

## PRESS RELEASE

### 2010: Global Wealth Management industry rebounding but still on a tightrope

Private banking assets under management (AUM) rise strongly in 2009 but many of the industry KPIs are still in negative territory; while global top 10 now control almost 2/3<sup>rd</sup> of the current market's HNW managed assets

London – Scorpio Partnership's 8th annual pulse check of the global industry reveals AUM at banks surged by a median of 17% to recover lost ground from the previous year, according to its Global Private Banking KPI Benchmark 2010 released today. The global wealth industry now manages USD16.5 trillion in HNW assets (compared to USD14.5 trillion last year). However, the health of the industry is far from good. Indeed, from the almost 230 wealth management institutions tracked in this year's groundbreaking assessment, there is stark reading on the efficiency factors of the business models and the success of many players is in the balance if this trend continues much longer.

For instance, the industry Key Performance Indicator (KPI) of profitability has dropped by a median of -35% from the previous year's level. Meanwhile, cost:income ratios have risen to an average 78.2% continuing a worrying trend from the previous year (72.4%) where most banks faced a decline in efficiency. Crucially, net new money data this year highlights an median inflow across all institutions of USD900 million for the financial year 2009. This represents a decline of -60% from last year's data.

*"The wealth management engine is still misfiring for many. On the one hand the asset management machine is working and this is shoring up numbers. While, for virtually all banks, in terms of attracting new business it has been a case of Net No Money. Significantly, our global HNW data shows there are strong signs of wealth creation even in these complex markets and yet new clients are still holding back from opening accounts with the industry,"* said Sebastian Dovey, managing partner.

Global Top 10 now control 64% of the current industry market share

Amid these industry conditions, the annual ranking of the global wealth managers showed a relatively static picture as well in terms of positioning although assets (driven mostly by asset management) grew substantially. Indeed, the top 10 now collectively manage USD8.733 trillion in HNW assets, representing 64% of the total industry of fee-based managed assets today. While the top 20 manage USD10.451 trillion, representing 77% of the market, up from USD9.2 trillion in the previous year.

Scorpio Partnership 2010 Global Private Banking AUM of world's top 10 players			
		2010 Benchmark AUM (USD billions)*	2009 Benchmark AUM (USD billions)*
1	Bank of America	1,740.51	1,501.00
2	UBS	1,593.74	1,393.48
3	Morgan Stanley	1,508.00	522.00
4	Wells Fargo	1,218.00	1,000.00
5	Credit Suisse	775.43	611.96
6	JP Morgan	636.00	552.00
7	Royal Bank of Canada	379.00	New entrant
8	HSBC	367.00	352.00
9	Deutsche Bank	272.38	231.19
10	Pictet	243.21	New entrant

\*Financial data is for year-end 2009 and 2008 respectively

Source: Scorpio Partnership

Within the top 10, Bank of America still leads the pack. UBS has also managed to hold its own in spite of continuing well-publicised difficulties during 2009. Indeed, across the broader range of KPI measures the Swiss bank is performing relatively strongly compared to its peers and at a business model level the Swiss house appears relatively healthy. Morgan Stanley experienced a notable surge, up four places, following its deal with Citibank for the Smith Barney business.

Separately, a new entrant in 2010 is Royal Bank of Canada following an improved level of transparency in its financial reporting for global private banking. While Swiss private bank Pictet & Cie returns to the top 10 after two years outside it. Notably, to be in the top 20 ranking by AUM a private bank must now have in excess of USD135 billion of assets under fee-based management.

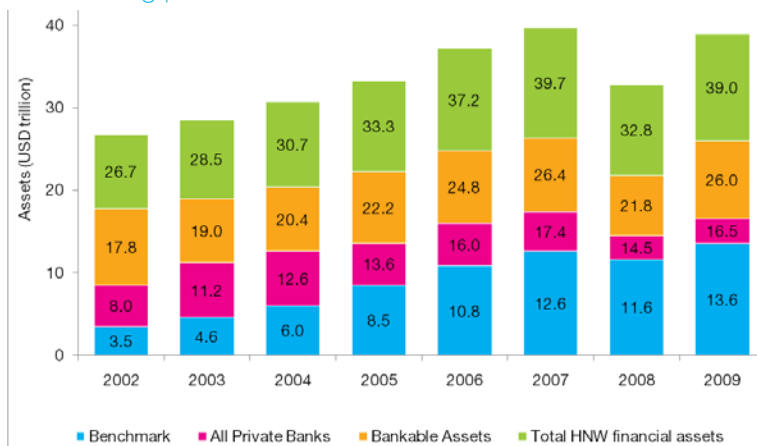
*“The premier league of wealth managers have virtually all benefited from strong asset management performance during the past financial year with most in the top 20 posting double digit asset growth. Banks outside the top 100 are starting to show signs of prolonged suffering as NNM and real profits are in decline,”* remarked Stephen Wall, director at Scorpio Partnership.

### Market performance, market opportunity and market share

More broadly, the wealth industry sector should have reason to feel a little positive in the context of the AUM growth relative to last year. Any uptick should be considered good news. However, when comparing the industry’s performance against a composite benchmark such as the MSCI World Index the rebound is placed in context. The MSCI World Index has risen from a year-to-year 2008 low of -42.1% to a year-to-year 2009 figure of 27.0%. This compares with the wealth management industry returns of -15.7% and 17.0% respectively in the same period.

Aside from performance of the sector, it is notable that the total assets under the control of the industry is now set at USD16.5 trillion, representing 42% of the world’s total of HNW investable assets. However, in our analysis of market conditions the real total HNW market opportunity is set at USD26 trillion given that, based on our global research with thousands of clients and advisors, the realistic amount of bankable assets likely to be available to the industry is around two-thirds of the total. Therefore, the global industry currently manages 63.5% of the real market. Critically, this implies there is approximately USD10 trillion of HNW assets that could be advised by banks but is not currently in the sector. Capturing these assets is real answer for industry recovery.

### Estimates for private banking penetration



Source: Scorpio Partnership

Based on this market landscape it is worth noting the real market share of the wealth management leading players today. The Global Private Banking KPI Benchmark 2010 data should go some way to clarifying the longstanding assumption about the high level of fragmentation in the wealth industry. In fact, the market is highly concentrated with the top 5 operators commanding 41.4% of the currently managed market.

### Market share of global private banks

Institution	AuM YE2009 (USD bn)	Share of private banking assets
Bank of America	1,740.51	10.5%
UBS	1,593.74	9.7%
Morgan Stanley	1,508.00	9.1%
Wells Fargo	1,218.00	7.4%
Credit Suisse	775.43	4.7%
JPMorgan	636.00	3.9%
Royal Bank of Canada	379.00	2.3%
HSBC	367.00	2.2%
Deutsche Bank	272.38	1.7%
Pictet	243.21	1.5%
<b>Top 10</b>	<b>8,733.27</b>	

Source: Scorpio Partnership

Notwithstanding the strong position on the global stage of the top players, the wealth management industry still has the aura of a boutique element within the financial services community. Indeed, many within the wealth management continue to promote this image on the assumption that clients prefer a boutique service.

However, with each successive year of the Global Private Banking KPI Benchmark it becomes apparent that the perception is now outdated. The industry is a global one managing nearly USD20 trillion in private client assets and generating over USD110 billion in total annual income for over 220 institutions. This is clearly a major global industry and based on our analysis of these numbers it is likely to double at a minimum over the course of the next decade.

*“We feel it is time the fashion to retain the cottage industry perception is laid to rest. The benchmark data points clearly toward the fact that the industry can, and must, take on the mantle of being the market leader of industrially managing the assets of the world’s wealthiest. Those businesses and professionals that cling on to the past are likely to be marginalised rapidly and the current benchmark data suggests their days are numbered,”* commented Catherine Tillotson, managing partner.

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## NOTES TO EDITORS

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### 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 financial 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 350 global assignments across wealth for institutions in the banking, fund management, regulation, IT and technology, insurance and charity sectors.

The firm has interviewed over 7,500 private investors (HNWs, UHNWs, families) as well as nearly 14,000 professional advisors to the wealth community as part of its history of assignments.

Scorpio Partnership has been voted best global consultancy to the wealth management industry for the three consecutive years \*. The firm is independent and owned by management.

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

\*Wealth Briefing

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### About the Global Private Banking KPI Benchmark 2010

The Scorpio Partnership Global Private Banking KPI Benchmark 2010 is the world's leading insight document into the performance of the industry.

First publicised in 2001, the report now tracks all the key financial data points of the industry to determine which firms are succeeding and which are not. In the 2010 the data covers almost 230 financial institutions. This project is focused on deepening the level of transparency and analysis across the industry – two founding principles of Scorpio Partnership.

The main analysis report spans nearly 70 pages of assessment and data. In addition, for the first time, Scorpio Partnership is also preparing to allow access to underlying benchmark data dating back multiple years for individual institutions to compare themselves directly with their peers.



The Scorpio  
Partnership  
Benchmark  
Report 2010

Global Private Banking KPI Benchmark  
July 2010

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This year's *Global Private Banking KPI Benchmark 2010* key performance indicator data points and analysis includes

- Key performance indicators based on USD13.6 trillion of assets under management (AUM, NNM, income, profits, cost income ratios)
- Margin data (gross margin, margin on asset management business, margin on banking business)
- Market size and market share analysis (total HNW wealth, bankable HNW wealth, total private banking market, benchmark banks)
- Staff and client trends (AUM per client facing employee, staff to client ratio, average account data)
- Top 50 ranking for KPI data in the main report. Comparative access to the broader data set also possible.

**The report is available for purchase from 7<sup>th</sup> July 2010. For further details contact the team.**

### NEW! NEW! The Scorpio Partnership BENCHMARK CENTRE

Alongside the Global Private Banking KPI Benchmark 2010 Scorpio Partnership is pleased to announce the launch of the BENCHMARK CENTRE service for tailored solutions including:

- 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.**