

PRESS RELEASE

WEALTH INDUSTRY BOOSTS AUM & BRINGS COSTS UNDER CONTROL YET INCOME GROWTH REMAINS UNCONVINCING

LONDON – Scorpio Partnership’s latest edition of the highly anticipated **Global Private Banking Benchmark** shows a tale of two halves for the global wealth industry. The leading assessment of KPIs in wealth management highlighted that private banks successfully navigated regulatory and political upheaval in 2016, with assets under management rising by almost 4% on average.

The results, based on the publicly available information provided by over 200 wealth institutions, indicate that cost income ratios also fell below 80% for the first time since 2012, reflecting wealth managers concerted efforts to cut costs despite continued compliance pressures. Strong profitability growth masked the industry’s underlying struggle to improve revenues, with operating income rising just 0.04% on average.

“As advanced technology continues to reshape the wealth management industry, firms will be able to recognise cost savings through process optimisation,” said Caroline Burkart, Director at Scorpio Partnership. *“The challenge going forward will be managing the revenue side of the profits equation. These firms are experiencing pricing pressure, driven by regulations, the trend for passive investing and the wave of lower-fee competitor models entering the market. Solving the equation will require increased focus on enhancing the proposition with advisory capabilities and improvements to the client experience,”* she added.

Figure 1: Top 25 private banks worldwide by assets under management (AUM)

Global Ranking	Institution	AUM YE2016 (USDbn)	AUM YE2015* (USDbn)	AUM USD Growth YE2016	Global ranking Y-o-Y change (based on restated AUM)	Reporting currency	Y-o-Y % growth in AUM (base currency) 2016
1	UBS	2,068.67	2,000.43	3.41%	=	CHF	6.36%
2	Bank of America	1,971.97 ¹	1,941.80	1.55%	=	USD	1.55%
3	Morgan Stanley	1,950.00 ²	1,836.00	6.21%	=	USD	6.21%
4	Wells Fargo	922.00 ³	831.00	10.95%	=	USD	10.95%
5	Royal Bank of Canada	791.13	674.27	17.33%	1	CAD	13.76%
6	Credit Suisse	719.33	687.33	4.65%	-1	CHF	7.64%
7	Citi	452.00 ⁴	439.00	2.96%	=	USD	2.96%
8	JP Morgan	435.00 ⁵	437.00	-0.46%	=	USD	-0.46%
9	Goldman Sachs	413.00	369.00	11.92%	=	USD	11.92%
10	BNP Paribas	361.90	357.31	1.28%	=	EUR	5.20%
11	Julius Bär	323.90	297.54	8.86%	1	CHF	11.96%
12	BMO Financial Group	301.82 ⁶	287.05	5.15%	1	CAD	1.94%
13	Northern Trust	248.40	227.30	9.28%	3	USD	9.28%
14	Pictet	246.32	239.20	2.97%	1	CHF	5.91%
15	China Merchants Bank	238.96	192.95	23.84%	5	CNY	32.54%
16	Deutsche Bank	227.24	316.88	-28.29%	-5	EUR	-25.52%
17	HSBC	222.00 ⁷	261.00	-14.94%	-3	USD	-14.94%
18	ABN AMRO	215.56	217.67	-0.97%	-1	EUR	2.86%
19	Santander	214.82	196.44	9.36%	-1	USD	9.36%
20	Safra Sarasin Group	208.40	194.20	7.31%	-1	USD	7.31%
21	Bank of NY Mellon	204.60	191.80	6.67%	=	USD	6.67%
22	ICBC	174.23	163.84	6.34%	1	CNY	13.81%
23	Crédit Agricole	160.33	165.00	-2.83%	-1	EUR	0.90%
24	Bank of China	143.99	124.82	15.36%	2	CNY	23.46%
25	CIC	133.61	133.31	0.22%	=	EUR	4.10%

Source: Scorpio Partnership Global Private Banking Benchmark 2017. All results rounded. Footnotes overleaf.

FOOTNOTES WEALTH MANAGEMENT DATA CHART FIGURE 1

Note 1: AUM YE2015 figures have been restated to adjust for changing methods in financial reporting by private banks and in some cases are not consistent with previous years' press releases.

Note 2: Benchmark AUM data aims to represent actively managed assets of private clients who hold more than USD1 million (or the local currency equivalent) with the firm. We note that not all firms conform to this reporting methodology.

¹Bank of America Merrill Lynch's Global Wealth and Investment Management division AUM includes Merrill Lynch Global Wealth Management (MLGWM) and US Trust, Bank of America Private Wealth Management & Other. The firm reports total client balances of USD2,508.6bn including USD886.2bn in AUM and USD1,085.8bn of brokerage business for this division. Assets in custody of USD123.1bn are excluded, as well as banking deposits of USD262.5bn and loans and leases of USD151.0bn for this client segment.

²Morgan Stanley AUM figure of USD1,950.0bn represents Wealth Management Client assets net of Deposits of USD153.0bn.

³Wells Fargo AUM includes client investment assets of Wells Fargo Wealth Management and HNW assets of Retail Brokerage business.

⁴Citi's AUM is for accounts over USD1 million including Citi Private Bank assets (CPB targets clients with a net worth of USD25mn) and Citi Personal Wealth Management assets (CPWM targets mass affluent clients). In 2016, Citi Global Consumer Business exited a number of countries, particularly in Latin America.

⁵JP Morgan's AUM of USD435.0bn only refers to assets actively managed on behalf of Private Banking clients and does not include Brokerage and Deposit assets. The addition of custody, brokerage administration and deposit accounts would give total private banking client assets of USD1,098.0bn.

⁶BMO Financial Group AUM refers to BMO Wealth Management division.

⁷HSBC AUM figure relates to funds under management placed with HSBC Global Private Banking division that serves high-net-worth individuals and families. HSBC GPB total Client Assets (funds under management plus customer deposits) are USD298bn.

This year the largest 25 firms in the Benchmark managed USD13.3 trillion of HNW AUM, representing a 63.2% market share. Of the top ten operators, seven had a North American focus.

However, Asia's private banks gained momentum in 2016. China Merchants Bank stands out in the ranking, having added over CNY400bn to AUM in 2016 as a result of enhanced customer acquisition efforts, as well as upgrading its private banking proposition. Another contender from Asia, Bank of China, entered the ranking this year, managing over CNY1 trillion on behalf of its wealth management and private banking customers.

By contrast, many of Europe's key operators experienced negative AUM growth due to a combination of internal restructuring initiatives, decisions to scale back from non-core markets and reputational challenges.

WEALTH MANAGERS CLIENT ENGAGEMENT SCORE UP 5.72%

As well as posting strong financial KPIs for 2016, wealth managers were also able to move the dial on client experience, with our annual client engagement tracker indicating an improvement of 5.72%.

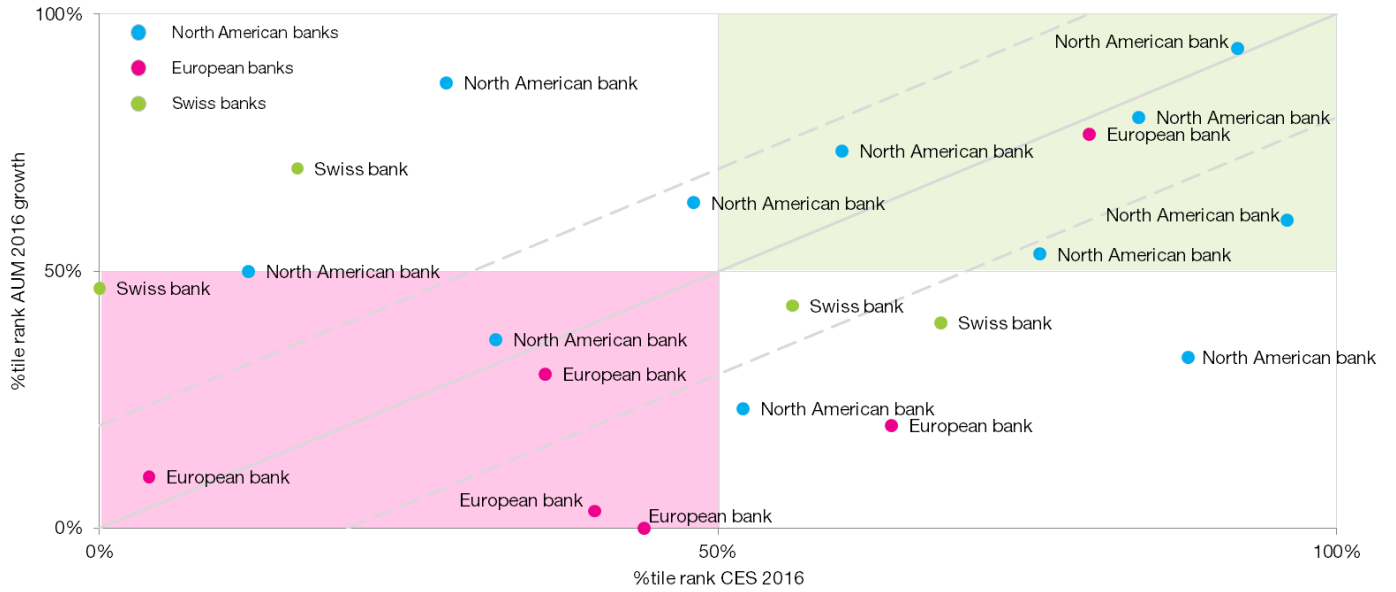
Generating favourable financial outcomes through driving better understanding of the client's needs has been at the forefront of Scorpio Partnership's development of Client Engagement Score (CES). HNW CES measures the overall rating of the client experience for their wealth manager by HNWs and UHNWs across the globe. Our research indicates that there is a relationship between client perception of the firm and the AUM growth rate.

As evidenced by Figure 2, some firms fared better at converting enhanced quality of the client service into improved financial performance. North American banks are leading the ranks of wealth managers, with only one European bank among them in a top quadrant by CES vs AUM growth metrics.

Scorpio Partnership CES is based on an aggregate across the three pillars of a wealth management relationship – Service, Proposition and Relationship. The comprehensive approach to examining client engagement captures the breadth and complexity of interactions in a relationship-driven wealth management context.

“North American operators tend to have a more forensic approach to tracking, measuring and monitoring the client experience across multiple metrics. As such, we see them consistently move the dial on client engagement and, as a result, their financial results,” commented Caroline Burkart, Director at Scorpio Partnership. ***“The commitment to active listening to the needs of the clients will be imperative to a strong advice-led model.”***

Figure 2: Scorpio Partnership HNW Client Engagement Score (CES) and AUM growth among leading providers



Source: Scorpio Partnership Client Insights database 2017

GLOBAL PRIVATE BANKING BENCHMARK 2017: IN FIGURES

The 100+ page report is the most comprehensive industry assessment of published financial performance data from over 200 private banks and subsidiaries globally. The document is recognised as a leading independent indicator of the industry’s operating model performance.

scorpiopartnership
what wealth needs next

GLOBAL PRIVATE BANKING
BENCHMARK 2017



KEY PERFORMANCE INDICATORS

Average 2016 y-o-y % change; Client Engagement Score y-o-y % change



Source: Scorpio Partnership Global Private Banking Benchmark 2017

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COSTS VS. INCOME

Cost:Income ratio



OPERATING INCOME +0.04%



OPERATING EXPENSES -0.19%



COST INCOME RATIO -3.22%

Source: Scorpio Partnership Global Private Banking Benchmark 2017

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TOP 5

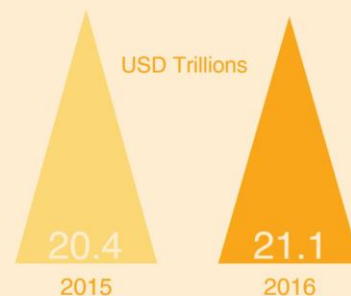


% OF MARKET ASSETS MANAGED BY TOP BANKS (USD tr)

TOP 25



PRIVATE BANKING MARKET



Source: Scorpio Partnership Global Private Banking Benchmark 2017

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To download the full report please call us or visit www.scorpiopartnership.com

Notes to the editors:

1. Scorpio Partnership is a London-based strategy and research specialist focused on the global wealth management industry and the HNW client journey. In addition to its industry benchmarking, Scorpio Partnership's unparalleled insight into the market is based on over 100,000 interviews with millionaires and billionaires and 12,500 professional advisors across 35 global wealth centres. The firm has now undertaken enterprise-wide client journey insight programmes for 40% of the world's largest private banking institutions. To date in 2016, Scorpio Partnership has either won or been runner-up for awards for Thought Leadership in Asia, Europe and the United States for its insight work in the respective regions over each of the past four years (WealthBriefing).
2. The Scorpio Partnership Global Private Banking Benchmark is the leading analysis of the international wealth management market from strategists Scorpio Partnership. This year's report includes data based on results from over 200 private banks and subsidiaries around the world with total assets under management of USD16.9 trillion. Overall, the wealth management industry is estimated to manage USD21.1 trillion in private client assets.
3. The report includes more than 2,000 data points on the private banking industry's key performance indicators:
 - Business model analysis
 - Client Engagement analysis
 - Assets under management
 - Market share
 - Net new money
 - Income breakdown
 - Expenses breakdown
 - Cost income ratios
 - Gross margins
4. The Global Private Banking Benchmark 2017 collects data from a representative sample of wealth management institutions around the world from which to develop industry key performance indicators. To ensure consistency in the analysis, the analysis seeks data relating to the firm's actively managed high-net-worth private client assets, including discretionary portfolio management, advisory portfolio management, securities or brokerage accounts, own mutual funds, term deposits, fiduciary deposits, savings accounts and managed trust assets. More specifically, the report aims to identify data relating to private clients who hold more than USD1 million (or the local currency equivalent) in actively managed assets with the firm. We note that not all firms conform to this reporting methodology. For further details on the reporting guidelines and the data reported for individual firms, please contact us directly.
5. Scorpio Partnership was acquired by Aon in 2014.

The report is available for purchase directly from Scorpio Partnership. For more information please contact valeriya@scorpiopartnership.com.