

Engaging The Next Generation Consumer

15th Malaysian Banking Summit

May 19th – 20th 2011

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Agenda

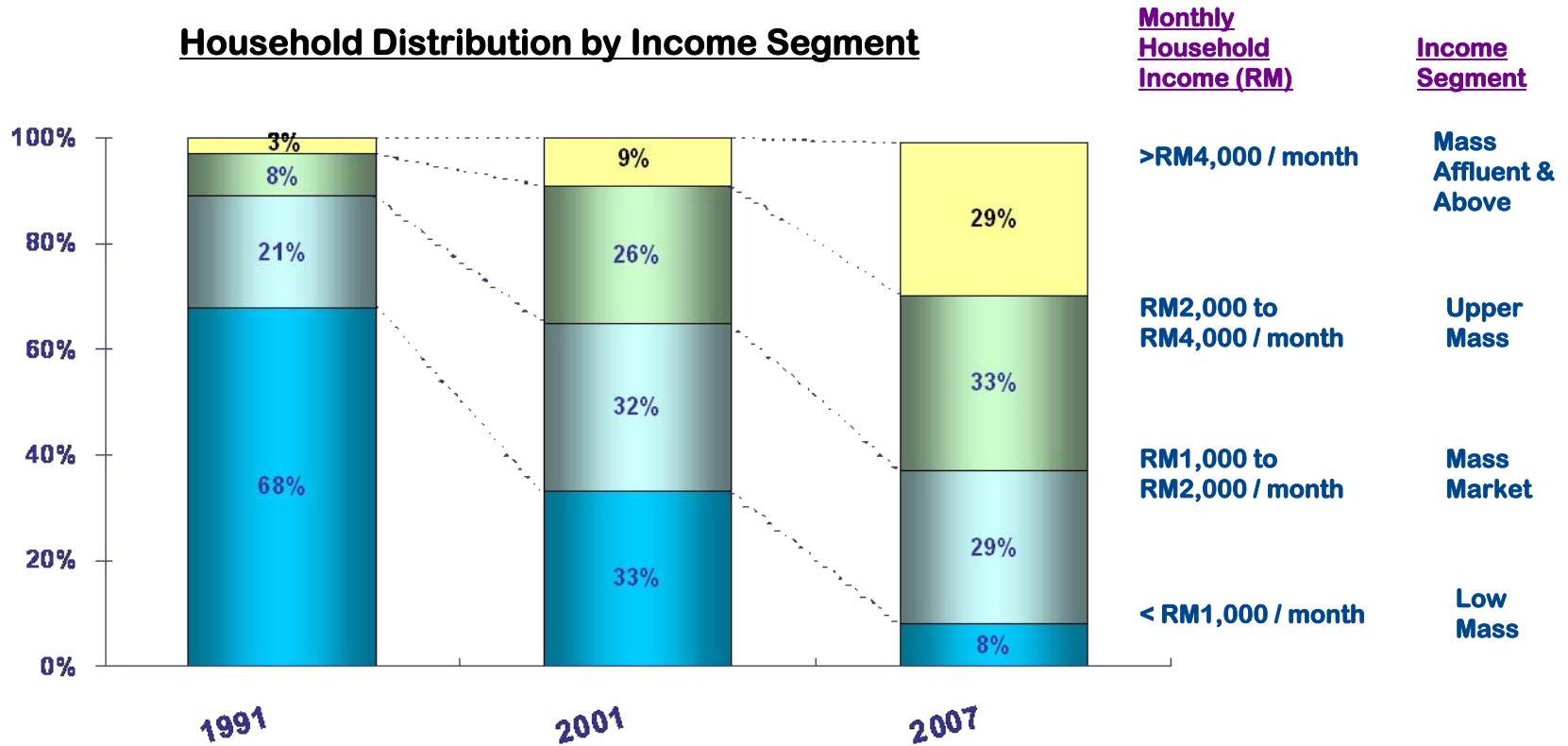
- **Outlook of Retail Banking in Malaysia**
- **Who Are The Next Generation Consumers**
- **Range of Financial Products & Services For The Next Gen Consumers**
- **How To Use Social Networking To Engage With These New Gen Customers**

What Is The Immediate to Medium Term Outlook For Retail Banking

Positive Outlook For Retail Banking

Rising Purchasing Power of Consumers

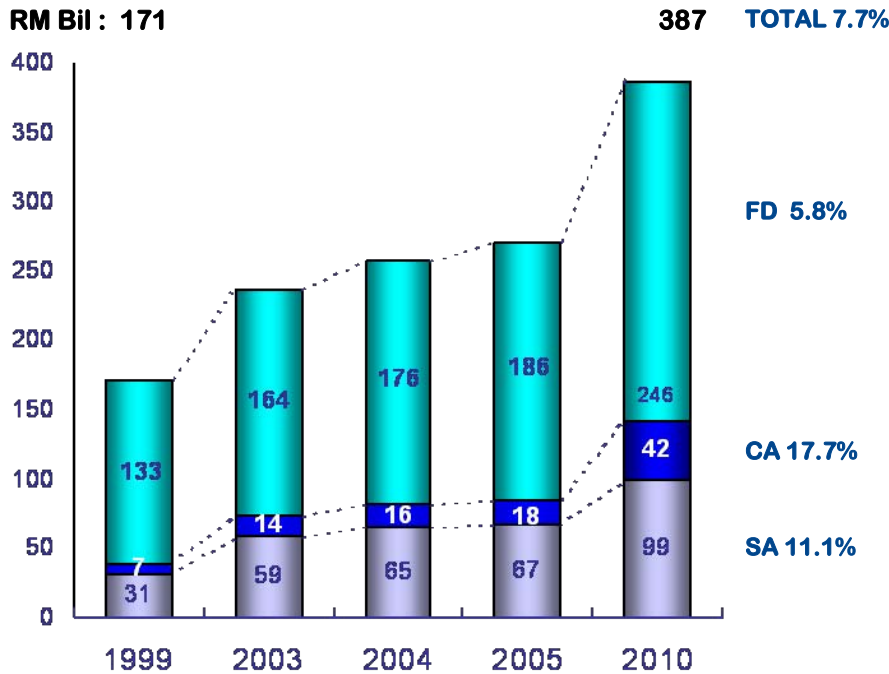
Household Distribution by Income Segment



Household financial position remained strong due to income growth and improved employment conditions

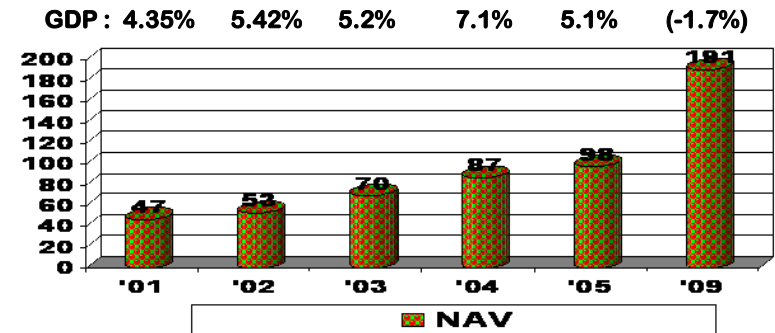
Positive Trends In Household Savings and Investments

Industry Retail Deposits (1999 - 2010)RM Bil
CAGR of 7.7%



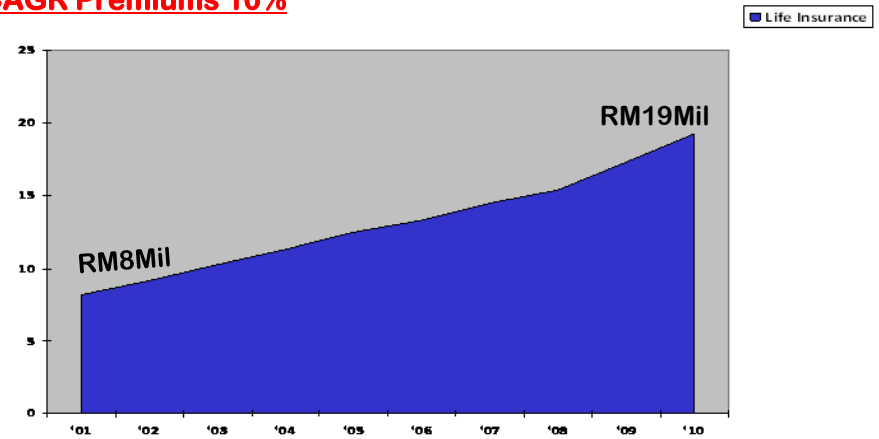
Source: BNM Statistical Reports

Industry Net Asset Value (2001-2009) RM Bil
CAGR NAV 19.2%



Source: FIMM Annual Reports

Industry Life Insurance Premium (2001-2010) RM Bil
CAGR Premiums 10%



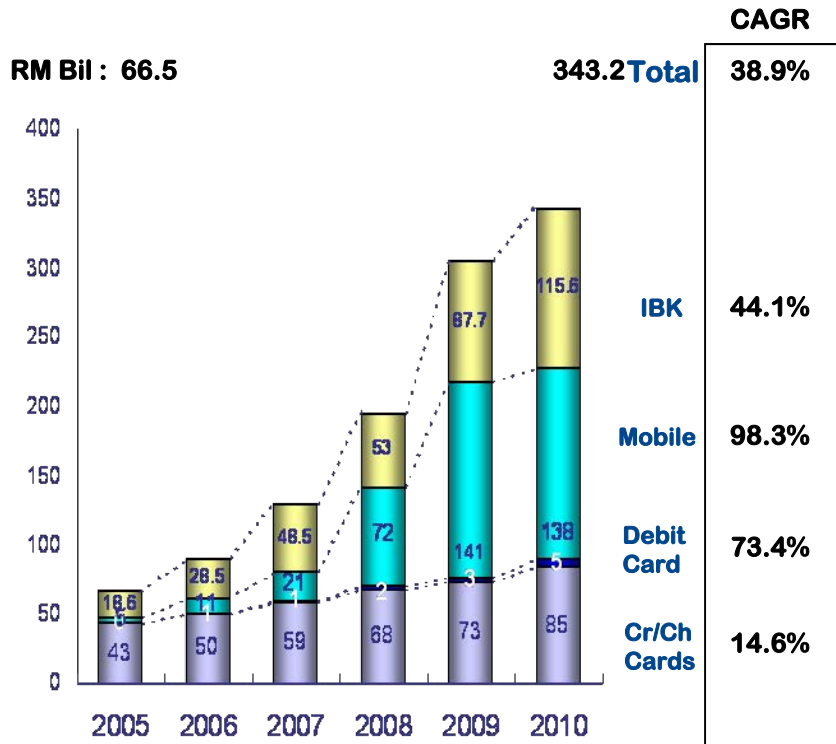
Source: BNM Insurance Annual Report Business In Force Direct Insurers

Electronic payments grew together with appetite for higher borrowings. Households' outlook positive

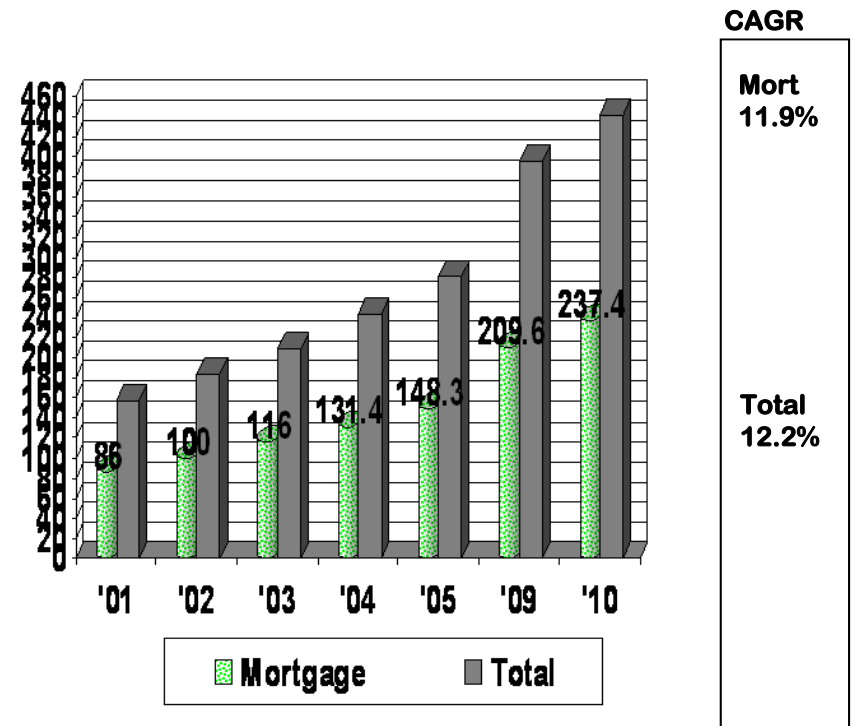
Industry Electronic Payments (2005 - 2010) RM Bil

Industry Retail Loans Outstanding (2001-2010) RM Bil

GDP : 4.35% 5.42% 5.2% 7.1% 5.1% (-1.7%)



Source: BNM Statistical Reports



Source: BNM Report 1.19.4 HL+AF+PU+CC

Key Factors Affecting Retail Banking Growth

- Growing household income
- Growing consumerism
- Culture of borrowing – Permanent Income Hypothesis*
- Aspiration for better lifestyle
- Intense competition by banks

Note: * hypothesis states that the choices made by consumers regarding their consumption patterns are determined not by current income but by their longer-term income expectations.

Who Are The Next Generation Consumers Whom Banks Have to Serve?

The Next Generation Consumers

Who Are They?

- Gen Y (or Millennials) refers to individuals born between 1980 & 1995 (age 15 to 30 years old)
- They are typically bold, brash, Facebooking, iPhone lovers, Multitaskers, Tweeting
- Technology is crucial to them.
 - They are the first generation to have built social networks online.
 - They develop close friendships based on online interaction.
 - They blog, tweet and update their Facebook status
- They seek out information in the net to make a purchase decision
- They expect exceptional banking experience and service
- Gen Y constitute about 27% (or 7Mil) of our population

So, What Do These New Gen Customers Want From Their Banks?



Do We Know What Customers Want ?

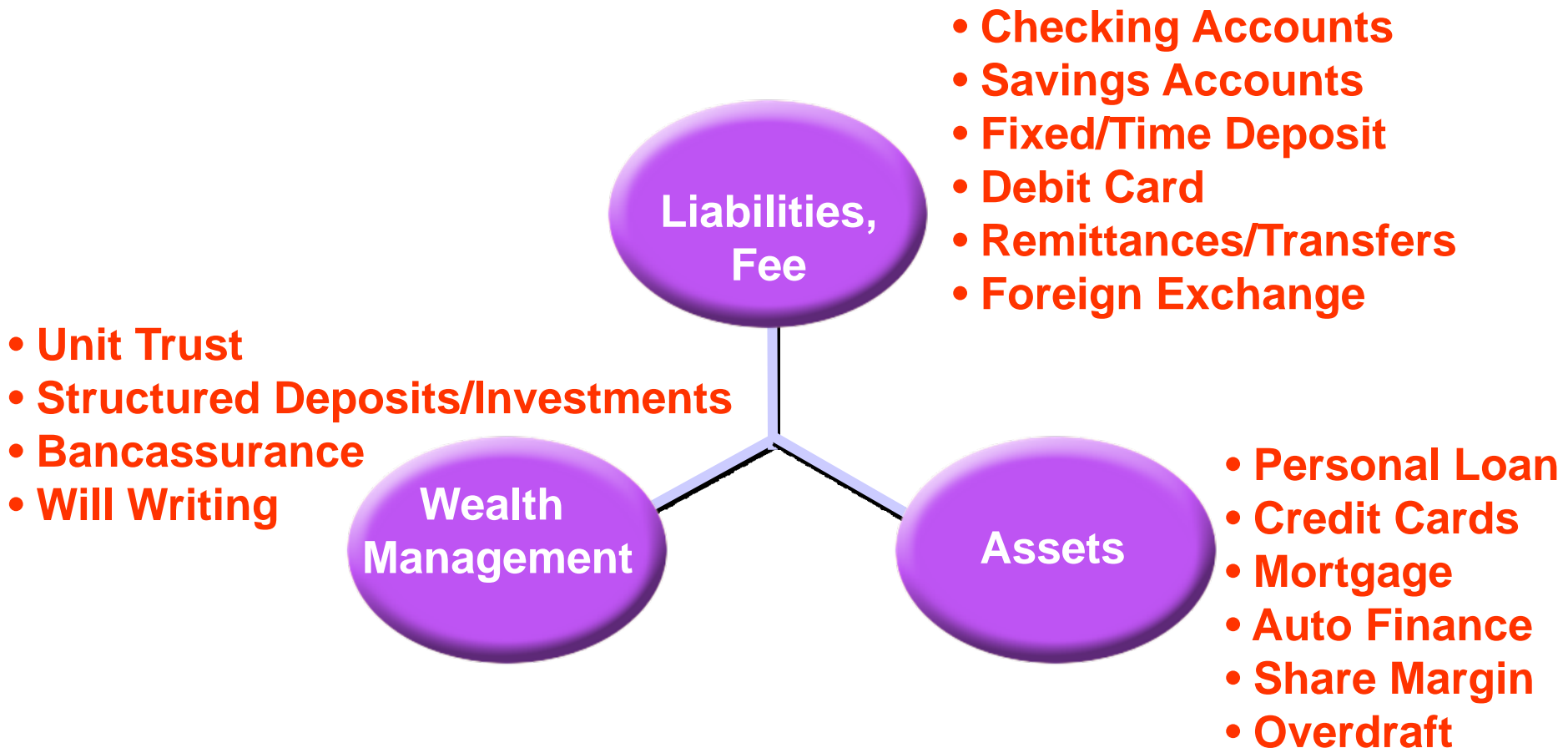
Do Customers Really Know What They Need and What They Really Want?

Banking With Gen Y

- **Financial Novices**
 - Basic banking services – CASA, loans, credit & debit cards
- **Spend Now Save Later**
 - Need financial advice & financial planning
- **Demanding with higher expectations from bankers**
 - Want it – right here and right now
- **Relies on mobile devices for banking activities**
- **Loves social media**
 - Will do extensive research and gather information through social media and social networking
- **Loves cool ‘products’**
 - Simple to understand and easy to use products

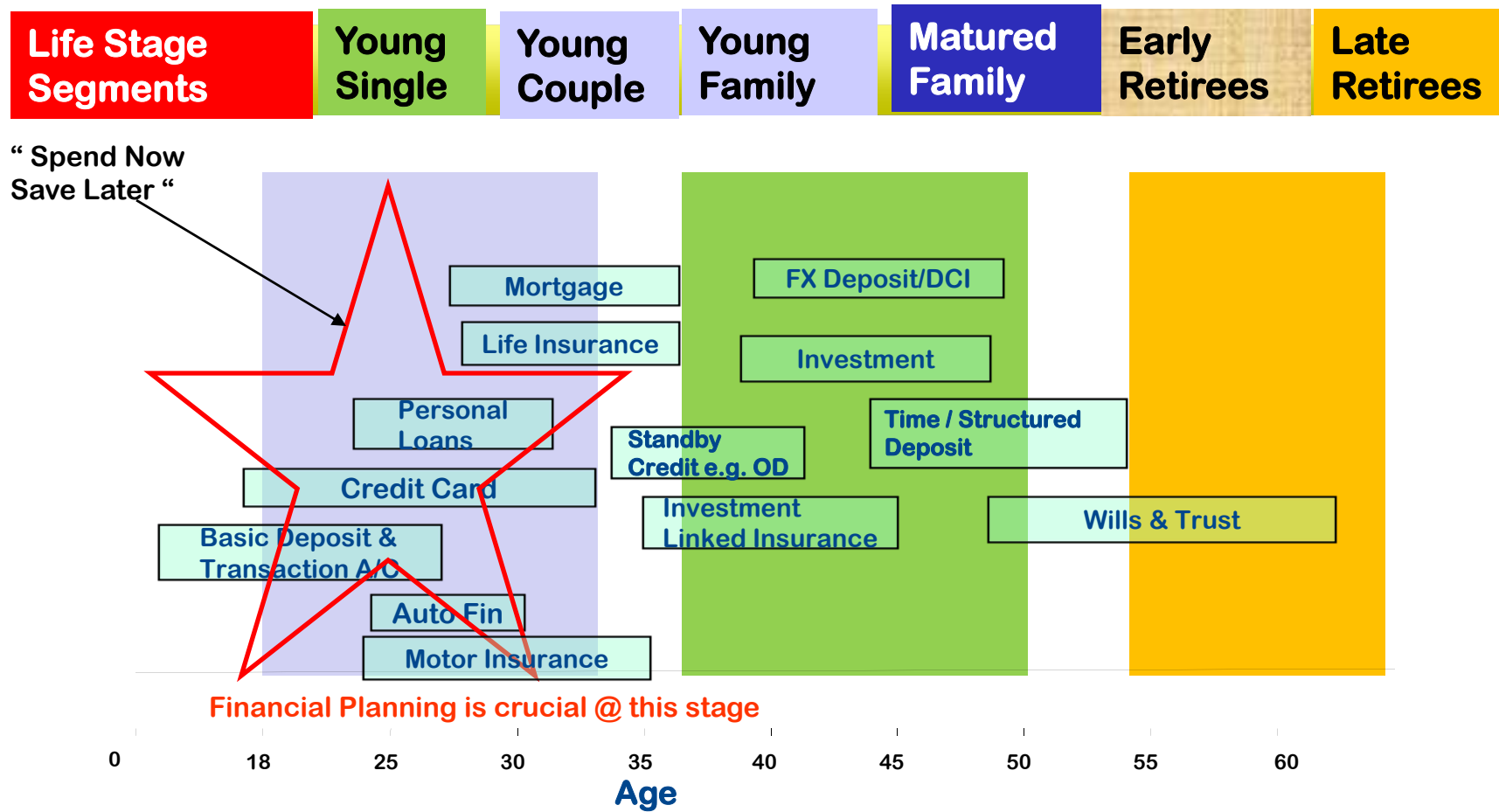
Range Of Products & Services Of Retail Bank To Serve Consumers

Retail Bank Key Products & Services

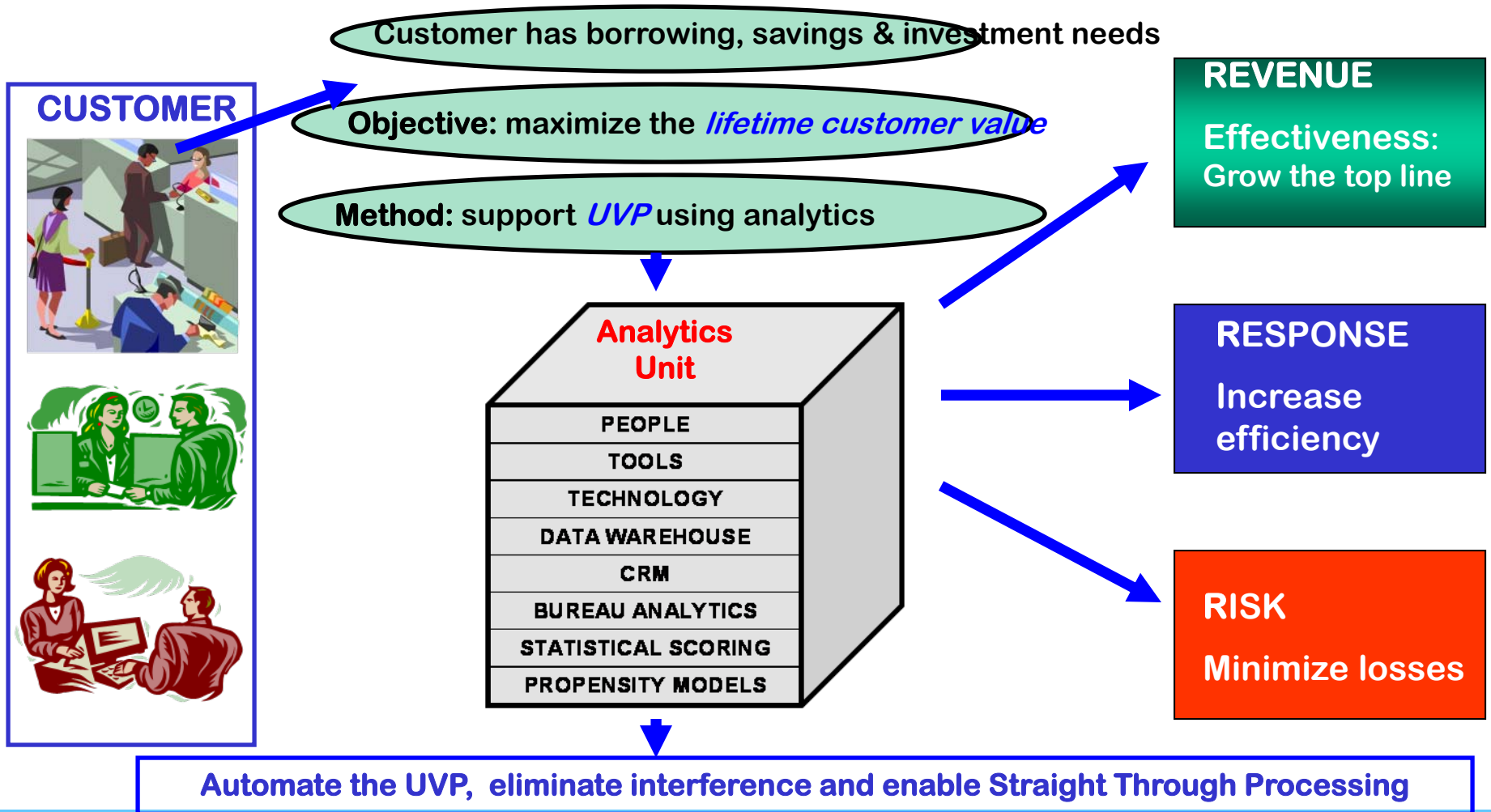


Understanding the financial needs during lifecycle... and its profitability

Financial Needs will evolve over different life stages



Cross-sell is an important activity for retail banks ... having a strong analytics unit will enhance results



How can banks use social networking space to support customer engagement

The Social Network Sphere... How can banks use this space to engage consumers?

- Assist In New Product Development Or Product Innovation - tool to solicit customers' views and feedback to help develop new products or enhance/innovate existing products
- Enhance Customer Experience and Service Level – assist banks in addressing products or service issues with customers
- Branding – to be branded as innovative and relevant to this Gen Y segment
- Promotions – banks should integrate and include social network sphere with their products campaigns
- Transparency - as a way to improve transparency with customers and build trust

Future of Retail Banking

The market will be characterized by:

More sophisticated consumers

- Internet has forever changed customer service model and customer expectations



THANK YOU