improving (30%) rather than worsening (16%) but the predominant view is that the situation is staying the same (54%).

Respondents are nearly two times as likely to say the economic situation in the Gulf region is improving (56%) than to say the global economic situation is improving (30%).



Improving

A quarter or more of those who say the global economic situation is improving attribute it to perceived business growth leading to greater availability of investment opportunities (29%), stabilisation in stock markets and major currencies (25%) and a general perception that the global economy is emerging from recession (25%).

“I think it is improving because the market is currently active and the real estate sector is becoming more active and vigorous.”
Oman



Staying the same

Those who say the global economic situation is staying the same are most likely to say this is due to the perceived on-going financial crisis and slow economic growth in major economies (40%) and political instability, conflict and recent wars (30%).

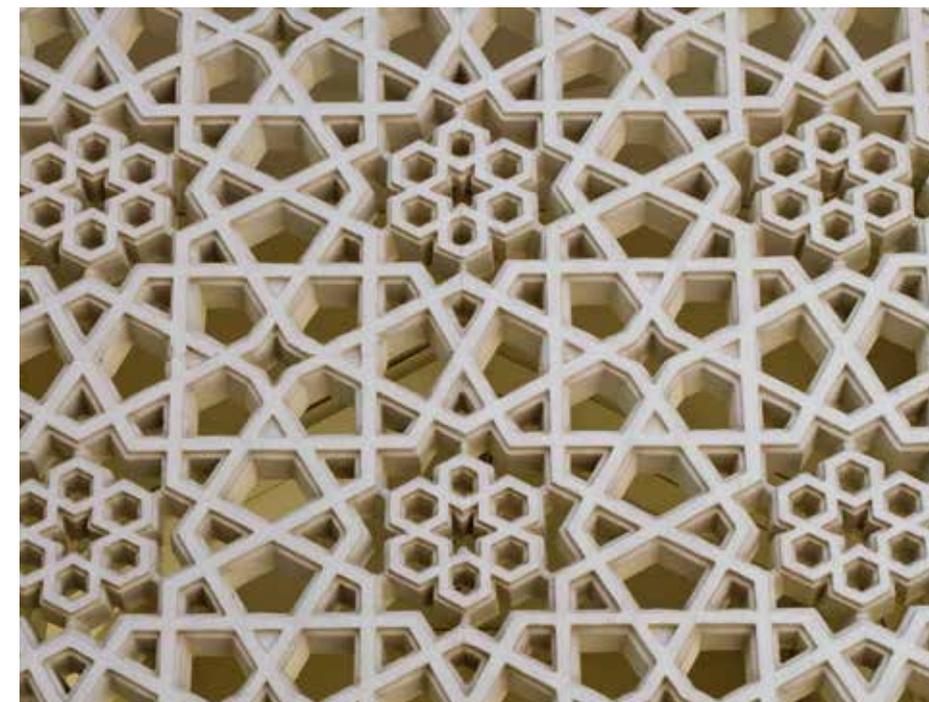
Global economic situation:



Worsening

Nearly half of those who say the situation is worsening are concerned about global political stability due to recent conflicts and wars (46%).

Almost a third (31%) say inflation and higher product prices are signs of the global economic situation getting worse.



Global economic situation:



Intricate wall design in the Bastakiya area next to Dubai Creek, UAE

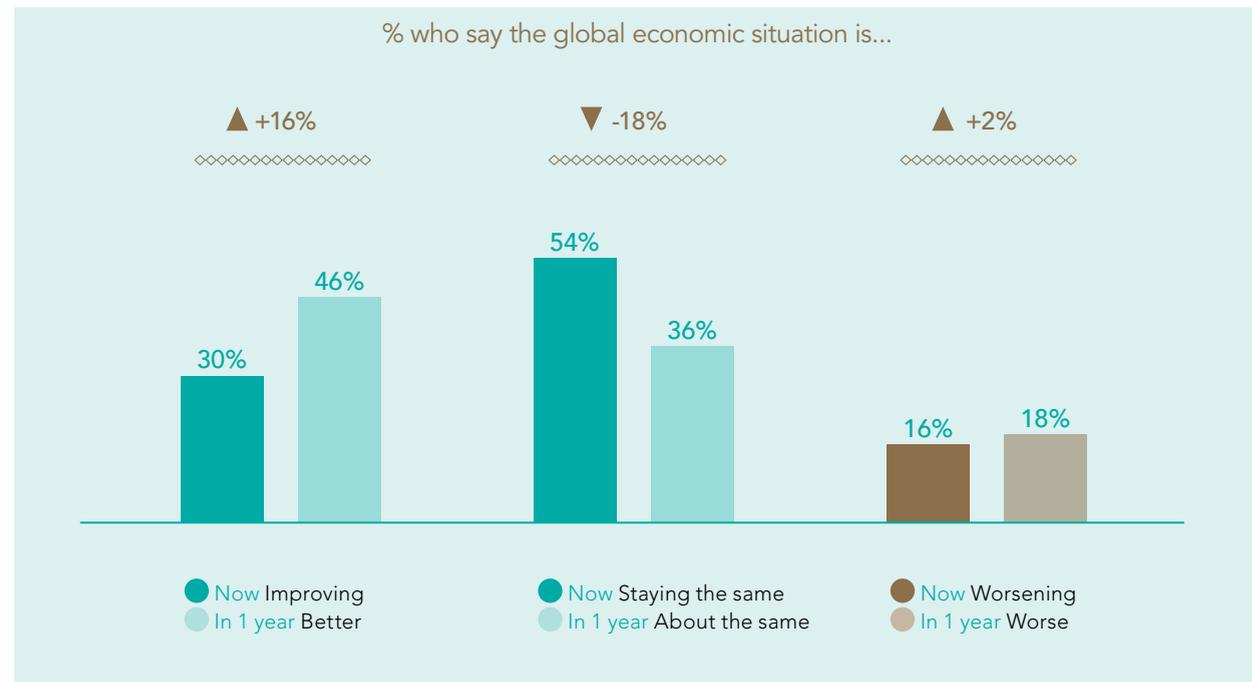
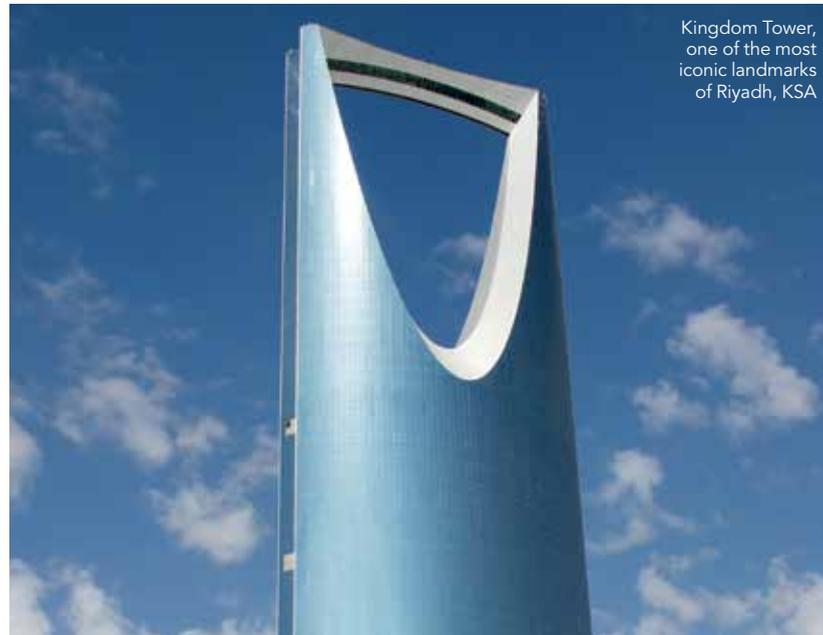
Confidence in the global economy is returning

30%

think the global economic situation is improving now.

46%

think it will be better in one year.



Base: all answering (80)

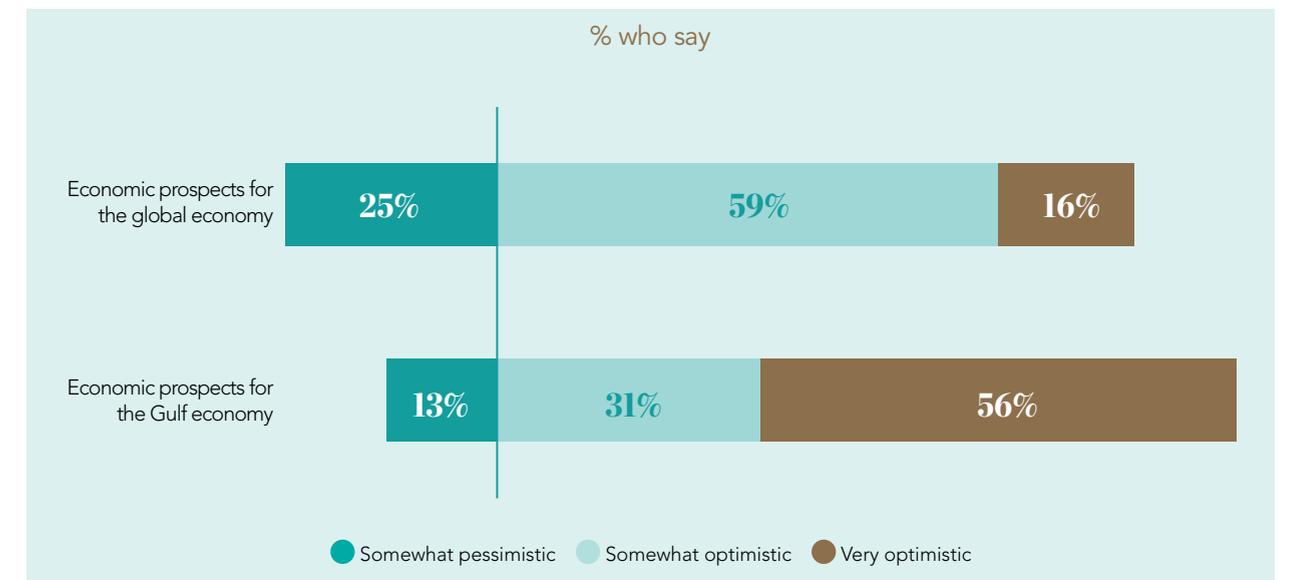
Views on future Economic Prospects

75%

of respondents say they are very optimistic (16%) or somewhat optimistic (59%) about the economic prospects for the global economy over the next five years.

87%

of HNWIs say they are very optimistic (56%) or somewhat optimistic (31%) about prospects for the region over the next five years. There is higher optimism and a greater intensity of feeling towards economic prospects in the Gulf.



Base: all answering (80)

Prospects for the Gulf Economy: Optimism vs Pessimism

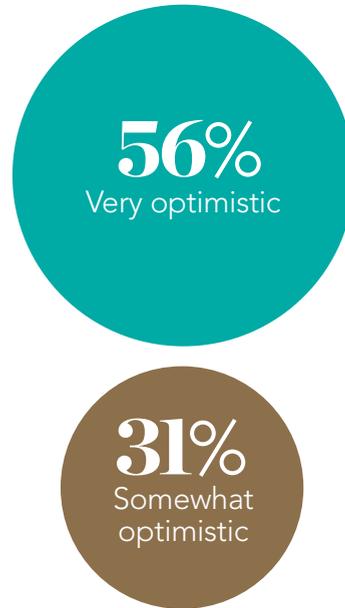
Among those who are at least somewhat optimistic about five year prospects for the Gulf region, the main reasons are an abundance of oil resources (23%), opportunities for investments through international events in the region (21%) and the presence of strong and stable economies (21%).

66

I think the Gulf region...has a high likelihood of growth. After Expo 2020 job opportunities... and building developments will make the economy stronger than before.
UAE

99

Gulf economy:



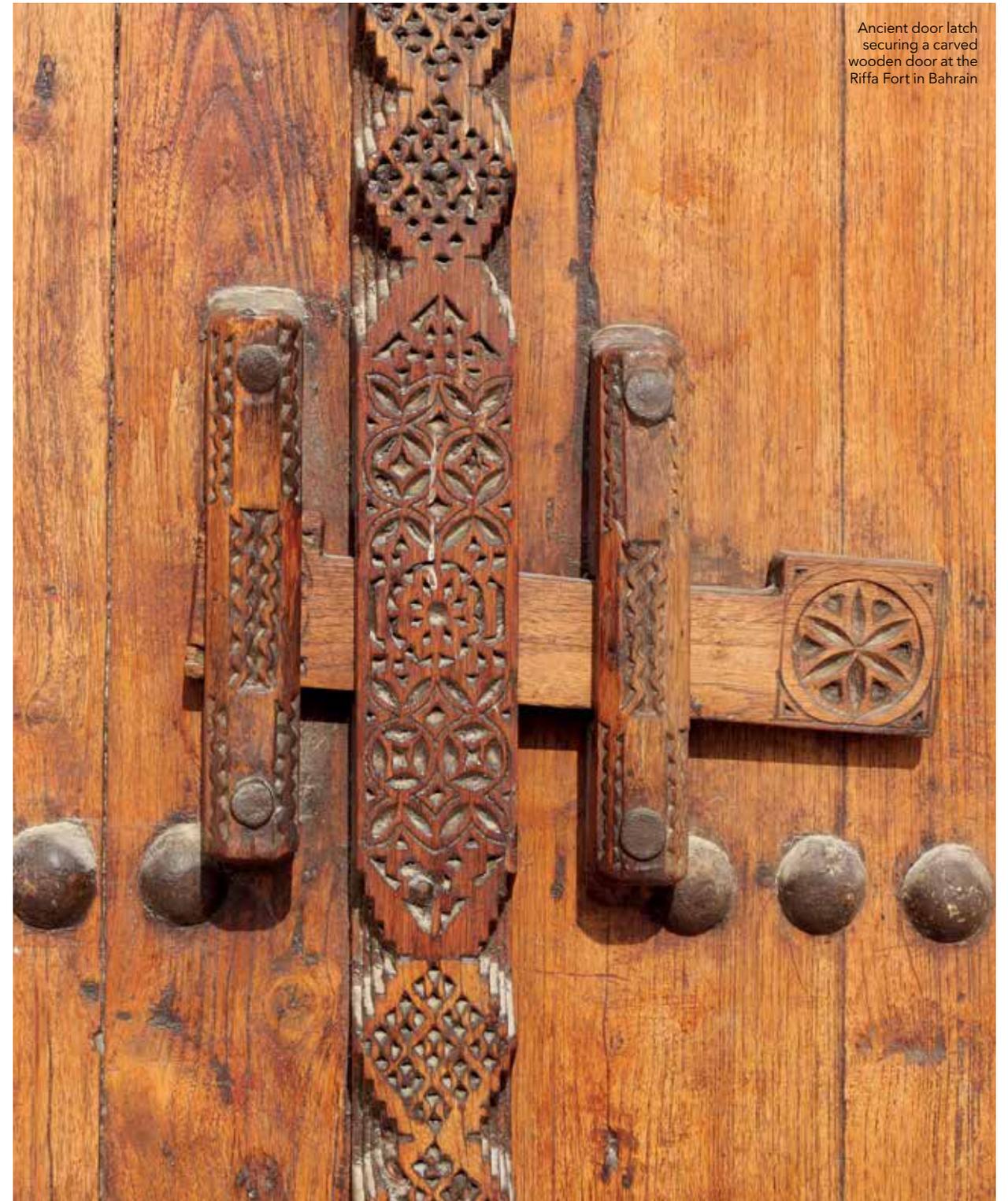
Of those who are pessimistic about prospects for the Gulf region:

50%

say this is due to the negative impact of conflicts in the Arab world on the region.

40%

say the prospects for the region are correlated with, and therefore reliant on, the U.S. and Western economies.



Ancient door latch securing a carved wooden door at the Riffa Fort in Bahrain

Wealth Decisions

The world in recent years has experienced troubled times, both economically and politically. Recent events have reshaped the investment landscape and the impact on investors has been clearly seen, with a more cautious approach taken.

In the survey, respondents were asked about their views on how the global downturn and the Arab Spring have impacted their banking and investment decisions.

HNWIs are now increasingly aware of investment risk and are paying closer attention to underlying risks before making any decisions. In a positive move, of those respondents who say the global downturn has affected their decisions, 21% say the impact was short-lived and their behaviour is returning back to normal.

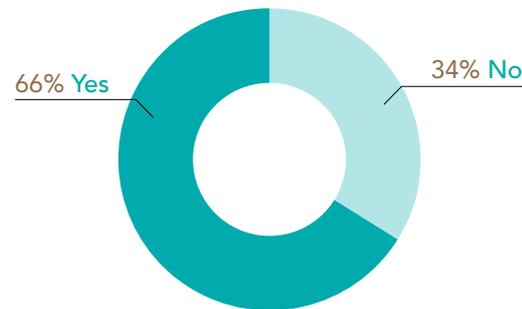
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Inspiring
chandelier and
dome of the
Sheikh Zayed
Grand Mosque in
Abu Dhabi, UAE

Views on how Global downturn has affected Banking & Investment decisions

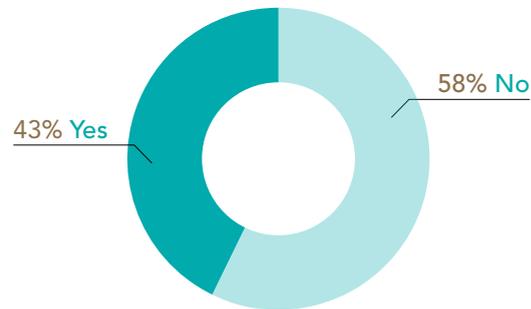
Decisions have been affected by global downturn:

66%

% who say the global downturn has affected decisions...



% who say local economic conditions have affected decisions...



Of those who say their decisions have been affected by the global downturn:

38%

say they are now more cautious and conscious of the risks related to their investments.

13%

of respondents say they have also focused on investments in the Gulf region.

21%

say the impact of the downturn was short-lived and their behaviour has now returned to "normal".

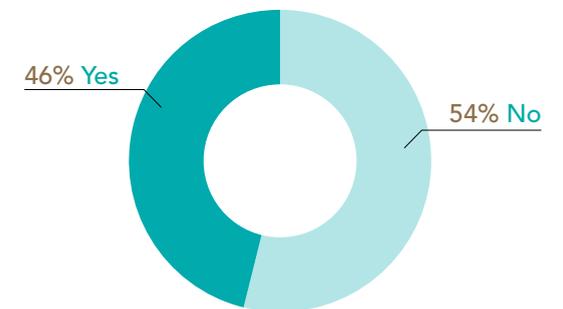
66
Before making any investment decision, I now look at the amount of risk... unlike in the past when we used to go into any kind of investment.
Kuwait
99

Those who have been affected by local economic conditions tend to say their investment decisions have been affected in a similar way to those affected by the global downturn. The effects most often mentioned are an increased awareness of risk (21%) and a limitation or reduction in the size of some investments (18%).

The Arab Spring and events that followed have affected investment decisions for nearly half (46%) of respondents

Half who say the Arab Spring affected their investment decisions are hesitant to make new investments in affected countries.

% who say they have been impacted by the Arab Spring



Distinctive blue-green spheres of the Kuwait Towers

Financial Allocation Decisions

The investment world is becoming increasingly complex with a wider and deeper pool of choices, whether geographical or selecting asset classes in order to deliver the desired return. HNWI's are presented with many investment opportunities and a number of influencers come into play, whether they be political, geographical or economic.

In the survey, respondents were asked whether they are "global" investors or if they prefer to keep their assets closer to home. The results

have shown that investors are becoming increasingly confident in the region, whilst some investors still continue to invest globally as a method of diversification and seeking stability from developed markets.

In a significant shift and in contrast to the years of global downturn, HNWI's are now overwhelmingly more focused on wealth generation than preservation. Nine in ten say they are currently more focused on growing their wealth while only 10% are focused on preserving wealth.

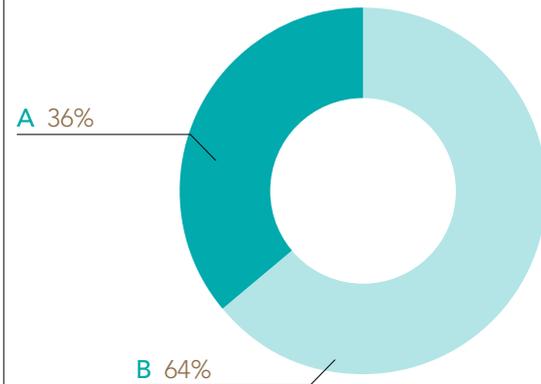
Left
Circular light
suspended above
the central space
in the Qatar
Museum of
Islamic Art

Investing: Globally vs Locally



HNWIs are nearly twice as likely to say they prefer to invest in assets closer to home rather than globally.

- A Global investor
- B Prefer to keep assets closer to home



HNWIs who prefer to keep assets closer to home are most likely to volunteer their main reasons as confidence in the local economy and investments seen as stable and secure (47%), a general preference for keeping business interests close to home (22%) and a perception of greater control in managing investments themselves (14%).

“I feel safer in my country and my investments are more local than international.”
Qatar

””

24%

of those who say they are a global investor say that developed markets have greater stability than their home markets (24%) and global investment allows them to diversify or manage their risk (24%).

Prefers Global Investment:



17%

say they are a global investor to take advantage of global investment opportunities.

“I feel it’s safer to have investments in different parts of the world.”
UAE

””



Global Investors

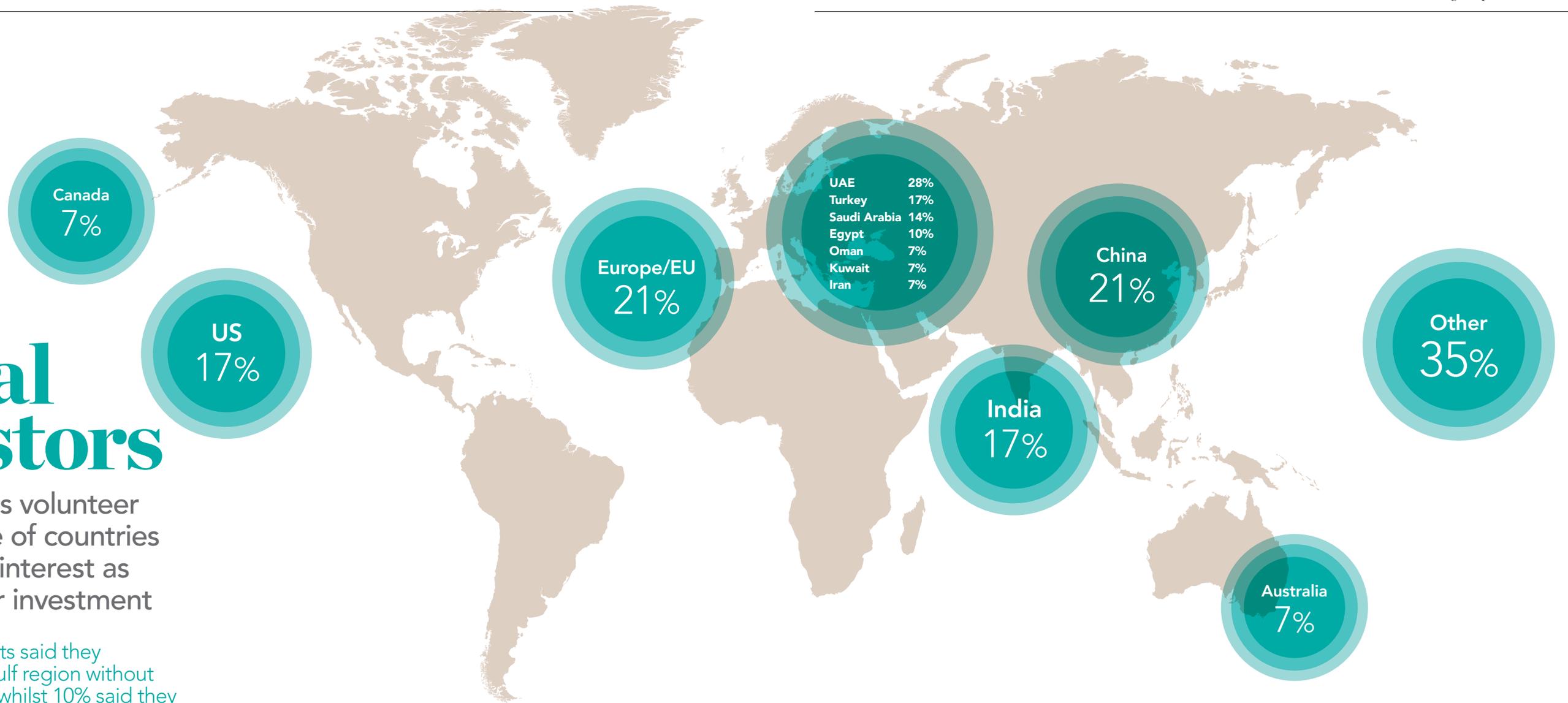
Global investors volunteer a diverse range of countries and regions of interest as destinations for investment

17% of respondents said they would invest in the gulf region without specifying a country, whilst 10% said they would invest in Asia without specifying a country.

When asked to say which regions global investors prefer, the countries or regions mentioned most often are: the UAE (28%), China (21%) Europe (21%), the U.S. (17%) and India (17%).

The main motivation for their choice tends to be based on a safe and secure investment environment or perceived economic prosperity and growth potential in the market.

Note: Percentages of response categories add up to more than 100% due to the allowance of multiple responses on this question. Base: all who say they are global investors (29)



“The U.S. is safe on the political level.”
Kuwait

“There is no major competition in the Middle East, which increases my investment opportunities, unlike in Europe & USA.”
Qatar

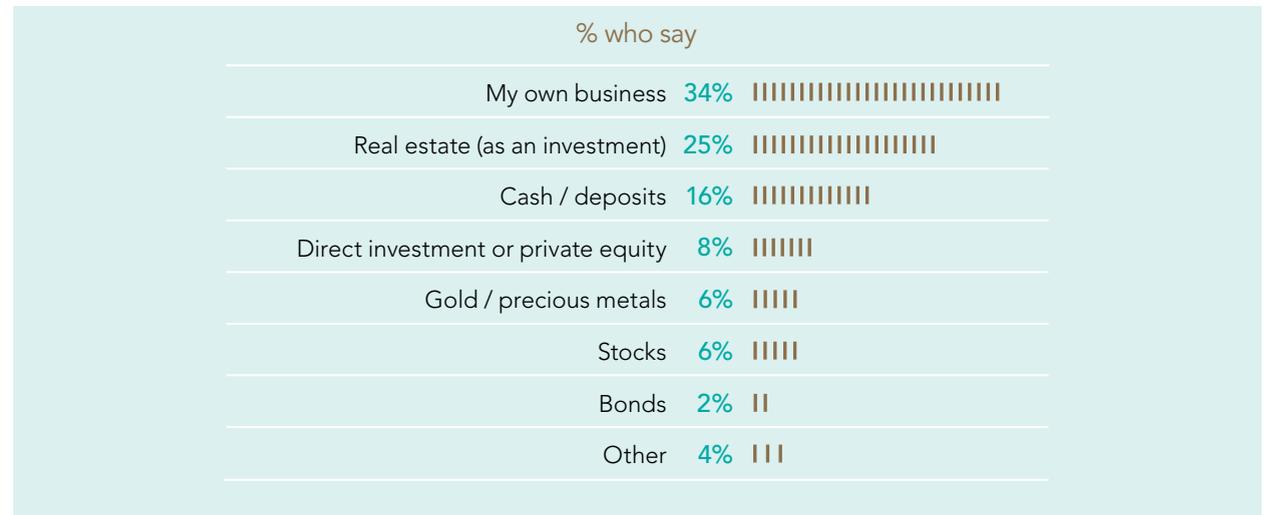
“The EU markets have huge chances to flourish within 3-5 years.”
UAE

“I personally feel that the Asian market will grow gradually, within 3-5 years it would be better to invest in Hong Kong, Malaysia and Singapore.”
UAE

Current allocation of wealth

HNWIs say about a third (34%) of their wealth is invested in their own businesses and a further quarter (25%) is invested in real estate.

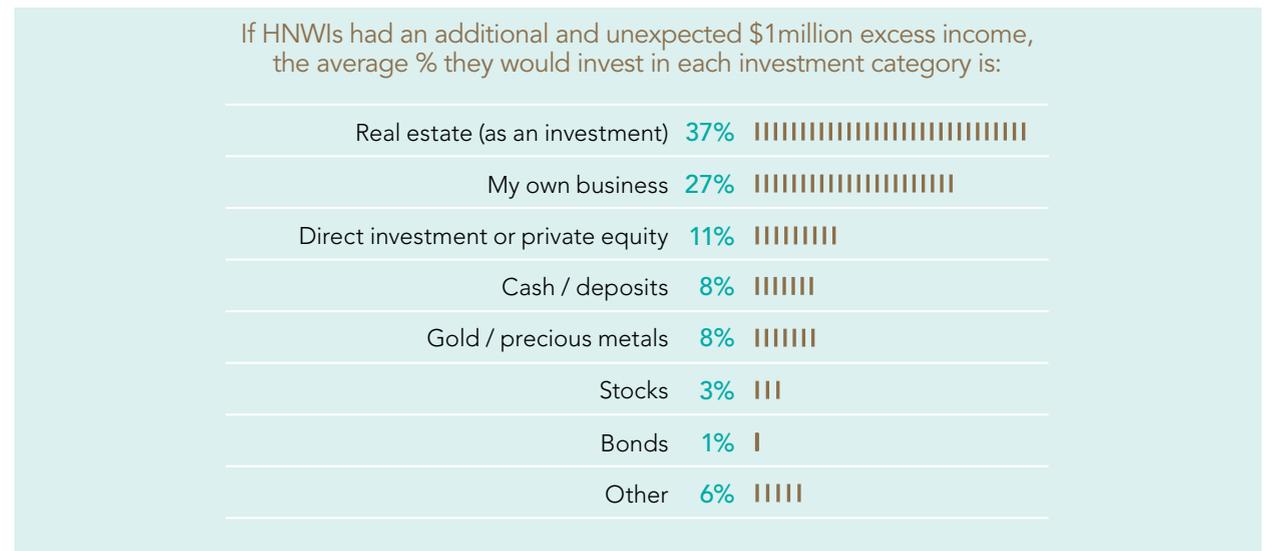
Most HNWIs spread their wealth across a range of investments; very few HNWIs (2%) invest all their wealth into one investment category.



Base: all answering (80)

Likely allocation of excess wealth

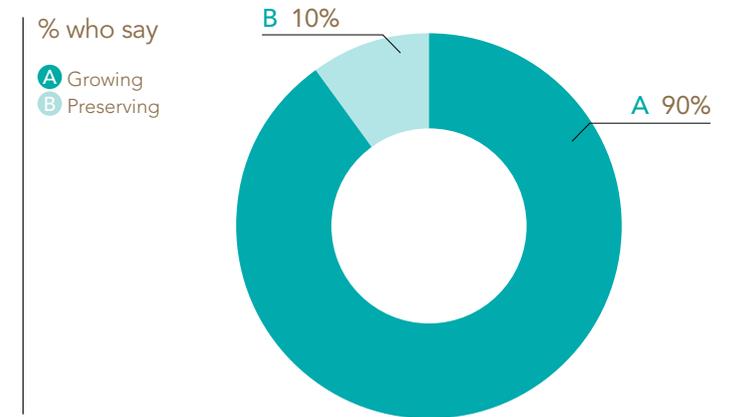
If HNWIs had an additional and unexpected \$1million excess income, the average % they would invest in each investment category is:



Base: all answering (80)

Accumulation vs Preservation

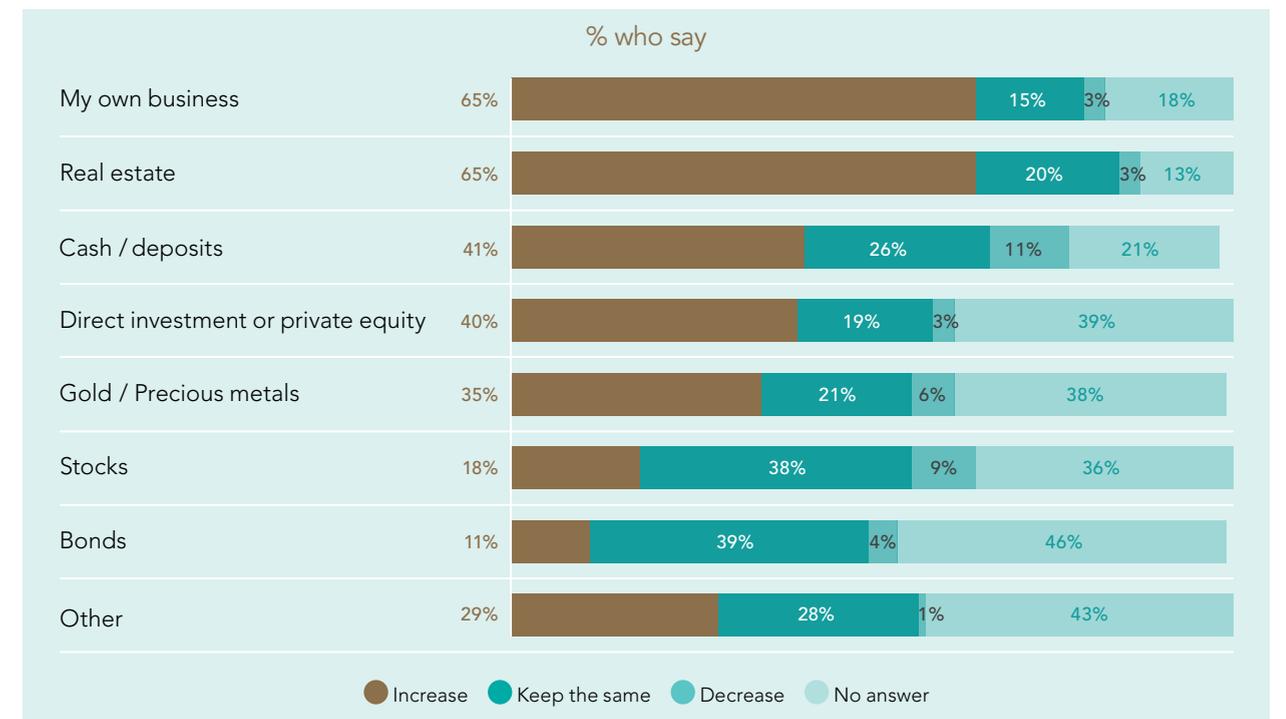
Nine in ten (90%) of those surveyed are currently more focused on growing their wealth while only 10% are more focused on preserving their wealth.



Future allocation of wealth

Two thirds expect to increase investments in their own business (65%) and real estate (65%) in the near future.

Two in five expect to increase their investments in cash or deposits (41%) and direct investment or private equity (40%).



Base: all answering (80)

Selecting a banking partner

There are estimated to be well over 150 banks operating across the GCC, some specialist, some international, all with varying capabilities and services. We wanted to understand what the main drivers were behind selecting a banking partner. There are practical, logical as well as emotional reasons which HNWI's take into consideration when it comes to choosing a banking partner: most prefer local banks; some choose customer service over location, and others spread their risk using several, separate banks.

The overwhelming majority consider (i) level of service, (ii) brand and reputation and (iii) fees as the most important factors that come into play when selecting a banking partner. More than half of the respondents prefer a local bank to help manage their wealth, and almost the same percentage would like their bank to include an investment banking offering. Security, trust and the depth of local understanding influence HNWI's.

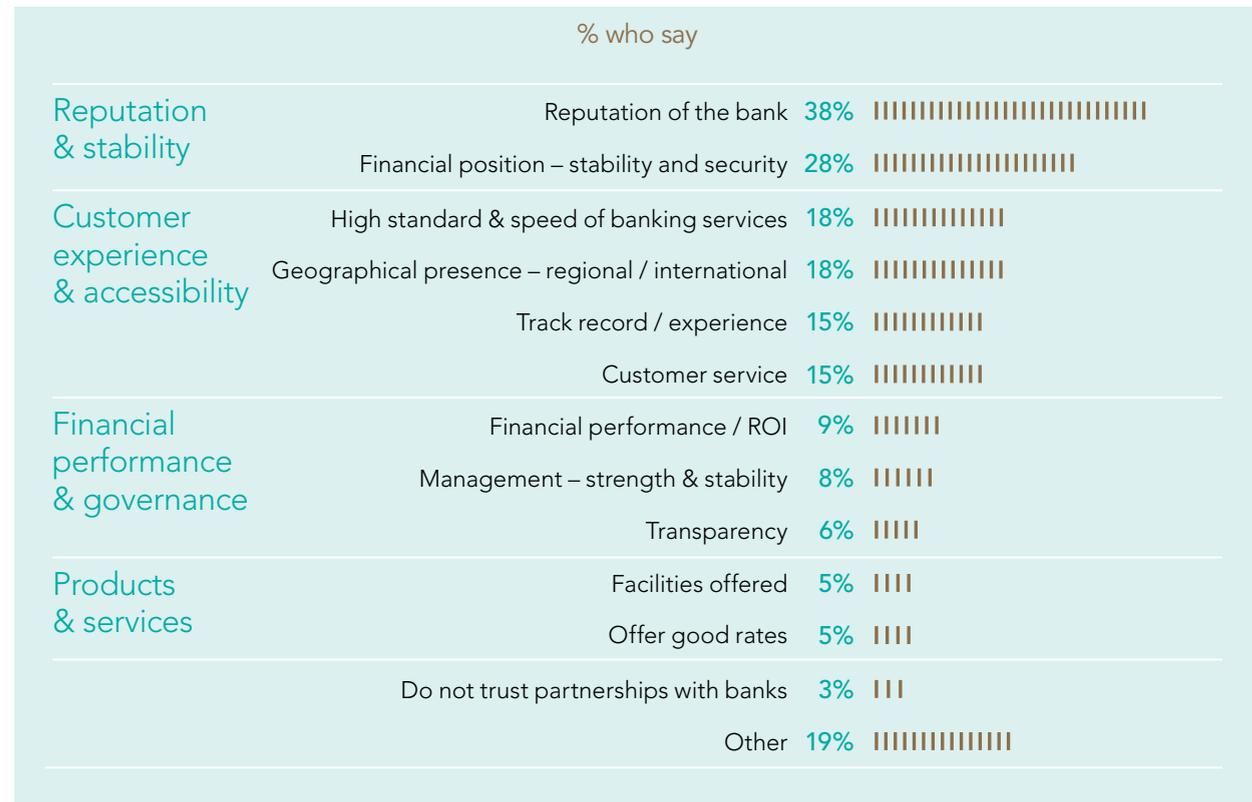
Left
Shade umbrella's
lining the courtyard
of Al-Masjid Al-Nabawi
in Medinah, Saudi Arabia

Factors when selecting a banking partner for wealth management

The factors that are most often mentioned as most important for selecting a bank as a partner for wealth management tend to cluster into a few broader categories: reputation and stability of the bank, customer experience or accessibility, financial performance and governance and products or services.

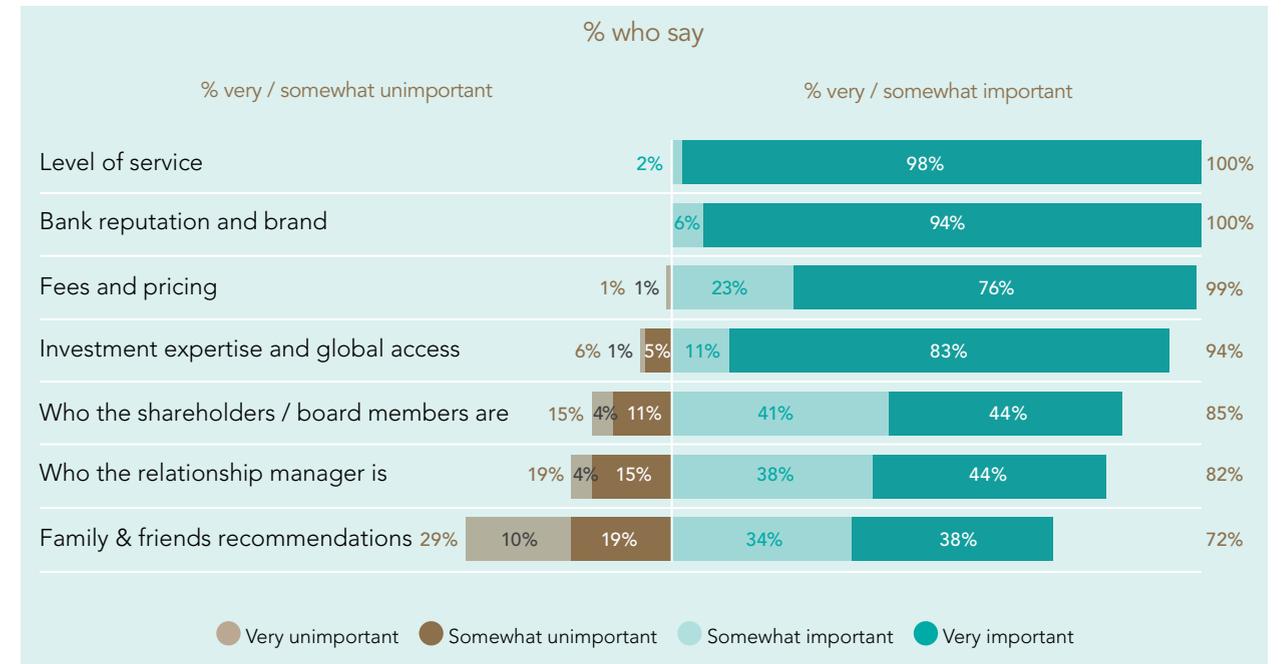
66
It must be a bank with a reputable history and whose financial and managerial stability are guaranteed.

UAE
 99



Base: all answering (80)

Factors in selecting a local banking partner



Base: all answering (80)



Collection of Omani bijoux jewels made from silver and precious stones

Level of service, brand and reputation and fees are rated as the most important factors in selecting a local banking partner.

More than half of respondents prefer a local bank to help manage their wealth

Prefer local bank to manage their wealth:

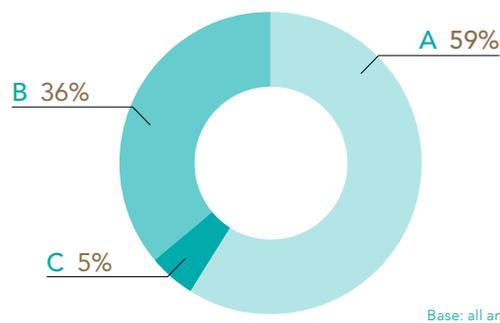
59%

71%

of respondents say the main bank currently helping them manage their wealth is a local bank.

% who say they prefer a local bank or an international bank to help manage their wealth...

- A Local
- B International
- C None



The main reasons volunteered by HNWIs who have a preference for a local bank to help manage their wealth are perceived security and trust (38%), a better understanding of the local regulations or market (28%) and easier access to banking services (19%).

Global presence and access to global opportunities are most often mentioned as reasons for using an international bank

36%

say they prefer an international bank to help manage their wealth.

of those who prefer an international bank to help manage their wealth:

17% say they think an international bank has greater security and stability than a local bank.

More than one in ten say that international banks offer better services (14%) and have a greater depth of knowledge and expertise (14%).



Ancient doorway decorated with stone carvings, Riffa Fort in Bahrain

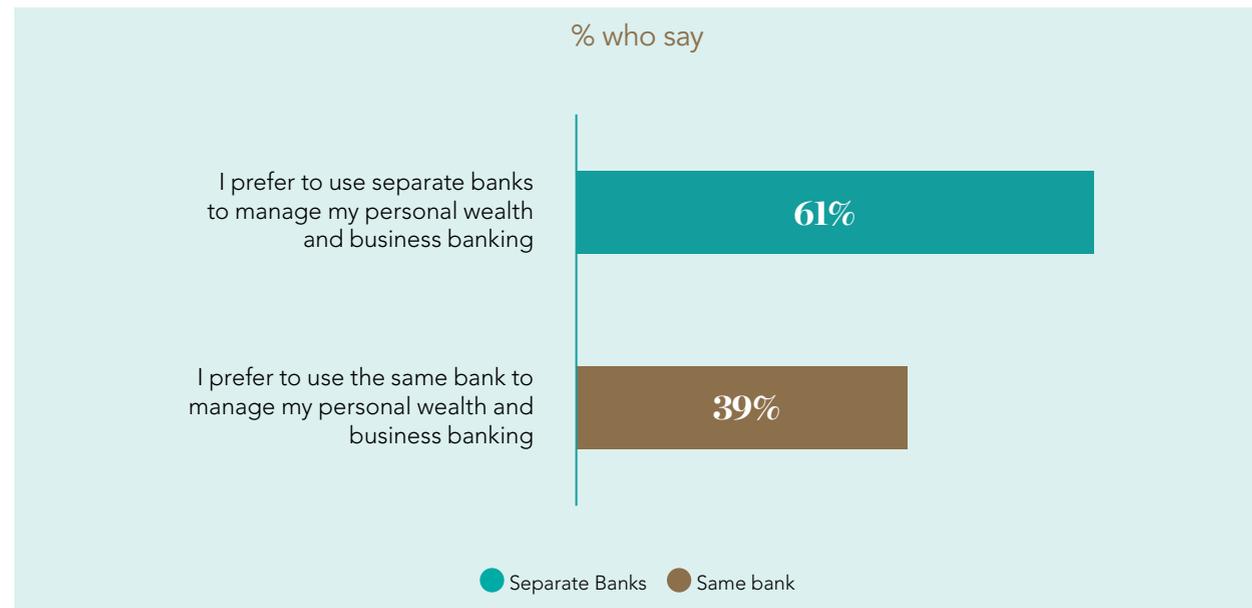
Managing personal wealth and business banking

61%
 prefer to use separate banks to manage their wealth and business banking.

“ I think risk should be divided between banks when it comes to personal and business wealth. **Bahrain** ”



The anchor mooring bow of an Omani fishing Dhow

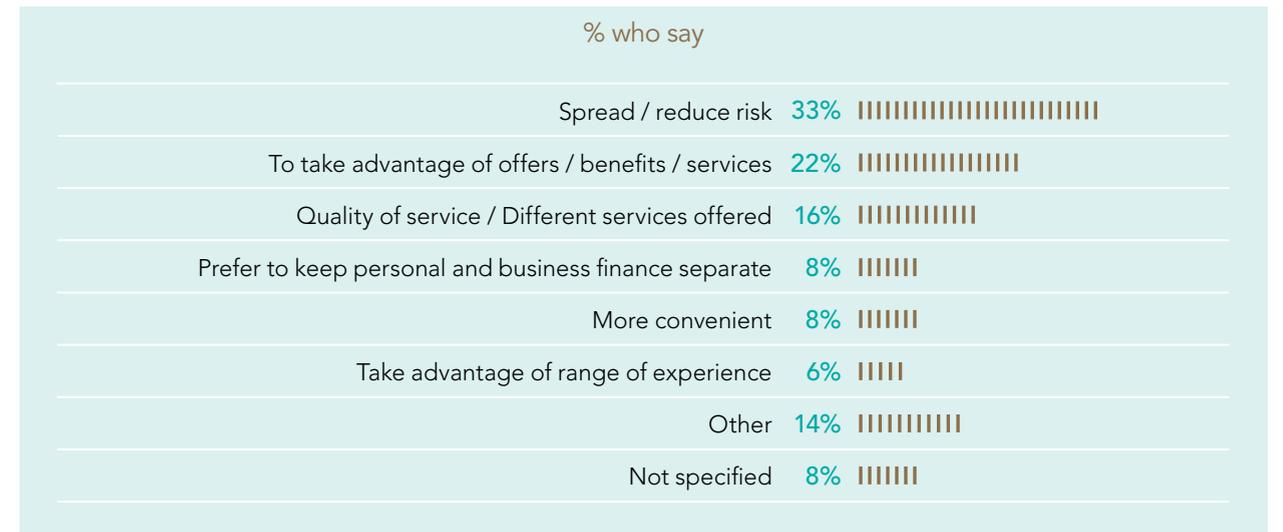


Base: all answering (80)

Reasons for using separate bank

33%
 of HNWIs who prefer to use separate banks for their business and personal banking say they do so to spread risk.

22%
 think using separate banks allows them to take advantage of the offers, benefits and services that are available.



Base: all who say they prefer to use separate banks (49)



The crystalline honeycomb facade of the Al Bahr Towers in Abu Dhabi, UAE

Research background

In total, 80 HNWIs were included in the GCC Wealth Insight Survey from the United Arab Emirates (n=20), the Kingdom of Saudi Arabia (n=20), Bahrain (n=10), Oman (n=10), Qatar (n=10) and Kuwait (n=10). Interviews were held in each country, and conducted face-to-face in Arabic and English among the national population as well as expatriates.

Participants were asked for their views on a variety of topics linked to financial issues and investing, including:

■ **The current and future economic situation globally and in the Gulf region**

■ **Allocation of assets – currently and in the short term future**

■ **Selection of banking partner for managing wealth**

The fieldwork took place throughout the GCC during November 2013 and January 2014.

For this survey, Ipsos undertook the role of conducting face to face interviews and data collection. Brunswick Insight then led the data analysis and presented the final conclusion of findings.

Note: Where responses do not add up to 100% this may be due to multiple responses, computer rounding or exclusion of “don’t know” responses.

Partner Profiles

Ipsos is a leading market research company operating globally with expertise in developing, managing and co-ordinating international research. Ipsos Observer is a division of Ipsos which specialises in field and tab projects and delivers high quality fieldwork, data delivery and omnibus research in the Middle East and internationally. Ipsos strictly adheres to the ESOMAR code on market and social research, which sets out global self-regulation codes for market research companies.

Brunswick Insight is the practice within Brunswick Group, a leading global financial PR agency, which focuses on using opinion research to help clients better understand their relationships with stakeholders and communicate more effectively. Insight use a range of qualitative and quantitative research techniques to help companies and organisations develop more effective communications strategies.



بنك الإمارات
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