The International Private Banking Study 2007

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Executive Summary

Objective

This study is the latest edition of the International Private Banking Study published in 2005 and 2003. In total 253 financial institutions focusing on private banking were analyzed. Data covers the period from 1990 to 2006. The sample includes banks from Austria, Benelux, France, Germany, Italy, Japan, Liechtenstein, the Nordic countries, Switzerland, the UK and the US. The intention is to compare relative strengths and competitiveness of banks over all countries by measuring various key figures. The latter include key operational performance indicators (i.e. profitability, efficiency and growth) and client investment performance indicators. Additionally, the interdependencies between the various indicators are examined.

New

Compared to the last study published in 2005, the following aspects have been introduced:

- The number of countries has increased from 9 to 11. The sample now includes the Nordic countries (Denmark, Finland and Sweden) as a group and Japan.
- The number of banks has increased from 156 to 253. 276 data sets are analyzed in total if one includes the business units of banks.
- The number of investment funds analyzed has increased from 1,900 to 2,174.
- The rankings of the largest private banking players (measured by assets under management, AUM) in Switzerland and worldwide are now included.
- Due to the higher data quality of the Swiss Bank sample, an in-depth analysis of the Swiss banks has been introduced which allows conclusions to be drawn for the entire private banking sector.

Profitability

An overriding trend in profitability cannot be observed due to a degree of heterogeneity in the markets covered. However, indications can be found for a continous convergence of individual markets. In a type of "reversion to the mean" one can observe that markets with traditionally high margins are becoming more competitive and markets with historically low margins are developing qualitatively. The driver of this development seems to be the increasing internationalization of private banking. The highest average adjusted gross margin is achieved by banks in the Nordic countries (adjusted gross margin:

128.2 bsp). Following this group, the highest adjusted gross margin is achieved by Italy (98.0), followed by France (96.5), the UK (95.6), Switzerland (80.2), Japan (78.6), Benelux (77.5), Germany (77.2), Austria (76.8), Liechtenstein (69.8) and the US (60.7). Whilst the adjusted gross margin is on a lower level than in 2004 for all countries with the exception of Switzerland, Liechtenstein and the Nordic countries, return on equity has increased considerably in all countries compared with 2004. The highest figures are achieved by banks in Benelux (return on equity: 32.3%). Swiss banks are in the mid-range with 21.3% whereby the figures for Switzerland and Liechtenstein must be put into perspective under consideration of above-average capital ratios.

Operational efficiency

Overall, the cost/income ratios have dropped compared to 2004. The lowest figures are for Benelux (cost/income: 51.9%), Italy (57.1%) and the Nordic countries (58.3%). With a cost/income ratio of 65.7%, Swiss banks are in the lower mid-range and struggle with comparatively high personnel costs.

Client investment performance

The Nordic countries, in relative performance, and Liechtenstein, in absolute performance, achieved better performance compared to their peers. In comparison to their competitors and to the last study, the overall investment performance of Swiss banks was lower. However, they remain in the top third or in the upper mid-range, depending on indicator. For the first time, it can be shown with this study that banks offering own investment funds also achieved positive relative returns for their clients with these funds.

Dependencies

Size effect

We explore how size, profitability, efficiency and growth affect each other and investment performance. Overall, there seems to be some evidence for a moderate level of economies of scale in terms of profitability. On the other hand, smaller banks were able to work more efficiently.

Growth

For the first time, we are able to show that the net new money flow reflects past investment performance of a bank's own investment funds, thus implying that

superior investment performance attracts money in private banking. A statistical relation between size and growth of a bank does not exist, that is to say small banks grow as quickly as large banks.

Focus Switzerland

Examination of the margins on AUM and AUM per employee show that a negative and convex relation exists. The more AUM managed by an employee on average, the lower the margins of the bank. Further, it can be seen that own investment funds are becoming increasingly important. The more AUM invested by a bank in own investment funds, the higher the increase in commission income in the long run. The percentage of AUM invested in own funds has a significant positive influence on the growth of net new money. The latter constitutes the basis for a private bank's growth. A comparison between Swiss and foreign-controlled banks in Switzerland shows that Swiss banks surpass the foreign-controlled institutions in profitability (ROE) as well as in operational efficiency (cost/income ratio).

Table 1 summarizes the most important key indicators for all countries and the changes compared to 2004.

Table 1: Summary

	Switzerland	Austria	Benelux	France	Germany	Italy	Liechtenst.	UK	USA	Japan	Nordic coun.
Return on equity (after taxes)	21.3%	15.3%	32.3%	20.5%	17.6%	20.0%	17.0%	26.8%	25.7%	23.5%	27.6%
Adjusted gross margin on AUM (bps)	80.2	76.8	77.5	96.5	77.2	98.0	69.8	95.6	60.7	78.6	128.2
Cost/income ratio (before depreciation)	65.7%	62.0%	51.9%	64.3%	72.6%	57.1%	58.4%	64.5%	67.7%	66.4%	58.3%
Total revenue per employee (in CHF)	621,006	330,498	472,918	342,832	406,492	346,212	669,493	457,484	582,235	790,380	375,505
Personnel costs per employee (in CHF)	240,844	136,962	137,440	119,499	154,392	125,163	188,277	175,215	269,519	196,661	84,431
Gross profit per employee (in CHF)	259,925	146,172	213,119	144,356	147,759	142,571	322,860	176,287	221,104	263,056	214,675

compared to 2004
- growth of more than 10%
- growth between 0 - 10%
- decrease

The figures with a dark blue background are those which have increased by more than 10% over the past two years. Light blue are those figures which have increased by 0-10%. The grey fields indicate those figures which have developed negatively.

The generally positive conditions on financial markets over the past years are reflected in the ROE figures which show no negative changes. All countries improved their figures in comparison to 2004. Switzerland, Austria, Germany, Italy, Liechtenstein, the UK, Japan and the Nordic countries all increased their average ROE by at least 10%.

In contrast to the ROE figures, the adjusted gross margins have worsened for the majority of countries over the past two years. An important driver behind this development is the increasing competitiveness on many private banking markets since 2005.

Efficiency measured by cost/income ratio has improved over the past two years. Accordingly, figures have decreased over all countries.

The per capita figures for total revenue and gross profit, and also personnel costs, have shown a marked increase in all countries since 2004.[1]

1 Due to missing data for 2004, only the current figures for Japan can be shown with no indication of a change since 2004.

Table 2: International ranking of private banking by assets under management

Company / Business unit	Assets under management			Net new money			Market share		
figures in billion US$	2006	2005	change	2006	2005	change	2006	2005	change (in bsp.)
1 UBS Global Wealth Management [1]	1,609	1,419	13%	92.9	77.8	19%	4.3%	4.3%	6.4
Wealth Management US	676	615	10%	12.9	22.0	-42%	1.8%	1.8%	-3.1
International Clients	707	597	19%	74.5	52.5	42%	1.9%	1.8%	10.9
Swiss Clients	226	207	9%	5.6	3.3	70%	0.6%	0.6%	-1.3
2 Merrill Lynch Private Client [2]	770	674	14%	n/a	n/a	n/a	2.1%	2.0%	5.2
3 Credit Suisse Wealth Management [3]	643	601	7%	41.4	40.5	2%	1.7%	1.8%	-7.6
4 Morgan Stanley Global Wealth Management Group	478	431	11%	n/a	n/a	n/a	1.3%	1.3%	-0.5
5 HSBC Private Banking Holdings [4]	408	340	20%	33.0	35.7	n/a	1.1%	1.0%	7.9
6 Deutsche Bank Private Wealth Management	249	221	13%	15.0	14.0	n/a	0.7%	0.7%	0.8
7 Citigroup Private Bank [5]	208	180	16%	5.0	1.0	400%	0.6%	0.5%	2.0
8 ABN Amro Private Clients	187	166	13%	11.0	n/a	n/a	0.5%	0.5%	0.4
9 Barclays Wealth Management	182	142	28%	n/a	n/a	n/a	0.5%	0.4%	6.3
10 Goldman Sachs [6]	177	148	20%	n/a	n/a	n/a	0.5%	0.4%	3.3
11 Bank of America Private Bank [7]	172	164	5%	n/a	n/a	n/a	0.5%	0.5%	1.3
12 BNP Paribas Private Banking	171	148	15%	n/a	n/a	n/a	0.5%	0.4%	1.4
13 JP Morgan Private Bank	159	145	10%	n/a	n/a	n/a	0.4%	0.4%	-0.7
14 Banque Pictet & Cie Private Clients *)	151	n/a	n/a	n/a	n/a	n/a	0.4%	n/a	n/a
15 Crédit Agricole Private Bank	116	101	15%	2.0	1.8	12%	0.3%	0.3%	0.9
16 Julius Baer Private Banking	113	100	14%	5.9	-1.2	n/a	0.3%	0.3%	0.5
17 RBS Wealth Management	111	93	19%	8.8	n/a	n/a	0.3%	0.3%	2.1
18 Lombard Odier Darier Hentsch Private Clients **)	98	n/a	n/a	n/a	n/a	n/a	0.3%	n/a	n/a
19 Société Générale Private Banking	89	75	19%	n/a	8.0	n/a	0.2%	0.2%	1.4
20 Sal. Oppenheim [8]	77	n/a	n/a	n/a	n/a	n/a	0.2%	n/a	n/a
Total top 20 players [9]	**6,169**	**5,148**	**20%**	**215**	**178**	**21%**	**16%**	**15.4%**	
Total market volume [10]	**37,200**	**33,400**	**11%**				**100%**	**100%**	

1) UBS Business Banking (131.1 bn $) not included
2) Includes client money from the Global Private Client Advisory Division only.
3) The Corporate & Retail Banking segment was excluded from this analysis. Only the Wealth Management Private Banking unit was included.
4) The HSBC Group Private Banking business is made up of HSBC Private Bank, HSBC Guyerzeller and HSBC Trinkhaus & Burkhardt.
5) Only Citigroup Private Bank, without Smith Barney (1230 bn $ AUM), is included here.
6) Only high-net-worth individuals.
7) Only Bank of America Private Wealth Management is included, particularly without Premier Banking & Investments (187.7 bn US$).
8) The BHF bank was excluded from this analysis.
9) Dresdner Bank would also be ranked under the top 19. Due to missing business unit reporting, however, they could not be included.
10) Source: Capgemini / Merrill Lynch World Wealth Report 2007.
*) Figures according to secondary source.
**) Figures estimated under the assumption of a similar business mix to Banque Pictet & Cie and Sarasin & Cie.

Table 2 presents an overview of the largest private banks measured by AUM. The Swiss banks UBS and Credit Suisse and the US bank Merrill Lynch lead the private banking sector. They jointly manage half the AUM of the top 20 players. However, one can certainly not speak of a dominant market position of these three banks, as even the largest private bank (UBS) only has an estimated market share of a little over 4%. The fragmentation of the private banking sector is considerable. There have only been minimal changes in the rankings over the past years. In 2006, 14 of 17 banks managed to increase their market share – their growth was therefore stronger than the growth of the market.[2]

2 For three banks figures are missing for 2005 which renders statements on the change in market share difficult.

Introduction

Objective

The goal of this study is to analyze the international private banking market. The focus is on the comparison of various industry-relevant figures over several countries. The sample is made up of banks which are specialized in private banking. The analysis follows a three-stage approach. First, profitability and operational efficiency are examined by using accounting data. Second, comparisons between performances of bank own investment funds are made. In a third and final step, the first two stages are combined by analyzing dependencies in the variables examined. This study pays particular attention to the Swiss bank sample. In the section Focus Switzerland, relations are explored using additional data published by Swiss banks which are missing for the entire sample.

Data

The sample includes 253 (2005: 156) banks where a substantial part of their business is in private banking and 23 (15) private banking units. The following criteria govern the composition of the sample: data availability, clear strategic focus on private banking and a minimum of one third of entire revenue deriving from fees and commission income. The sample was extended by two countries/regions in comparison to the last study: Japan and the Nordic countries (Denmark, Finland and Sweden). The sample includes the following (figures given in brackets are those from the last study): Switzerland 147 (90), Austria 6 (5), Benelux 16 (8), France 8 (11), Germany 17 (14), Japan 5 (-), Liechtenstein 19 (11), the Nordic countries 9 (-), Italy 21 (11), the UK 11 (11) and the US 17 (17). Due to considerable restructuring activity in the sector over the past two years, it was not possible to hold the French sample constant.[3] In the Swiss data set there are 52 asset management banks and 12 "Privatbankiers", statistics for which were taken in an aggregated form from the Swiss National Bank. Data covers the years from 1990 to 2006 (2002-2006 for Austria, Benelux, the Nordic countries and Liechtenstein, 2003-2006 for Japan). Accounting data was taken from banks' periodical financial reports (annual reports, quarterly reports and analyst reports) or from the statistical databases of the relevant national or central bank. Due to data inconsistency and unavailability for a number of countries in the nineties, only those figures since 1998 are shown. Currency effects can restrict the comparability of certain key figures. As the last few years are characterized by large fluctuations in various currencies, calculations have been adjusted for currency effects.

3 Banque CCF was bought by HSBC France and Banque de Neuflize by ABN Amro.

Profitability

Figure 1: Adjusted gross margin on AUM (basis points)

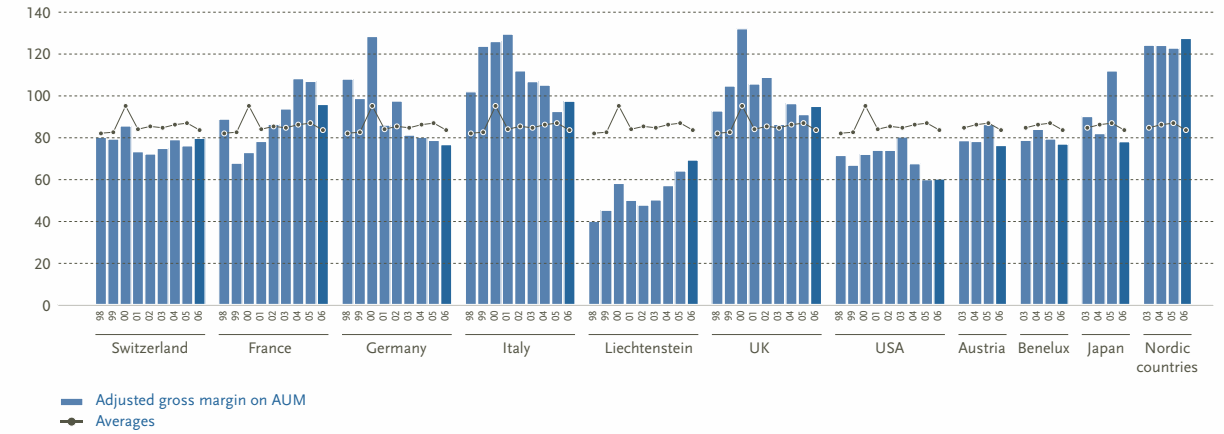


Figure 1 gives an overview of the adjusted gross margin which was calculated as the ratio of fees and commission income and assets under management. The adjustment excludes revenues unrelated to private banking, such as interest, trading and other revenues. This allows a comparison of pure wealth management related revenues. Generally speaking, an analysis of gross margins allows conclusions to be made regarding the competitive intensity of a market.

Adjusted gross margins range between 60 and 130 basis points. The Nordic countries are significantly more profitable than other countries with an adjusted gross margin of 128.2 basis points. Following at a great distance is Italy (98.0), France (96.5) and the UK (95.6). These four regions are the leaders in the group in relation to adjusted gross margin. In mid-range are Switzerland (80.2), Japan (78.6), Benelux (77.5), Germany (77.2) and Austria (76.8). Rather far behind follow Liechtenstein (69.8) and the US (60.7).

Striking is the stability of the margins in Switzerland and the Nordic countries. Here one cannot generally speak of a pressure on margins. Liechtenstein has a continuous increase in margins which can be explained by international expansion in margin-strong countries (such as Switzerland for example) and an adjustment in the products on offer. Germany has all the characteristics of a highly competitive market. The past five years have seen the German market

battle against decreasing margins. The aggressive expansion strategy of the Swiss major banks on the German markets is also to blame for this. The Italian market, with its limited competition reflected in high margins, has experienced intensification in competition over the last years and now shows a tendency towards decreasing margins. France saw an impressive increase in margins over many years which could be attributed to a clear focus on private banking by some banks. However, for the first time France's margins have sunk below the levels of the previous year. In the UK margins have improved slightly. Remarkable is that the margins in Benelux and Austria, markets with a traditionally intense price competition, remain constant around 80 basis points.

On a higher level, evidence can be found that individual markets – once considerably different – are beginning to align. In a "reversion to the mean" one can recognize that once high margin markets are becoming more competitive and markets with traditionally lower margins are developing qualitatively. This reflects the increasing internationalization of private banking. With growing competition between offshore and onshore providers, alignment of regulatory frameworks and client preferences, this trend will continue and be reflected in these indicators.

Figure 2: Return on equity

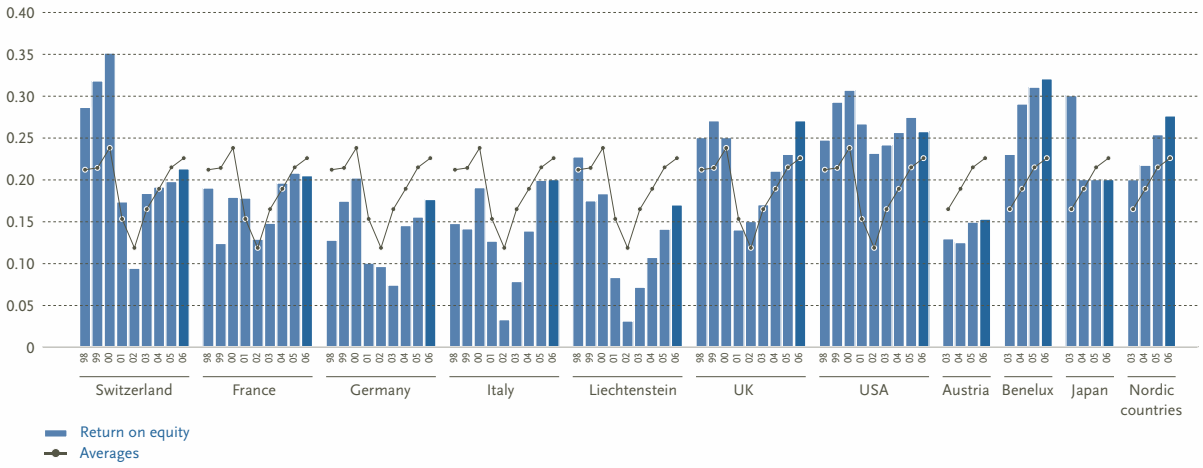


Figure 2 gives an overview of the return on equity: Benelux (32.3%) and Austria (15.3%) form the upper and lower limits of the range for all countries. Eight of eleven countries have an ROE of 20% and more. Only in Germany, Liechtenstein and Austria are figures lower.

The difference between the highest and lowest value was most significant in 2003. Now it has again reached the same level as at the beginning of the millennium (cf. Figure A-1 Appendix). It is apparent that less successful banks suffer most during difficult times. This can also be seen with the current boom where differences are rather small. Only if financial markets slow down would less profitable establishments become more separated from those more profitable.

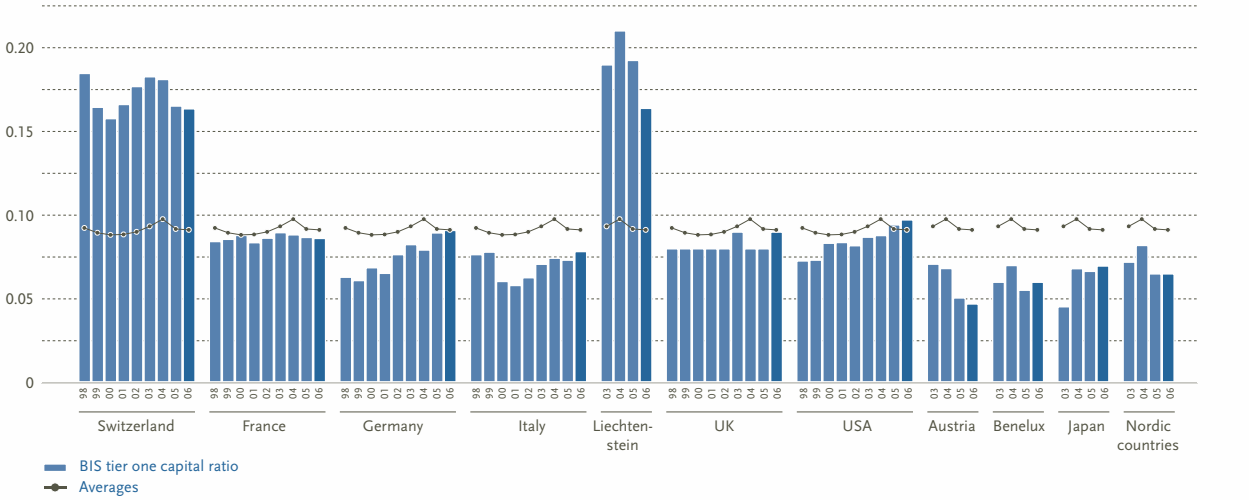
Less surprising but impressive is the continuous and clear improvement in profitability after the market depressions of 2002 and 2003. Banks in all countries were in a position to over-proportionally increase their revenue relative to costs. This tendency can be seen in the decreasing cost/income ratios since 2002 (cf. Figure 5).

The Nordic banks have been able to successfully realize high gross margins. They benefit from the lowest personnel costs per employee. However, higher-than-average taxes squeeze their profits.

In 2006 Swiss banks achieved an average ROE of 21.3% which puts them in mid-range over all countries. They are far from the highest levels they once reached, however, a clear upwards trend can be observed. Of interest is that some countries could not maintain a growth in ROE, it stagnated or even decreased slightly in comparison to 2005, whereas Switzerland managed to strengthen its ROE.

Any observation of return on equity cannot neglect the aspect of country-specific differences in terms of capital ratios. Therefore, Figure 3 illustrates the corresponding BIS tier one ratio. Return on equity adjusted by BIS tier one ratio can be seen in Figure 4.

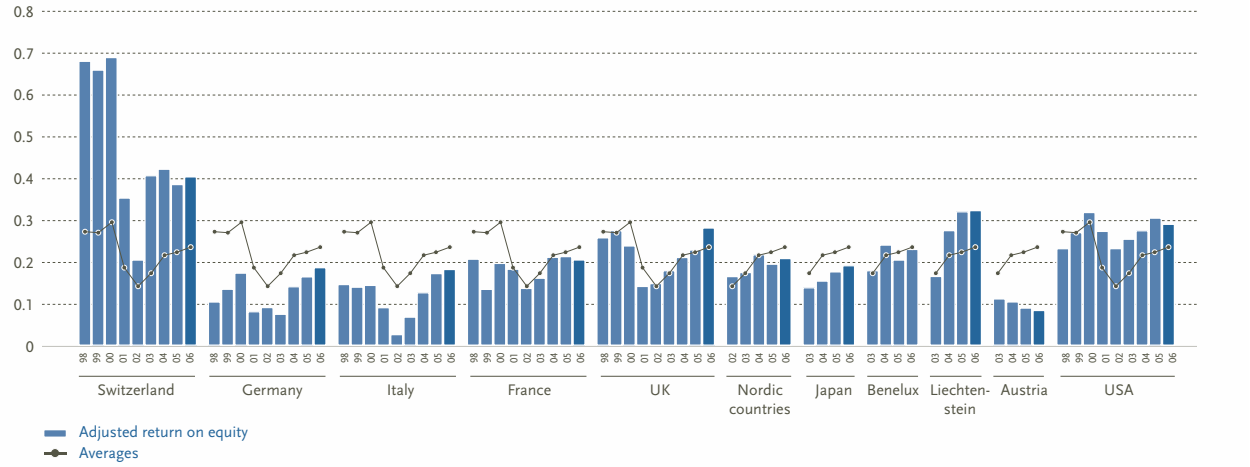
Figure 3: BIS tier one capital ratio



The Swiss and Liechtenstein banks have by far the highest values (cf. Figure 3). However, the difference since 2004 has decreased slightly. Figures for Switzerland and Liechtenstein have noticeably decreased whilst in other countries development generally shows an upward trend.

The lowest figures can be observed in Austria (4.7%). Between Austria as the country with the lowest figures and Switzerland (16.4%) and Liechtenstein (16.4%) two groups are visible. Benelux (6.1%), the Nordic countries (6.5%) and Japan (7.0%) form one group and Italy (7.8%), France (8.6%), Germany (9.1%), the UK (9.1%) and the US (9.7%) form another.

Figure 4: Adjusted return on equity



The aim of Figure 4 is to provide a comparison of ROEs under consideration of the capitalization level (as the BIS tier one ratio). Conventional ROE is multiplied with the respective relation from the country-specific BIS tier one ratio and the average BIS tier one ratio of the entire sample. The result, ROE weighted by the capitalization level, is called here the "adjusted ROE" (AROE).

The resulting figures are between 40.4% (Switzerland) and 8.3% (Austria). Above-average figures, with the exception of Switzerland, are achieved in Liechtenstein (32.3%), the US (29.0%) and the UK (28.1%).

Efficiency

Figure 5: Cost/income ratio

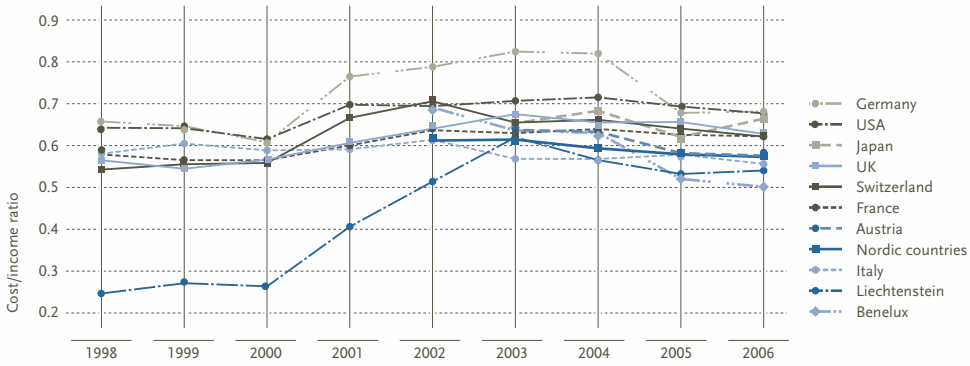


Figure 5 shows that since 2002 all countries with the exception of Liechtenstein have improved their cost/income ratios. Liechtenstein has also managed to improve figures since 2003. If only the last two years are considered, one can observe that the cost/income ratio has improved over all countries.

The Swiss banks are found at the top of the mid-range. They were able to decrease their cost/income ratio by 8.5 percentage points since 2002. However, it is necessary to mention that a number of other countries have been able to improve their ratios considerably more, e.g. Benelux and Germany (the latter from a very high level). Observation of the last two years shows that Swiss banks have managed above-average improvement as regards operational efficiency.

Figure 6: Changes in income and costs (before depreciation)

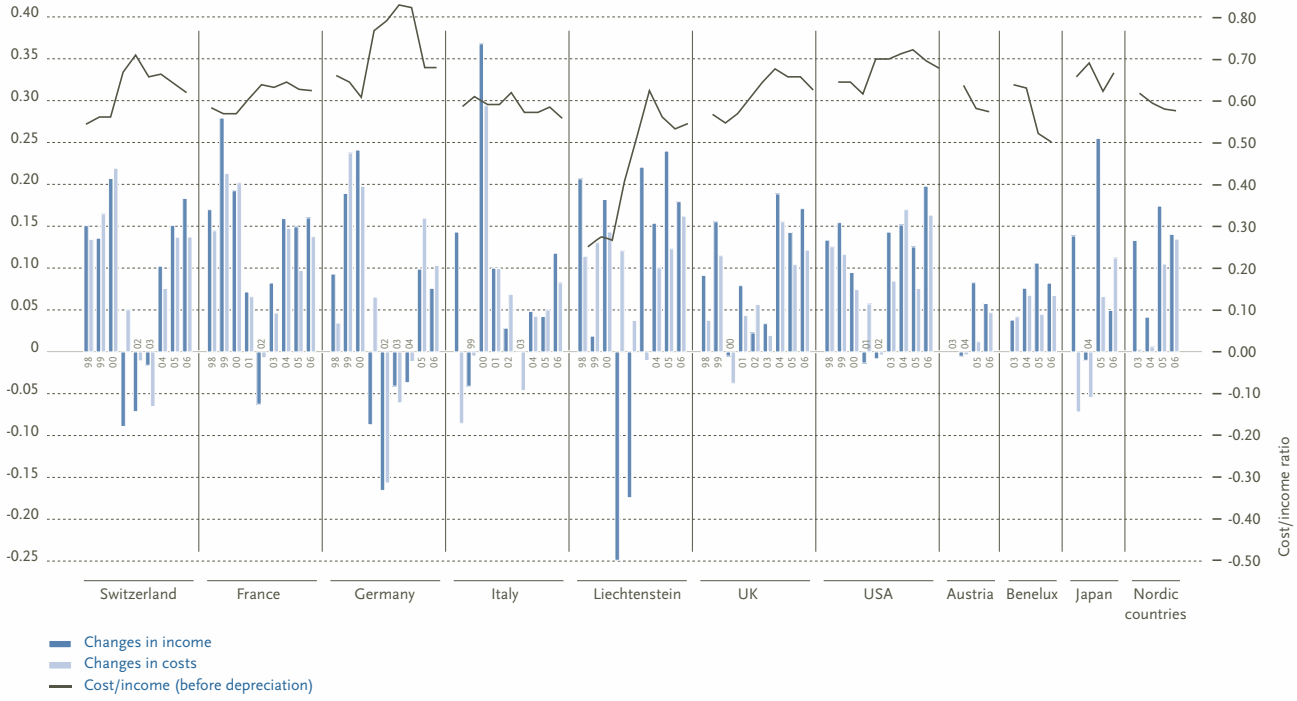


Figure 6 illustrates that the positive development which Swiss banks have seen as regards cost/income ratio in the last three years is based on above-average growth in revenues. However, costs have also sharply increased along with revenues. In a business which has highly performance-based remuneration models and where personnel costs make up between 60% and 70% of total costs (cf. Figure 12, Division of total operational costs) this is hardly surprising.

The trend towards over-proportional growth in revenues can be seen in all countries with the exception of Germany and Japan. This Figure illustrates just how important reducing costs will become if revenue no longer continues to increase or even begins to decrease.

Figure 7: Personnel costs per employee (in 1,000 CHF)

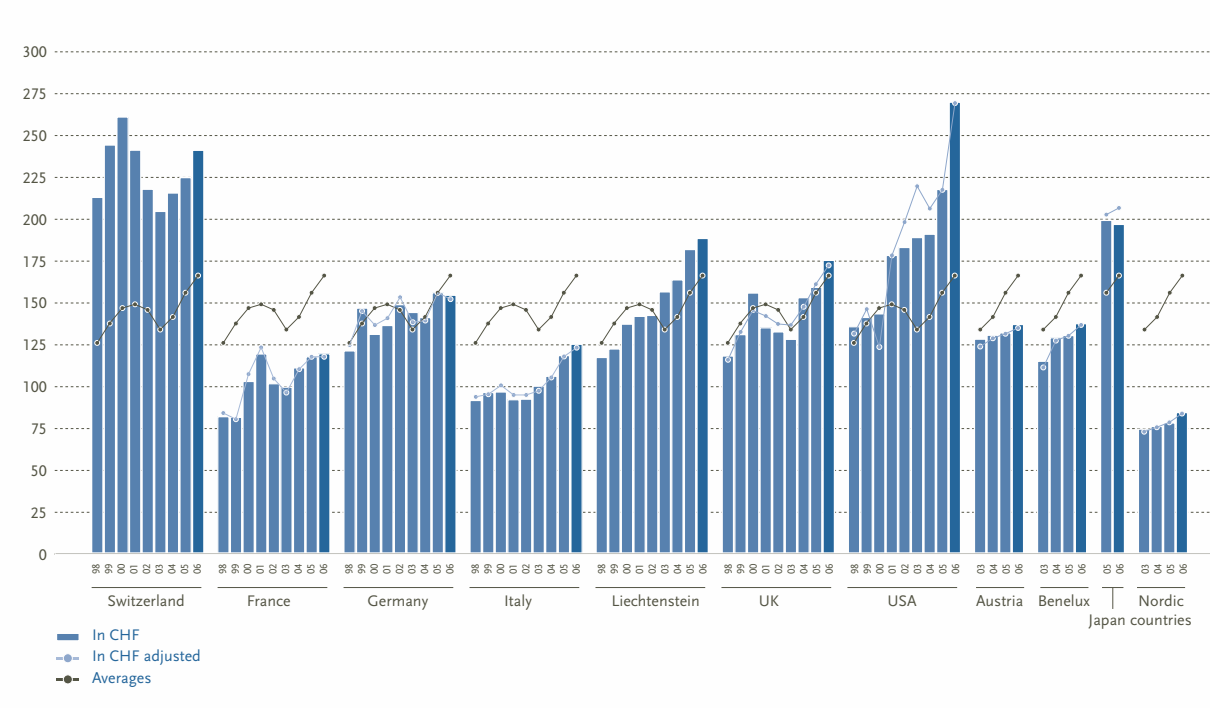
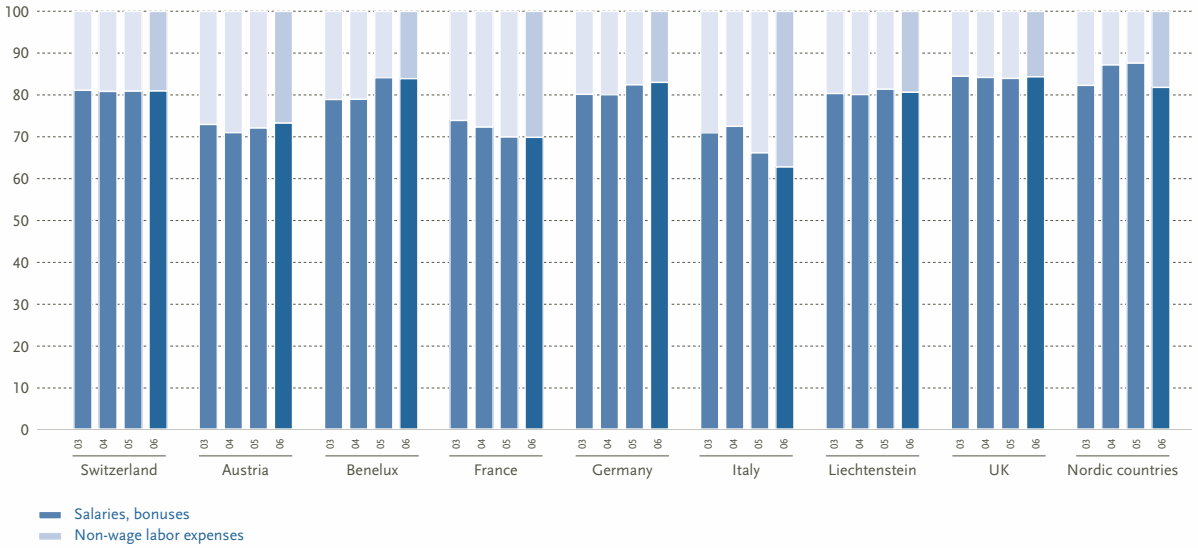


Figure 7 shows the development of personnel costs in the various countries over the years. In the last study, Swiss banks still had the highest figures for personnel costs per employee. This did not change in 2005. However, in 2006, it was the US banks that recorded a noticeable increase in personnel costs and even overtook the Swiss banks in this respect. The US banks' personnel costs were 269,519 CHF compared to the Swiss costs of 240,844 CHF.

Germany was the only country to reduce its personnel costs since 2005.

Adjustment to the values should reveal the effect of currency effect of movements in currency exchange rates. The line shows where the values would be, if the relevant currency exchange rates would have remained the same since the end of last year. This adjustment is particularly significant in Japan, the UK and the US.

Figure 8: Division of personnel costs in CHF (in %)



A breakdown of personnel costs in direct remuneration payments and non-remuneration personnel costs shows a uniform picture (cf. Figure 8). Direct payments were on average 77.8% of total personnel costs in 2006. Deviations from this average are minimal over all countries. In Italy the percentage is 69.9%, in Benelux 84.4% and in Switzerland the figure remains constant at 81%.

Figure 9: Wage costs per employee (in 1,000 CHF) (1/2)

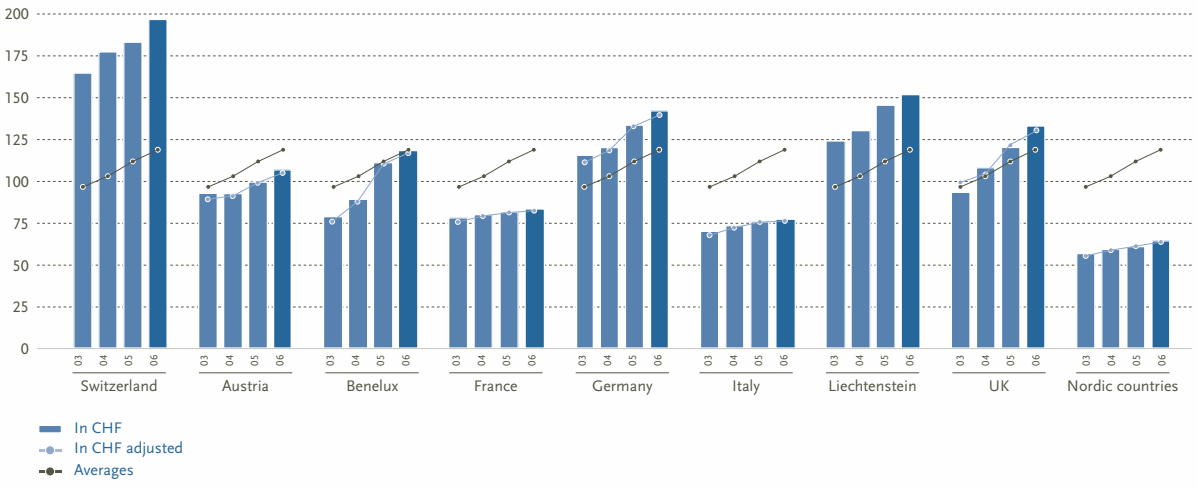


Figure 9 shows that in examining personnel costs per employee over the various countries, one can identify enormous differences in remuneration in the private banking sector. The highest wages are paid in Switzerland. In 2006, Swiss banks paid an average wage per employee of 196,764 CHF. In second place is Liechtenstein (151,867 CHF), then Germany with 142,166 CHF per employee. There are three countries/regions in which bank employees earn less than 100,000 CHF, these are France (83,571 CHF), Italy (77,429 CHF) and the Nordic countries (64,522 CHF).

High personnel costs in Switzerland present part of the explanation as to why Swiss banks have a high cost/income ratio despite high revenues per employee.

The highest increase in wages over the last four years can be observed for Benelux (+50%), followed by the UK banks (+42.3%). Swiss private banking employees earned on average 19.4% more in 2006 compared to 2003.

Figure 10: Wage costs per employee (in 1,000 CHF) (2/2)

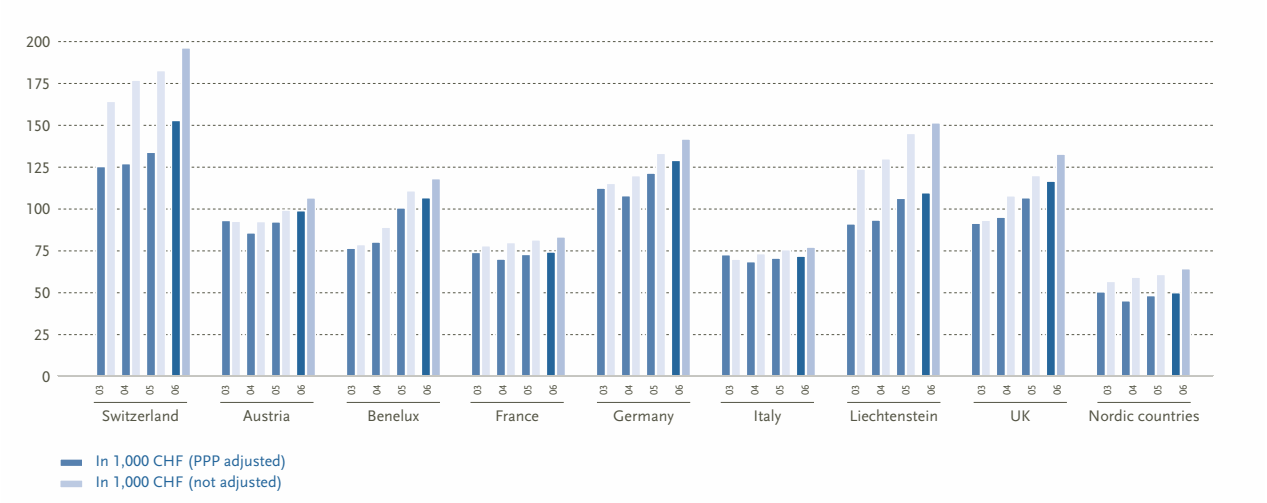


Figure 10 shows average wages per employee adjusted with a purchasing power parity exchange rate.[4] Wages cannot be compared without considering the general level of prices in the individual countries. The relation between the highest and lowest non-adjusted figure in 2006 is 3:1, for the adjusted figure the relation is only 2:1.

4 Source: Main economic indicators, OECD 2007.

This indicates that special consideration of equality of purchasing power is necessary as it is normally those countries where salaries are lower which have a lower general level of prices. However, the findings are the same: Swiss private bankers earn the most. Germany and then the UK follow, with Liechtenstein – in second place before the adjustment – in fourth place.

Figure 11: Division of total operational costs (in %)

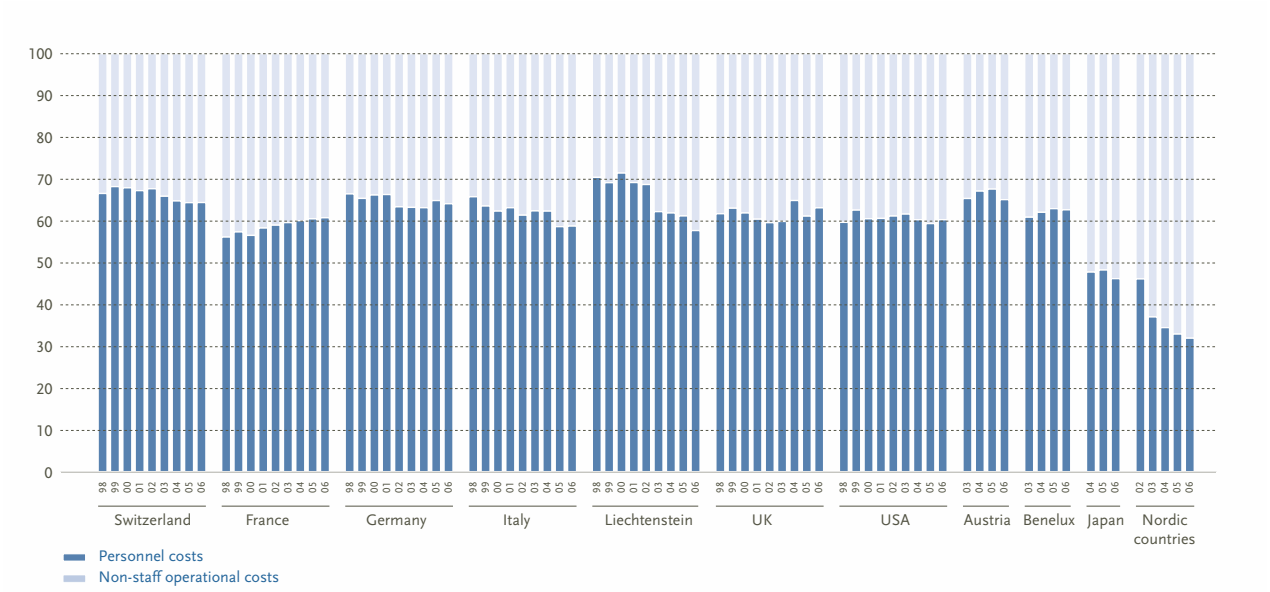
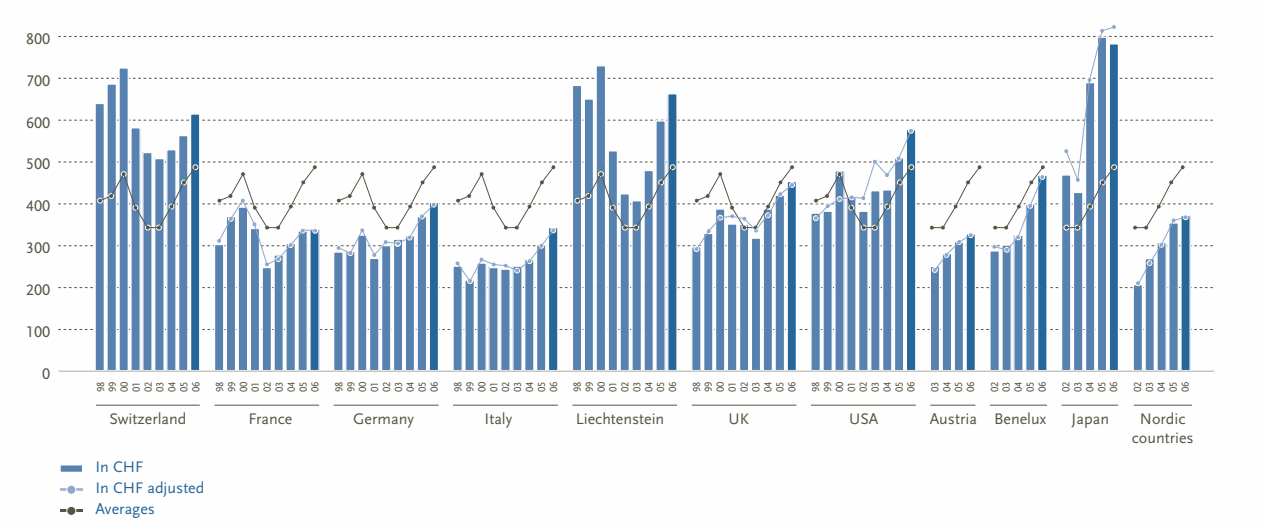


Figure 11 gives an overview of the division of total operational costs: In Switzerland, personnel costs represent 64.4% of total costs (non-personnel operational costs and personnel costs = total costs). Over the last nine years, this figure has remained between 64.4% and 68.3%. A similar picture emerges for the other countries. The percentage of personnel costs in this period varies between 60% and 70%. Only Japan and the Nordic countries stand out. In the latter the figure is between 30% and 35% and in Japan between 45% and 50%.

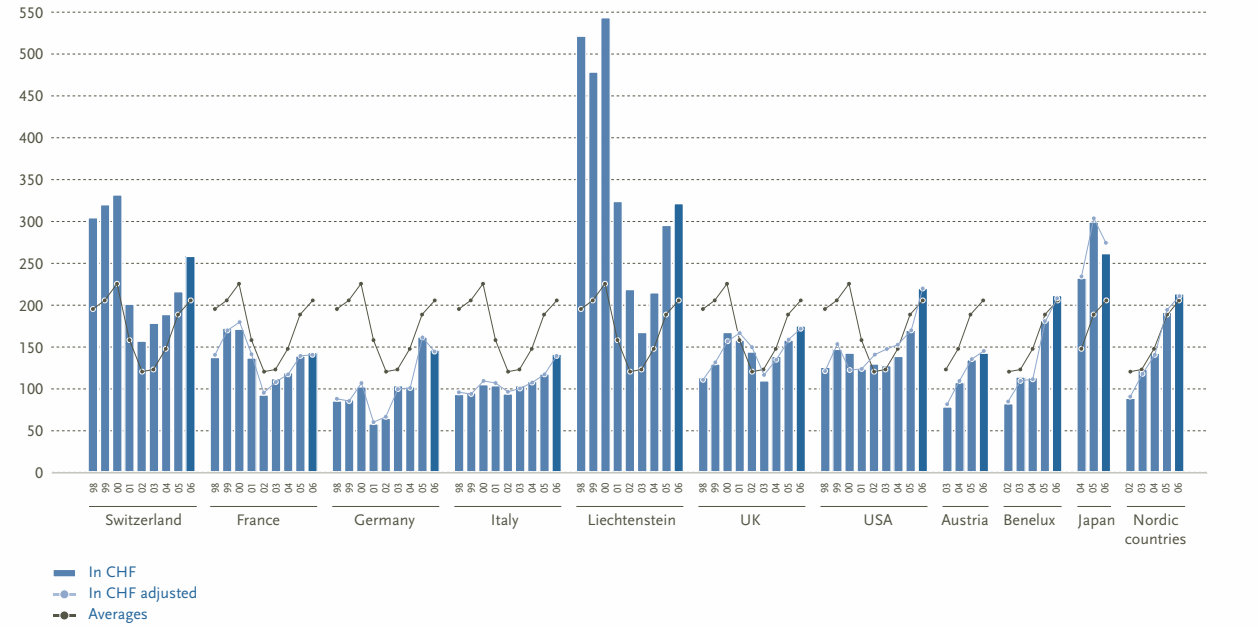
Figure 12: Total revenue per employee (in 1,000 CHF)



The last study showed Swiss banks leading total revenue per employee (Japanese banks were not yet included at that point). With the integration of Japan into the study and sharp growth in Liechtenstein, Switzerland has given up its leading position to Japan and now sits in third place (cf. Figure 12). In Japan revenue per employee in 2006 reached 790,380 CHF, with Japanese banks looking back on impressive growth rates in revenue per employee. Banks in Switzerland and Liechtenstein could also significantly increase their revenue over the last few years. At some distance follow the US banks (582,235 CHF). The remaining countries are far behind the four leaders.

Of interest is the development of total revenue per employee since the market depression of 2002 and 2003. In a first phase all countries managed to increase revenues, but the distance between them also increased. Countries with high revenue per employee were in a position to increase their revenues disproportionately, whilst the other countries could not keep up with this growth. Only in 2006 does it appear that the countries are beginning to close ranks again (cf. Figure A-2, Appendix).

Figure 13: Gross profit per employee (in 1,000 CHF)



As can be seen in Figure 13, banks active in Liechtenstein achieved distinctly higher gross revenues per employee (322,860 CHF). Japan is in second place with 263,056 CHF and Switzerland in third place with 259,925 CHF. In comparison to these three, the other countries achieve significantly lower figures.

Striking is that Liechtenstein is still far from the figures that it reached at the end of the last millennium. Switzerland is also considerably behind the figures of 1998-2000. Most countries have managed to increase their figures since the last crisis. The upward trend over the last few years is apparent.

One of the reasons for the excellent figures for banks in Switzerland and Liechtenstein is surely the high percentages of AUM per employee.

High personnel costs per employee are reflected in the low percentages of German banks. Despite considerable average AUM per employee, German banks have not managed to achieve a high gross profit per employee. It appears that costs are responsible for this as the adjusted gross margin in Germany is one of the highest for all the countries.

Figure 14: Average AUM per employee (in 1,000 CHF)

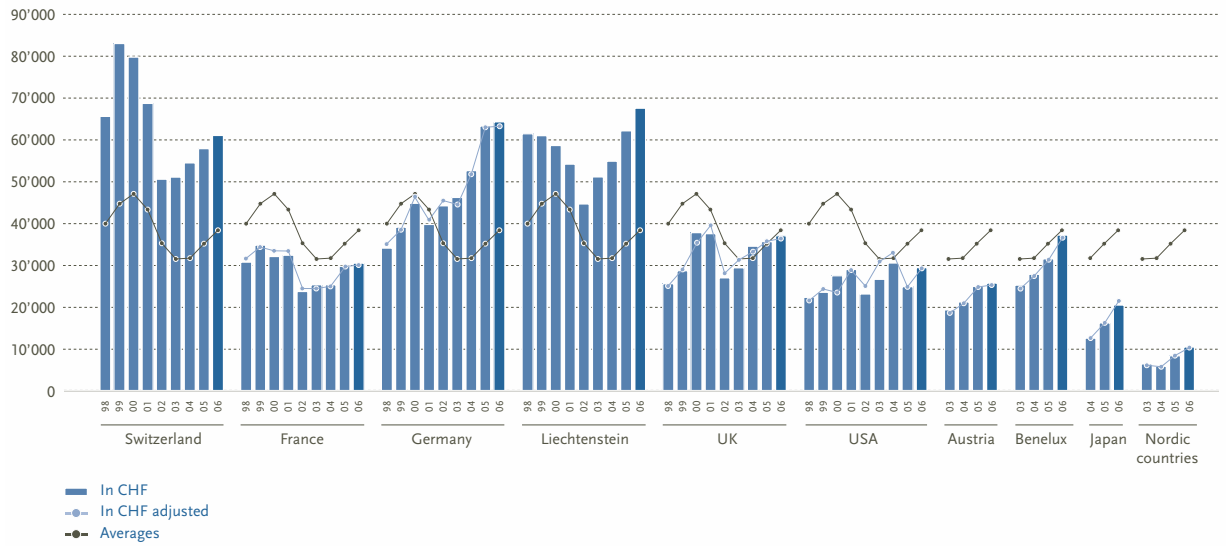


Figure 14 illustrates average AUM per employee. Over all countries the average for 2006 was 38.8 million CHF; whereby the individual values are widely distributed around the mean value. Liechtenstein (68.1), Germany (64.9) and Switzerland (61.6) stand out with very high figures, whereas Austria (26.1), Japan (20.8) and the Nordic countries (10.8) reach only around one-seventh to one-third of the values of the leading group.[5]

Striking is the sharp growth in the Benelux countries. The investment fund business has particularly boomed in the last years in this region, especially in Luxembourg. This has led to an impressive inflow of managed money. Increasing standardization in this business and the accompanying underproportional increase in the number of employees has further strengthened this effect.

5 Italy has again been excluded from this analysis – as in 2005 – as the country sample is not representative.

Figure 15: Stakeholder income per employee (in 1,000 CHF)

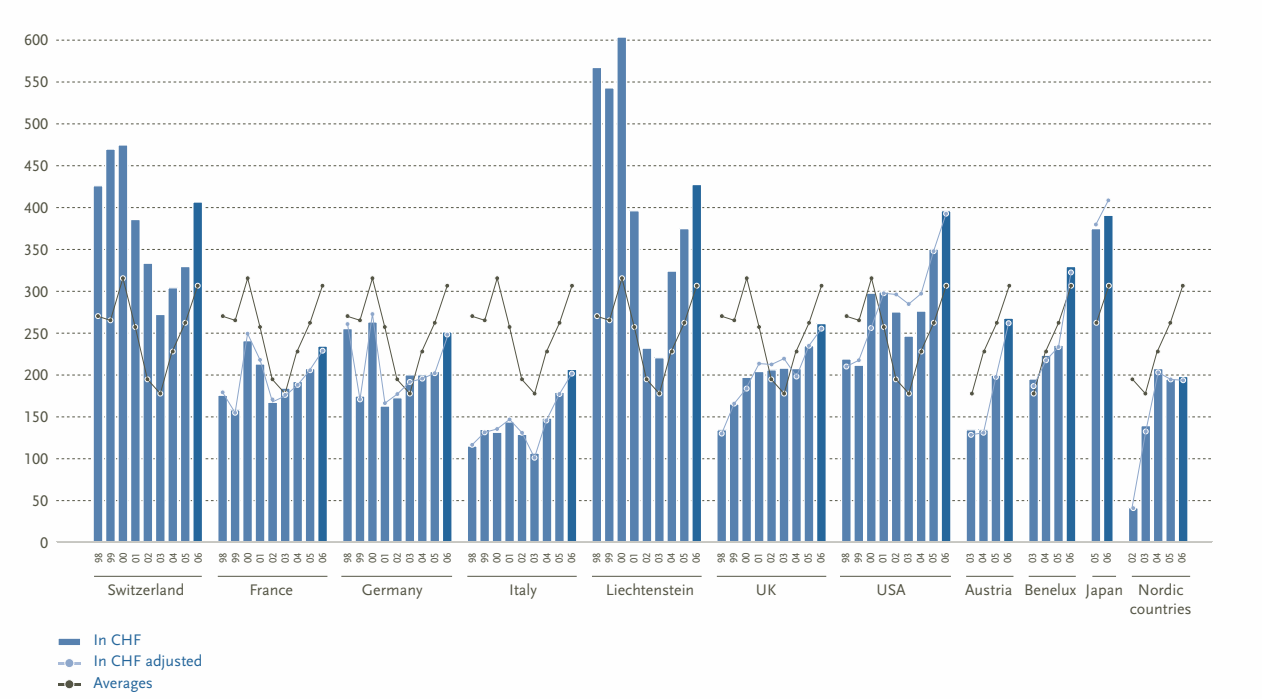
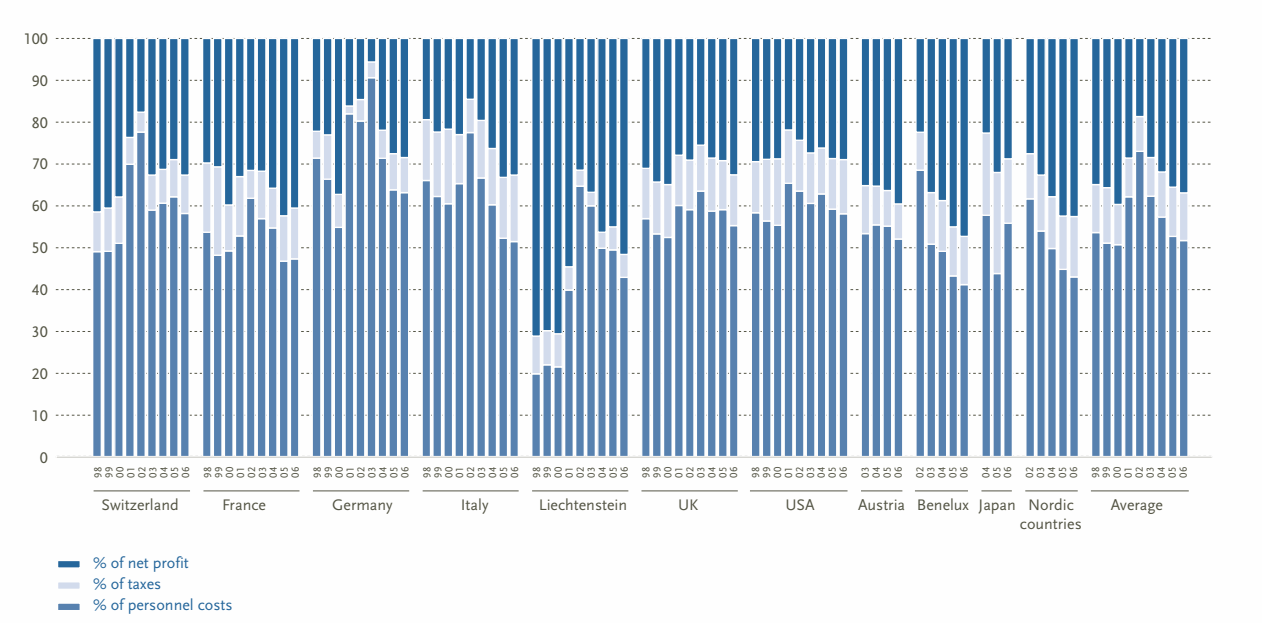


Figure 15 compares total value generation per employee in the individual countries. Stakeholder income is used as an indicator for total value generation. This corresponds to the total of personnel costs, fiscal expenses and net profit per employee.

Measured in this way, it is the banks in Switzerland and Liechtenstein which generate the most value. Banks in Japan and the US also achieve high values. The lowest values are generated in Italy and the Nordic countries. Noteworthy is the increase in 2006 in the Swiss banks. All countries managed to increase the figures over the last years. Large currency effects can be observed in Japan in 2005 and 2006, in the US in 2000 and from 2002 until 2004, as well as in the UK from 2000 until 2003.

Figure 16: Division of stakeholder income in CHF (in %)

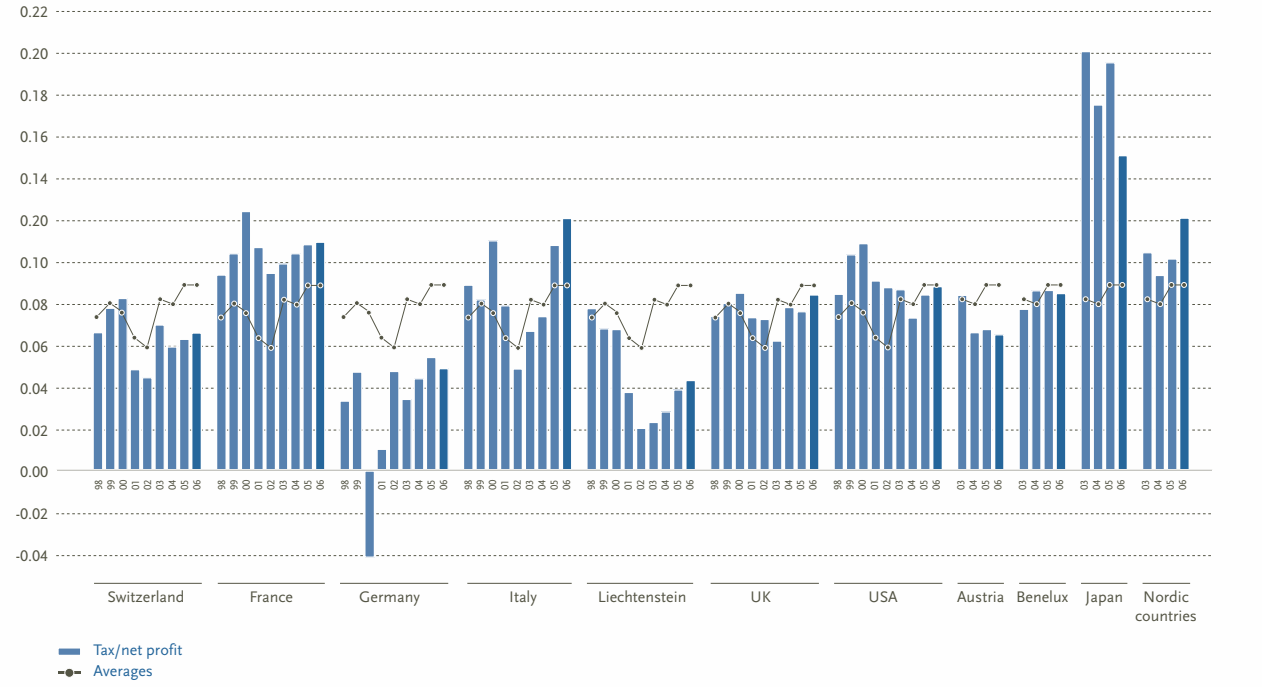


A more differentiated examination of stakeholder income is shown in Figure 16. Here net earnings in Liechtenstein constitute a large part of entire stakeholder income. Also in the Nordic countries and Benelux a large part of stakeholder income is generated by profits. In Germany this percentage is strikingly small. Here it is the personnel costs which make up the largest portion.

In Switzerland personnel costs are roughly 60% of stakeholder income, taxes ca. 10% and profits 30%.

A tendency which can be observed in most countries is an increasing percentage of net profit on stakeholder income since 2002/2003.

Figure 17: Tax/net profit



An above-average high tax burden can be seen in France, Italy, Japan and the Nordic countries. In comparison, the banks in Switzerland and Liechtenstein have below-average taxation. It would seem that also in Germany banks are subject to below-average taxation which in part is explained by losses carried forward which are tax deductible.

Across all key operating performance indicators, a pleasing conclusion can be drawn for Swiss banks (cf. Table 3). Switzerland, along with Liechtenstein, achieves the highest average rating. The only key figures where the banks in Switzerland and Liechtenstein performed comparatively badly, are adjusted gross margin, return on equity and cost/income ratio. However, the weak rating for return on equity must be put into perspective in as much as it is qualified by above-average capital ratios. For adjusted return on equity, which exactly considers this situation, Switzerland and Liechtenstein perform considerably better. Top positions are held by Swiss banks, in addition to adjusted return on equity, also for total revenue per employee, gross profit per employee, average AUM per employee and stakeholder income per emplo-

yee. The banks in Liechtenstein also achieve top positions for the same key figures. However, with the exception of adjusted return on equity, Liechtenstein ranks above Switzerland. Liechtenstein's total ranking is heavily influenced by adjusted gross margin and return on equity where it occupies the second-to-last positions. Whilst fault can be found in efficiency with the Swiss banks measured by the cost/income ratio, the banks in Liechtenstein finish well.

Table 3: Summary

	Adjusted gross margin	Return on equity	Adjusted return on equity	Cost/income	Total revenue per employee	Gross profit per employee	Average AUM per employee	Stakeholder income per employee	Overall ranking
Switzerland	5	6	1	8	3	3	3	2	1
France	3	7	7	6	10	10	6	9	8
Germany	8	9	9	11	7	8	2	8	10
Italy	2	8	10	2	9	11	-	10	9
Liechtenstein	10	10	2	4	2	1	1	1	1
United Kingdom	4	3	4	7	6	7	5	7	4
USA	11	4	3	10	4	4	7	3	6
Austria	9	11	11	5	11	9	8	6	11
Benelux	7	1	5	1	5	6	4	5	3
Japan	6	5	8	9	1	2	9	4	5
Nordic countries	1	2	6	3	8	5	10	11	7

Switzerland and Liechtenstein have the same average rank

In summary one can conclude that Liechtenstein and Switzerland achieve particularly good results in the per capita figures. With profitability there is room for improvement in both countries and Switzerland could improve on operational efficiency.

The Benelux banks come in third. In 2006 they achieved the highest return on equity. Otherwise there are no other outstanding values for the Benelux banks, they rather remain in the mid-range across all figures.

The US and the UK banks do not perform overall remarkably. They do, however, distinguish themselves with good ratings for profitability. The banks hold ratings at the top of the range for both return on equity and adjusted return on equity.

Client Investment Performance

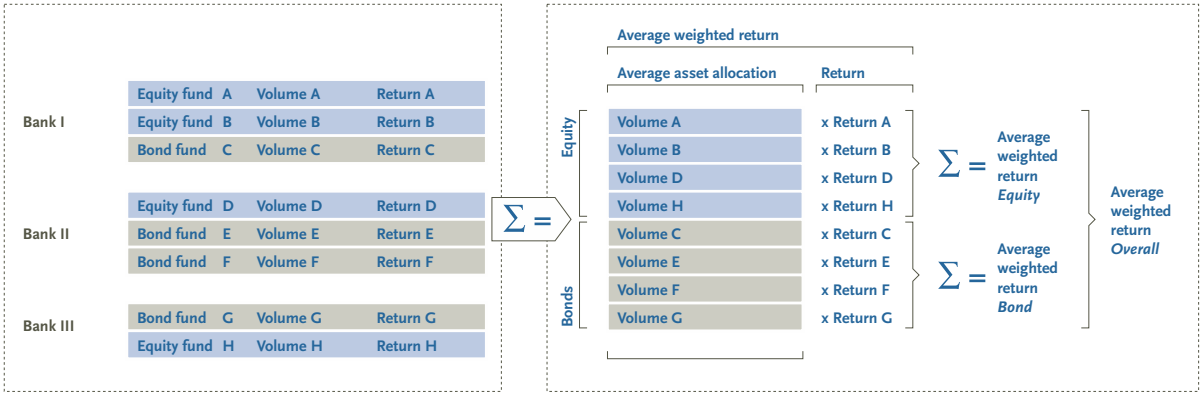
In this section, the absolute and relative performance for bank own investment funds over a one and over a five-year period is analyzed as well as the risk-adjusted performance and fees for these investment funds.

Data and methodology

The approach of this study focuses on the investment skills of banks and accordingly on the performance of clients' assets. Since data is not publicly available on the individual portfolio level, a technique to proxy for client investment performance has been used here: First, we take the aggregated performance of all the investment funds offered to the public under the bank's name, whereby a differentiation is made between several investment fund classes (cf. Figure 18).

Second, the figures are aggregated over all banks for a specific country. Only this data, the performance measured on country-level, is then reported here. Although the techniques used do not directly measure actual client portfolio returns, we assume this to be the closest possible approximation to average client performance. Furthermore, this technique allows for the simultaneous consideration of risk and returns.

Figure 18: Performance measurement methodology



Mutual funds performance of a broad set of funds is compared for every bank in the sample (2,100 funds in total). Reuters is the source for mutual funds performance data. For an extensive illustration of all the variables computed, please consult the Appendix. In the analysis we differentiate between three classes of funds and measure the performance for each class individually:

- **Overall:** returns on all investment funds (stocks, bonds, mixed, strategy) of each bank are value-weighted by net asset value. Overall yearly return reflects average client performance assuming an investor only invests in the bank's own funds. Under this assumption, the return also reflects the average asset allocation of the bank's clients.

- **Stocks:** only returns on stock funds are considered. This category allows consistent measuring of the bank's skill in investment by using relative performance measures. The outperformance relative to a benchmark allows a comparison of returns across markets and identification of superior investment skills among all banks (even if their funds invest in very specific market sub segments).

- **Bonds:** only returns on bond funds are considered. Bond funds are often used to produce income or to help stabilize a portfolio. The primary goal does not seem to be outperformance and so bonds are not central to this analysis.

- **Mixed:** only returns on mixed investment funds are considered. Mixed investment funds are defined as mutual funds invested in both stocks and bonds.

We distinguish between absolute and relative returns. Annual returns for each investment fund are calculated for a one (2006) and five-year (2002-2006) period. Relative returns are calculated against the investment fund reference index. Absolute returns are computed in CHF and in the investment fund currency to account for exchange rate effects. Aggregated return figures for each bank and each country are computed as a weighted average (weight = investment fund's net asset value).

Investment fund fees are treated in a separate section. For this reason all performance figures are here examined net.

Fees are defined as "management fees" since any other fee definition does not allow for international comparison. For a comparison of a risk-adjusted base, the Sharpe Ratio and Jensen Alpha for one and three-year periods are calculated for all investment funds. The Appendix contains the detailed investment fund data, fees included.

Assumptions and comments

By analyzing the investment performance of a client's assets, one can assess the ability of a bank to invest the funds in the client's best interests and the bank's investment know-how. Even if one can argue that these aspects may not be the essence of private banking, it certainly has some importance as regards a bank's competitiveness. Our approach rests on three important assumptions: (1) clients invest only in investment funds, (2) clients invest only in investment funds of banks from one country and (3) clients invest their assets in all investment funds, proportionally to the size of the funds. Any interpretation of the results deriving from the study should be considered in the light of these assumptions.

Some other aspects need to be addressed:

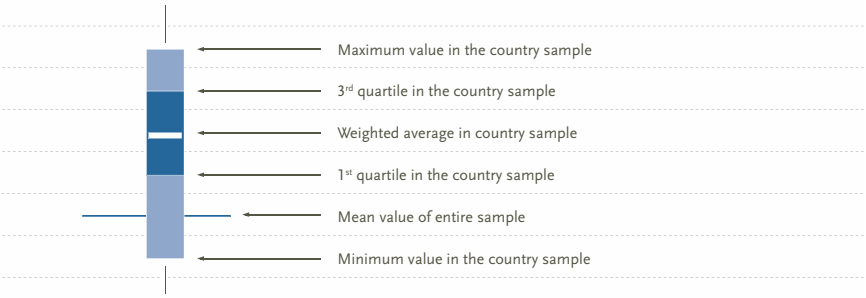
We regard the performance measures as an indicator for the bank's investment expertise. The assumption is that banks achieving a sustainable outperformance with their own funds most likely signals superior investment skills. Note that the focus is on relative performance; it is therefore possible to compare banks across investment markets.

It does not matter if investment funds are in-house or third party investment funds carrying the label of the respective bank (white labeling). What counts is the client's perspective. And the client will attribute any performance, good or bad, to the label of the respective investment vehicle.

Performance

Introduction

Figure 19: Diagram explanation



To illustrate the performance, the bar diagram in Figure 19 was chosen. The overall return within a country group is computed as the asset-weighted return of all mutual funds offered by any bank. The upper limit of the bar shows the maximum value and the lower limit the minimum value within a country group. The gray horizontal line depicts the average for the whole sample.

With the use of quartiles, the distribution of the various banks in the country samples can be read. The average is volume-weighted on the funds and banking level. In the last study, investment funds were only volume-weighted on the banking level. Therefore, a comparison between the current study and the one of 2005 is only possible to a limited degree.

Overall one-year performance

Figure 20: Overall net one-year absolute performance in CHF (in %)

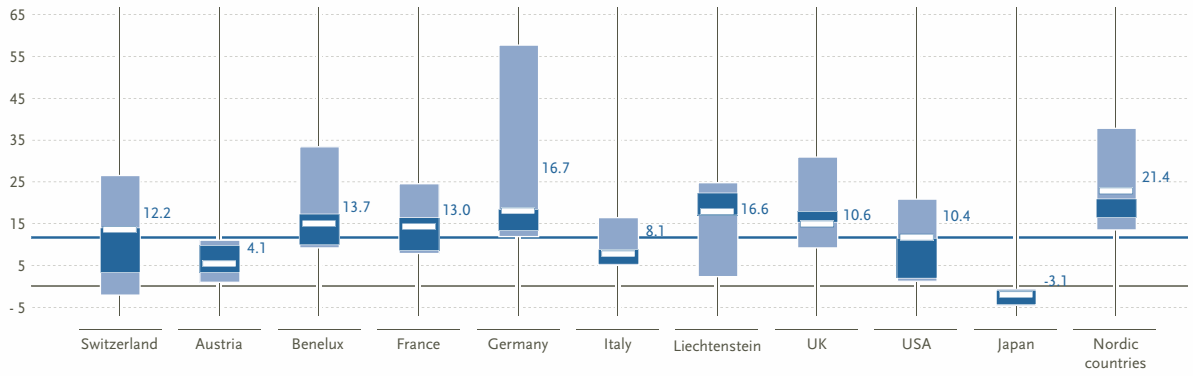
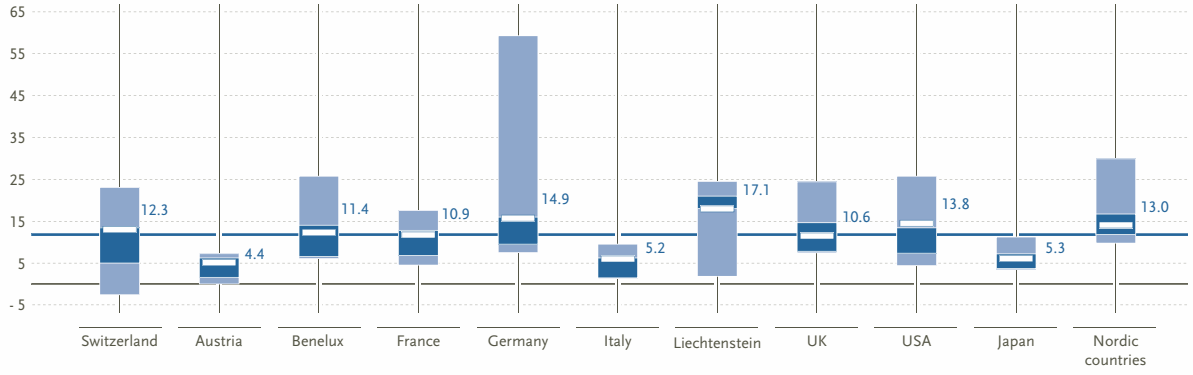


Figure 21: Overall net one-year absolute fund currency performance (in %)



Figures 20 and 21 show the absolute returns over all investment fund categories for each bank grouped by country. Figure 20 gives all returns in CHF, whereas Figure 21 shows returns in investment fund currencies. The Nordic countries show the best performance in CHF, followed by the German banks.[6] Last is Japan as in the Japanese sample no bank managed to achieve a positive absolute return. Switzerland is slightly above the total sample average.

6 In Germany one maverick stands out (HSBC Trinkaus + Burkhardt) with an impressive absolute return of 45.5%.

On the bank level in general, no negative absolute returns in CHF were achieved (with the exception of Japan). On average banks achieved a return in CHF of 11.2% last year.

Figure 21 illustrates that the Nordic banks in particular managed to gain a leading position through the currency effect in Figure 20. With the return in investment fund currency, Liechtenstein performed best and Austria did the least well. The bad position of Japan in Figure 20 is also the result of the currency effect. The country average is therefore lower which shows that the Swiss Franc lost value in comparison to most other currencies (those included in this study). Switzerland managed to improve this rating to the better half of the sample.

Stocks one-year performance

Figure 22: Stocks net one-year absolute fund currency performance (in %)

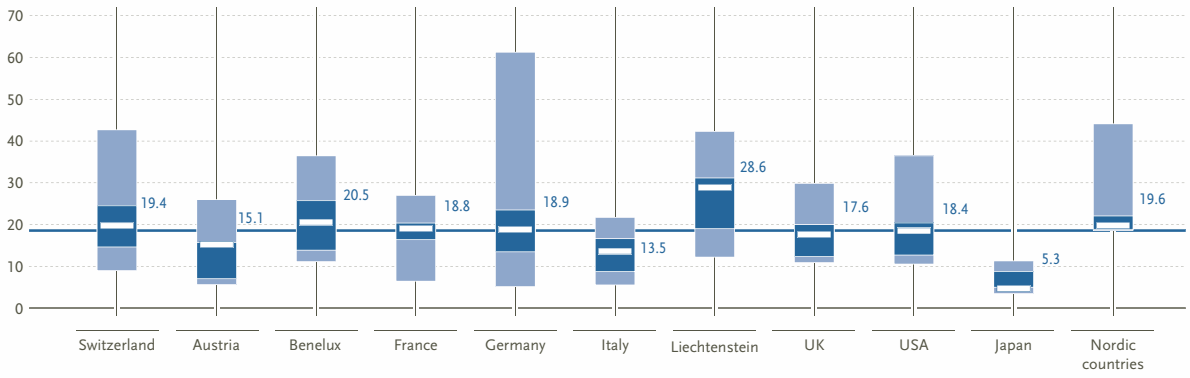


Figure 22 shows that no bank achieved a negative stock fund performance. The averages over all countries from Figures 20 and 22 show that clients with stock funds received on average 7.02% higher returns in comparison to a mixed investment fund portfolio. With the exception of Japan, all countries achieved higher stock fund performance. This is in large part due to the excellent equity market situation worldwide. Additionally, all banks managed to earn a positive absolute return over all their stock funds after fees. Switzerland belongs to the leaders in stock funds.

Overall relative performance

Figure 23: Overall one-year relative performance (in %)

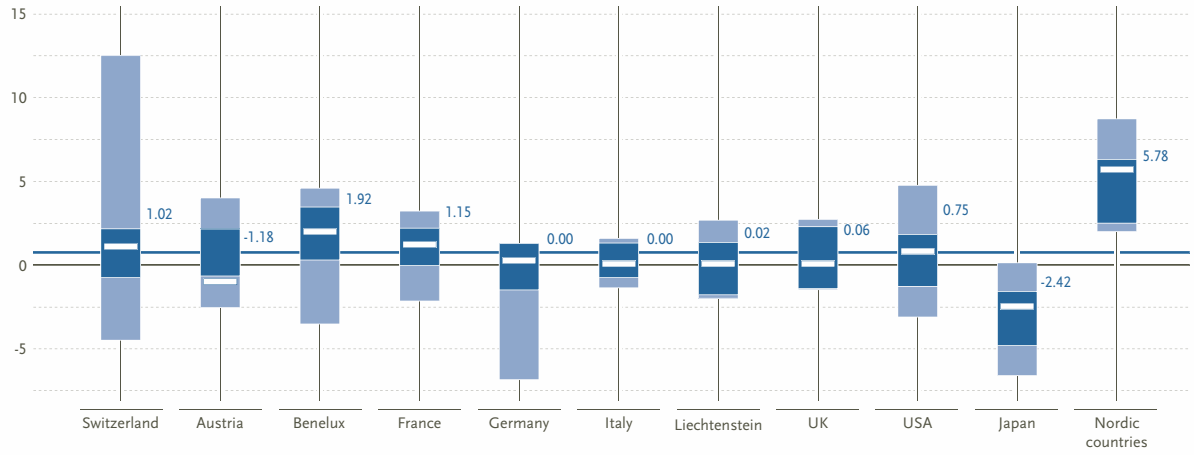
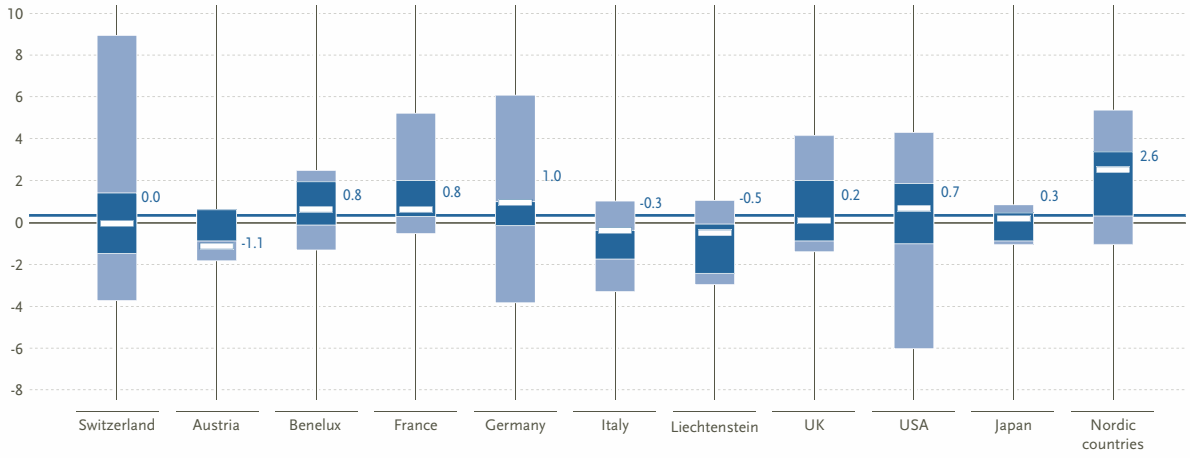


Figure 23 shows, in constrast with Figures 20 to 22, relative performance figures. Here investment fund performance is compared to benchmark performance. The benchmark is chosen by Reuters to mirror the strategic asset allocation of a fund. On average, banks outperformed their benchmark (0.65%) and therefore managed to create sustainable value for their clients. No bank in Japan managed to beat the benchmark over all its funds on average. However, this does not mean that the benchmark in Japan was not beaten by any funds. In the Nordic countries, on the other hand, the benchmark was beaten by all banks on average. The quartile boundaries over the countries indicate that most investment fund performance after fees is as high as the benchmark performance. This means that the outperformance of many banks was eaten up by fees. Switzerland is in the top third.

Figure 24 shows the relative five-year performance whereas in Figure 23 only one-year performance was examined. The Nordic countries also managed to assert their leading position over five years and with a significant gap. It was not possible for all banks in a country to achieve a positive return. On the

other hand, there was no country in which no bank achieved a positive return. Switzerland is in the mid-range here. One can observe from the quartile boundaries that most values are more clearly distributed and that, in contrast with one-year performance, the distribution is not predominantly around a relative return of zero. The resulting question is whether good banks continuously achieve better returns than their competitors over time. Using correlation one can observe that a statistically significant (0.01% level) relation between relative one-year performance and five-year performance exists. The correlation factor is 0.473, thus a positive relation. For the years observed, it can therefore be confirmed, that banks which achieved a good return in 2006, were also good performers in the long run (past five years).

Figure 24: Overall five-year relative performance (in %)



Risk-adjusted performance

Table 4: Risk data

Risk data for 1 year											
	Switzerland	**Austria**	**Benelux**	**France**	**Germany**	**Italy**	**Liechtenstein**	**UK**	**USA**	**Japan**	**Nordic coun.**
Average Sharpe Ratio	0.53	0.20	0.56	0.65	0.46	0.59	0.70	0.67	0.65	0.56	0.68
% Sharpe Ratios > 0	64%	56%	81%	79%	81%	64%	79%	82%	86%	89%	83%
Average Jensen Alpha	-0.05	-0.03	-0.13	-0.09	-0.11	-0.13	-0.04	0.05	0.07	-0.08	-0.09
Average R^2	0.83	0.86	0.78	0.81	0.82	0.81	0.79	0.75	0.79	0.74	0.73
Average Beta	1.06	1.19	1.12	1.09	1.11	1.02	1.23	1.00	1.28	0.94	1.00

Risk data for 3 years											
	Switzerland	**Austria**	**Benelux**	**France**	**Germany**	**Italy**	**Liechtenstein**	**UK**	**USA**	**Japan**	**Nordic coun.**
Average Sharpe Ratio	0.39	0.22	0.37	0.39	0.35	0.33	0.42	0.39	0.35	0.36	0.39
% Sharpe Ratios > 0	66%	81%	86%	81%	87%	61%	63%	84%	90%	92%	90%
Average Jensen Alpha	0.01	-0.05	0.03	0.04	-0.04	-0.02	-0.04	0.12	0.07	-0.04	0.10
Average R^2	0.85	0.88	0.83	0.87	0.86	0.85	0.83	0.84	0.83	0.78	0.81
Average Beta	1.00	1.18	1.04	1.03	1.10	0.95	1.13	0.95	1.02	0.98	0.94

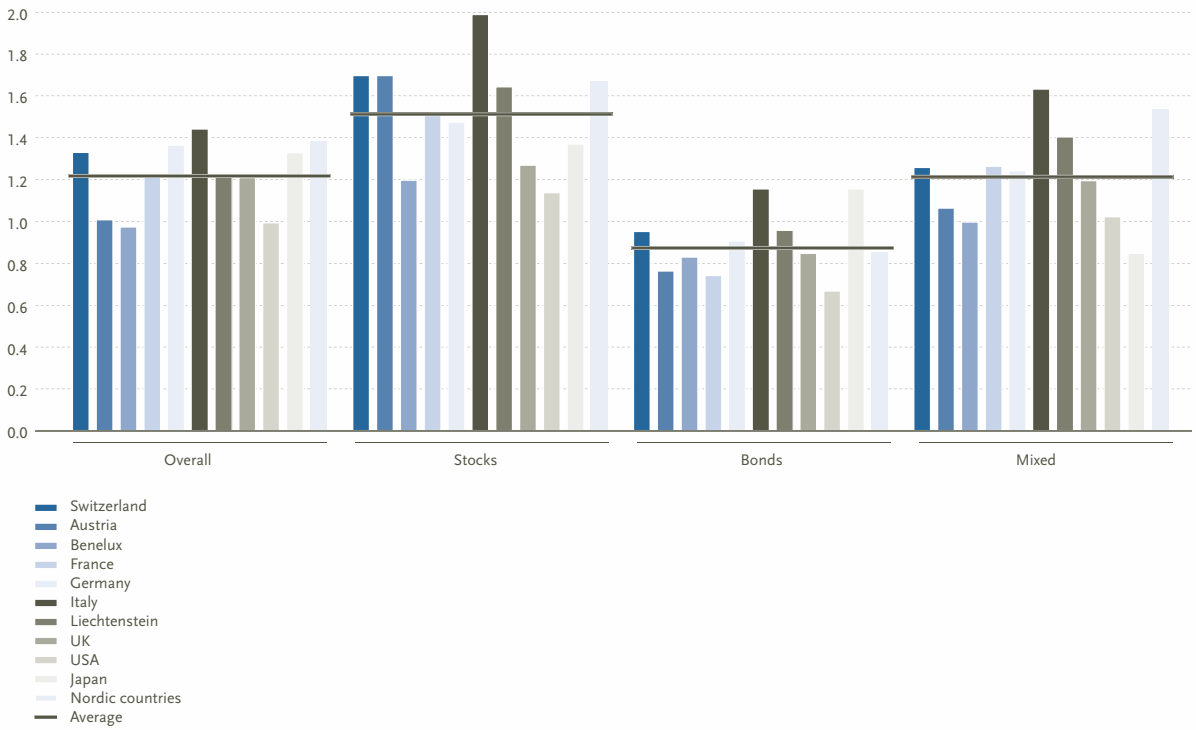
Table 4 shows numerous performance figures which allow a closer analysis of performance. As already mentioned, strategic asset allocation is used as the basis for a comparison with benchmarking. Although a large part of the risk is already considered by using this approach, it is still possible to improve the relative return if a high stock-specific risk is taken. This effect can reduce the comparability of the relative returns. To solve the problem the Sharpe Ratio is used as it is determined independently of a benchmark and thus includes both the stock-specific and the market risk. The Sharpe Ratio shows the additional return achieved compared to a risk-free investment per risk unit taken. The disadvantage of the Sharpe Ratio lies in the negative values which quickly lose significance. Therefore the negative values for the calculation of the arithmetic mean were not considered. Results show that most countries, with the exception of Austria, have similar results, particularly when looking at a three-year period. Liechtenstein leads followed by the Nordic countries and this for one year as well as for the three-year period. In comparison to Figure 23, it is Liechtenstein which has clearly improved.

One reason for Liechtenstein achieving an extremely high absolute return lies in large part in an above average beta. High returns were achieved through high betas. That this is not a guarantee for a good return can be seen with Austria. The latter also has a high beta but relatively low absolute returns. From the betas, Jensen Alphas and the R^2 it can be observed that in most countries banks are investing relatively closely to the benchmark.

Only the UK and the US managed to achieve a positive Jensen Alpha for more than one year. With the three-year view, the Nordic countries, Switzerland, France and Benelux join the two leaders with positive alphas.

Fees

Figure 25: Fees (in %)



So far only the net return has been examined, as this is the correct perspective from the client's point of view. For an explanation of performance, however, management fees must also be calculated. Over all countries and investment fund categories a client must pay 1.11% in investment fund fees. In 2004 the average fee was only 1.00%. The increase is principally due to the creation of new stock funds and individual price increases. The fees for mixed funds (1.10%) are average overall, stock funds are more expensive (1.37%) and bonds are cheaper (0.81%) than the overall average. These price differences can be explained by more or less work in the management of such funds. The price differences between countries in a fund category cannot be similarly explained. It is apparent that fees in Switzerland and Italy are higher than average over all categories. These countries are closely followed by Liechtenstein, Germany and the Nordic countries which lie three times above the country average. The lowest fees are charged by the US banks. The picture shown for net performance comparisons changes minimally under consideration of gross retruns. This is because either the difference in fees is too small or the performance difference is too large.

Table 5 shows that there is a significant positive correlation between the performance of an investment fund and the fees charged. This means that investment funds which perform well are also more expensive, an effect that can be found in particular with stock funds.

Table 5: Fees vs. performance

	Performance							
	over_abs_1y	over_abs_5y	stock_abs_1y	stock_abs_5y	over_rel_1y	over_rel_5y	stock_rel_1y	stock_rel_5y
Fee	**0.210**	0.159	***0.200***	**0.220**	***0.201***	**0.220**	**0.203**	**0.308**

Correlation is significant at the 0.01 level (2-tailed).
Correlation is significant at the 0.05 level (2-tailed).
Correlation is significant at the 0.1 level (2-tailed).

The variables in Table 5 are defined as follows: over_abs_1 or 5y (overall absolute one or five-year performance, in %), stock_abs_1 or 5y (stock funds absolute one or five-year performance, in %), over_rel_1 or 5y (overall relative one or five-year performance, in %), stock_rel_1 or 5y (stock funds relative one or five-year performance, in %), fee (management fee, in %).

Overview

Figure 26: Country ranking

All countries		Performance											
		relative				absolute				risk-adjusted			
		1 year		5 years		1 year*		1 year		Sharpe Ratio		Jensen Alpha	
Fund classes		gross	net	gross	net	gross	net	gross	net	1 year	3 years	1 year	3 years
	Ranking												
Overall	1	Nordic coun.	Nordic coun.	Nordic coun.	Nordic coun.	Liechtenst.	Liechtenst.	Nordic coun.	Nordic coun.	Liechtenst.	Liechtenst.	USA	UK
	2	Benelux	Benelux	Germany	Germany	Germany	Germanc	Germany	Germany	Nordic coun.	UK	UK	Nordic coun.
	3	France	France	France	France	USA	USA	Liechtenst.	Liechtenst.	UK	France	Austria	USA
	4	Switzerland	Switzerland	Benelux	Benelux	Nordic coun.	Nordic coun.	Benelux	Benelux	France	Switzerland	Liechtenst.	France
Stocks	1	Nordic coun.	Nordic coun.	Nordic coun.	Nordic coun.	Liechtenst.	Liechtenst.	Nordic coun.	Nordic coun.				
	2	Benelux	Switzerland	Germany	Germany	Benelux	Benelux	Liechtenst.	Liechtenst.				
	3	Switzerland	Benelux	France	France	Nordic coun.	Nordic coun.	Benelux	Benelux				
	4	Italy	USA	Italy	Italy	Switzerland	Switzerland	France	France				
Bonds	1	Nordic coun.	Nordic coun.	Benelux	UK	Liechtenst.	Liechtenst.	Liechtenst.	Liechtenst.				
	2	Benelux	Benelux	France	Benelux	Switzerland	Japna	Nordic coun.	Nordic coun.				
	3	UK	UK	Liechtenst.	USA	France	USA	UK	UK				
	4	Liechtenst.	Liechtenst.	USA	France	Benelux	Benelux	Benelux	Benelux				
Mixed	1	Nordic coun.	Nordic coun.	Benelux	Benelux	Liechtenst.	Liechtenst.	Liechtenst.	Liechtenst.				
	2	France	Japan	France	France	USA	USA	Nordic coun.	Nordic coun.				
	3	Benelux	Benelux	Italy	Italy	Nordic coun.	UK	UK	UK				
	4	USA	USA	Germany	UK	Benelux	Nordic coun.	Benelux	Benelux				

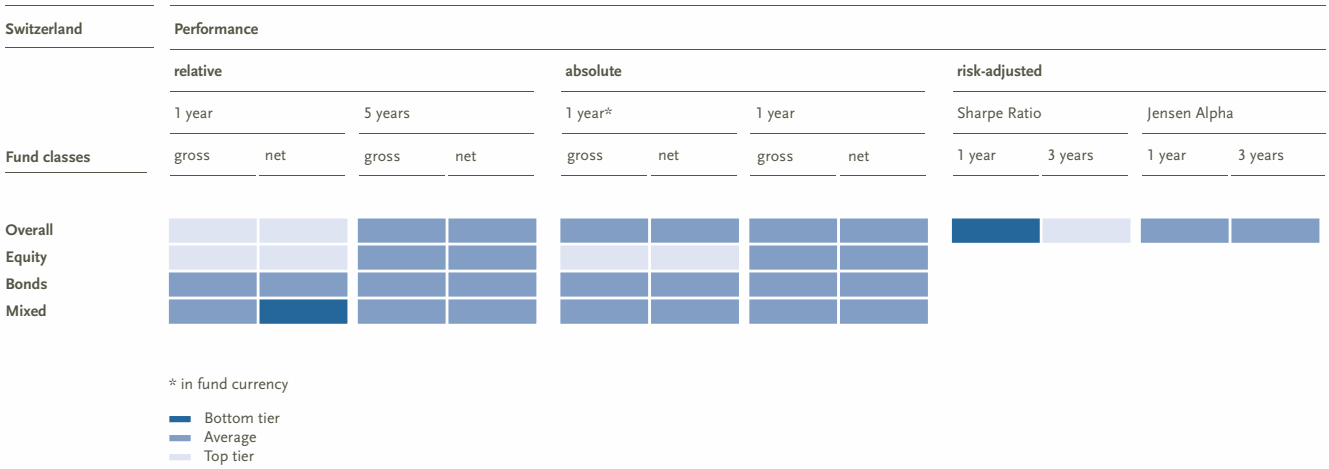
* in fund currency

Figure 26 shows the investment fund performance country ranking over specific periods and categories. Here it is Liechtenstein, the Nordic countries and Benelux that are generally in the top four. However, all countries are represented at least once in the top four. As already mentioned, the differences between gross and net figures are relatively small.

From Figure 27 one can observe that Switzerland can generally be found in mid-range and also achieved good relative performance in stocks and overall last year. Despite the fact that last year also brought Switzerland a set-back with the Sharpe Ratio, it still belongs to the top third viewed over a three-year period.

In summary, a pleasing picture emerges in comparison to the last study as on average a positive relative return was achieved whereas in the last study the return was clearly negative. The increasing performance orientation of private banking clients forces banks to evaluate their investment products consistently and rigorously on the basis of performance figures and to implement measures where performance is unsatisfactory.

Figure 27: Ranking for Switzerland



Dependencies of Size, Profitability, Efficiency and Growth

Profitability

As in the last study, Table 6 shows that size measured by assets under management (AUM), fee revenues (COM) and number of employees (employees) has a significant positive correlation with profitability. The correlation of size and ROE has increased in comparison to the last study.[7] Thus, one can say that a number of indicators for economies of scale have been found. The adjusted gross margin has also a significant positive correlation with AUM, fee revenues and number of employees. It would appear that margins are also affected by a certain degree of economies of scale.

Table 6: Correlation matrix (average for 2005/2006)

	Size			Profitability			Efficiency	Growth			
	AUM_A	COM_A	Staff_A	ROE_A	Gross_margin	BIS_A	Cost_income_A	G_cost_A	G_income_A	G_t_NNM	G_NNM
COM_A	**0.901**										
Staff_A	**0.860**	**0.943**									
ROE_A	**0.394**	**0.376**	**0.388**								
Gross_margin_A	**0.214**	**0.358**	**0.386**	0.098							
BIS_A	-0.080	-0.163	-0.199	-0.054	-0.090						
Cost_income_A	0.075	0.063	0.013	**-0.294**	-0.135	0.000					
G_cost_A	-0.037	0.012	-0.058	0.108	-0.058	-0.058	-0.078				
G_income_A	0.023	0.059	-0.007	0.155	-0.015	-0.003	0.039	**0.585**			
G_t_NNM	-0.032	-0.027	0.022	0.096	0.124	-0.116	-0.128	**0.261**	**0.426**		
G_NNM	0.088	0.086	0.002	0.013	0.018	**0.731**	0.083	0.117	0.028	-0.005	
G_AUM_A	0.060	0.051	-0.038	***0.161***	-0.101	**0.379**	-0.022	**0.379**	**0.359**	**0.514**	-0.062

Correlation is significant at the 0.01 level (2-tailed).
Correlation is significant at the 0.05 level (2-tailed).
Correlation is significant at the 0.1 level (2-tailed).

The variables in Table 6 are defined as follows: AUM_A (Ln(total assets under management, in CHF)), COM_A (Ln(total fee revenues, in CHF)), Staff_A (Ln(total number of employees)), ROE_A (return on equity), Gross_margin (adjusted gross margin), BIS_A (BIS tier one ratio), Cost_income_A (cost/income ratio), G_cost_A (growth of costs, in %), G_income_A (growth of fee revenues, in %), G_t_NNM (AUM growth through net new money, in %), G_NNM (growth rate of net new money, in %), G_AUM_A (growth of assets under management, in %), Ln(x) is the natural logarithm of x.

7 Due to a change in the sample, this comparison is distorted.

Efficiency

Although in the section *Profitability* a number of indications for economies of scale were found, other figures in Table 7 suggest the opposite: e.g. measured against gross revenue per employee a negative relation results for size. How can then the higher profitability of larger banks be explained? Revenue per employee and costs per employee have a negative correlation with number of employees. The effect on revenue argues against economies of scale and the effect on the costs in favor of it. However, there is a significant negative relation between gross profit per employee and number of employees. Revenue per employee decreases less with diminishing size than do the costs per employee. Thus smaller banks have higher gross profits per employee. Here size disadvantages can be observed in terms of efficiency. The higher return on equity of larger banks can therefore be the result of fiscal effects, of scale effects [8] on depreciation as well as a lower equity capital base.

A significant negative relation between the size of a bank (number of employees) and AUM per employee exists. This seems affected by the small boutiques in particular, the latter banks that have specialized in very wealthy clients. This thesis is supported by a significant negative relation of AUM and AUM per employee. This connection shows that the more AUM a bank has, the less AUM per employee is managed.

8 There are investments in banking which accrue more or less independently of a bank's size and which correlate only slightly with size (these include, for example, development of IT solutions). On examination of depreciation per employee, larger banks have the advantage of distributing these costs over more employees.

Table 7: Correlation matrix (average for 2005/2006)

	Size			Profitability
	AUM_A	COM_A	Staff_A	ROE_A
E_Rev	**-0.163**	-0.099	**-0.205**	**0.277**
E_Prof	-0.099	-0.094	***-0.143***	**0.355**
E_Cost	-0.127	-0.108	**-0.235**	-0.019
E_Pers	-0.029	-0.057	**-0.189**	***0.142***
E_Stak	0.010	-0.007	-0.090	**0.431**
E_AUM	**-0.195**	**-0.360**	**-0.401**	0.061

Correlation is significant at the 0.01 level (2-tailed).
Correlation is significant at the 0.05 level (2-tailed).
Correlation is significant at the 0.1 level (2-tailed).

The variables in Table 7 are defined as follows: AUM_A (Ln(total assets under management, in CHF)), COM_A (Ln(total fee revenues, in CHF)), Staff_A (Ln(total number of employees)), ROE_A (return on equity), E_Rev (volume of business per employee, in CHF), E_Prof (profits per employee, in CHF), E_Cost (costs per employee, in CHF), E_Pers (personnel costs per employee, in CHF), E_Stak (personnel costs, taxes and net profit per employee, in CHF), E_AUM (assets under management per employee, in CHF), Ln(x) is the natural logarithm of x.

Growth

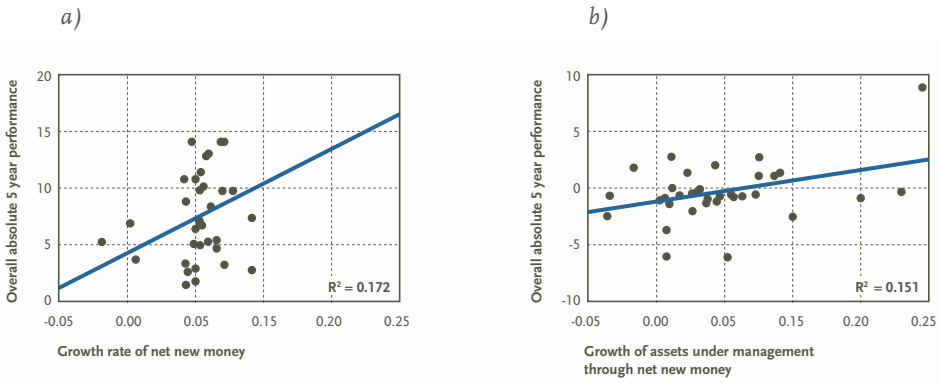
Further relations can be seen in Table 6 between growth of costs, income and AUM through net new money. As changes in costs and income only correlate with 0.585, there is clearly an incentive to increase income. Furthermore, Table 7 shows that growth of AUM through net new money has a significant positive correlation with both increases in costs and increases in profits. The correlation coefficient is 63% higher on profits than on costs. There is no significant effect of net new money growth on the cost/income ratio.

No significant relation between growth and a bank's size could be found which indicates that all banks can grow at the same speed proportional to their size. Growth of AUM through net new money has shown that banks which grew considerably over the last three years, continued to do so in 2006 with a significance level of 0.1%. The correlation coefficient is 0.95. [9]

Performance

Figure 28 shows that relative as well as absolute returns have a positive influence on net new money. The absolute return has a positive correlation with the growth rate of net new money and the relative returns have a positive correlation with the growth of AUM through net new money.

Figure 28: Growth and investment fund performance



9 These figures are strongly influenced by Swiss banks as the net new money of a bank is seldom published in other countries.

Table 8: Correlation matrix (average for 2005/2006)

	Size			Profitability	Efficiency	Growth		
	AUM_A	COM_A	Staff_A	ROE_A	Cost_income_A	G_t_NNM_A	G_AUM_A	G_NNM
over_abs_1y	-0.051	-0.016	-0.148	0.107	0.071	0.244	**0.329**	***0.308***
over_abs_5y	0.057	0.104	-0.081	0.077	0.095	-0.073	**0.256**	**0.415**
stock_abs_1y	-0.077	-0.083	-0.169	0.069	0.045	-0.023	**0.274**	0.144
stock_abs_5y	0.088	0.169	-0.042	0.103	0.156	-0.083	***0.195***	***0.314***
over_rel_1y	-0.083	-0.121	-0.063	-0.004	-0.021	**0.399**	***0.197***	0.060
over_rel_5y	-0.017	-0.003	-0.011	0.141	-0.012	**0.389**	**0.246**	0.242
stock_rel_1y	-0.006	-0.047	0.011	-0.024	0.050	0.122	0.123	-0.037
stock_rel_5y	-0.036	0.074	0.069	0.103	0.018	***0.284***	0.087	0.200
sharpe_1y	0.163	**0.275**	***0.195***	**0.261**	0.080	0.020	0.085	0.189
jensen_1y	0.075	-0.027	-0.013	**0.245**	**0.239**	-0.016	**0.231**	0.018
r2_1y	0.097	0.123	0.164	-0.104	0.081	-0.149	-0.112	0.143
beta_1y	0.132	0.136	0.124	0.051	0.166	-0.294	0.091	0.108
sharpe_3y	0.142	**0.291**	0.125	0.065	0.054	0.046	**0.236**	0.018
jensen_3y	**0.268**	**0.255**	**0.275**	**0.328**	**0.200**	0.017	**0.285**	0.207
r2_3y	0.167	**0.215**	**0.228**	-0.061	0.102	-0.071	-0.067	0.244
beta_3y	-0.022	-0.054	-0.101	**-0.283**	**0.312**	-0.143	0.111	0.085

Correlation is significant at the 0.01 level (2-tailed).
Correlation is significant at the 0.05 level (2-tailed).
Correlation is significant at the 0.1 level (2-tailed).

The variables in Table 8 are defined as follows: AUM_A (Ln(total assets under management, in CHF)), COM_A (Ln(total fee revenues, in CHF)), Staff_A (Ln(total number of employees)), ROE_A (return on equity), Cost_income_A (cost/income ratio), G_t_NNM (AUM growth through net new money, in %), G_AUM_A (AUM growth, in %), G_NNM (growth rate of net new money, in %), over_abs_1 or 5y (overall absolute one or five-year performance, in %), stock_abs_1 or 5y (stock funds absolute one or five-year performance, in %), over_rel_1 or 5y (overall relative one or five-year performance, in %), stock_rel_1 or 5y (stock funds relative one or five-year performance, in %), sharpe_1 or 3y (Sharpe Ratio over one or three years), jensen_1 or 3y (Jensen Alpha over one or three years), r2_1 or 3y (R Square over one or three years), beta_1 or 3y (beta over one or three years), Ln(x) is the natural logarithm of x.

The following three conclusions can be drawn from Table 8:

- The relative and absolute performance of investment funds has a significant positive correlation with the growth of AUM.
- Large banks appear to have better risk-adjusted returns over a long period.
- A uniform picture of the relations between profitability, efficiency and performance can be discerned.

The relative performance of investment funds has a significant positive correlation with the growth of AUM through net new money. Capital market know-how appears important to clients and they therefore trust their money to banks which perform well compared with the benchmark. For AUM growth, however, an absolute return is also important. Banks with high absolute returns seem to find it easier to gain new clients or to increase the share of wallet with existing clients and to therefore increase the growth of net new money.

A significant positive relation between risk-adjusted returns and size can be discerned. This relation can be seen in particular over a long period of observation.

Regression analysis

A new variable GROUP that measures the degree to which private banking operations are integrated into a larger organizational structure is introduced in this subsection. GROUP is a dummy variable and can have the values 1, 2 or 3: 1 represents private banks that are fully independent, 2 represents private banks that are part of a larger financial group and 3 represents private banking units of universal banks. High values for GROUP indicate private banking organizations that are highly integrated, low values indicate banks that are legally and economically independent and not integrated in any other organizational structure.

Table 9: Regression analysis

	Unstandardized coefficients		Standardized coefficients	t	Sig.
	B	Std. error	Beta		
(Constant)	-0.247	0.198		-1.249	0.228
LN_NNM_A	0.065	0.017	0.843	3.768	0.002
over_rel_5y	0.036	0.019	0.320	1.887	0.076
Cost_income_A	-0.440	0.252	-0.318	-1.749	0.098
GROUP	0.113	0.037	0.684	3.013	0.008
Dependent variable: ROE_A	R = 0,731	Adjusted R Square = 0,424			

The variables in Table 9 are defined as follows: ROE_A (return on equity, in %), Cost_Income_A (cost/income ratio), LN_NNM_A (Ln(net new money, in CHF)), over_rel_5y (overall relative five-year performance, in %), GROUP (dummy variable: 1 = independent private bank, 2 = subsidiary, 3 = private banking unit in a universal bank), Ln(x) is the natural logarithm of x.

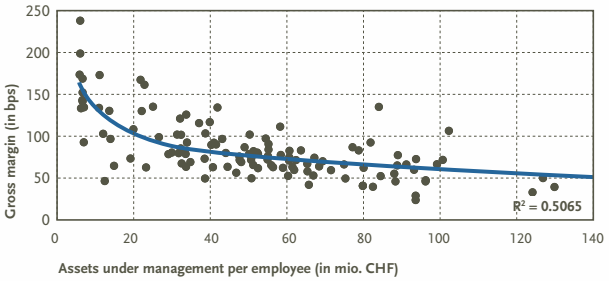
Table 9 illustrates that the dependent variable ROE can be clearly explained by the independent variables net new money (LN_NNM_A), relative performance (over_rel_5y), cost/income (Cost_Income_A) and through the variable GROUP. The influence of the variables GROUP and net new money is significant on the 0.1% level. Net new money has a positive influence on ROE. The positive relation between GROUP and ROE indicates that private banking units achieve a higher ROE in comparison to independent private banks. The influence of cost/income and performance is significant on a 10% level, whereby cost/income has a negative and performance a positive influence on ROE.

Further dependencies

In this section the relations which are examined in the section Focus Switzerland are analyzed for the entire sample.

Profitability

Figure 29: AUM per employee – Gross margin



In Figure 29 one can observe a negative relation between AUM per employee and adjusted gross margin. In comparison to that of the Swiss sample (cf. Figure 35), the variance of the distribution is higher.

Figure 30 shows a positive relation between AUM per employee and gross profit per employee. In comparison to Swiss data, there are many international banks which achieve extremely high revenues per employee and are therefore found in the top section of the diagram. The majority, however, is still grouped around the concave curve which lies above the Swiss curve and begins rather steeply (cf. figure 35).

Figure 30: AUM per employee – Gross profit per employee

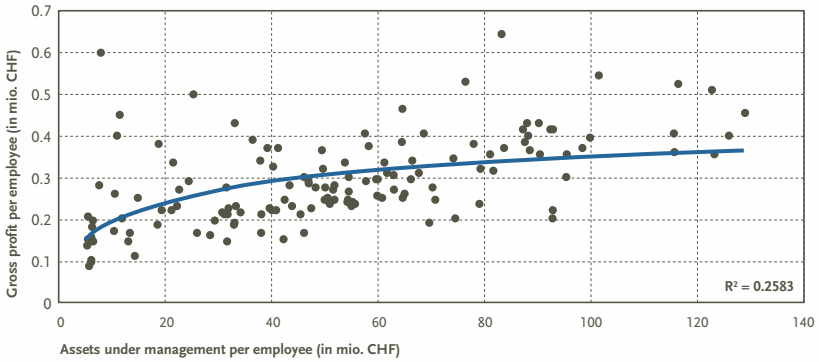
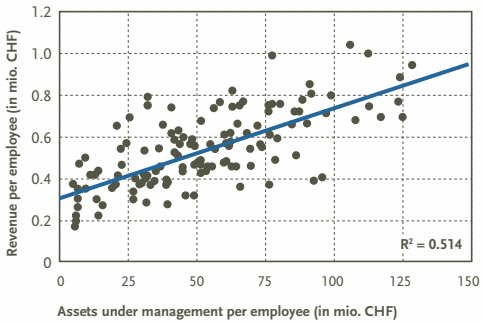


Figure 31: AUM per employee – Revenue per employee



AUM per employee and revenue per employee have a significant positive correlation. The correlation in the international sample is somewhat lower than in the Swiss comparison. The variance is also higher, but the correlation remains significantly positive.

Focus Switzerland

Market overview

Table 10: Swiss ranking of private banking by assets under management

		Assets under management (AUM; incl. double counts)			Change		Net new money (NNM)			Change		NNM/AUM	
	In mio. CHF	**2006**	**2005**	**2004**	**06 - 05**	**05 - 04**	**2006**	**2005**	**2004**	**06 - 05**	**05 - 04**	**2006**	**2005**
1 (1)	UBS Global Wealth Management	1,962,000	1,734,000	1,384,000	13%	25%	113,300	95,100	60,400	19%	57%	6%	6%
	UBS International Clients	862,000	729,000	562,000	18%	30%	90,800	64,200	40,400	41%	59%	11%	10%
	European Wealth Management	144,000	114,000	82,000	26%	39%	18,200	21,800	13,700	-17%	59%	14%	22%
	UBS Wealth Management US	824,000	752,000	606,000	10%	24%	15,700	26,900	18,100	-42%	49%	2%	4%
	UBS Swiss Clients	276,000	253,000	216,000	9%	17%	6,800	4,000	1,900	70%	111%	3%	2%
2 (2)	Credit Suisse Wealth Management	784,200	693,300	567,800	13%	22%	50,500	42,800	31,400	18%	36%	7%	7%
3 (-)	Banque Pictet & Cie Private Clients *)	184,000	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
4 (3)	HSBC Private Bank (Suisse) SA	168,559	139,841	103,391	21%	35%	22,561	17,653	10,471	28%	69%	15%	15%
5 (4)	Julius Bär Private Banking	138,074	121,892	61,103	13%	99%	5,884	-1,459	-800	503%	-82%	5%	-2%
6 (-)	Lombard Odier Darier Hentsch Private Clients **)	120,000	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
7 (5)	Union Bancaire Privée 1)	112,665	95,783	72,406	18%	32%	11,829	9,032	5,103	31%	77%	11%	11%
8 (6)	Banca della Swizzera Italiana BSI	59,876	52,179	44,656	15%	17%	4,773	1,573	456	203%	245%	9%	3%
9 (8)	Clariden Leu	56,261	48,315	37,582	16%	29%	4,656	4,496	4,838	4%	-7%	9%	10%
10 (9)	Crédit Agricole (Suisse) SA	51,460	47,242	25,647	9%	84%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
11 (7)	Coutts Bank von Ernst (Schweiz)	50,385	48,781	38,535	3%	27%	1,873	4,280	182	-56%	2252%	4%	10%
12 (10)	BNP Paribas Private Bank (Switzerland) SA	42,688	41,160	35,367	4%	16%	1,539	2,057	n/a	-25%	n/a	4%	5%
13 (12)	Deutsche Bank (Schweiz) AG	42,459	38,341	31,813	11%	21%	464	1,583	1,777	-71%	-11%	1%	5%
14 (13)	Sarasin & Cie Private Clients	41,251	36,622	14,570	13%	151%	2,147	717	1,490	199%	-52%	6%	3%
	Sarasin Private Clients Switzerland	28,509	25,534	5,165	12%	394%	1,313	487	599	170%	-19%	5%	3%
	Sarasin Private Clients International	12,742	11,088	9,405	15%	18%	834	230	891	263%	-74%	7%	2%
15 (11)	Banca del Gottardo	35,811	38,742	34,415	-8%	13%	391	1,243	398	-69%	213%	1%	3%
	Total Rank 1-15	**3,908,162**	**3,191,945**	**2,497,316**	**22%**	**28%**	**219,917**	**179,075**	**115,715**	**23%**	**55%**	**6%**	**6%**
16 (14)	J.P. Morgan (Suisse) AG	30,587	28,325	21,404	8%	32%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
17 (15)	Citibank (Switzerland)	27,886	27,423	24,627	2%	11%	-1324	1,040	-29	-227%	3649%	-5%	4%
18 (16)	HSBC Guyerzeller	27,705	25,528	20,282	9%	26%	908	2,060	87	-56%	2265%	3%	9%
19 (18)	SG Private Banking (Suisse)	26,751	23,330	19,446	15%	20%	1,679	576	n/a	191%	n/a	7%	3%
20 (19)	Vontobel Private Banking	26,100	22,700	18,600	15%	22%	1,100	400	200	175%	100%	5%	2%
21 (20)	Lloyds TSB Bank	25,839	20,094	18,466	29%	9%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
22 (23)	Banque Syz & Co	23,571	15,401	9,093	53%	69%	5,756	3,796	1,468	52%	159%	30%	31%
23 (17)	ABN Amro Bank (Schweiz)	23,451	23,375	21,269	0%	10%	-693	-661	n/a	-5%	n/a	-3%	-3%
24 (21)	Merrill Lynch Bank (Suisse)	20,562	18,967	15,270	8%	24%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
25 (22)	AIG Private Bank	19,243	17,547	14,287	10%	23%	597	904	1,699	-34%	-47%	3%	6%
26 (29)	Bank Jacob Safra (Suisse) SA	18,245	11,983	5,776	52%	107%	718	3784	n/a	-81%	n/a	5%	43%
27 (31)	Barclays Bank (Suisse) SA	16,724	10,963	8,904	53%	23%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
28 (24)	Banco Santander (Suisse) SA	16,463	14,558	9,055	13%	61%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
29 (25)	ING Bank (Switzerland) Ltd	16,127	13,750	11,321	17%	21%	1335	960	-369	139%	-260%	9%	8%
30 (32)	Fortis Banque (Suisse) SA	14,921	10,442	9,041	43%	16%	3052	238	n/a	1184%	n/a	24%	2%
31 (27)	Dresdner Bank (Schweiz) AG	14,432	12,381	10,499	17%	18%	1,622	984	456	65%	116%	12%	9%
32 (28)	Schroders & Co Bank AG	13,757	11,994	10,230	15%	17%	-153	-58	2928	163%	-102%	-1%	-1%
33 (26)	Bank Morgan Stanley AG	12,839	13,110	9,638	-2%	36%	-856	1,167	n/a	-173%	n/a	-7%	10%
34 (30)	Goldman Sachs Bank AG	12,665	11,773	8,916	8%	32%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
35 (34)	Hyposwiss	12,399	8,772	6,733	41%	30%	2691	514	258	424%	99%	25%	7%
36 (33)	Rothschild Bank	11,898	10,198	10,275	17%	-1%	388	434	434	-11%	0%	4%	4%
37 (35)	Bank Hapoalim (Schweiz)	10,740	8,381	6,607	28%	27%	2,431	665	n/a	266%	n/a	25%	9%
38 (36)	Rüd Blass & Cie	8,599	7,987	11,827	8%	-32%	-251	1,219	2,817	-121%	-57%	-3%	12%
	Total Rank 16-38	**373,030**	**313,231**	**255,533**	**19%**	**23%**	**20,324**	**16,982**	**9,978**	**20%**	**70%**	**6%**	**6%**
	Total Rank 1 - 38	**4,281,191**	**3,505,176**	**2,752,848**	**22%**	**27%**	**240,241**	**196,056**	**125,693**	**23%**	**56%**	**6%**	**6%**

(x) Rank in the previous year

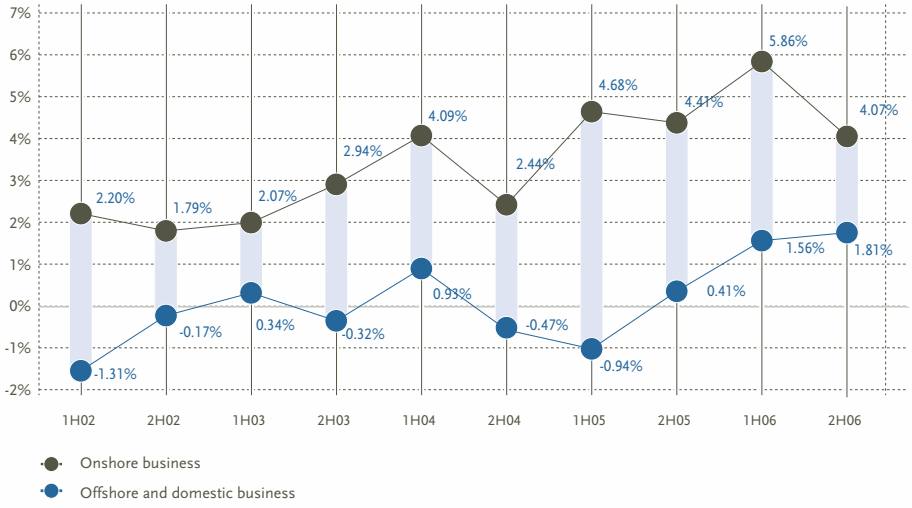
1) Including Institutional Asset Management

*) Figures according to secondary source.

**) Figures estimated under the assumption of a similar business mix to Banque Pictet & Cie and Sarasin & Cie.

Table 10 shows the top 38 largest private banks in Switzerland by asset under management.[10] At the end of 2006 they together had over four billion Swiss Francs in assets under management whereby 2.8 billion were managed by the two major banks. The Figure illustrates the considerable fragmentation which prevails in the private banking sector. The total AUM of the 38 largest private banks has grown by 55.5% since the end of 2004, although growth in 2006 has slowed compared to 2005 (from 27% to 22%). Only seven of the 38 banks were able to achieve the same growth rates in AUM or increase them between 2005 and 2006. All of these banks belong to the lower half of the table. In 2005 as well as 2006 the banks listed succeeded in increasing the amount of net new money compared to the previous year. The result is a constant AUM growth through net new money of 6%.

Figure 32: Growth in offshore and domestic business vs. onshore business



The future perspectives of traditional offshore private banking, which is offered from Switzerland to foreign clients, compared to onshore private banking (offer of private banking services in the local market of the client) is a subject under much discussion. Figure 32 shows the growth rate through net new money of Swiss private banks, whereby these are divided into two groups: The first group includes banks which predominantly pursue an onshore business model; the second group includes those banks with an offshore business mo-

10 Union Bancaire Privée incl. Institutional Asset Management.

del (whereby in Figure 32 domestic business with Swiss clients is included for reasons of data availability). Whilst traditional offshore private banking over the last ten semesters shows partly negative growth rates and only managed growth in the second semester of 2005, the growth rates of onshore business models are constantly at a significantly higher level.

Figure 33: Composition of managed client assets 2006

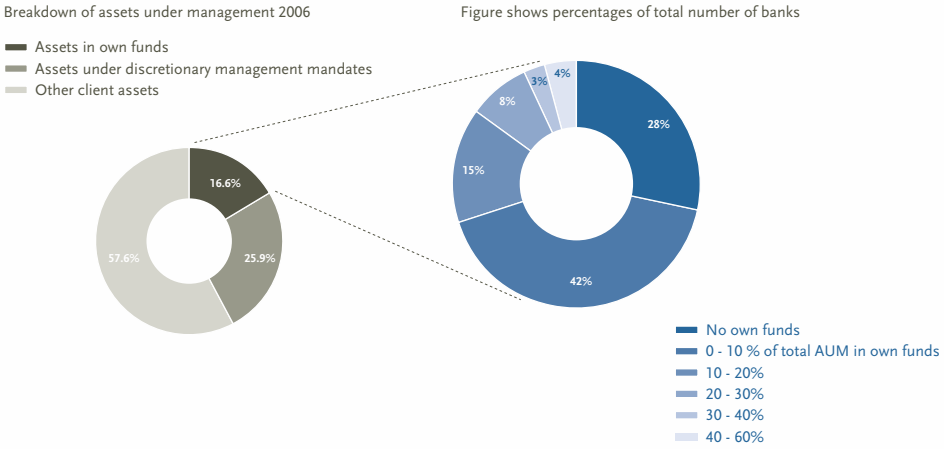


Figure 33 shows the average composition of client assets managed by Swiss banks. Over all banks examined, 16.6% of client assets were invested in bank own investment funds in 2006. Every fourth Swiss Franc that is managed in Switzerland is managed through discretionary management mandates. This percentage was 23.9% in 2003, 27.3% in 2004 and 26.4% in 2005. The importance of this figure is its significance for the profitability of the bank (cf. Figure 43: Percentage of discretionary management mandates – Adjusted gross margin), as significantly higher margins can be achieved with discretionary management mandates. At least half of managed assets, or rather more than 57%, appears as “other client assets” and is neither invested in own investment funds nor as part of a discretionary management mandate.

An exact examination of assets under management which are invested in own investment funds on an individual institution level (cf. Figure 33 right) shows that the majority of banks manage only a small portion of their entire AUM in own funds. 28% of banks analyzed have no own funds. Four out of ten banks in Switzerland have up to 10% invested in own funds. Every fourth bank (23%) invests between 10% and 30% of their AUM in own funds. 15% of banks have a high figure of over 30% invested in own funds. Despite this relatively minor importance of own funds, it should not be forgotten that through aggregation of data on the country level, the fund percentages considered in this study noticeably increase. To what extent own funds have an influence on the figures on an individual bank level, is examined in the section *Dependencies.* [11]

Figure 34: Own funds and percentage of discretionary management mandates

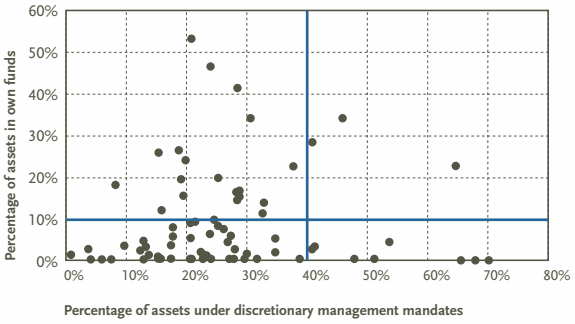


Figure 34 shows how banks position themselves compared to other suppliers of own investment funds and intensity of advice. One can see that over 70% of the banks examined invest less than 10% of managed client assets in own funds. The median lies at 3.1%. The small share of assets under management in own funds is surprising when one considers that there is a significant positive connection to the profitability of a bank (cf. Figure 43).

11 Five banks have introduced new own investment funds compared to 2005.

As regards percentage of own investment funds, there are clearly very differing strategies. Whereas some banks realize the notion of an "open architecture", others position themselves with proprietary and exclusive investment products. A combination of a high percentage of own investment funds and a high portion of asset management mandates cannot be observed.

On the x-axis in Figure 34 is the portion of AUM which is managed via discretionary management mandates. 85% of all banks analyzed have a figure under 40%. As is illustrated in Figure 43, profitability of a bank increases with a rise in the percentage of discretionary management mandates.

Profitability

Table 11: Correlation summary: Assets under management per employee and profitability

Correlation summary					
		Assets under management per employee			
		2003	2004	2005	2006
Gross margins	Pearson Correlation	-.707(**)	-.673(**)	-.643(**)	-.622(**)
	N	30	50	77	78
Adjusted gross margins	Pearson Correlation	-.651(**)	-.591(**)	-.577(**)	-.542(**)
	N	27	47	73	74
Gross profit margins	Pearson Correlation	-.464(**)	-.355(*)	-.236(*)	-.301(**)
	N	30	50	73	74

** Correlation is significant at the 0.01 level (2-tailed).
* Correlation is significant at the 0.05 level (2-tailed).

As can be observed in Table 11, a significant negative relation between assets under management per employee and profitability figures for gross margin, adjusted gross margin and gross profit margin exists. This connection has remained stable over the past four years.

Figure 35: AUM per employee – Gross margin

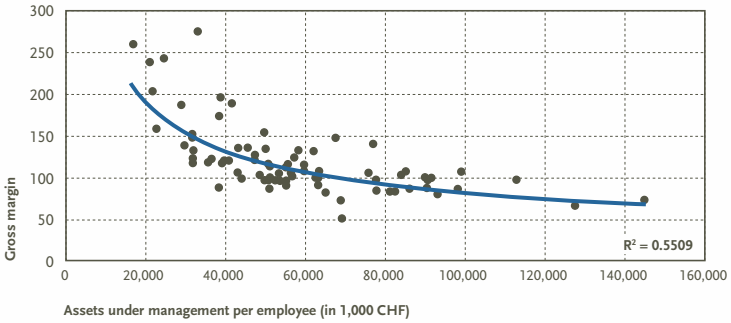


Figure 35 shows the average AUM per employee on the horizontal and the gross margin on AUM on the vertical axis. The reasons for the negative relation between AUM per employee and profitability are numerous. One can assume that banks with few AUM per employee are predominantly focused on the lower client segment of private banking. In this client segment the margins are higher than in the higher client segments due to missing or limited negotiating power of the client and limited client know-how.

On the other hand, large discretionary management mandates often carry special conditions. These assets yield smaller margins than smaller client assets. A more qualitative perspective could speak for the aspect that the client advisor for many clients has less time for an intense client relationship and therefore cannot give the client the necessary attention. This again leads to smaller penetration of the client base with products and services.

Figure 36: AUM per employee – Gross profit per employee

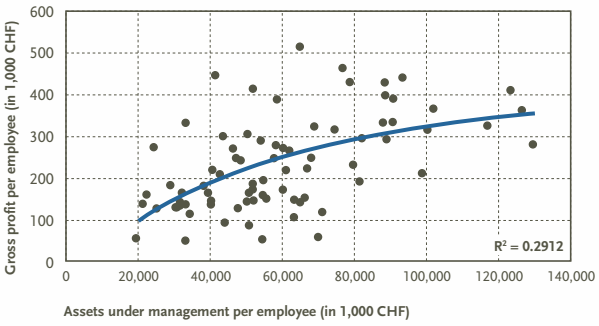
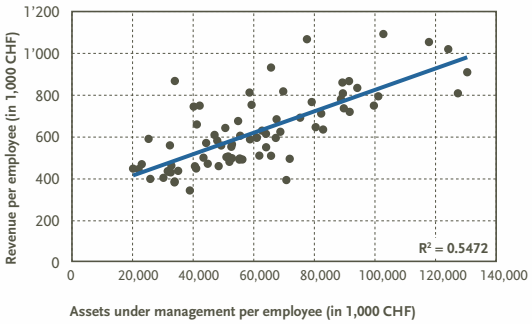


Figure 36 shows the relation between AUM per employee and gross profit per employee. An identical relation was seen in 2005.

That revenue figures per employee have close positive correlation with AUM per employee is not surprising. Of interest is the fact that the relation shown is concave. The marginal gross profit from an additional Swiss Franc of AUM per employee decreases with an increase in amount of managed assets per employee. As Figure 37 shows, the relation between AUM per employee and revenue per employee is linear. If operational costs per employee are also considered, as is the case in Figure 36, a concave curve is the result. Thus operational costs increase over-proportionally to additional revenue and as a result gross profit increases are below average.

Figure 37: AUM per employee – Revenue per employee



Own investment funds

Figure 38: Specialization in private banking

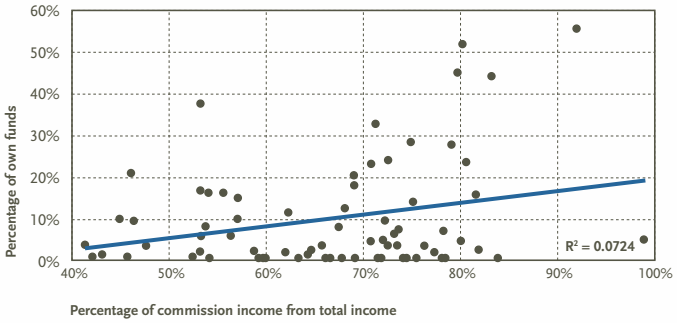


Figure 38 shows fee revenues as a percentage of total revenue and own funds as a percentage of AUM. The result is a significant positive relation for both 2005 and 2006. A characteristic trait seems to be that banks with a marked private banking orientation have a large percentage of own investment funds.

Figure 39: Own funds as an attractive source of revenue

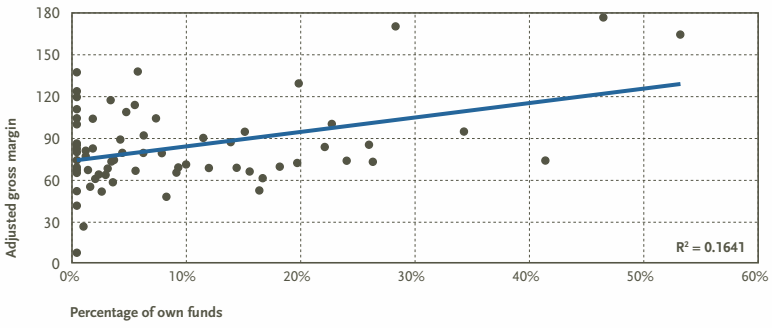
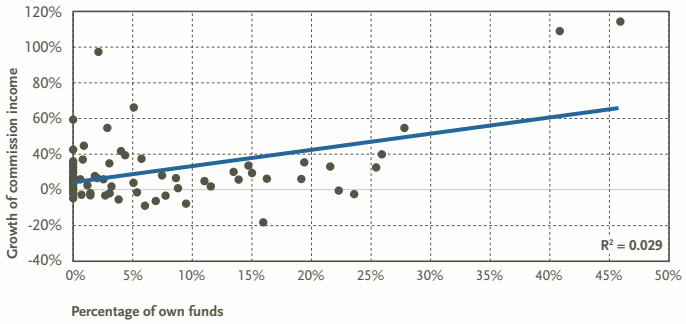


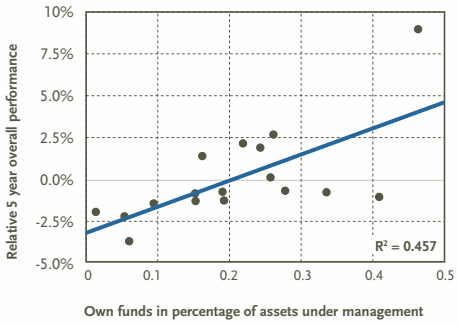
Figure 39 shows that a high percentage of own investment funds leads to an increase in margin (with third party funds the net margin for the bank is small) and thus in addition to positioning, profit considerations are also decisive in setting the percentage of own funds.

Figure 40: Percentage of own funds as growth driver



Due to higher margins on own investment funds (cf. Figure 40), banks with a high percentage of own funds in 2006 were in a position to increase their fee revenues significantly more than those banks with less own funds. The same relation can be observed for 2005. Particularly in boom years it is clear that banks with a large percentage of own funds in their AUM, are in a position to increase their fee revenues above average. The strategic positioning of some banks with own funds can be explained with the aspect of exclusivity which opens up new investment opportunities to clients which other banks do not have (in contrast to open architectures). Thus own funds seem to be an important differentiation and profit-driving instrument. However, success presupposes that own funds display sustainable development of investment performance and thereby stand as the bank's flagship for investment competence.

Figure 41: Percentage of own funds – Performance of own funds



In Figure 41 one can observe the relation between the percentage of AUM invested in own funds and investment performance of own funds (here: relative five-year overall performance). It can clearly be seen that a significant positive relation exists. This confirms the considerations of the previous section where own funds come to bear when they are placed in client portfolios as "performance generators".

Figure 42: Performance of own stock funds – Management fees

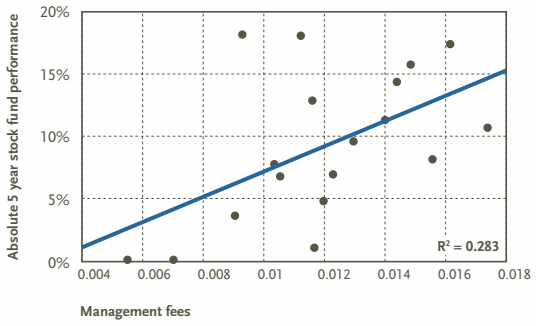


Figure 42 shows that there is a significant positive correlation between net returns (for relative as well as absolute performance) and the management fee, which is a pleasing fact from the client's point of view. However, if the management fee contains a performance-based component, this result is hardly surprising.

Table 12: Net new money – Own fund performance

	Performances				
		rel_1y_ov_CHF	rel_5y_ov_CHF	rel_1y_st_CHF	rel_5y_st_CHF
Growth rate of net new money	Pearson Correlation	0.6486	0.6379	0.7442	0.6622
	Significance	0.0089	0.0105	0.0015	0.0072

Table 12 shows a significant positive relation in the performance of own investment funds and the growth rate of net new money. Banks which achieve high relative performance can increase their growth rate of net new money significantly more. This is again a signal that superior investment competences are recognized by clients and lead to an accelerated inflow of client money. On the other hand, bad investment performance is a repressive factor in gaining net new money.

Discretionary management mandates

Figure 43: Percentage of discretionary management mandates – Adjusted gross margin

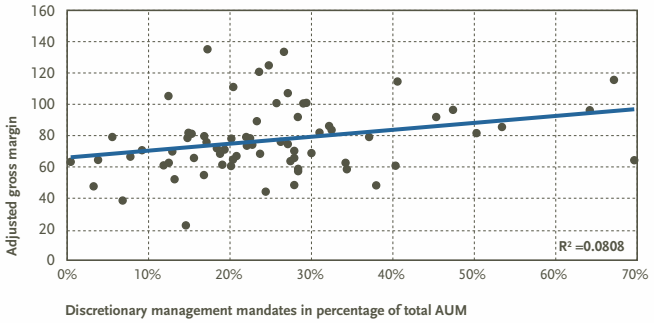


Figure 43 shows the relation between the percentage of AUM with discretionary management mandates and profitability measured against the adjusted gross margin. The positive relation is the result of the significantly higher margin which can be achieved with discretionary management mandates. It is therefore hardly surprising that the latter prove themselves to be instruments to improve revenues.

Comparison of domestic and foreign banks in Switzerland

Figure 44: AUM per employee

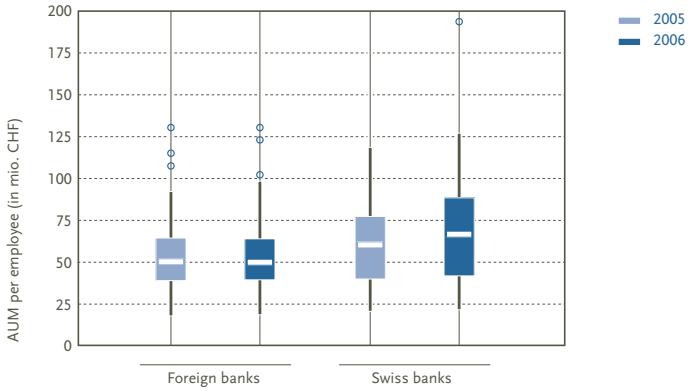


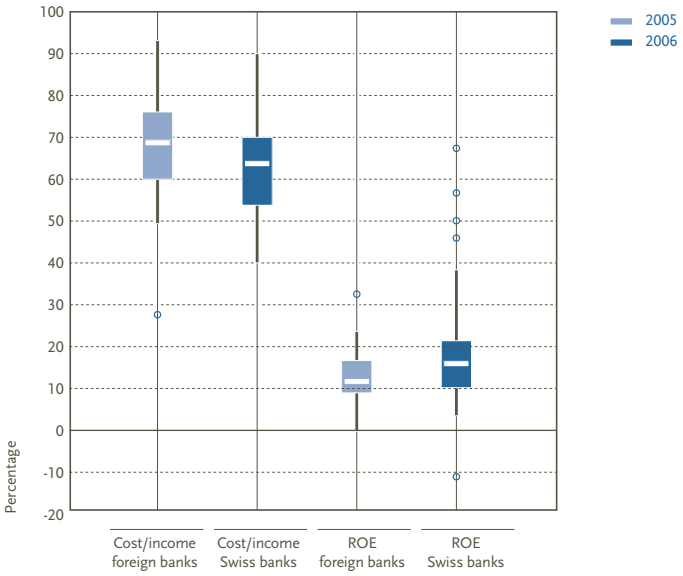
Figure 44 shows a comparison between banks active in Switzerland. The group of foreign-controlled banks includes subsidiaries of foreign banks in Switzerland. The right side of the diagram represents Swiss banks. Both groups within the sample are approximately the same size.

In Swiss banks, an average employee managed significantly more AUM in 2006 than in a foreign bank in Switzerland. In 2005 the difference was not significant (the sample is the same).

Efficiency

The left half of Figure 45 shows that Swiss banks were superior to foreign banks in Switzerland as regards operational efficiency in 2006. The mean was 5.6 percentage points difference. The local banks achieved a cost/income ratio of 63.8% on average (median: 62.9%) whilst foreign banks show 69.4% (68.5%).

Figure 45: Efficiency and profitability (in %)



Profitability

The right side of Figure 45 illustrates that Swiss banks achieved a significantly higher ROE in 2006.

Table 13: Correlation matrix (1/2)

	Size			Focus on WM	Management intensity		Profitable efficiency		Profitability	
	AUM	REV	STAFF	COM/REV	DIS_MAND	OWN_ FUND	ROE	PROFIT_TO_ EQUITY	ADJ_ MARGIN	GROSS_ MARGIN
REV	**.976(**)**									
STAFF	**.957(**)**	**.984(**)**								
COM/REV	-0.124	-0.156	**-0.210**							
DIS_MAND	**-0.207**	-0.179	**-0.212**	**0.197**						
OWN_FUND	**.250(*)**	**.292(*)**	**.252(*)**	**.269(*)**	**0.150**					
ROE	**.318(**)**	**.344(**)**	**.243(*)**	**0.190**	-0.086	**.376(**)**				
PROFIT TO EQUITY	**.342(**)**	**.335(**)**	**.227(*)**	**0.208**	-0.056	**.408(**)**	**.931(**)**			
ADJ_MARGIN	**-.323(**)**	0.013	-0.014	**.341(**)**	**.284(**)**	**.421(**)**	**.275(*)**	**0.211**		
GROSS_MARGIN	-0.094	0.094	0.100	**-0.196**	0.125	**0.224**	0.166	0.084	**.830(**)**	
C/I	-0.171	**-0.187**	-0.097	0.000	-0.045	-0.104	**-.535(**)**	**-.531(**)**	-0.078	-0.044
G_COST	0.085	0.072	0.071	0.045	0.115	**.321(**)**	0.096	0.053	0.100	0.063
G_STAFF	0.086	0.068	0.061	0.034	0.077	**.321(**)**	0.103	0.045	0.085	0.060
G_E_WAGE	0.048	0.037	-0.032	0.126	0.062	**.374(**)**	**.353(**)**	**.318(**)**	0.184	0.074
G_REV	0.124	0.133	0.111	0.116	0.160	**.444(**)**	**.235(*)**	0.181	**.254(*)**	0.177
G_COM	0.108	0.111	0.080	0.163	0.153	**.457(**)**	0.220	0.166	**.240(*)**	0.156
G_NNM	0.099	0.109	0.126	-0.176	-0.134	-0.153	0.105	0.097	0.027	0.096
E_REV	**0.210**	**.224(*)**	0.067	**.225(*)**	0.073	**.396(**)**	**.617(**)**	**.639(**)**	**.297(**)**	0.118
E_PROF	**0.190**	**0.213**	0.068	0.175	0.020	**.385(**)**	**.679(**)**	**.697(**)**	**.294(**)**	0.139
E_COST	0.181	0.177	0.035	**.252(*)**	0.134	**.339(**)**	**.407(**)**	**.431(**)**	**.244(*)**	0.069
E_WAGE	.252(*)	.240(*)	0.103	**.258(*)**	0.024	**.439(**)**	**.532(**)**	**.534(**)**	**.258(*)**	0.085
E_AUM	0.131	-0.048	-0.098	0.095	-0.072	-0.018	0.079	**.253(*)**	**-.542(**)**	**-.622(**)**
E_NNM	**0.220**	**.265(*)**	**0.200**	0.166	-0.033	**.362(**)**	**.503(**)**	**.511(**)**	**.349(**)**	**0.218**
NNM_GROWTH	0.140	0.184	0.181	-0.048	-0.022	0.121	**.253(*)**	**.248(*)**	**.283(*)**	**.356(**)**

Bold** Correlation is significant at the 0.01 level (2-tailed).
Bold* Correlation is significant at the 0.05 level (2-tailed).
Bold Correlation is significant at the 0.10 level (2-tailed).
Blue Relation is shown in this study

Table 14: Correlation matrix (2/2)

	Efficiency	Growth						Per capita					
	C/I	G_COST	G_STAFF	G_E_WAGE	G_REV	G_COM	G_NNM	E_REV	E_PROF	E_COST	E_WAGE	E_AUM	E_NNM
LN_INC													
LN_STAFF													
COM_TO_INC													
DIS_MAND													
OWN_FUND													
ROE													
PROFIT_EQUITY													
ADJ_MARGIN													
GRO_MARGIN													
COST_TO_INC													
G_COST	0.095												
G_STAFF	0.068	**.975(**)**											
G_E_WAGE	-0.032	**.700(**)**	**.727(**)**										
G_INC	0.044	**.848(**)**	**.859(**)**	**.723(**)**									
G_COM	0.020	**.848(**)**	**.848(**)**	**.687(**)**	**.972(**)**								
G_NNM	**-0.208**	0.040	0.015	-0.013	0.097	0.043							
E_INC	**-.405(**)**	**0.206**	**0.208**	**.600(**)**	**.361(**)**	**.412(**)**	-0.012						
E_PROF	**-.630(**)**	0.111	0.124	**.526(**)**	**.278(*)**	**.321(**)**	0.066	**.941(**)**					
E_COST	0.006	**.301(**)**	**.289(*)**	**.599(**)**	**.406(**)**	**.463(**)**	-0.119	**.877(**)**	**.663(**)**				
E_WAGE	-0.213	**.354(**)**	**.363(**)**	**.718(**)**	**.493(**)**	**.529(**)**	-0.033	**.917(**)**	**.812(**)**	**.907(**)**			
E_AUM	-0.081	0.063	0.087	0.151	0.039	0.059	-0.015	**.231(*)**	**.547(**)**	**.248(*)**	**.280(*)**		
E_NNM	**-.315(**)**	**.271(*)**	**.262(*)**	**.535(**)**	**.406(**)**	**.426(**)**	**0.197**	**.632(**)**	**.683(**)**	**.432(**)**	**.590(**)**	-0.072	
NNM_GROWTH	-0.116	**.279(*)**	**.274(*)**	**.288(*)**	**.382(**)**	**.352(**)**	**.289(**)**	**0.195**	**.235(*)**	0.098	0.181	-0.051	**.746(**)**

Bold** Correlation is significant at the 0.01 level (2-tailed).
Bold* Correlation is significant at the 0.05 level (2-tailed).
Bold Correlation is significant at the 0.10 level (2-tailed).
Blue Relation is shown in this study

The variables in Table 14 are defined as follows: AUM (Ln(total assets under management, in CHF)), REV (Ln(total revenue, in CHF)), STAFF (Ln(total number of employees)), COM/REV (ratio between fee revenues and entire revenue), DIS_MAND (AUM under discretionary management mandates in percent of entire AUM, in %), OWN_FUND (AUM in own funds in percent of entire AUM, in %), ROE (return on equity, in %), PROFIT_TO_EQUITY (ratio of gross profits to equity capital in %), ADJ_MARGIN (adjusted gross margin on AUM, in bps), GROSS_MARGIN (gross margin on AUM, in bps), C/I (cost/income ratio before depreciation, in %), G_COST (operational costs growth since the end of 2005, in %), G_STAFF (increase in number of employees since the end 2005, in %), G_E_WAGE (change in wages per employee since the end of 2005, in %), G_REV (change in total earnings since the end of 2005, in %), G_COM (change in fee revenues since the end of 2005, in %), G_NNM (change in net new money since the end of 2005, in %), E_REV (total revenue per employee, in CHF), E_PROF (gross margin per employee, in CHF), E_COST (operational costs per employee, in CHF), E_WAGE (wages per employee, in CHF), E_AUM (assets under management per employee, in CHF), E_NNM (net new money per employee, in CHF). The Pearson correlation coefficient is used.

Conclusions and Final Remarks

The internationalization of the private banking sector has continued over the last few years. Particularly in Europe a strong onshore private banking market has developed – in addition to the traditionally strong offshore market. A significant contribution to the onshore market development in Europe and elsewhere has certainly been made by the resolute expansion strategies of major Swiss banks. However, also other internationally active banks (global players) belong to this group. On some markets this has led to strong competition between local and global banks, leading to fast evolution of these markets. As a dozen banks covet the ambition of setting up global private banking franchises, in many markets the same international names stand alongside local suppliers as competitors.

Constantly changing client behavior has played a significant role in this development: through increased money flows into capjtal market products instead of deposits on savings accounts, many banks have continuously extended their securities business and as consequence, their private banking activities. This trend was further supported in the current market cycle of sharply increasing prices in many asset classes, which channels even more client money into capital market products. The onshore European private banking market that is beginning to form is characterized by increasingly uniform regulatory frameworks, similar client needs and increasing cross-border activity of the domestic banks. Such developments on the market side are reflected in a tendency of key performance indicators to converge – even if differences across markets will persist for a long time. Convergence is further supported by the trend to use large successful banks as industry benchmarks. This element of convergence through internationalization is less visible in geographically wider spread markets such as the US or Japan. The latter countries still have very individual market dynamics and structures. Unfortunately, it was not possible to analyze the booming Asian markets due to the extremely restrictive reporting policies of Asian banks.

The past five years were very attractive for private banking due to excellent market conditions which underscores the fact that private banking is very dependent on market cycles. The boom spirit has spread and has led to an over-optimistic view of the future by many private banks. A weaker phase in the cycle will show which private banks have used this market cycle to build a sustainable business model and which are forced to resize their plans. Banks

which implemented a more flexible cost structure (i.e through changes in the value chain) and have taken a clear strategic direction (through the right differentiation and positioning) should be able to survive a negative market cycle. Despite the above-mentioned convergence of various private banking markets, there are still significant differences in degree of maturity. However, even on mature markets, such as in Switzerland, there is no evidence of falling margins which is surprising at first glance, as pressure on margins can be felt from many sides. But the dynamic element should not be neglected here. Client demand and product innovation have led to an increase in high margin products which may have compensated the reduction of margins caused by increased competition.

The current study has given much importance to investment performance. The link between investment performance and net new money confirms yet again the importance of investment returns. Banks which understand that they must underline their market knowledge with measurable investment success experience a positive effect on the acquisition of net new money. A systematic and structured approach to the investment process, constant monitoring of investment performance and willingness to eliminate negatively performing products represent a significant core competence. An insistence on passive investment strategies combined with open product architecture does not lead to the intended positioning in this line of reasoning. Only banks that create value for the client through superior investment skills can credibly claim to be real wealth managers.

Although economies of scale can be found in profitability, efficiency, on the other hand, illustrates the advantage of smaller units. Thus the "eternal" question of the importance of size in private banking cannot be unequivocally answered. Perhaps the importance of the question is over-estimated or most small banks have managed to balance the disadvantage of size with suitable measures (outsourcing, cooperations, etc.). [12] In contrast, larger private banks have countered the disadvantage of size with leaner structures. Hence market dynamics have provided the regulative factor which has forced players, both large and small, through competition to be efficient and profitable. Once the current attractive market cycle of the past few years comes to an end, the question of size may pose itself again under new conditions.

12 In another Swiss Banking Institute study which examined Swiss stock exchange banks, weaknesses in smaller institutions were found. Cf. Geiger, 20 Jahre Erfolg, in Finanz und Wirtschaft's "Private Banking" magazine, 20th October 2007.

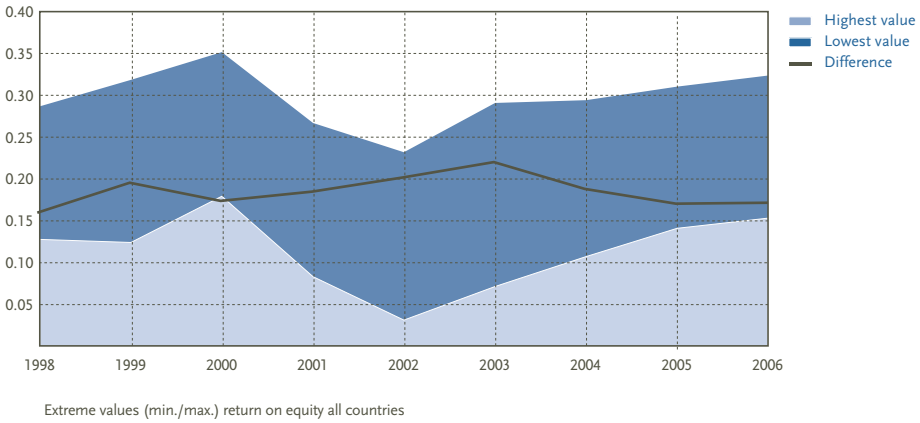
Over all key performance indicators analyzed for this study, Swiss banks are the most successful. This should not conceal, however, that weaknesses certainly do exist. But "Swiss banking" has genuinely earned an excellent reputation worldwide and sets the benchmark for many aspects of private banking. Liechtenstein is neck and neck with Switzerland. Room for improvement can be seen for both countries in profitability and in Switzerland in operational efficiency. These countries are followed by Benelux and the UK. Far less competitive are the US banks which, up until recently, could be looked upon as one of the main private banking competitors for Swiss banks.

The initial goal of the authors in 2003 was to contribute towards increased transparency in the private banking sector. The willingness to publish more detailed business figures has clearly improved. Banks in Switzerland deserve a special mention here; they are considerably more transparent in their accounting than their competitors. One can still hope that the journey of transparency started will be continued on an international level. Large deficits can still be located in the transparency and comparability of investment performance of the individual banks. Although investment performance represents a core competence of a wealth manager, the disclosure and comparison of performance in private banking proves to be wishful thinking. Should the level of transparency offered to institutional clients be introduced in private banking over time, then one can be hopeful about the future.

Zurich, November 2007

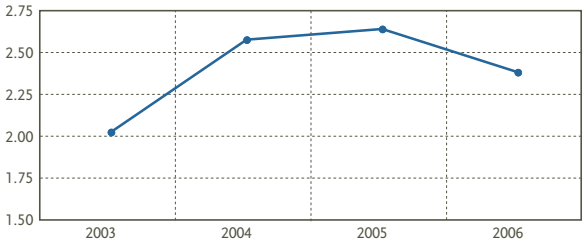
Appendix

Figure A-1: Maximum and minimum figures for return on equity



Extreme values (min./max.) return on equity all countries

Figure A-2: Ratio between maximum and minimum figures for total revenue per employee



Ratio of extreme values (min./max.) total revenue per employee all countries

Figure A-3: Exchange rate movements against CHF (end of year)

Currency performance	(Data based on closing rates at end of year)		
	1 year	3 years	5 years
$	-7.30%	-0.46%	-6.19%
EUR	3.20%	1.00%	1.63%
£	5.43%	2.76%	-0.32%
JPY	-8.43%	-3.91%	-4.31%
SKK	7.58%	1.16%	2.46%
DKK	3.39%	0.95%	1.57%

Figure A-4: Fund data I (in CHF)

			1	2	3	4	5	6	7	8	9	10	11
	Average	**Total**	**Switzerland**	**FL**	**Benelux**	**Germany**	**Italy**	**France**	**Austria**	**UK**	**USA**	**Japan**	**Nordic countries**
Master data													
Total mutual funds	214.89	2180.00	356.00	62.00	206.00	166.00	282.00	246.00	91.00	171.00	354.00	116.00	130.00
Amount of mutual funds (mixed)	30.78	305.00	48.00	10.00	43.00	22.00	37.00	51.00	19.00	15.00	32.00	18.00	10.00
Amount of mutual funds (bonds)	68.89	675.00	133.00	21.00	59.00	47.00	111.00	78.00	44.00	28.00	99.00	28.00	27.00
Amount of mutual funds (equity)	115.56	1203.00	175.00	31.00	104.00	97.00	134.00	117.00	31.00	128.00	223.00	70.00	93.00
Net assets in mio. CHF	174914.36	1679231.94	140946.60	9062.42	88427.69	99023.36	233962.48	179601.67	16641.48	408590.61	397972.94	42860.07	62142.62
Net assets in mio. CHF (mixed)	20285.56	188640.36	20878.89	239.38	18908.51	11866.07	35840.00	44708.21	2196.17	27117.23	20815.56	684.36	5385.97
Net assets in mio. CHF (bonds)	47224.45	441838.03	40'326.17	4805.71	31673.02	25336.24	117658.99	50917.95	10060.62	39326.13	104915.23	6429.18	10388.80
Net assets in mio. CHF (equity)	107404.35	1048753.54	79741.54	4017.33	37846.16	61821.04	80463.49	83975.51	4384.69	342147.26	272242.14	35746.53	46367.85
	Average	Min.	Max.	CH	FL	Benelux	Germany	Italy	France	Austria	UK	USA	UK	USA
Risk data - 1 year														
Average positive Sharpe Ratio	74.53%	55.77%	85.62%	63.85%	78.77%	80.82%	81.19%	63.50%	78.83%	55.77%	82.44%	85.62%	89.26%	83.44%
Average Sharpe Ratio	0.56	0.24	0.70	0.53	0.70	0.56	0.46	0.59	0.65	0.24	0.67	0.65	0.56	0.68
Average Jensen Alpha	-0.05	-0.13	0.07	-0.05	-0.04	-0.13	-0.11	-0.13	-0.09	-0.01	0.05	0.07	-0.08	-0.09
Average R^2	0.81	0.75	0.86	0.83	0.79	0.78	0.82	0.81	0.81	0.86	0.75	0.79	0.74	0.73
Average beta	1.13	1.00	1.28	1.06	1.23	1.12	1.11	1.02	1.09	1.23	1.00	1.28	0.94	1.00
Risk data - 3 years														
Average positive Sharpe Ratio	77.72%	60.88%	89.95%	66.06%	63.11%	85.98%	87.29%	60.88%	80.82%	81.48%	83.94%	89.95%	92.22%	90.18%
Average Sharpe Ratio	0.36	0.22	0.42	0.39	0.42	0.37	0.35	0.33	0.39	0.22	0.39	0.35	0.36	0.39
Average Jensens Alpha	0.02	-0.04	0.12	0.01	-0.04	0.03	-0.04	-0.02	0.04	-0.04	0.12	0.07	-0.04	0.10
Average R^2	0.85	0.83	0.87	0.85	0.83	0.83	0.86	0.85	0.87	0.86	0.84	0.83	0.78	0.81
Average beta	1.04	0.95	1.19	1.00	1.13	1.04	1.10	0.95	1.03	1.19	0.95	1.02	0.98	0.94
Mutual funds fees														
Average management fees	1.00%	0.67%	1.21%	1.20%	1.10%	0.88%	1.19%	1.30%	1.11%	0.91%	1.09%	0.90%	1.20%	1.25%

Figure A-4: Fund data II (in CHF, net returns)

				1	2	3	4	5	6	7	8	9	10	11
	Average	**Min.**	**Max.**	**Switzerland**	**FL**	**Benelux**	**Germany**	**Italy**	**France**	**Austria**	**UK**	**USA**	**Japan**	**Nordic countries**
Absolute 1 year performance in % and in CHF														
Average	11.39	7.16	18.19	7.67	18.19	13.38	14.17	7.75	12.23	7.16	13.17	8.75	-3.49	18.90
Average (10 largest funds)	11.85	7.10	17.95	8.59	17.95	15.02	14.74	7.68	11.69	7.10	13.62	10.24	-2.34	20.05
Weighted average (weight: funds volume)	12.19	4.09	16.68	12.19	16.55	13.67	16.68	8.12	12.98	4.09	15.02	10.40	-3.12	21.39
Average (mixed)	9.25	1.73	18.75	6.55	18.75	10.69	6.86	6.11	9.06	1.73	14.47	9.07	-5.77	14.94
Average (bonds)	3.66	-1.59	9.42	2.55	9.42	5.01	3.55	3.31	4.63	-0.37	6.42	-1.59	-2.50	8.48
Average (equity)	18.72	15.52	24.94	18.60	24.94	22.40	19.25	16.01	20.12	15.61	16.05	15.52	-3.18	25.03
Standard deviation	10.44	8.52	12.09	10.47	8.52	11.62	11.79	8.99	12.09	9.80	10.75	9.92	14.34	13.99
Standard deviation (mixed)	4.07	2.21	7.56	3.65	7.56	5.52	4.53	2.21	2.87	4.62	2.85	2.78	2.41	2.13
Standard deviation (bonds)	4.06	2.67	5.19	4.37	3.18	4.76	5.19	3.93	3.71	4.54	2.67	4.21	5.00	1.97
Standard deviation (equity)	11.87	10.09	13.88	12.38	10.09	12.33	13.88	11.31	13.06	11.57	11.43	10.82	17.87	14.73
Absolute 1 year performance in % and fund currency														
Average	10.49	5.09	19.31	8.74	19.31	10.97	11.97	5.09	10.10	5.13	11.36	11.74	4.95	15.76
Average (10 largest funds)	10.90	4.91	19.45	9.42	19.45	12.17	12.90	4.91	9.56	5.13	10.81	13.74	6.09	16.57
Weighted average (weight: funds volume)	11.71	4.27	17.14	12.33	17.14	11.39	14.89	5.22	10.86	4.27	15.55	13.78	5.31	15.76
Average (mixed)	7.61	1.64	17.17	5.72	17.17	7.49	5.54	3.11	6.39	1.64	10.29	11.16	2.67	7.73
Average (bonds)	2.31	0.16	7.54	1.86	7.54	2.79	0.77	0.19	1.67	0.16	1.14	4.65	5.94	2.59
Average (equity)	18.98	13.50	28.62	19.44	28.62	20.55	18.88	13.50	18.82	15.06	17.62	18.36	5.25	19.65
Standard deviation	10.21	6.88	11.94	10.28	6.88	11.66	11.94	8.78	11.92	9.94	10.72	9.74	14.34	14.14
Standard deviation (mixed)	4.15	2.74	7.40	3.10	7.40	5.13	4.72	3.07	3.04	4.86	2.74	3.25	2.41	1.93
Standard deviation (bonds)	3.64	1.75	4.93	3.41	2.28	4.77	4.86	3.21	3.55	4.93	1.75	3.99	5.00	1.42
Standard deviation (equity)	10.84	6.01	14.04	10.59	6.01	11.93	14.04	10.39	11.74	11.86	10.51	10.45	17.87	14.55

Figure A-4: Fund data III (in CHF, net returns)

				1	2	3	4	5	6	7	8	9	10	11
	Average	**Min.**	**Max.**	**Switzerland**	**FL**	**Benelux**	**Germany**	**Italy**	**France**	**Austria**	**UK**	**USA**	**Japan**	**Nordic countries**
Relative 1 year performance in %														
Average	-0.10	-1.02	1.07	-0.54	-1.02	1.07	0.06	-0.87	0.26	0.76	-0.18	-0.42	-4.80	1.89
Average (10 largest funds)	0.30	-1.07	1.69	-0.22	-1.07	1.69	0.69	-0.20	0.41	1.01	0.12	0.29	-7.19	3.59
Weighted average (weight: funds volume)	0.42	-1.18	1.92	1.02	0.02	1.92	0.00	0.00	1.15	-1.18	0.06	0.75	-2.42	5.78
Average (mixed)	0.59	-1.82	2.44	0.05	0.60	2.32	0.96	-0.84	2.44	-1.82	0.16	1.48	1.01	3.22
Average (bonds)	-0.32	-1.70	0.94	0.01	0.35	0.94	-1.70	-0.41	-0.36	-1.21	0.67	-1.16	-2.48	2.88
Average (equity)	0.82	-0.77	2.55	2.22	-0.41	2.55	0.07	0.98	1.37	-0.77	-0.02	1.39	-2.48	6.73
Standard deviation	5.38	4.41	7.16	4.70	4.98	5.78	6.61	4.41	7.16	5.34	4.73	4.72	13.17	8.88
Standard deviation (mixed)	2.63	0.86	3.83	1.86	0.86	3.83	3.62	2.31	1.87	3.57	2.82	2.92	2.17	2.99
Standard deviation (bonds)	3.16	2.15	5.74	2.63	2.48	3.38	5.74	2.15	2.65	3.50	2.78	3.08	3.16	1.95
Standard deviation (equity)	6.55	5.11	9.03	6.54	5.11	6.52	6.93	5.85	9.03	7.87	5.24	5.87	16.17	10.31
Relative 5 year performance in %														
Average	-0.73	-1.72	0.90	-1.26	-1.72	0.09	-0.75	-1.72	0.90	-1.25	-0.07	-0.80	0.06	0.62
Average (10 largest funds)	0.01	-1.75	1.64	-0.64	-1.75	1.38	-0.15	-0.98	1.64	-0.36	0.63	0.27	1.79	0.82
Weighted average (weight: funds volume)	0.19	-1.05	1.02	0.01	-0.45	0.75	1.02	-0.29	0.78	-1.05	0.23	0.73	0.27	2.59
Average (mixed)	-0.19	-1.47	1.80	-0.75	-0.38	1.80	-0.17	-0.77	0.71	-1.47	0.10	-0.77	-1.41	0.28
Average (bonds)	-0.25	-1.00	0.82	-0.77	-0.22	0.38	-0.53	-0.94	-0.04	-1.00	0.82	0.03	-3.51	-0.74
Average (equity)	0.61	-0.70	1.43	0.61	-0.70	0.59	1.43	0.88	1.33	0.00	0.17	1.14	0.98	3.60
Standard deviation	3.73	1.88	7.58	3.21	1.88	4.01	3.96	2.73	3.63	7.58	3.22	3.39	5.18	6.07
Standard deviation (mixed)	1.46	-0.18	2.53	1.58	-0.18	1.99	1.96	2.53	1.91	1.40	0.95	0.98	0.54	2.10
Standard deviation (bonds)	2.71	0.99	10.65	1.75	1.70	2.29	2.12	0.99	1.33	10.65	1.43	2.12	2.89	1.72
Standard deviation (equity)	3.79	2.61	4.69	4.19	2.61	4.69	4.34	3.15	4.15	3.38	3.72	3.89	5.95	7.97

Figure A-5: Sample overview

	Return on equity (before taxes)			Total revenue per employee (in CHF)			Gross profit per employee (in CHF)			Cost/income ratio (before depreciation)		
	2005	Average	2006	2005	Average	2006	2005	Average	2006	2005	Average	2006
Name												
Switzerland												
ABN Amro Bank Schweiz	14.4%	14.1%	13.9%	447,490	454,825	462,160	122,394	109,084	95,775	72.6%	76.0%	79.3%
Adler & Co. Privatbank	33.1%	30.3%	27.4%	733,876	723,746	713,615	418,284	406,325	394,366	43.0%	43.9%	44.7%
AIG Private Bank	16.3%	16.4%	16.5%	483,333	467,162	450,990	151,515	140,114	128,713	68.7%	70.1%	71.5%
AKB Privatbank Zürich	14.5%	13.7%	13.0%	839,002	806,876	774,749	399,093	367,614	336,134	52.4%	54.5%	56.6%
Arab Bank Switzerland	0.8%	0.8%	0.7%	341,259	362,296	383,333	64'336	61,334	58,333	81.1%	83.0%	84.8%
Arvest Privatbank AG	16.9%	14.1%	11.4%	445,548	389,421	333,294	268,154	226,557	184,960	39.8%	42.2%	44.5%
Arzi Bank	10.4%	11.8%	13.2%	430,823	457,167	483,512	127,089	138,835	150,581	70.5%	69.7%	68.9%
Atlantic Vermögensverwaltungsbank	14.0%	18.8%	23.5%	554,462	611,746	669,031	195,054	243,722	292,390	64.8%	60.6%	56.3%
Banca Arner	15.2%	18.0%	20.7%	380,459	408,638	436,817	131,054	135,124	139,195	65.6%	66.8%	68.1%
Banca del Gottardo	7.7%	-0.4%	-8.4%	429,643	429,045	428,448	137,228	127,091	116,954	68.1%	70.4%	72.7%
Banca della Swizzera Italiana BSI	18.1%	19.5%	20.9%	372,234	406,070	439,906	99,443	123,050	146,658	73.3%	70.0%	66.7%
Bank CIAL (Schweiz)	11.0%	11.1%	11.2%	367,490	372,176	376,863	148,560	143,299	138,039	59.6%	61.5%	63.4%
Bank Frey	6.2%	6.3%	6.3%	573,154	590,083	607,011	132,092	119,317	106,542	77.0%	79.7%	82.4%
Bank Hapoalim Switzerland	13.3%	13.0%	12.7%	628,099	622,594	617,089	323,140	286,887	250,633	48.6%	54.0%	59.4%
Bank Hofmann	71.0%	71.3%	71.5%	640,183	662,971	685,759	299,848	309,548	319,249	53.2%	53.3%	53.4%
Bank Hugo Kahn	3.3%	4.6%	5.8%	430,785	460,988	491,190	63,977	77,123	90,269	85.1%	83.4%	81.6%
Banque Jacob Safra (Suisse)	9.8%	11.4%	13.0%	880,435	948,663	1,016,892	415,217	415,041	414,865	52.8%	56.0%	59.2%
Bank Leu	44.6%	49.3%	54.0%	717,177	822,601	928,025	371,790	447,238	522,687	48.2%	45.9%	43.7%
Bank Leumi le-Israel (Switzerland)	-7.6%	-0.7%	6.2%	484,496	486,870	489,243	98,450	124,125	149,801	79.7%	74.5%	69.4%
Bank Morgan Stanley	8.0%	14.3%	20.7%	961,345	1,025,910	1,090,476	260,504	316,363	372,222	72.9%	69.4%	65.9%
Bank Sal. Oppenheim jr. & Cie. (Schweiz) AG	20.0%	22.3%	24.6%	716,770	761,839	806,908	268,903	274,979	281,055	62.5%	63.8%	65.2%
Banque Syz & Co.	49.6%	62.8%	76.1%	1,099,687	2,071,654	3,043,621	426,959	1,103,603	1,780,247	61.2%	51.3%	41.5%
Banque Baring Brothers	40.7%	41.6%	42.6%	916,814	990,863	1,064,912	400,000	434,211	468,421	56.4%	56.2%	56.0%
Banque Cramer & Cie SA	18.6%	19.1%	19.6%	454,754	457,391	460,029	162,896	162,131	161,366	64.2%	64.6%	64.9%
Banque de Dépôts et de Gestion	15.5%	16.5%	17.5%	366,752	380,657	394,562	160,644	171,415	182,187	56.2%	55.0%	53.8%
Banque de Patrimoines Privés Genève BPG SA	11.0%	7.4%	3.9%	416,036	394,131	372,225	128,862	90,719	52,577	69.0%	77.5%	85.9%
Banque Franck, Galland & Cie	17.9%	18.5%	19.1%	513,889	556,108	598,326	175,000	185,826	196,653	65.9%	66.5%	67.1%
Banque Genevoise de Gestion, BCG	7.3%	7.7%	8.1%	383,159	366,680	350,201	123,266	120,424	117,582	32.2%	32.9%	33.6%
Banque Pasche	9.6%	10.0%	10.4%	388,723	407,609	426,494	119,787	125,764	131,740	69.2%	69.1%	69.1%
Banque Piguet & Cie	19.6%	22.8%	25.9%	513,200	528,981	544,762	166,843	178,659	190,476	67.5%	66.3%	65.0%
Banque SCS Alliance	-3.2%	7.2%	17.7%	451,383	450,929	450,475	128,764	134,010	139,257	71.5%	70.3%	69.1%
Bearbull Degroof (Suisse)	2.4%	9.4%	16.5%	392,658	548,834	705,009	75,045	134,310	193,574	80.9%	76.7%	72.5%
BHF Bank Schweiz	15.6%	15.7%	15.9%	534,694	561,990	589,286	208,163	190,689	173,214	61.1%	65.8%	70.6%
Bipielle Bank (Schweiz)	16.1%	9.7%	3.2%	633,645	543,353	453,061	327,103	246,204	165,306	48.4%	55.9%	63.5%
BNP Paribas (Suisse)	19.4%	22.6%	25.8%	537,615	560,069	582,524	248,099	263,400	278,701	53.9%	53.0%	52.2%
Citibank (Switzerland)	3.4%	5.8%	8.2%	404,295	443,358	482,422	-2,801	26,236	55,273	100.7%	94.6%	88.5%
Clariden	51.6%	55.5%	59.4%	678,320	719,744	761,169	362,491	398,991	435,491	46.6%	44.7%	42.8%
Commerzbank (Schweiz)	11.5%	13.4%	15.3%	531,839	583,836	635,833	245,740	279,134	312,528	53.8%	52.3%	50.8%
Coutts Bank von Ernst	7.3%	9.9%	12.4%	463,685	480,709	497,733	153,248	159,546	165,844	66.9%	66.8%	66.7%
Credit Suisse	18.5%	25.8%	33.1%	711,296	787,280	863,264	222,914	279,221	335,529	68.7%	64.9%	61.1%
Credit Suisse Wealth Management	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	62.3%	61.5%	60.7%
Credite Agricole (Suisse)	17.4%	18.9%	20.4%	n/a	n/a	574,545	n/a	n/a	250,000	59.8%	58.2%	56.5%
Deutsche Bank (Schweiz)	8.0%	11.9%	15.9%	630,503	654,293	678,083	147,403	149,742	152,082	76.6%	77.1%	77.6%
Dominick Company	5.5%	6.8%	8.2%	574,803	656,879	738,956	133,858	151,266	168,675	76.7%	76.9%	77.2%
Dresdner Bank (Schweiz)	18.1%	21.0%	24.0%	465,608	468,620	471,631	167,196	171,009	174,823	64.1%	63.5%	62.9%
DZ Privatbank (Schweiz)	13.8%	15.3%	16.7%	576,490	563,643	550,796	273,752	259,275	244,798	52.5%	54.0%	55.6%
EFG International	9.9%	10.9%	11.9%	410,431	455,966	501,502	176,471	199,777	223,083	57.0%	56.3%	55.5%
F. van Lanschot Bankiers (Schweiz) AG	11.0%	11.1%	11.1%	527,177	539,358	551,539	157,503	151,849	146,196	70.1%	71.8%	73.5%
Finter Bank Zürich	9.8%	10.4%	10.9%	452,236	473,458	494,679	107,335	125,961	144,587	76.3%	73.5%	70.8%
Fortis Banque (Suisse)	31.6%	31.9%	32.1%	511,710	550,103	588,496	230,225	252,348	274,470	55.0%	54.2%	53.4%
HSBC Guyerzeller Bank	17.7%	19.0%	20.3%	576,286	607,970	639,655	179,714	208,104	236,494	68.8%	65.9%	63.0%
HSBC Private Bank (Suisse)	18.4%	19.6%	20.9%	554,860	591,521	628,182	262,689	280,359	298,029	52.7%	52.6%	52.6%
Hyposwiss Privatbank	43.0%	34.5%	26.1%	713,433	758,502	803,571	385,075	395,037	405,000	46.0%	47.8%	49.6%
IBI Bank	-5.6%	-0.7%	4.2%	273,333	356,111	438,889	-66,667	-5,556	55,556	124.4%	105.9%	87.3%
ING Bank (Switzerland)	20.2%	22.2%	24.1%	545,485	550,968	556,452	413,712	415,082	416,452	24.2%	24.7%	25.2%
Banque Jenni & Cie	49.4%	51.1%	52.7%	1,151,475	1,220,828	1,290,182	699,519	711,468	723,416	39.3%	41.6%	43.9%
Julius Bär	4.9%	9.5%	14.2%	562,164	675,454	788,744	110,120	214,366	318,613	80.4%	70.0%	59.6%
Julius Bär Private Banking	n/a	n/a	n/a	434,258	488,233	542,209	-33,583	57,658	148,900	107.7%	90.1%	72.5%
LB (Swiss) Privatbank AG	17.9%	18.9%	19.9%	702,400	724,971	747,541	348,356	370,293	392,231	50.4%	49.0%	47.5%
Les Fils Dreyfus & Cie	17.0%	17.6%	18.3%	737,850	770,747	803,645	342,319	355,590	368,861	53.6%	53.9%	54.1%
Maerki Baumann & Co. AG	12.7%	15.9%	19.1%	532,189	559,867	587,545	188,962	206,602	224,241	64.5%	63.2%	61.8%
MediBank	17.7%	19.0%	20.2%	725,311	734,342	743,373	392,224	421,576	450,928	45.9%	42.6%	39.3%
MM Warburg Bank (Schweiz)	17.1%	24.2%	31.3%	512,667	567,500	622,333	184,039	226,186	268,333	64.1%	60.5%	56.9%
Morval Vonwiller Holding S.A	13.3%	12.6%	11.9%	533,669	512,610	491,552	228,916	219,986	211,056	57.1%	57.1%	57.1%
PKB Privatbank	9.3%	10.4%	11.4%	480,906	521,782	562,658	247,249	275,207	303,165	48.6%	47.4%	46.1%
Privatbank Bellerive	72.9%	48.4%	23.8%	371,455	429,705	487,955	74,000	118,432	162,864	80.1%	73.4%	66.6%
Privatbank IHAG Zürich	10.5%	10.7%	10.9%	582,312	591,972	601,633	263,331	268,358	273,385	54.8%	54.7%	54.6%
Privatbank Von Graffenried AG	16.5%	17.4%	18.4%	441,768	464,170	486,571	112,130	116,976	121,823	74.6%	74.8%	75.0%

	Return on equity (before taxes)			Total revenue per employee (in CHF)			Gross profit per employee (in CHF)			Cost/income ratio (before depreciation)		
	2005	Average	2006	2005	Average	2006	2005	Average	2006	2005	Average	2006
Name												
Rothschild Bank Zürich	10.5%	10.2%	9.9%	417,896	419,104	420,313	137,206	136,572	135,938	67.2%	67.4%	67.7%
Rüd Blass & Cie	20.4%	11.0%	1.6%	863,143	884,132	905,120	230,268	256,700	283,133	73.3%	71.0%	68.7%
Sarasin	15.1%	14.0%	13.0%	441,734	471,396	501,059	147,191	145,162	143,133	66.7%	69.1%	71.4%
Sarasin Private Clients Switzerland & International	n/a	n/a	n/a	621,988	676,201	730,414	231,828	263,864	295,900	62.7%	61.1%	59.5%
Schroder & Co Bank	25.6%	27.7%	29.8%	683,807	713,537	743,268	269,378	241,476	213,573	60.6%	65.9%	71.3%
Scobag AG	17.5%	19.3%	21.2%	655,455	667,599	679,743	259,667	249,916	240,165	60.4%	62.5%	64.7%
SNB Börsenbanken	23.0%	24.5%	26.0%	630,724	656,752	682,780	273,908	290,236	306,565	56.6%	55.8%	55.1%
SNB Privatbanken	51.7%	56.0%	60.4%	570,302	607,652	645,003	169,063	186,395	203,726	70.4%	69.4%	68.4%
Société Bancaire Privée SBP	2.9%	3.3%	3.6%	317,733	370,247	422,762	51,728	91,005	130,282	83.7%	76.5%	69.2%
SG Private Banking (Suisse)	19.5%	22.8%	26.1%	499,650	540,074	580,498	166,628	207,041	247,454	66.7%	62.0%	57.4%
St. Galler Kantonalbank Private Banking	n/a	n/a	n/a	887,558	941,088	994,619	520,737	557,230	593,722	41.3%	40.8%	40.3%
Trafina Privatbank	5.3%	4.7%	4.1%	648,889	752,222	855,556	320,000	376,667	433,333	50.7%	50.0%	49.4%
UBS	39.6%	34.3%	28.9%	600,572	626,367	652,161	205,423	211,594	217,766	65.8%	66.2%	66.6%
UBS Wealth Management International&CH	n/a	n/a	n/a	832,964	847,550	862,136	315,606	326,549	337,492	53.8%	52.7%	51.7%
Union Bancaire Privée	23.0%	25.2%	27.4%	724,340	776,911	829,482	371,149	408,100	445,052	48.8%	47.6%	46.3%
Vontobel	18.6%	21.3%	24.0%	682,143	747,496	812,848	260,556	291,745	322,933	61.8%	61.0%	60.3%
Vontobel Private Banking	n/a	n/a	n/a	926,671	988,980	1,051,288	304,418	317,719	331,019	67.1%	67.8%	68.5%
USA												
A. G. Edwards & Sons	19.6%	22.8%	26.0%	221,185	236,974	252,763	29,110	35,707	42,305	86.8%	85.1%	83.3%
Alliance Bernstein	72.0%	72.0%	n/a	947,754	1,010,033	1,072,313	271,147	296,289	321,430	71.4%	70.7%	70.0%
Bank of America	24.3%	25.7%	27.0%	396,359	439,033	481,707	193,689	220,287	246,886	51.1%	49.9%	48.7%
Bank of New York	25.4%	34.1%	42.8%	395,009	479,137	563,265	137,059	202,225	267,390	65.3%	58.9%	52.5%
Bear Stearns	22.3%	24.9%	27.5%	395,069	652,254	909,439	117,658	213,897	310,135	70.2%	68.1%	65.9%
Boston Private Financial Holdings	16.6%	15.8%	15.0%	n/a	n/a	n/a	n/a	n/a	n/a	70.7%	71.7%	72.6%
Citigroup	26.5%	26.0%	25.5%	350,883	352,994	355,105	161,422	155,195	148,969	54.0%	56.0%	58.0%
Citigroup Private Bank	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	70.4%	70.2%	70.0%
JP Morgan Chase	11.1%	14.5%	17.8%	406,069	427,184	448,298	127,005	153,196	179,386	68.7%	64.4%	60.0%
Legg Mason	34.9%	25.9%	16.9%	710,685	1,050,692	1,390,699	199,847	277,343	354,839	71.9%	73.2%	74.5%
Mellon Financial Corporation	30.0%	29.0%	28.1%	324,914	362,315	399,716	91,553	92,705	93,856	71.8%	74.2%	76.5%
Mellon Financial Corporation Private Wealth Management	n/a	n/a	n/a	453,924	454,600	455,276	198,676	190,200	181,725	56.2%	58.2%	60.1%
Merrill Lynch	21.6%	24.8%	27.9%	616,381	699,878	783,374	171,280	203,466	235,652	72.2%	71.1%	69.9%
Morgan Stanley	23.7%	28.5%	33.3%	955,799	877,267	798,736	284,742	278,009	271,276	70.2%	68.1%	66.0%
Lehman Brothers	35.4%	34.1%	32.8%	857,887	879,601	901,316	283,206	292,950	302,694	67.0%	66.7%	66.4%
Northern Trust	26.3%	26.7%	27.1%	384,531	392,523	400,515	130,408	134,664	138,919	66.1%	65.7%	65.3%
UBS Wealth Management US	n/a	n/a	n/a	303,267	316,366	329,465	18,351	25,528	32,705	93.9%	92.0%	90.1%
UK												
Barclays	25.2%	26.4%	27.5%	362,378	365,603	368,828	127,595	132,207	136,818	64.8%	63.8%	62.9%
Barclays Wealth	n/a	n/a	n/a	289,885	304,248	318,611	52,821	59,471	66,121	81.8%	80.5%	79.2%
Brewin Dolphin Sec. Ltd	n/a	31.3%	31.3%	n/a	n/a	291,913	n/a	n/a	45,141	90.7%	87.6%	84.5%
Charles Stanley & Co. Ltd	27.0%	30.1%	33.2%	418,206	420,348	422,490	51,334	54,729	58,124	87.7%	87.0%	86.2%
HSBC Holdings plc	22.7%	21.7%	20.7%	545,843	556,768	567,693	304,095	309,008	313,920	44.3%	44.5%	44.7%
HSBC Private Banking	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	62.0%	59.7%	57.5%
Investec plc	16.6%	25.4%	34.2%	404,264	460,348	516,432	140,291	178,745	217,199	65.3%	61.6%	57.9%
Rathbone Brothers plc	29.3%	30.1%	30.9%	346,995	383,141	419,287	117,102	134,571	152,041	66.3%	65.0%	63.7%
Royal Bank of Scotland Group plc	22.9%	22.5%	22.1%	418,676	435,724	452,772	255,082	266,597	278,111	39.1%	38.8%	38.6%
Royal Bank of Scotland Wealth Management	n/a	n/a	n/a	392,062	443,653	495,245	203,737	233,898	264,060	48.0%	47.4%	46.7%
Schroders	20.4%	20.6%	20.8%	642,447	682,008	721,570	182,865	207,099	231,333	71.5%	69.7%	67.9%
Austria												
Bankhaus Schelhammer & Schattera	13.9%	13.8%	13.7%	393,048	397,377	401,707	222,572	222,526	222,480	43.4%	44.0%	44.6%
Bankhaus Carl Spängler & Co.	16.4%	17.9%	19.4%	150,643	153,259	155,876	46,833	47,783	48,733	61.9%	62.5%	63.2%
Bankhaus Krentschker	18.6%	18.4%	18.2%	305,316	313,114	320,913	129,311	133,673	138,035	57.6%	57.3%	57.0%
Oberbank	12.7%	13.0%	13.2%	296,183	303,067	309,951	137,578	143,780	149,982	53.5%	52.6%	51.6%
Schöllerbank	n/a	n/a	n/a	352,909	339,250	325,590	123,549	117,094	110,639	65.0%	65.5%	66.0%
Vontobel (Österreich) AG	8.9%	10.8%	12.7%	212,315	253,323	294,331	69,590	89,656	109,722	67.2%	65.0%	62.7%
Nordic countries												
Bank of Aland plc	17.3%	17.6%	17.9%	200,546	214,478	228,410	103,700	107,746	111,791	48.3%	49.7%	51.1%
Danske Capital (Danske Bank)	n/a	n/a	n/a	891,778	922,278	952,779	508,303	514,169	520,035	43.0%	44.2%	45.4%
Jyske Bank	25.1%	27.2%	29.4%	248,700	254,508	260,316	82,773	78,967	75,160	66.7%	68.9%	71.1%
Sampo Bank Private Clients	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	70.1%	66.3%	62.5%
SEB Nordic Retail & Private Banking - Private Banking	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	52.6%	50.9%	49.3%
Swedbank	33.6%	34.5%	35.4%	313,931	304,851	295,772	169,508	159,297	149,086	46.0%	47.8%	49.6%
Sydbank A/S	27.9%	32.0%	36.1%	n/a	n/a	n/a	n/a	n/a	n/a	64.1%	63.1%	62.0%
The Carnegie Group	61.0%	67.2%	73.4%	762,308	880,797	999,286	215,007	273,870	332,732	71.8%	69.2%	66.7%
The Carnegie Group Private Banking	n/a	n/a	n/a	436,982	493,389	549,796	121,384	168,112	214,840	72.2%	66.6%	60.9%

	Return on equity (before taxes)			Total revenue per employee (in CHF)			Gross profit per employee (in CHF)			Cost/income ratio (before depreciation)		
	2005	Average	2006	2005	Average	2006	2005	Average	2006	2005	Average	2006
Name												
Liechtenstein												
Bank Alpinum AG	-7.3%	-3.2%	0.8%	375,000	418,941	462,882	-41,670	5,366	52,402	111.1%	99.9%	88.7%
Bank Frick & Co.	10.9%	14.3%	17.7%	n/a	n/a	712,500	n/a	n/a	270,833	43.3%	52.6%	62.0%
Bank von Ernst (Liechtenstein)	19.5%	19.7%	20.0%	560,714	614,353	667,992	257,143	269,725	282,306	54.1%	55.9%	57.7%
Centrum Bank	18.7%	19.3%	19.8%	796,272	814,903	833,533	420,772	431,344	441,916	47.2%	47.1%	47.0%
Hypo Alpe-Adria-Bank (Liechtenstein) AG	8.5%	11.7%	14.9%	529,167	629,399	729,630	250,000	341,667	433,333	52.8%	46.7%	40.6%
Hypo Investment Bank Liechtenstein	23.7%	29.6%	35.6%	559,585	568,469	577,352	269,430	286,230	303,030	51.9%	49.7%	47.5%
LGT Bank	6.9%	7.0%	7.1%	451,405	481,618	511,831	138,876	147,255	155,634	69.2%	69.4%	69.6%
LGT Wealth Management Asia	n/a	n/a	n/a	508,163	531,354	554,545	67,347	48,219	29,091	86.7%	90.8%	94.8%
LGT Wealth Management International	n/a	n/a	n/a	714,624	741,704	768,783	330,919	318,965	307,011	53.7%	56.9%	60.1%
Liechtensteinische Landesbank LLB	14.4%	15.9%	17.5%	730,912	736,008	741,103	477,840	475,652	473,463	34.6%	35.4%	36.1%
LLB Private Banking	n/a	n/a	n/a	680,151	743,045	805,938	435,678	473,777	511,876	35.9%	36.2%	36.5%
Neue Bank	15.6%	16.7%	17.9%	625,641	665,985	706,329	369,231	403,603	437,975	41.0%	39.5%	38.0%
Raiffeisenbank (Liechtenstein)	35.5%	26.5%	17.4%	824,490	677,076	529,661	548,980	407,965	266,949	33.4%	41.5%	49.6%
Serica Bank	13.4%	15.3%	17.2%	448,649	461,497	474,344	151,351	162,335	173,318	66.3%	64.9%	63.5%
Swissfirst Bank (Liechtenstein)	22.4%	26.4%	30.5%	665,414	748,458	831,502	383,459	457,298	531,136	42.4%	39.2%	36.1%
Verwaltungs- und Privatbank AG	15.9%	15.5%	15.0%	532,843	543,864	554,885	291,457	293,930	296,403	45.3%	45.9%	46.6%
Volksbank	9.6%	10.8%	12.0%	506,944	592,850	678,756	243,056	292,513	341,969	52.1%	50.8%	49.6%
Vontobel Liechtenstein	3.5%	7.4%	11.3%	410,600	505,050	599,500	28,000	125,550	223,100	93.2%	78.0%	62.8%
VP Private Clients	n/a	n/a	n/a	946,520	962,913	979,306	723,810	663,203	602,596	23.5%	31.0%	38.5%
Japan												
Mitsubishi UFJ Financial Group	24.0%	22.7%	21.4%	954,650	1,085,252	1,215,855	312,689	361,932	411,175	67.2%	66.7%	66.2%
Mizuho Financial Group	22.5%	23.2%	23.9%	1,220,560	1,122,408	1,024,257	433,596	369,133	304,669	64.5%	67.4%	70.3%
Nikko Cordial Corporation	19.4%	16.3%	13.2%	436,850	424,929	413,008	143,488	119,017	94,545	67.2%	72.1%	77.1%
Nomura Holdings, Inc.	25.3%	20.2%	15.1%	883,438	823,151	762,863	343,613	284,288	224,963	61.1%	65.8%	70.5%
Resona Holdings, Inc.	29.0%	36.6%	44.2%	536,962	536,441	535,920	268,678	274,302	279,926	50.0%	48.9%	47.8%
Italy												
Banca Monte dei Paschi di Siena	15.0%	17.0%	19.1%	251,649	273,282	294,916	93,951	108,777	123,603	62.7%	60.4%	58.1%
Banca Carige	11.9%	11.1%	10.2%	271,633	282,466	293,299	97,794	108,532	119,270	64.0%	61.7%	59.3%
Banca Generali	1.3%	7.0%	12.7%	373,212	451,765	530,318	105,849	148,871	191,893	71.6%	67.7%	63.8%
Banca Intesa Sanpaolo	28.1%	27.2%	26.4%	478,619	501,501	524,383	213,352	223,095	232,837	55.4%	55.5%	55.6%
Banca Lombarda e Piemontese	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	22.1%	23.9%	25.6%
Private Banking & Wealth Management												
Banca Nazionale del Lavoro	17.5%	8.9%	0.3%	265,402	276,590	287,778	93,170	85,920	78,671	64.9%	68.8%	72.7%
Banca Popolare di Bergamo	23.9%	26.5%	29.2%	370,821	391,886	412,952	168,183	185,941	203,700	54.6%	52.7%	50.7%
Banche Popolari Unite	27.9%	27.1%	26.3%	295,280	302,438	309,596	131,255	135,569	139,882	55.5%	55.2%	54.8%
Capitalia Group	20.9%	22.9%	24.8%	274,649	289,479	304,309	108,492	119,876	131,259	60.5%	58.7%	56.9%
Capitalia Group Financial Services	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	47.5%	46.9%	46.3%
Cariparma	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	41.5%	41.7%	41.9%
Credem	31.0%	28.1%	25.1%	293,034	312,521	332,007	111,538	125,379	139,221	61.9%	60.0%	58.1%
Credem Wealth Management	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	37.7%	37.5%	37.4%
Deutsche Bank Italien	25.8%	25.6%	25.4%	366,532	353,726	340,920	132,030	127,148	122,266	64.0%	64.1%	64.1%
Intra Private Bank SpA	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	72.8%	70.8%	68.8%
Mediobanca	16.7%	17.8%	19.0%	964,855	1,084,260	1,203,665	616,670	729,336	842,002	36.1%	33.1%	30.0%
Mediobanca Private Banking	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	64.9%	62.5%	60.0%
Monte dei Paschi di Siena Private Banking/Wealth Management	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	56.5%	55.5%	54.6%
Sanpaolo IMI	23.4%	22.8%	22.3%	288,481	295,814	303,148	135,487	134,051	132,615	53.0%	54.6%	56.3%
UniCredit Group	n/a		n/a	257,123	275,423	293,722	72,213	86,207	100,202	71.9%	68.9%	65.9%
UniCredit Private Banking	15.4%	17.4%	19.3%	168,259	220,831	273,404	81,841	109,925	138,009	51.4%	50.4%	49.5%
France												
BNP Paribas	22.1%	21.5%	21.0%	191,030	196,337	201,644	128,367	132,147	135,928	57.8%	57.8%	57.7%
BNP Paribas Private Banking	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	65.6%	64.6%	63.5%
Compagnie financière Edmond de Rothschild Banque	16.3%	20.9%	25.5%	1,219,708	1,332,484	1,445,260	276,432	346,427	416,422	77.3%	74.3%	71.2%
Credit Agricole S.A.	17.1%	18.5%	19.8%	217,351	219,949	222,546	124,268	133,759	143,250	63.6%	62.2%	60.8%
Dexia Group	20.6%	20.3%	20.0%	187,113	180,137	173,161	194,912	201,848	208,785	49.0%	47.2%	45.3%
HSBC France	23.2%	19.1%	14.9%	194,670	194,224	193,777	137,329	116,691	96,053	58.6%	62.7%	66.9%
Société Générale	29.3%	28.0%	26.6%	183,326	186,492	189,657	123,299	130,530	137,762	59.8%	58.9%	57.9%
Société Générale Private Banking	n/a	n/a	n/a	310,467	n/a	n/a	135,417	n/a	n/a	69.6%	67.8%	66.0%
Germany												
B. Metzler seel. Sohn & Co.	22.2%	19.7%	17.2%	562,639	n/a	n/a	93,702	n/a	n/a	83.3%	81.6%	79.8%
Bankhaus Hallbaum	10.7%	5.3%	-0.1%	230,296	232,264	234,232	87,571	76,568	65,565	62.0%	67.0%	72.0%
Bankhaus Lampe	25.6%	22.0%	18.3%	322,742	344,103	365,464	103,981	109,114	114,248	67.8%	68.3%	68.7%
Bankhaus Löbbecke	6.0%	2.7%	-0.6%	283,856	302,205	320,553	86,813	89,178	91,543	69.4%	70.4%	71.4%
Bankhaus Neelmeyer	20.7%	16.5%	12.4%	214,140	217,758	221,376	59,566	56,501	53,436	72.2%	74.0%	75.9%
Bankhaus Reuschel	-9.1%	-0.8%	7.6%	241,076	254,596	268,115	57,295	63,441	69,588	76.2%	75.1%	74.0%

	Return on equity (before taxes)			Total revenue per employee (in CHF)			Gross profit per employee (in CHF)			Cost/income ratio (before depreciation)		
	2005	Average	2006	2005	Average	2006	2005	Average	2006	2005	Average	2006
Name												
Bankhaus Wölbern	27.5%	35.0%	42.6%	452,553	555,468	658,383	186,975	244,011	301,046	58.7%	56.5%	54.3%
Berenberg Bank	40.3%	38.2%	36.2%	1,261,357	n/a	n/a	579,988	n/a	n/a	54.0%	57.3%	60.6%
Commerzbank	10.3%	13.4%	16.5%	301,716	329,272	356,828	103,032	119,013	134,994	65.9%	64.0%	62.2%
Deutsche Bank	19.9%	20.5%	21.0%	607,199	636,566	665,933	169,163	181,174	193,184	72.1%	71.6%	71.0%
Dresdner Bank	4.4%	5.7%	7.1%	288,256	334,090	379,924	26,888	52,925	78,963	90.7%	84.9%	79.2%
Hauck Aufhäuser Privatbankiers KGaA	n/a	n/a	n/a	409,676	366,277	322,877	157,135	121,319	85,503	61.6%	67.6%	73.5%
HSBC Trinkaus Burkhardt	21.0%	20.9%	20.8%	442,058	456,588	471,118	178,662	182,726	186,790	59.6%	60.0%	60.4%
HSBC Trinkaus Burkhardt Vermögende Privatkunden	21.0%	20.9%	20.8%	442,058	456,588	471,118	178,662	182,726	186,790	59.6%	60.0%	60.4%
MM Warburg & Co.	9.6%	12.0%	14.4%	368,675	403,829	438,984	162,628	189,971	217,313	55.9%	53.2%	50.5%
Merck Finck & Co Privatbankiers	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Sal. Oppenheim Privatbankiers	32.1%	24.4%	16.7%	610,534	563,257	515,979	201,609	182,623	163,638	67.0%	67.6%	68.3%
Benelux												
ABN Amro	28.5%	25.6%	22.7%	358,669	395,513	432,357	153,454	170,132	186,811	57.2%	57.0%	56.8%
ABN Private Clients	n/a	n/a	n/a	497,467	541,607	585,746	146,516	164,557	182,598	70.5%	69.7%	68.8%
Banque Degroof	35.2%	45.1%	55.0%	319,381	379,140	438,899	119,810	171,174	222,539	62.5%	55.9%	49.3%
Banque Delen	32.0%	31.8%	31.6%	n/a	n/a	n/a	n/a	n/a	n/a	47.9%	48.3%	48.7%
Banque LBlux	n/a	n/a	n/a	n/a	n/a	609,003	n/a	n/a	378,930	36.7%	37.3%	37.8%
Banque Privée Edmond de Rothschild Europe	n/a	n/a	n/a	3,164,270	3,643,159	4,122,047	1,048,590	1,206,023	1,363,457	66.9%	66.9%	66.9%
DZ Bank International	n/a	n/a	n/a	n/a	n/a	589,786	n/a	n/a	338,587	35.3%	38.9%	42.6%
Fortis Bank	35.1%	30.8%	26.4%	446,949	422,059	397,170	202,733	189,282	175,831	54.6%	55.2%	55.7%
HSBC Private Bank (Luxembourg) SA	n/a	21.4%	n/a	361,947	n/a	n/a	178,621	n/a	n/a	67.0%	n/a	n/a
Kaupthing Bank	32.0%	35.1%	38.2%	913,696	1,061,326	1,208,955	595,772	685,298	774,825	34.8%	35.4%	35.9%
KBC Group	24.0%	25.9%	27.9%	344,809	366,355	387,901	211,408	228,589	245,771	38.7%	37.7%	36.6%
Kredietbank Luxembourg KBL	22.4%	35.3%	48.2%	331,841	448,280	564,719	100,675	211,412	322,149	69.7%	56.3%	43.0%
M.M. Warburg & Co Luxembourg	41.8%	29.4%	17.0%	571,956	494,077	416,198	357,128	278,413	199,697	37.6%	44.8%	52.0%
Norddeutsche Landesbank Luxembourg	n/a	n/a	n/a	1,636,418	1,503,310	1,370,201	1,362,486	1,222,942	1,083,398	16.7%	18.8%	20.9%
Petercam Group	69.6%	82.8%	96.1%	245,763	274,559	303,356	175,141	200,322	225,503	58.4%	57.9%	57.4%
Société Européenne de Banque	n/a	n/a	n/a	371,390	392,993	414,597	172,466	193,642	214,819	53.6%	50.9%	48.2%
Van Lanschot	18.2%	17.5%	16.9%	381,533	373,627	365,721	178,694	173,275	167,857	53.2%	53.6%	54.1%

Figure A-6: Calculation methods

Calculation methods for variables

Revenue breakdown	
Commission and services business (absolute, in CHF)	Commission & services revenue
Stakeholder income (absolute, in CHF)	Personnel costs + taxes + consolidated profit
Breakdown of costs	
Percentage of personnel costs against operating costs (in %)	Personnel costs / operating costs
Percentage of wages against personnel costs (in %)	(Wages/bonuses) / personnel costs
Return on assets under management	
Adjusted gross margin (in bps)	Commission & services revenue / AUM
Percentages assets under management	
Own funds as a percentage of assets under management	Own managed funds / AUM
Management mandates as a percentage of assets under management	Management mandates / AUM
Return on equity	
ROE (in %)	Company profits / equity capital
Adjusted ROE (in %)	(Company profits / equity capital) * (BIS tier 1 quota / average BIS tier 1 quota entire sample)
Capital structure	
BIS tier 1 quota	BIS tier 1 quota
Per capita analysis	
Revenue per employee (absolute, in CHF)	Company revenue net / average number of staff
Gross profit per employee (absolute, in CHF)	Gross margin / number of staff
Stakeholder income per employee (absolute, in CHF)	Stakeholder income / number of staff
Operating costs per employee (absolute, in CHF)	Operating costs / number of staff
Personnel costs per employee (absolute, in CHF)	Personnel costs / number of staff
Wages per employee (absolute, in CHF)	(Wages/bonuses) / number of staff
Assets under management per employee (absolute, in CHF)	AUM / number of staff
Cost analysis	
Cost/income ratio before depreciation	(Operating costs) / company revenue net
Growth	
Growth by net new money (in %)	Net new money / AUM - 1
Growth rate or growth of net new money (in %)	Net new money2 / net new money1 - 1
Growth of total AUM (in %)	AUM2 / AUM1 - 1
Growth of company revenue net (in %)	Company revenue net2 / company revenue net1 - 1
Growth of operating costs (in %)	Operating costs2 / operating costs1 - 1
Breakdown of assets under management	
Assets under management (absolute, in CHF)	AUM
Number of staff	
Number of staff (absolute, in CHF)	Number of staff
Other variables	
Group	1 = Independent private banks
	2 = Subsidiaries
	3 = Private banking unit of a universal bank

The International Private Banking Study 2007
This study is available free of charge
on www.isb.uzh.ch.

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