

**PRESS RELEASE****“Swim or sink”: Global wealth managers survive 2008 financial storm, but pressures on the business model are clear for coming 12 months****SCORPIO PARTNERSHIP’S GLOBAL PRIVATE BANKING KPI BENCHMARK 2009****Latest results of world’s leading global analysis of the wealth management industry**

- Scorpio Partnership’s global industry benchmark indicates the industry of global wealth management now manages a total of USD14.5 trillion in wealth investor assets
- Industry assets under management declined a median of -15.7% in 2008
- Private banking profits for the industry fell a median of -32.9% in 2008
- Many private banks continued to add headcount in 2008 – the median growth rate in new staff was 6% in spite of market conditions – but the return on the investment is not overwhelming
- However, cost-income ratios worsened to 72.4%, from 63.7% in 2007 – effectively a 13.7% dip in industry efficiency
- Meanwhile, net interest income increases to 31.2% of total income, versus 26.1% in 2007
- Bank of America becomes world’s largest wealth manager with USD1.5 trillion in assets under management which is dominated by US business, while UBS still maintains a leading international position

LONDON — While the global financial system buckled under the pressure of untold financial losses, the private banking industry has stepped into the limelight as an area of perceived strength as it served the world’s wealthier client base. Although the results suggest the industry just about managed to pull through in relative terms they also strongly indicate a very difficult 12 months ahead for many market players if they fail to adjust their models, according to the world’s leading detailed assessment of the industry performance at a business level – Scorpio Partnership’s Global Private Banking KPI Benchmark 2009 released today.

“2009-2010 will be a moment of truth for the global private banking model,” said Sebastian Dovey, managing partner. “Asset levels have declined by a median of -15.7% and cost-income ratios have risen by 13.7% which places huge strain on the models of many competitors. The way through will be an intelligent focus on profitable segments and efficiency drives. However, the traditional management tendency for slash and burn in such conditions will be much more damaging in the long term. This is a time for vision and leadership. Our view is firms must now use traditional consumer tools in branding and advertising to reclaim confidence and new business.”

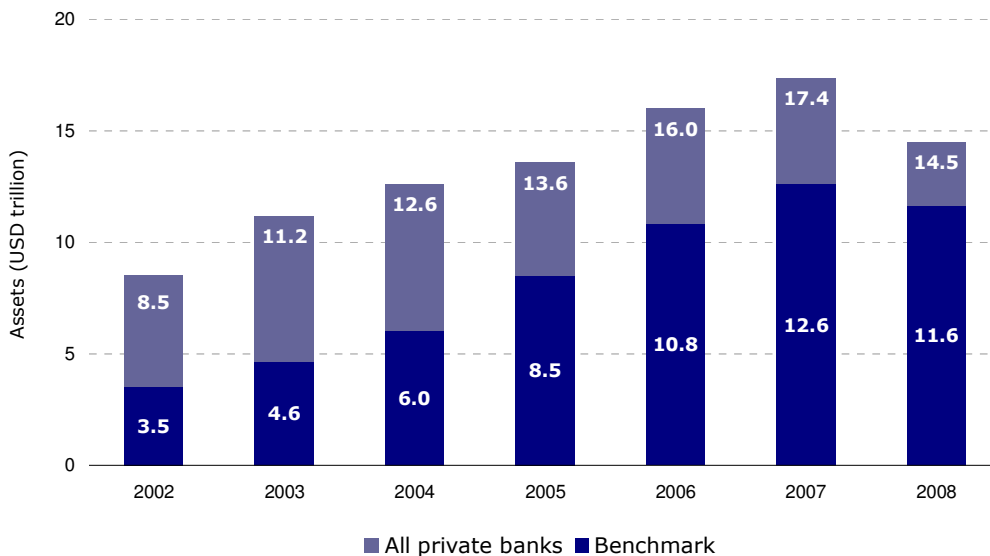
In terms of total global AUM the industry now manages USD14.5 trillion, a decline of 16.7% from the previous year. The global financial crises also had a dramatic impact on the roster of the top private banking institutions in assets under management terms. Indeed, M&A activity (particularly in the United States) has influenced the top 10 (see Figure 1) with Bank of America now becoming the world’s largest wealth manager although the core of its asset base remains inside the United States. Indeed, although UBS experienced significant difficulties during 2008 it is notable that it remains in second spot and is effectively still the largest non-US international wealth manager.

**Figure 1: Assets under management at the world's top 10 private banks**

	Institution	AuM (USD)	Primary currency
1	Bank of America	1,501.00	USD
2	UBS	1,393.48	CHF
3	Citi	1,320.00	USD
4	Wells Fargo	1,000.00	USD
5	Credit Suisse	611.96	CHF
6	JPMorgan	552.00	USD
7	Morgan Stanley	522.00	USD
8	HSBC	352.00	USD
9	Deutsche Bank	231.19	EUR
10	Goldman Sachs	215.00	USD

Note: Wells Fargo integration of Wachovia is ongoing and this figure may yet be revised as the firm restructures its retirement services operations.  
 Source: Scorpio Partnership Private Banking KPI Benchmark, 2009

Significantly, the top 20 global private banks manage nearly USD9.2 trillion of private client assets. This represents 63% of the total market and challenges the widely expressed view the global wealth industry is fragmented (see Figure 2). "The Global Private Banking KPI Benchmark shows that market fragmentation as a characteristic of the industry is hugely overstated. Our goal has always been to demonstrate that market share – as measured by a percentage of assets managed relative to the total asset managed by all competition – is much more concentrated. This has significant consequences for evaluating the industry and businesses within it," noted Scorpio Partnership's Dovey.

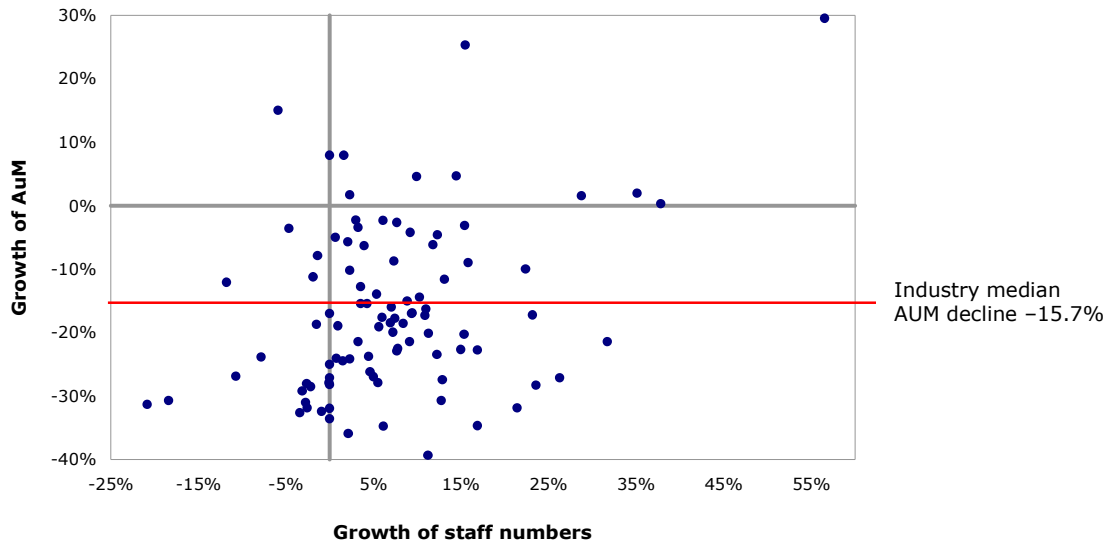
**Figure 2: Estimate of the size of the global private banking industry**


Source: Scorpio Partnership

Notably, while AUM declined across the industry by a median of -15.7% as portfolio values fell in line with the downturn in the financial markets, the private banking sector continued to add headcount. Indeed, there was an uptick in new hires of 6% and, overall, the ratio of firms that were hiring in 2008 versus those that were shedding private banking staff was 4:1 but the net results of new assets to the business was not successful with a significant number of private client distribution channels performing well below the industry standard (See Figure 3). The results place deep questions around the recruitment strategies of many private banks.



Figure 3: Growth of staff numbers vs. assets under management



Source: Scorpio Partnership Private Banking Benchmark, 2009

Interestingly, the Benchmark results show little evidence of a flight to quality through the worst of the crisis. Indeed, net new money results hint only that Swiss private banks may have seen a very marginal uptick in business while some household names did not benefit at all. In fact, it appears investors restructured portfolios among a number of different types of institution when it was unclear which private banking institutions would emerge successfully from the banking crisis and which would fail.

Indeed, in terms of AUM composition, last year saw a marked increase in deposit taking activity as clients moved into cash. Net interest income increased to 31.2% of total income, versus 26.1% for benchmark banks last year. However, many private banks were unable to take advantage of the cash inflows due the effects of the credit crisis and the margin on banking business took a significant hit; although some banks were more successful. Indeed, those with the highest gross margins in 2008 were private banks with a strong deposit and lending capabilities. But banking revenue is not going to sustain the costly infrastructure for long.

Finally, overall, the detailed segment analysis in the Benchmark points to five core strengths in the private banking model that enabled players of different types to perform well in difficult market conditions. These are:

- Ability to generate income from multiple sources rather than purely asset management
- Wealth (re)creation approach to business rather than exclusively wealth preservation
- Ability to guide clients into high quality specialist investments
- Strength of brand and contemporary relevance to client requirements
- Network leverage (either through branch systems or strong external partnerships) for new client access

“These five qualities are the future principles upon which the private banking industry can (re)build based on our analysis of business model performance,” commented Catherine Tillotson, head of research. “The market champions will be those that concentrate on modernising the proposition using contemporary positioning tools to re-engage with the client and developing products and services that are committed to wealth re-creation. Institutions that opt to sit tight in 2009 and ride out the storm will sink,” she added.

### About Scorpio Partnership's *Private Banking Benchmark 2009*

The *Global Private Banking KPI Benchmark 2009* is the most comprehensive and groundbreaking review of the global wealth management industry. The annual report, spanning nearly 70 pages excluding the notes section, provides extensive data and analysis for the industry based on financial details from more than 248 private banking and wealth management firms. The focus is on the quality of collected data and robustness of the analysis – two founding principles of Scorpio Partnership.

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

- Key performance indicators based on USD11.6 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)
- Asset allocation data (aggregated for conservative, balanced and aggressive portfolios based on USD2.4 trillion of assets under management)
- 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)
- Segment analysis (gross margins, margins on asset management business and cost income ratios for eight business segments)

The *Global Private Banking KPI Benchmark 2009*



is available for purchase.

### About Scorpio Partnership

Scorpio Partnership is the world's leading strategist and HNW consumer issues researcher to the wealth management industry, based in London.

The firm has conducted more than 300 global assignments across the wealth spectrum for over 150 institutions in private banking, fund management, investment banks, family offices, technology and resource management, as well as for governments and related service providers focused on the wealth management industry.

Scorpio Partnership specialises in interview-based insight gathered from financial industries connected to global wealth. The firm does this with HNW individuals directly and wealth management industry professionals to support strategic assessments and future initiatives for clients. This long term pulse testing, refined over 10 years' expertise, forms the foundation for strategic recommendations to clients.

Scorpio Partnership has interviewed over 7,000 HNW and UHNW global consumers of wealth management services and more than 14,000 wealth management staff and intermediaries.

In 2008\*, Scorpio Partnership was voted the best global consultancy to the wealth management industry for the third consecutive year, ahead of the top three global management consulting firms. The firm is independent and owned by management.

\**WealthBriefing, 2006 - 2008*

## Press contacts

**Sebastian Dovey**

Managing Partner

+44 20 7811 0123

seb@scorpiopartnership.com

**Catherine Tillotson**

Managing Partner

+44 20 7811 0122

cath@scorpiopartnership.com

**Stephen Wall**

Director

+44 20 7811 0121

stephen@scorpiopartnership.com

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

**Mail:** [office@scorpiopartnership.com](mailto:office@scorpiopartnership.com)

**Tel:** +44 20 7811 0120