



## Private Banking KPI Benchmark 2008

The Scorpio Partnership Private Banking KPI Benchmark 2008 is a unique analysis and ranking of top international private banks and high net worth wealth managers. The review is based on data reported by 211 individual organisations according to a specific research methodology established by Scorpio Partnership. A number of institutions provide reporting data exclusively for the purposes of the study.

The Benchmark, now in its sixth official publication year, is unsurpassed in its detail. The analysis includes key performance indicators (KPIs) as well as Scorpio Partnership's industry-recognised proprietary research and analysis on the market as a whole. The analysis continues to expand and this year includes a comparison of the eight different types of business model currently operating in the global wealth management industry. The report is compiled by an experienced team of consultants and analysts constantly engaged with the international markets.

A key benefit from the report is improved transparency on data sets and KPIs, which enables wealth managers to determine where they currently operate within the industry and where they ought to be. There are customer benefits too; existing and potential wealth management clients can form a more reasoned judgment of which organisation they should entrust their assets to.

The Benchmark 2008 is required reading for anyone involved in or around the wealth management space. It is regularly used for strategic planning by banks including Barclays, Credit Suisse, HSBC, and UBS. Users of the Benchmark include chief executives, managing directors, chief operating officers, heads of strategy, heads of marketing, heads of new growth markets, equity analysts, consultants and private clients.

**The *Benchmark 2008* study is available now.**

***As an introductory offer, the price of the multi user option has been frozen at last year's level***

Benchmark service	Price (GBP)	Price (USD)	Price (EUR)
Single user licence	GBP1,950	USD 3,855	EUR2,470
Multi user licence	GBP5,000	USD9,885	EUR6,335

**Scorpio Partnership respects the environment. GBP50 from each single user sale and GBP100 from each multi user sale will be donated to a fund involved with global environmental issues.**

For further details, content inquiries or to discuss any issues with the report, please contact:

Ted Wilson +44 20 7811 0126 or [ted@scorpiopartnership.com](mailto:ted@scorpiopartnership.com)  
Sharjil Kamal +44 20 7811 0129 or [sharjil@scorpiopartnership.com](mailto:sharjil@scorpiopartnership.com)



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## Press Release

### **GLOBAL WEALTH MANAGEMENT SOARS IN CURRENT FINANCIAL CROSSWINDS**

#### *Latest results of leading global analysis*

#### **SCORPIO PARTNERSHIP'S PRIVATE BANKING BENCHMARK 2008**

- Total assets actively managed by global wealth management now at USD17.4 trillion
- 27 institutions now manage in excess of USD100 billion of private client assets
- Top 10 banks manage USD8.1 trillion in private client HNW assets
- AUM and profits maintain double digit performance in 2007, but dip slightly
- Asia Pacific share of assets under management grows dramatically
- Link between asset growth and global market indices broken
- Smaller business models with strong local-market focus were best performers
- Private banks missing out on lending opportunities

LONDON—The global wealth management industry has maintained positive momentum in the face of the financial upheaval in 2007. Despite heavy sub-prime write-downs and the credit crunch, the global wealth management industry delivered an 11.6% median increase in assets under management in local currency terms—slightly down from 13.8% in 2006—according to the pioneering **Private Banking KPI Benchmark 2008** from leading wealth consultancy **Scorpio Partnership**. While overall the numbers are a slight dip from the previous annual results the indicators are very robust given market conditions.

“This industry is coming of age and may even be a bright light in gloomy markets. The positive results throw even greater emphasis on the potential of the wealth management sector to provide strong revenue and returns for financial groups seeking to chart a course through the current volatile markets,” said **Sebastian Dovey**, managing partner. “However, in our view the real opportunity for significant asset growth is still to come, with more than USD9 trillion of untapped bankable assets among millionaires still not yet even managed in the sector but it will require visionary banks to win this prize,” Dovey added.

Moreover, the Private Banking KPI Benchmark 2008's analysis shows that the close correlation between the industry's AUM growth performance and the world equity market performance appears to have de-linked in 2007. For the last five years the two have moved in tandem, but the world's wealth managers outperformed the MSCI World Index by 12% in USD terms in 2007.

The evident reasons for this shift in AUM growth performance are twofold: net new money and asset allocation. Indeed, the improved ability to outperform the core indices suggests the real value of the private banking industry is now starting to show itself through active asset allocation. While the asset growth in 2007 was driven by greater net new money flows particularly from the emerging markets and, notably, from the Asia Pacific region which suggests regional expansion plans are bearing fruit for some of the larger institutions.



## Scorpio Partnership

The *Private Banking Benchmark 2008* is Scorpio Partnership's seventh public study of the international private banking and high net worth wealth management industry. This year the 100 page report covers a record 211 private banking entities and account for a total of USD12.6 trillion equivalent of assets. The *Benchmark* is a unique study of the business model performance and characteristics of global wealth management market on a bank-by-bank basis.

Aside from AUM growth the key criteria for success is profitability. Of the 211 institutions analysed this year, net new money as well as market growth combined with further improvements in operating efficiencies, fed through into a median ordinary profits growth rate of 19.4%, down somewhat from the 24.5% achieved in 2006, but still strong in current market conditions. The bigger winners, however, appear to be the more compact wealth management enterprises.

Looking specifically at assets under management, three banks top USD1 trillion in assets while a further 24 institutions now manage over USD100 billion in private client funds. All three trillionaires—UBS, Citi and Merrill Lynch—belong to integrated banking groups, but two of them recorded disappointing asset growth, below the base currency median of 11.6%, suggesting that they clearly had suffered some impact from the sub-prime fallout. Citi's strong surge was, largely, due to an effective acquisition strategy undertaken earlier in 2007.

### The Scorpio Partnership top 10 largest wealth managers

	Institution	AuM YE07 (USD bn)	AuM Growth (base currency)	Reporting currency
1	UBS	1,896	8.77%	CHF
2	Citi	1,784	24.06%	USD
3	Merrill Lynch	1,309	8.27%	USD
4	Credit Suisse	745	6.94%	CHF
5	JP Morgan	545	17.20%	USD
6	Morgan Stanley	522	18.10%	USD
7	HSBC	494	21.08%	USD
8	Deutsche Bank	286	2.65%	EUR
9	Wachovia	285	38.35%	USD
10	BNP Paribas	231	19.85%	EUR

Source: Scorpio Partnership

Notes: AUM figures are for the high net worth wealth management divisions of these institutions.

Geographically speaking, the tectonic plates of wealth management are moving. Based on data from this year's *Benchmark* banks, there has been an enormous shift towards the important contributions of the APAC region, which accounted for 13% of total global wealth management assets, nearly double the region's share in 2006. Europe's proportion has also grown—up 6% in 2007, while the US was the biggest loser, with a 14% decline.

"The emerging markets are now powering the results of many of the major global wealth management operators with strong brands and distribution. Although it is notable that local operators, even in more mature markets, are in fact the strong performers in terms of margins," commented Scorpio Partnership's Dovey.

Indeed, looking at business models, specialist boutique organisations with a relatively narrow geographical focus fared best in 2007 when compared to their *Benchmark* peers, both in terms of operating efficiencies and their gross margin on managed assets.

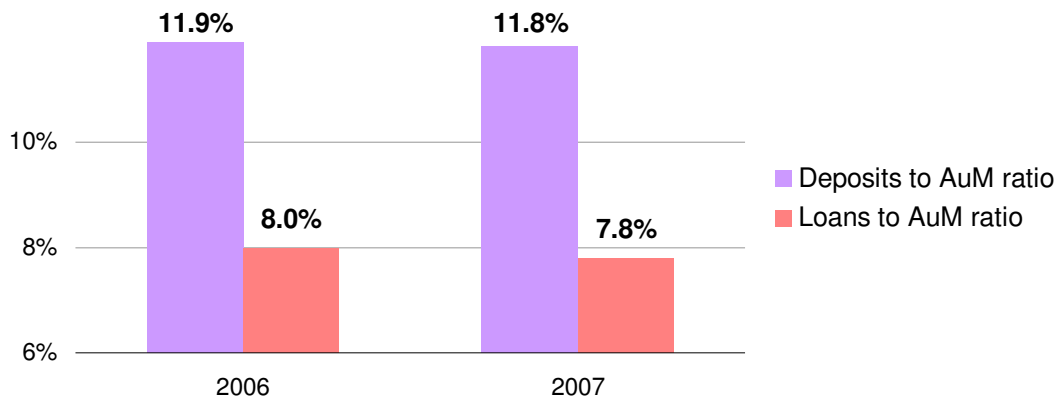


## Scorpio Partnership

Furthermore, despite the hiccoughs of 2007, the business model for wealth management operations of global integrated banking groups remained robust, with the highest gross margin on managed assets evaluated in the Scorpio Partnership segmentation methodology.

Looking ahead, regarding the breadth of private banking business activities, wealth managers are continuing to miss a trick when it comes to the provision of transactional banking and credit facilities to clients. Although 'private banking' usually connotes high-value personal asset management, the current turmoil in the credit markets is providing a strong opportunity for private banks to differentiate themselves by extending their credit and enhanced cash management facilities. Further, in volatile markets, based on Scorpio Partnership's leading global client research activities, investors often shift their weightings to cash but also seek to take advantage of market opportunity. However, the average proportion of deposits and loans to assets under management remained virtually static for the *Benchmark* banks in 2007.

### Average deposits and loans to AuM ratio



*Source: Scorpio Partnership*

Ted Wilson, Senior Consultant at Scorpio Partnership said: "Private banks should consider more active measures to increase the proportion of assets that they currently lend out in order to improve revenues and margins. We believe that wealth managers with strong banking capabilities stand to be major beneficiaries of cash inflows as clients adjust their allocations in 2008. Moreover, clients are also seeking their banks to work more actively for them in these opportunistic markets."



## Scorpio Partnership

### **About the *KPI Private Banking Benchmark***

The *Private Banking KPI Benchmark 2008* is the most comprehensive review of key performance indicators in the global wealth management industry. The objective of the *Benchmark* is to provide extensive and detailed data and analysis for more than 211 reporting firms, with a focus on the quality of collected data and robustness of the analysis. Over 400 private banking entities were researched for the *Benchmark 2008*.

This year's 100 page *Benchmark* includes key performance indicators, business model segmentation analysis, and data on assets under management, net new money, profitability and staff for individual entities, as well as aggregate data for the industry. The assessment evaluates bank on an individual basis.

The *Private Banking KPI Benchmark 2008* is available for purchase.

### **About Scorpio Partnership**

**Scorpio Partnership** is an international wealth management consultancy firm, established in 1998. The business has been independently voted the world's leading consultancy on the industry for the past three years. The team's deep market expertise provides an unparalleled level of insight into the global wealth management and family office arena.

Scorpio Partnership works with wealth managers, investment banks, fund managers, regulators, industry suppliers and HNW/UHNW individuals. In the course of assignments, the business has undertaken over 5,000 face-to-face interviews among millionaires, multi-millionaires and family offices and over 10,000 interviews with the advisors to these clients.

The philosophy of the firm is that through intense familiarity with the market and the individuals in this field it is able to offer both long-term strategic advice on how the market will develop and the tactical insight required to manage specific products and services.

[www.scorpiopartnership.com](http://www.scorpiopartnership.com)

### **Press contacts**

<b>Sebastian Dovey</b> , Managing Partner	(+44) 20 7811 0123	<a href="mailto:seb@scorpiopartnership.com">seb@scorpiopartnership.com</a>
<b>Catherine Tillotson</b> , Partner	(+44) 20 7811 0122	<a href="mailto:cath@scorpiopartnership.com">cath@scorpiopartnership.com</a>
<b>Ted Wilson</b> , Senior Consultant	(+44) 20 7811 0126	<a href="mailto:ted@scorpiopartnership.com">ted@scorpiopartnership.com</a>