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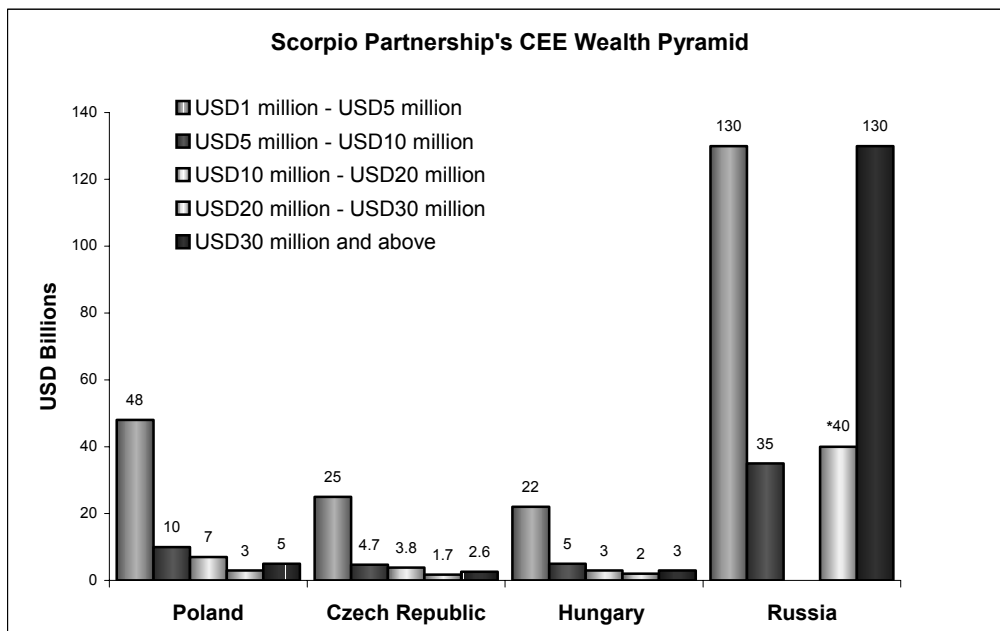
Russian Millionaires Race Ahead in Eastern European Wealth Market

Russian millionaires are consolidating their position as the primary European wealth management market opportunity east of Switzerland. Of note, Russian HNWs control approximately USD250 billion in assets more than Poland, the next wealthiest country in the central and eastern European region, with an estimated USD73 billion. This is one of the highlights by recent primary research carried out by Scorpio Partnership, a UK wealth management consultancy firm, to identify the current status and potential for private banking in these new wealth markets.

The field research into the market opportunity in Czech Republic, Hungary, Poland and Russia was conducted using information from 50 interviews with senior wealth management professionals in each country for their insights on the leading developments. Further information was derived from economic and political data, banking information, client profiles and product details within each market.

There are many reasons why the temperature of private banking interest is on the increase throughout the region – but the core issue for all four markets is the future market opportunity. Scorpio Partnership’s research found that in terms of market sizing, Russian multi-millionaires control liquid assets in the region of USD300 billion – USD350 billion. This compares with USD73 billion controlled by Polish wealth set, USD38 billion by the Czech Republic segment and USD35 billion by Hungary’s HNWs. These four markets are increasingly being earmarked by the world’s leading wealth managers as a zone of future business interest. Critically, the interest is both in an onshore and offshore context although there are limitations at present on the onshore market.

While the number of HNWs is on the increase in all four markets, according to the research, the concentration is lower than in more developed economies and overall numbers are still relatively small. It can be seen that in Poland, Czech Republic and Hungary the largest number of HNWs falls in the USD1 million – USD5 million group, in comparison to Russia that has substantially more HNWs in all categories and has equal amounts in the lower and upper tiers.



Source: Scorpio Partnership

Note: * Russia has USD40 billion in the USD10 million – USD30 million

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"Based on the lower absolute numbers of potential clients today it is clear that most international private banks are placing a major bet on the future market potential. To capture these assets requires considerable early investment. We see this taking place in each of the four markets to varying degrees," stated Ted Wilson, consultant at Scorpio Partnership.

"This strategic bet has some merit based on demographics. Wealth is owned and rests predominately in the hands of young entrepreneurial and professional *nouveaux riches*, residing in the major centers across the region. They are the engine room of future growth and they are already showing strong signs of interest in broader wealth management solutions," said Sebastian Dovey, managing partner at Scorpio Partnership.

In line with this future bet, the research found that local players within Poland, Czech Republic and Hungary are targeting lower tier HNWs, those individuals with less than USD1 million to tap into their wealth at an early stage in the wealth cycle and build a solid platform of clients with strong growth potential. Although the three countries may all be similar, it is the product and service levels that differentiate them. The Czech Republic has the most sophisticated offering in the market in terms of asset allocation and this was reflected in that the Czech Republic has the highest investment threshold for tailored investments. Yet all three countries favored a diversified asset allocation including venture capital and foreign exchange.

Scorpio Partnership was founded in 1998 as a strategy think tank in global wealth management. The company is based in London and specialises in developing bespoke primary research and consulting on a range of issues that are of strategic interest to the wealth management community. Scorpio Partnership has now served over 125 institutional and private high net worth clients in private banking, family offices and related service industries. These clients are based in Europe, the Far East, the Middle East and North America.

The Private Banking in Czech Republic, Hungary, Poland and Russia key findings document is available from Scorpio Partnership and further details can be found on the firm's website at www.scorpiopartnership.com.

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