



# The Scorpio Partnership Private Banking Benchmark 2011

Global KPI analysis

July 2011

# About Scorpio Partnership

Scorpio Partnership is the leading insight and business consultancy to the global wealth industry.

The firm specialises in understanding the wealthy and the institutions they interact with. We have developed four transformational disciplines – **SEEK**, **THINK**, **SHAPE** and **CREATE** – each designed to enable business leaders to strategically assess, plan and drive growth. The solutions Scorpio Partnership develops regularly win awards for its institutional clients and help them financially profit.

Our discipline teams leverage expertise in:

## SEEK

- Client research
- Advisor research
- Market mapping
- Company/Intermediary research
- Brand identity audits

## THINK

- Product/Service development
- Business case development
- Concept solutions
- M&A diligence
- Brand identity development

## SHAPE

- Market entry solutions
- Media and Event solutions
- Training and Education solutions
- Sales & Marketing campaigns
- Brand identity solutions

## CREATE

- Campaign management
- Change management
- Strategic marketing
- M&A implementation
- Specialist consulting

Scorpio Partnership has conducted more than 300 global assignments across wealth for institutions in the banking, fund management, regulation, IT and technology, insurance and charity sectors.

Scorpio Partnership has been voted best global consultancy to the wealth management industry for the three consecutive years and was shortlisted for Agency of the Year in 2010\*. The firm is independent and owned by management.

For more information go to [www.scorpiopartnership.com](http://www.scorpiopartnership.com)

\*Wealth Briefing, Financial Services Forum

# Section one: The KPI Benchmark

# The global wealth KPI source

## In brief

**The Scorpio Partnership Global Private Banking Benchmark 2011** is the tenth edition of the most authoritative analysis of the global private banking landscape from the world's leading independent wealth management strategist, Scorpio Partnership.

This year marks the eighth year of publication of the report and it provides a detailed industry analysis based on results from 198 private banks around the world. Together these firms control more than USD13.6 trillion in assets under management and make up 79.5% of the private banking market.

The report itself includes more than 2,000 data points and analysis on the private banking industry's key performance indicators.

The report is compiled by an experienced team of consultants and analysts who are constantly engaged with the international private banking market. The report itself includes analysis of more than 2,000 data points on the private banking industry's key performance indicators.

The Private Banking Benchmark 2011 is therefore essential reading for private banking management, private banking strategy teams and financial analysts as well as service providers to the private banking market including asset managers, investment banks, trust companies and specialist professionals such as lawyers, accountants and consultants.

### The Private Banking Benchmark 2011 includes

- Key performance indicators based on USD13.6 trillion of assets under management
- Margin data on total assets, banking and asset management business
- Market size and market share analysis considering total HNW wealth, bankable HNW wealth, the size of the total private banking market, and the market share of the benchmark banks
- Top 50 rankings on KPIs including AUM, net new money, ordinary profits, ordinary income, cost-income ratios

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The Private Banking Benchmark 2011 is now available

Benchmark service	Price (GBP)
Single user (Hard copy document)	GBP1,950
Single user (Electronic copy)	GBP2,500
Multi user	GBP5,000

Note 1: Multi-User = Distributed to 4 or more individuals

All prices ex VAT

Please note that specific data requests beyond those covered in the Benchmark 2011 can be directed toward our **BENCHMARK CENTRE** (see below).

For further details, content inquiries or to discuss any issues with the report, please contact: Ziggy Harris +44 20 7811 0129 or [ziggy@scorpiopartnership.com](mailto:ziggy@scorpiopartnership.com)

The Scorpio Partnership BENCHMARK CENTRE

To supplement the Global Private Banking KPI Benchmark 2011 Scorpio Partnership has launched a new service for tailored solutions including the following:

- Customised benchmarking of a financial institution relative to peers
- Extended rankings based on the entire Benchmark database for each of the KPI
- Multi-year rankings based on the entire Benchmark database for each of the KPI
- Specialised benchmarking on market sector, business model, market ratios

All solutions are priced on request.

## KEY FINDINGS FROM THE PRIVATE BANKING BENCHMARK 2011 INCLUDE

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That bastion of sector performance, and the base for creating value for each business, assets under management, rose for the second year running with an average industry growth of +11.12% to give the total in assets under management across all reporting entities of USD13.6 trillion. That follows up the bunker busting +17.99% return to glory posted in 2009. Naturally, posting a second consecutive year of very strong growth, albeit at a slower rate, gives the industry a solid foundation on which to re-establish the value of its other performance metrics.

Looking under the hood of assets under management growth, 2010 saw the smaller firms post the higher average growth rate at +12.40% compared to +9.95% for the larger firms. Interestingly, despite the smaller firms (those with assets under management of USD20 billion and under) posting the higher average in growth, That said, the top 20 firms, the huge behemoths in terms of their assets under management, actually saw their share of all the assets controlled in Benchmark grow fairly significantly from 77.1% for year-end 2009 to 80.8% at the end of 2010. And that is despite more than half of these huge beasts posting annual assets under management growth below the industry average. In short, such is their scale, any growth means huge asset gathering.

- The global private banking industry now manages a total of USD17.1 trillion in wealth investor assets
- Industry assets under management increased by an average of +11.12% in 2010
- Private banking profits returned to positive, growing by +16.7%, and strongest among smaller banks (>USD20 billion)
- However, once more, cost-income ratios worsened to an industry average of 79.76%, down 0.89% compared to 2009. Margins also suffered in comparison to 2009
- Bank of America retains the title of world's largest wealth manager, growing its book of assets to USD1.945 trillion. Morgan Stanley, courtesy of its control of Smith Barney, takes second with assets of USD1.628 trillion

*“The lag felt by an on-going inability to tackle rising costs and uncertainty from clients as to the value of the industry continues to shape weaker than necessary performance when you consider the strong growth in personal fortunes in many markets. New clients appear to still be holding off,”* said Catherine Tillotson, managing partner and head of research at Scorpio Partnership.

*“The detailed analysis of nearly 200 institutions worldwide shows that for many the pistons of growth in their business model continue to misfire. If there were to be another market crisis of even a minor scale, we would be very concerned for many institutions and their future. There is little planning for this. It is clear to us from this benchmarking that many firms need to upgrade and modernise or else call time on their exposure to this client segment and this is not just among the smaller operators,”* remarked Sebastian Dovey, partner at Scorpio Partnership.

## Section two: Table of contents, graphic analysis and data



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# Section three: Sample of insight



# AUMs on the rise again to lift market further from the doldrums

## SAMPLE SECTION

### HEADLINE INDUSTRY VOLUMES

Post the global financial crisis and the global private banking sector has put in a second year of AUM growth to help ease the collective minds of the industry's business leaders. After a collective rebound of +17.99% for the year-ending 2009, the market as measured here has followed that up with +11.12% growth for the year-ending 2010. To some, the global financial crisis and its multiple impacts on the sector may be starting to fade into the distant past.

Our Global Private Benchmark 2011 report, the ninth edition in this evolving annual industry analysis, is once again a bottom-up analysis of the financial performance of this attractive but also challenged business sector. This time around, evidenced in some clear chopping and changing of several of the players in the space, some internal reorganisation as well as some clouding of the performance waters, we have pulled in data on 198 institutions (including parent businesses, business units and subsidiaries) to take an in-depth look at their economic performance. Across this group of institutions, in total, the 2011 report's analytics is based on underlying AUM of USD13.6 trillion.

Based on our collective analysis across nine years of data, we estimate that the USD13.6 trillion of AUM covered in Benchmark 2011 stands as an analysis of approximately 79.5% of the USD17.1 trillion all the assets actively managed for a fee by the sector globally for clients with in excess of USD1 million of investable assets.

Figure 1: Estimate of the size of the global private banking industry



Source: Scorpio Partnership

## KEY PERFORMANCE INDICATORS

The collective AUM performance for the industry at year-end 2010 has built on the highly positive picture portrayed for the sector at year-end 2009 (+17.99% year-on-year growth) with a more sustainable annual uplift of +11.12%. This improvement has further alleviated the collective pain brought as a result of the global financial crisis. There is more money in the industry from which to derive revenue and that can only be a positive.

That growth for 2010 gives the banks analysed in this report a cumulative AUM of USD13.6 trillion, up on the USD12.7 trillion seen last year, and meaning that Benchmark 2011 is now analysing a greater level of AUM held by the sector than even before the financial crisis. Banks in this year's report have an average AUM of USD48.64 billion.

From the perspective of the industry's leadership the continued rise in AUM will of course be a welcome sign of an improved operating environment. However, while a headline figure, AUM is of course not the only performance measurement by which the sector should judge itself or be judged. The true underlying health of the sector, and therefore its attractiveness, is more roundly understood when considering other KPIs such as net new money (NNM), ordinary profits, ordinary income and cost income ratios.

AUM	+11.12%
NNM	-18.8%
Income	+8.97%
Profit	+15.42%
Cost/income	+0.96%

Looking at these four additional determinants of success, the health of the success, both in the short and long-term, is less clear. On the one hand, an area where the sector largely struggled through 2009, income and profit, through 2010 turned a corner and saw positive rises. Average income was up +8.97% while profits jumped a more impressive +15.42%.

However, more concerning for the future status and growth of the sector is the failure again to improve on NNM and cost-income ratios, two key measurements of the future health of the sector. NNM worsened by -18.8% and, on average, NNM inflow for 2010 was USD1.91 billion. For cost-income ratios, overall the sector average worsened a further +0.96% to an average 79.76%.

Taking each KPI area in turn, looking first at the industry's net new money (NNM) performance, we see a picture that is far from rosy. While NNM is a marker by which many industry players measure themselves, and seek to secure bragging rights over their peers, the industry has only achieved an average NNM inflow over 2009 of USD900 million. That is a decline of -60% from 2008 which itself fell -54.1% against 2007. This drying up of NNM across the industry is a worrying sign for the future development of the sector and its participants.

For further details on the contents and analysis within Benchmark please contact one of the team at Scorpio Partnership