The International Private Banking Study 2009

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Executive Summary

Objective

This study is the latest issue of «The International Private Banking Study» published in 2007, 2005 and 2003. In total 263 (2007: 253) financial institutions focusing on private wealth management were analyzed. Data covers the period from 1990 to 2008. 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 the relative strengths and the competitiveness of banks over all countries by measuring various key figures. The latter include key operational performance indicators such as profitability, efficiency and growth. Additionally, interdependencies between the various indicators are examined. Further analysis is undertaken on different private banking business models. For the Swiss sample, an in-depth analysis explores relations using additional data published by Swiss banks which are missing for the entire sample.

Profitability

Although private banks in all the countries were challenged by shrinking margins in the last year, an overriding trend in profitability cannot be observed. Some markets with traditionally high margins are becoming more competitive whereas others continuously show stable margins. As in the years before, the highest average adjusted gross margin is achieved by banks in the Nordic Countries (adjusted gross margin: 134 bps). These countries are the only ones which improved adjusted gross margin compared to 2006. High margins are also realized in France (85) and the UK (84). Switzerland (74), Germany (74), Benelux (73) and Italy (73) are situated in the midrange, while Liechtenstein (62), the US (59), Austria (50) and Japan (43) lag behind.

Return on equity adjusted by BIS Tier one ratio has significantly decreased in 2008. As in 2006, Switzerland (adjusted ROE: 20.0%) and Liechtenstein (19.9%) show the highest figures. Swiss and Liechtenstein banks have a comparatively high BIS Tier one capital ratio, what is part of the explanation as to why adjusted ROE reaches above average figures in these countries.

Operational efficiency

Overall, the cost/income ratios have significantly increased compared to 2006. Most of the banks struggled with decreasing revenues over the past two years. Costs have decreased as well, but only to a moderate extent. Swiss banks, which operate on a high cost level, reached an average cost/income ratio of 69.8% in 2008. Only Japan (73.7), Germany (78.3) and the US (87.0) showed higher figures. The most efficient banks can be found in Liechtenstein, where the average cost/income ratio reaches 59.7%.

The per capita figures for total revenue and gross profit showed a marked decrease in all countries since 2007. Also personnel costs per employee decreased in 2008, but to a significantly lower extent.[1]

Dependencies

The study also explores how size, profitability, efficiency and growth affect each other. In terms of margins, there seems to be some evidence for a moderate level of economies of scale. However, no such relation can be detected for return on equity. Analysis in the field of efficiency reveals that smaller banks tend to operate more efficiently.

Examinations of the margins on AUM and AUM per employee show that a negative convex relation exists. The more AUM managed by an employee on average, the lower the margins of the bank.

Analysis on long-standing over- and underperformers

Analysis is undertaken in examining whether there are banks that manage to over perform the market in several consecutive years. Results show that there is evidence for long-standing over- and underperformers in a stable market environment (2005-2007). However, structural stability is likely to be overturned by a destabilization of the markets.

1) With the exception of Japan, where personnel costs per employee showed a slight increase.

Focus Switzerland

In the section focus Switzerland, we can show that Swiss private banks in the whole managed to attract positive net new money in 2008. Changes in assets under management are examined in detail by breaking the figures down into net new money, market performance related change and currency effect.

Further, it can be seen that own investment funds present an interesting source of revenues. The more AUM a bank invests in own funds, the higher the margins it realizes.

Growth of the on- and offshore business model is analyzed, depicting that the biggest Swiss private banks intensively enforced their onshore activities in the last years while only marginal growth could be observed in the offshore business.

A comparison between Swiss and foreign controlled banks in Switzerland discloses that Swiss banks, which were superior to foreign banks in 2007, have lost parts of their progress in 2008. Cost/income ratio has increased by more than 10 percentage points and is now on the same level as for their foreign owned competitors. On the other hand, adjusted gross margins proved to be more stable for the Swiss private banking providers. Assets under management per employee are on average higher at Swiss private banks.

Business Model Analysis

Furthermore, the study compares average performance of the three business models (1) private banking units of a major banks, (2) private banks focusing on asset management and investment banking and (3) pure player private banks. Considering the findings, one can conclude that private banking units of major banks operate on a higher efficiency level which allows them to generate high revenues per employee at low costs. If growth is regarded, the analysis reveals that private banks which also pursue investment banking and asset management activities were able to denote significantly higher growth rates than the peer groups in the last years.

Introduction

Objective

The goal of this study is to analyze the private banking market by focusing on an international comparison of banks that are specialized in this business area. The analysis is divided into four sections. In the first section, profitability and operational efficiency are examined by using accounting data. The second section expatiates upon cross dependencies in the variables examined. Thereby, analysis is performed in the fields of size, profitability, efficiency and growth. Further analysis focusing on different business models is undertaken in the third section. In the fourth section of this study, particular attention is paid to the Swiss bank sample. Relations are explored using additional data published by Swiss banks which are missing for the entire sample.

Data

The sample includes 263 (2007: 253) banks focusing a substantial part of their business on private banking markets and 22 (23) private banking units of universal banks. 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 includes the following countries/regions (figure given in brackets are those from the last study): Switzerland 149 (147), Austria 10 (6), Benelux 18 (16), France 10 (8), Germany 17 (17), Japan 5 (5), Liechtenstein 18 (19), the Nordic countries 13 (9), Italy 21 (21), the UK 11 (11) and the US 13 (17). The country averages were calculated as the unweighted averages of the single banks.

Due to considerable restructuring activities in the US banking industry during the past two years, it was not possible to hold the US sample constant. Of the 150 Swiss banks, 48 (52) comprise aggregated data for asset management banks and 14 (12) for "Privatbankiers" according to the Swiss National Bank classification. Data covers the years from 2000 to 2008 (2002 – 2008 for Austria, Benelux, the Nordic Countries and Liechtenstein, 2004 – 2008 for Japan). Accounting data was extracted from periodical financial reports (annual and quarterly reports and analyst conference material) or from the statistical databases of the relevant national or central banks. Currency effects can restrict the comparability of certain key figures. As the final years were characterized by large currency fluctuations, calculations have been adjusted for currency effects.

Analyzed time period

Figure 1: Stock market performance (rebased at 100 as of 1.1.2000)

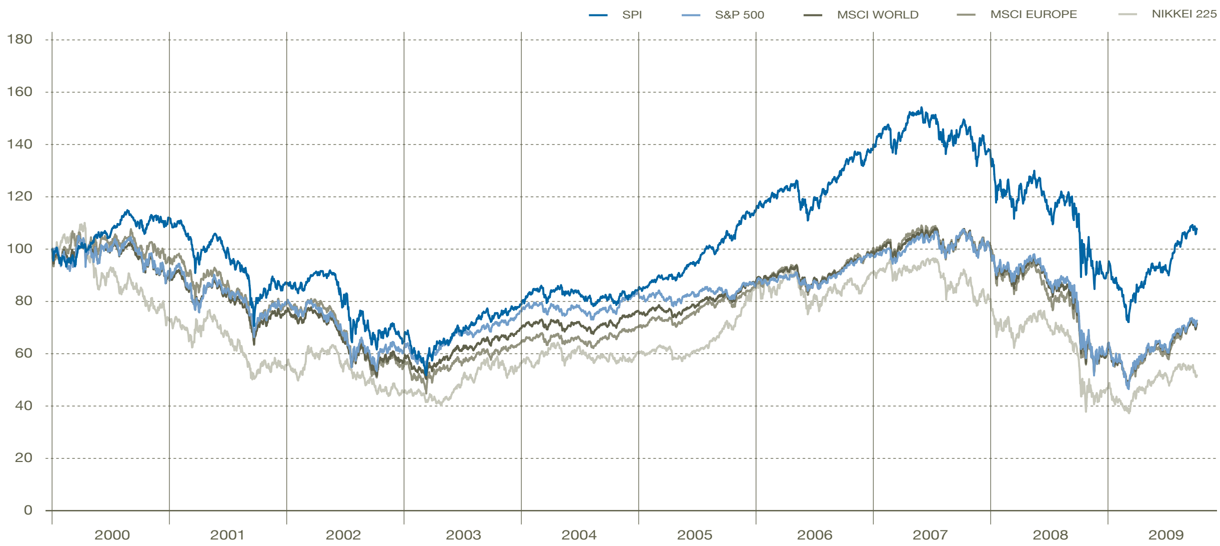


Figure 1 shows the performance of selected stock market indices over the past years. The main focus of the present study lies on the years 2007 and 2008. While the first part of 2007 was shaped by increasing markets, a striking change could be observed in mid 2007. The downturn continued during 2008 with stock markets indices falling at rates of between 44% (SPI) and 55% (NIKKEI 225) from mid 2007 to the first quarter of 2009. For wealth managers, negative tendencies on stock markets are challenging as the volume of the managed client assets tend to move into the same direction as stock markets, what can significantly influence fee- and commission income.

Key Performance Indicators

The last two years were exceedingly challenging for the international private banking industry. The following section analyzes in detail, how and to what extent private banks in the various countries were affected by the good market environment predominant in the first half of 2007 on the one hand and by the severe economic downturn that started in mid 2007 on the other hand.

Overview

Table 1 summarizes the key indicators for 2007 and the variations in relation to the year 2006. The figures with a dark blue background are those which have improved by more than 10% during 2007. Light blue are those figures which have improved by 0 - 10%. Deteriorations are colored in grey, whereas light grey figures have deteriorated by 0 - 10% and dark grey numbers by more than 10%.[2]

The figures for 2007 mainly reflect the good market environment in the first half of 2007. Especially the Swiss and the Liechtenstein banks could clearly benefit from the good conditions on financial markets as they managed to improve all the key indicators analyzed. Revenue per employee of Swiss banks grew by more than 10% and was by far the highest of the sample. Combined with a decrease in personnel costs per employee, this resulted in an improvement of the cost/income ratio in the Swiss private banking industry. Also the Nordic Countries show good figures for 2007, whereas in other countries such as the US and Japan, the economic downturn that started in mid 2007 is already observable in the key performance indicators shown in table 1.

Table 1: Key figure summary for 2007

	Switzerland	Austria	Benelux	France	Germany	Italy	Liechtenst.	UK	USA	Japan	Nordic C.
Return on equity (after taxes)	23.7%	13.7%	22.5%	14.7%	16.3%	24.7%	20.0%	22.3%	17.0%	12.6%	29.6%
Adjusted gross margin on AUM (bps)	84.9	63.5	78.1	99.7	87.3	84.7	68.9	87.5	63.5	53.1	138.4
Cost/income ratio (before depreciation)	60.4%	57.4%	53.7%	62.7%	68.9%	57.8%	52.4%	63.6%	84.6%	65.4%	53.2%
Total revenue per employee (in tsd. CHF)	692.0	367.4	472.5	380.6	402.7	382.2	686.4	490.0	488.7	556.4	436.4
Personnel costs per employee (in tsd. CHF)	248.5	158.1	150.2	152.2	165.6	137.6	166.3	194.3	254.8	143.8	165.2
Gross Profit per employee (in tsd. CHF)	289.4	154.1	207.1	154.3	147.5	154.2	335.6	194.3	141.9	220.1	240.4

compared to 2006
- improvement of more than 10%
- improvement between 0 - 10%
- deterioration between 0 - 10%
- deterioration of more than 10%

2) For Return on equity, adjusted gross margin, total revenue per employee and gross profit per employee, an increase is understood as an improvement of the figure. For cost/income ratio and personnel cost per employee, a decrease in figures is conceived as an improvement.

Table 2 summarizes the key figures for 2008. The background colors indicate the changes compared to 2007 as described above. The very difficult market environment in the last year is reflected cleary in the figures which show significant negative changes in comparison to 2007. Return on equity (ROE) and per capita gross profit decreased by over 10% in every country. Also other figures show a rather deflating development, such as cost/income ratio, which has worsened by more than 10% in most of the countries.

With exception of Japan, banks managed to decrease personnel costs per employee in all the countries considered, what puts into perspective the strong decrease in per capita revenue. However, if one looks at the significant rise of cost/income ratio, it is to assume that the positive effect of sinking personnel costs was only marginal.

Adjusted gross margins have worsened as well, though percentage decreases were not everywhere as high as in ROE figures. The gap between the highest value, reached in the Nordic Countries, and the lowest figures that could be observed in Japan, is noticeable.

Table 2: Key figure summary for 2008

Switzerland	Austria	Benelux	France	Germany	Italy	Liechtenst.	UK	USA	Japan	Nordic C.	
14.3%	8.8%	10.0%	8.3%	7.6%	9.7%	11.6%	15.3%	10.2%	3.8%	16.1%	Return on equity (after taxes)
74.0	49.9	73.4	84.5	74.0	72.9	62.4	84.3	58.9	43.1	133.5	Adjusted gross margin on AUM (bps)
69.8%	63.7%	66.1%	69.8%	78.3%	63.1%	59.7%	69.6%	87.0%	73.7%	62.4%	Cost/income ratio (before depreciation)
497.0	303.0	439.0	338.0	274.5	334.4	572.5	400.9	343.8	445.2	368.5	Total revenue per employee (in tsd. CHF)
231.7	147.6	143.8	133.1	148.7	123.8	161.2	149.7	201.6	146.2	159.3	Personnel costs per employee (in tsd. CHF)
159.9	105.6	175.3	136.6	86.9	114.2	241.2	127.6	69.3	166.2	181.6	Gross Profit per employee (in tsd. CHF)

compared to 2007
- improvement of more than 10%
- improvement between 0 - 10%
- deterioration between 0 - 10%
- deterioration of more than 10%

Table 3 presents an overview of the largest private banks measured by AUM. Due to the restructuring and consolidation process in the US banking market in the fourth quarter of 2008, there have been remarkable changes in the ranking in comparison to 2006. However, UBS Wealth Management managed to defend its leading position, but its winning margin to the second place has significantly diminished. Bank of America advances from the 11th to the 2nd rank due to its acquisition of Merrill Lynch, whose private banking unit used to be the 2nd biggest wealth manager. Morgan Stanley Smith Barney, another newly created wealth management player, has emerged in the third place. The biggest three wealth managers jointly manage almost half the AUM of the top twenty players. However, one cannot speak of a dominant market position of those three banks, as even the largest player (UBS) has a market share of only 4.2%. Nine of the banks which were already present in their current shape in 2007 did not manage to increase their market share in 2008, while seven banks could denote a growth which was stronger than the growth of the market, what resulted in an increase in market share.

The turmoil caused by the financial crisis has noticeably changed the ranking of the largest private banks in the world. This dynamic might persist over the coming years as the crisis will lead to a reassessment of private banking strategies in general. Some players will eventually feel the pressure to retrench from their private banking activity or will at least partially reduce their strategic ambitions. This will lead to some significant M&A activity. In light of the paradigm shift concerning banking secrecy, more reasons arise for such a change due to latest events of 2009. This effect will be quantifiable in the next study.

It must be conceded that some fundamental strategic differences exist in the ranking and have a likely distorting effect. The predominance of US players is structurally explained by their large home market (the largest single private banking market in the world). These players get their size through their home market strategy. Comparably, the majority of the remaining players actively pursue the offshore or cross-border business. What is also remarkable in relation to the business model is the almost total absence of pure players among the largest private banks in the world. Most private banks of considerably large size are integrated into a financial conglomerate or at least following a universal bank concept.

Table 3: International ranking of private banks by assets under management

		Company / Business unit	Assets under management					Net new money			Market share		
		Figures in billion US$	**2008**	2007	2006	Δ 07-08	Δ 06-07	**2008**	2007	2006	**2008**	2007	Δ 07-08 (in bps.)
1	(1)	UBS Wealth Management	**1'391**	1'869	1'609	-26%	16%	**-105.3**	132.5	91.3	**4.2%**	4.6%	-35.2
		UBS Wealth Management & Swiss Bank [1)]	***779***	*1'072*	*933*	*-27%*	*15%*	***-90.2***	*100.9*	*73.4*	***2.4%***	*2.6%*	*-25.9*
		UBS Swiss Bank (only Wealth Management) [2)]	***180***	*247*	*226*	*-27%*	*9%*	***-28.2***	*8.4*	*5.6*	***0.5%***	*0.6%*	*-6.0*
		UBS WM Americas	***612***	*797*	*676*	*-23%*	*18%*	***-15.1***	*31.6*	*18.0*	***1.9%***	*2.0%*	*-9.4*
2	(11)	Bank of America Private Bank (incl. Merrill Lynch GPC) [3)]	**979**	211	172	364%	23%	**n/a**	n/a	n/a	**3.0%**	0.5%	246.6
3	(4)	Morgan Stanley Smith Barney [4)]	**678**	758	686	-11%	10%	**n/a**	n/a	n/a	**2.1%**	1.9%	20.5
4	(3)	Credit Suisse Private Bank	**607**	740	643	-18%	15%	**39.6**	44.3	41.4	**1.9%**	1.8%	3.2
5	(5)	HSBC Private Bank	**352**	421	408	-16%	3%	**24.0**	36.0	33.0	**1.1%**	1.0%	3.9
6	(6)	Deutsche Bank Private Wealth Management	**228**	288	304	-21%	-5%	**13.3**	18.9	20.0	**0.7%**	0.7%	-1.2
7	(10)	Goldman Sachs [5)]	**215**	234	177	-8%	32%	**n/a**	n/a	n/a	**0.7%**	0.6%	8.1
8	(9)	Barclays Wealth Management	**212**	264	182	-20%	45%	**n/a**	n/a	n/a	**0.6%**	0.6%	-0.2
9	(-)	Wells Fargo Private Bank [6)]	**204**	n/a	n/a	n/a	n/a	**n/a**	n/a	n/a	**0.6%**	n/a	n/a
10	(7)	Citigroup Private Bank [7)]	**200**	271	208	-26%	30%	**n/a**	n/a	5.0	**0.6%**	0.7%	-5.6
11	(12)	BNP Paribas Private Banking	**196**	191	171	3%	12%	**n/a**	n/a	n/a	**0.6%**	0.5%	12.8
12	(13)	JP Morgan Private Bank	**181**	201	159	-10%	26%	**n/a**	n/a	n/a	**0.6%**	0.5%	5.8
13	(14)	Banque Pictet & Cie. Private Clients [*)]	**165**	207	156	-20%	33%	**n/a**	n/a	n/a	**0.5%**	0.5%	-3.9
14	(8)	ABN Amro Private Clients	**143**	204	187	-30%	9%	**n/a**	n/a	n/a	**0.4%**	0.5%	-6.6
15	(16)	Julius Baer Private Banking	**120**	138	113	-13%	22%	**16.2**	10.6	4.8	**0.4%**	0.3%	2.6
16	(15)	Crédit Agricole Private Bank	**119**	142	116	-16%	22%	**2.1**	8.3	8.0	**0.4%**	0.3%	1.5
17	(19)	SG Private Banking	**93**	127	89	-27%	43%	**6.3**	12.9	10.2	**0.3%**	0.3%	-2.9
18	(18)	Lombard Odier Darier Hentsch Private Clients [**)]	**86**	113	99	-24%	14%	**n/a**	n/a	n/a	**0.3%**	0.3%	-1.5
19	(-)	Clariden Leu Private Banking	**71**	95	n/a	-25%	n/a	**1.0**	3.9	n/a	**0.2%**	0.2%	-1.6
20	(20)	Sal. Oppenheim [8)]	**69**	87	77	-21%	13%	**n/a**	n/a	n/a	**0.2%**	0.2%	-0.3
		Total top 20 player	**6'298**	**n/a**	**n/a**	**n/a**	**n/a**						
		Total market volume [9)]	**32'800**	**40'700**	**37'200**	**-19%**	**9%**						

(x) Rank in the 2007 issue of «The International Private Banking Study».

1) The unit Swiss Bank does only include AUM from wealth management clients (cf. Footnote 2).
2) Data corresponds with the figures of the former business unit Wealth Management Switzerland. Swiss retail clients are excluded from the analysis.
3) Bank of America acquired Merrill Lynch as of January 1, 2009.
4) Joint Venture of Morgan Stanley and Citigroup announced on January 13, 2009. (Estimated) figure is made up of AuM from Morgan Stanley Global Wealth Management Group and Smith Barneys Assets under Fee-based Mangement. Figures for 2007 and 2006 are without Smith Barney.
5) Only high-net-worth individuals.
6) Since Wells Fargo acquired Wachovia as of January 1, 2009, Wachovia Wealth Management is also included.
7) Only Citigroup Private Bank, without Smith Barney, is included here.
8) The BHF Bank was excluded from this analysis.
9) Source: Capgemini & Merrill Lynch – World Wealth Report 2009.

*) Assumption based on data from Julius Baer Business Review 1H2009
**) Figures under the assumption of a similar business mix to Banque Pictet & Cie and Sarasin & Cie.

Profitability

Figure 2: Adjusted gross margin on AUM (basis points)

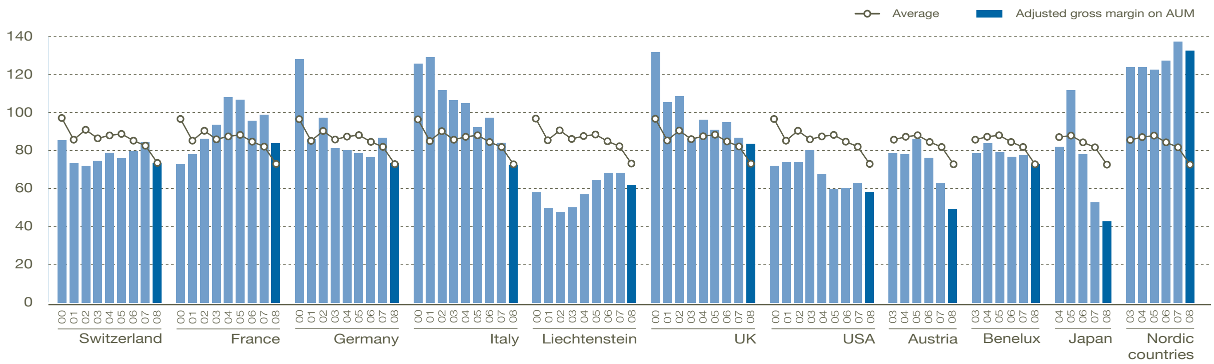


Figure 2 gives an overview of the adjusted gross margin which was calculated as the ratio of fees and commission income and assets under management. The adjustment excludes revenues unrelated to private banking, such as interest, trading and other revenues. This allows a comparison of pure wealth management related revenues. Generally speaking, an analysis of adjusted gross margins allows conclusions to be made regarding the competitive intensity of a market, the business model, the pricing model and the product and service range offered.

For the year 2008, figures range between 40 and 135 basis points. The Nordic countries with an adjusted gross margin of 133.6 basis points show by far the highest profitability. France (84.5) and the UK (84.3) are following at a great distance. Together with the Nordic Countries, these two countries are the leaders relative to adjusted gross margin. Switzerland (74.0), Germany (74.0) Benelux (73.4) and Italy (72.9) are in the mid-range, whereas Liechtenstein (62.4), the US (58.9), Austria (49.9) and Japan (43.1) lie further behind.

Striking is the stability of the margins in Switzerland, Benelux and the Nordic Countries. In a long term view, one cannot generally speak of a pressure on margins in these markets, although they have not been untroubled by the challenging market situation in 2008. Other markets, such as Italy, the UK, Austria and Japan show a clear trend of sinking margins.

As transaction volume in the course of the financial crisis has decreased more substantially than asset levels, players with a high dependence on transaction-based fees were by trend confronted with a higher drop in margins. On the other hand, stable margins might reflect the reliance on more conservative portfolios where the need for a shift into less risky assets could be avoided.

The remarkable differences between the various countries are associated with variation in the composition of the country samples. Some country samples include a higher percentage of pure players (with focus on high net worth individuals), while others include retail oriented banks with a stronger focus on affluent banking.

Figure 3: Return on equity

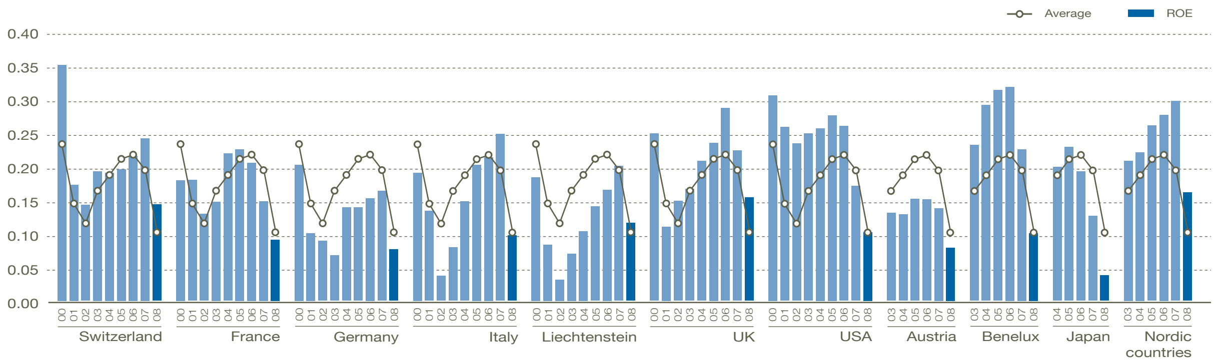


Figure 3 gives an overview of the return on equity (ROE).[3] While every second country reached an ROE of 20% or more in 2007, figures have significantly changed for 2008. The average ROE decreased by almost 10% to 10.5%. The highest ROE can be found in the Nordic Countries (16.1%), followed by the UK (15.3%) and Switzerland (14.3). Japan has the lowest value (3.8%). This can be explained by the fact that Japanese distributors of private banking services are usually also intensively involved in investment banking activities which have experienced substantial losses in 2008.

The difference between the highest and the lowest value, which was most significant in 2003, has reached the lowest level since 1998.[4] One can assume that banks which showed a high profitability in 2007 were disproportionately affected by the market downturn in 2008. In fact, Italy and the Nordic Countries, which were the most profitable countries in 2007, recorded the highest decreases in ROE in 2008.

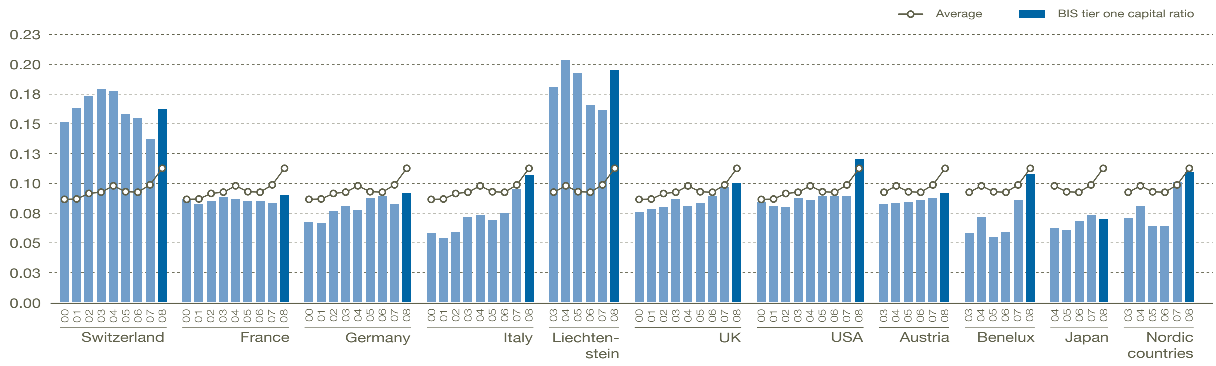
While in 2006, Swiss banks were ranked in the overall mid range depicting a below average ROE, they could improve their market position in 2008. However, they are still far from the high levels they once reached.

Any observation of return on equity cannot neglect the aspect of country specific differences in terms of capital ratios. Therefore, figure 4 illustrates the corresponding BIS tier one ratio. ROE adjusted by BIS tier one ratio can be seen in figure 5.

3) We use the ROE as an ex post measure of the performance of the owner's capital investment. As most banks under consideration do not have traded equity, we use accounting measures of equity (equity capital plus accumulated reserves). As ROE might be distorted by differences in leverage, caution is required in using the ROE, rather than the ROA, as a measure of management ability to maximize the return on invested capital.

4) Considering figures for 1998 and 1999 as shown in «The International Private Banking Study 2007».

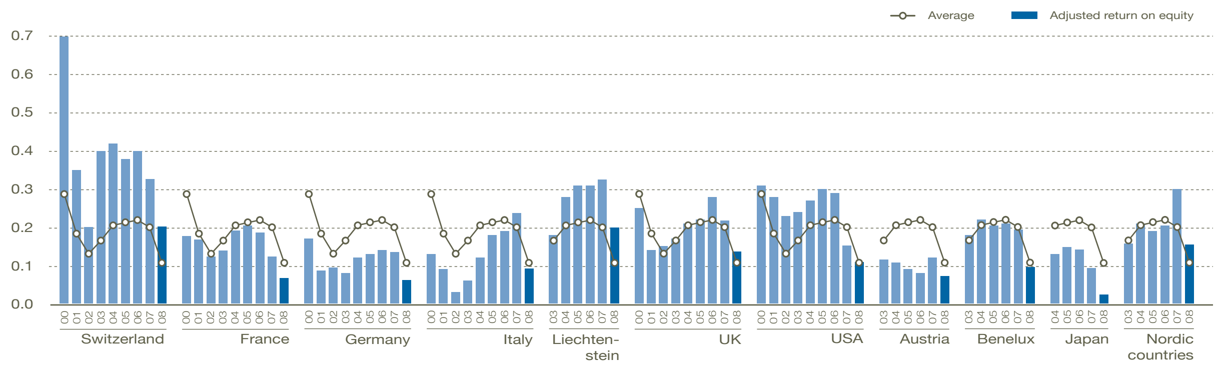
Figure 4: BIS tier one capital ratio



With the exception of Japan, all the countries analyzed could improve their BIS tier one ratio in 2008. Average BIS tier one ratio jumped from 10.1% in 2007 to 11.5% in 2008, reaching the highest value since 2000. While most of the countries showed a noticeable upward trend in the last few years, Switzerland and Liechtenstein lowered their BIS tier one ratio between 2003, 2004 respectively and 2007. In 2008, a significant, above average increase could be observed in those countries. Over all the years analyzed, Swiss and Liechtenstein banks always had by far the highest BIS tier one ratio.

The lowest figures can be observed in Japan (7.1%). Between Japan as the country with the lowest figure and Liechtenstein with the highest BIS tier one ratio, there is a noticeable difference of 12.8%.

Figure 5: Adjusted return on equity

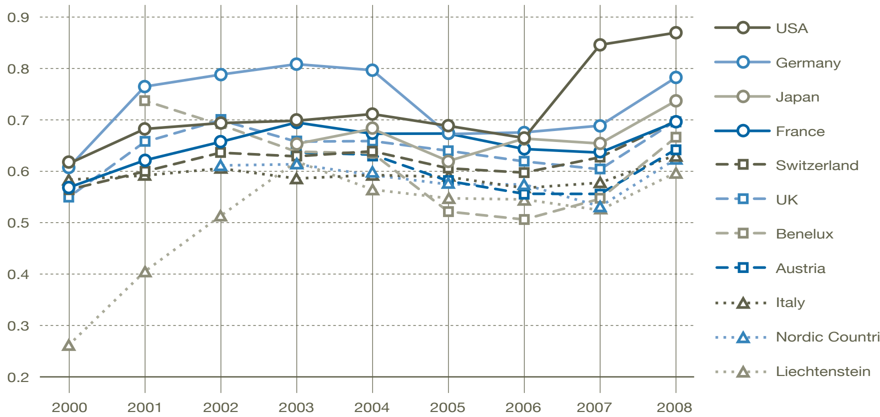


The aim of Figure 5 is to provide a comparison of ROEs under consideration of the capitalization level (as BIS tier one ratio). Conventional ROE is multiplied with the respective relation from the country specific BIS tier one ratio and the average BIS tier one ratio of the entire sample. The result, ROE weighted by capitalization level, is called here the « adjusted ROE ».

As Figure 5 shows, Swiss (20.0%) and Liechtenstein (19.9%) banks are the most profitable ones regarding adjusted return on equity. Having the most profitable banks in terms of unadjusted return on equity, the Nordic Countries with a figure of 15.5% lie significantly behind the Swiss and Liechtenstein banks. However, they still reach, as well as the UK (13.6%), above average figures.

Efficiency

Figure 6: Cost/income ratio



While most of the countries could improve their cost/income ratio between 2002 and 2006, a significant deterioration could be observed in the last two years. In 2008, average cost/income ratio reached a value of 69.5%. This is 7.7 percentage points more than in 2007.

If change in cost/income ratio is regarded, the Swiss banks are found at the top end of the mid-range. Their cost/income ratio changed from 60.4% in 2007 to 69.8% in 2008, which reflects a clear above average increase. Only the Benelux Countries (+12.0 percentage points) show a sharper deterioration in cost/income ratio.

Due to the high increase, Swiss banks cost/income ratio was at year end 2008 almost on the same high level as in 2002. Only France (69.8%), Japan (73.7%), Germany (78.3%) and the US (87.0%) show higher figures. Liechtenstein managed to keep its cost/income ratio on a low level of 59.7%. Hence, it is the only country that managed to keep its figure under 60%.

Figure 7: Changes in income and costs (before depreciation)

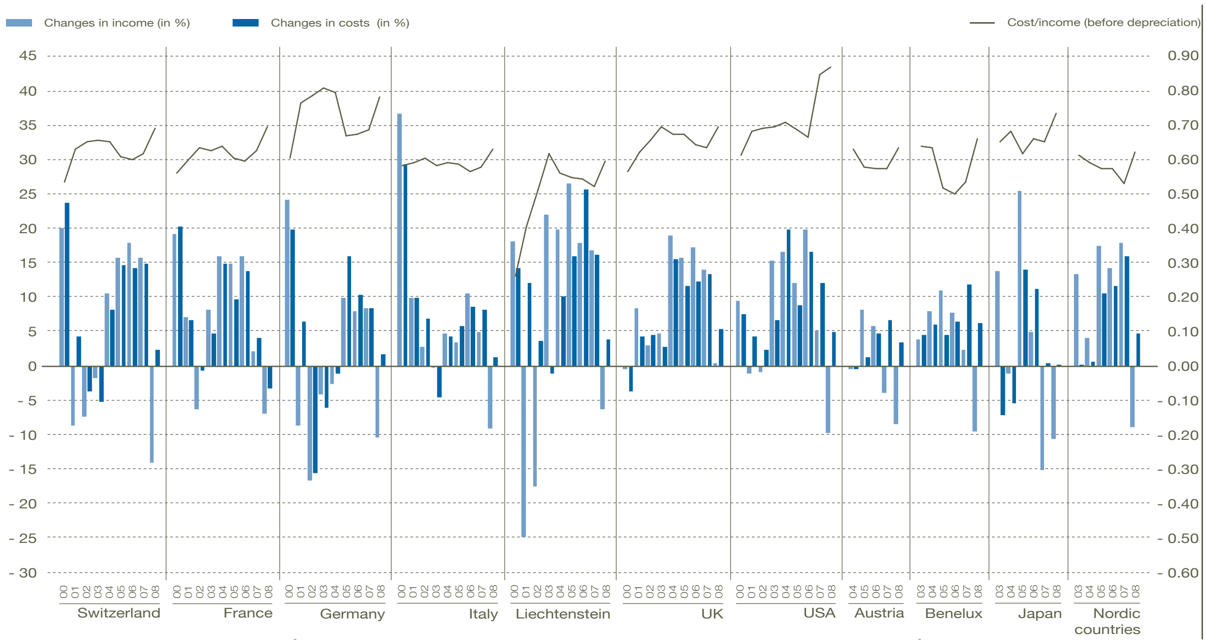


Figure 7 illustrates that the development which Swiss banks have seen regarding cost/income ratio in the last year is based on a sharp decrease in income, accompanied by a slight increase in costs. In fact, the Swiss banks decrease in income during 2008 is the strongest among the countries analyzed. By contrast, revenue increase in 2007 was clearly above average.

While income decreased significantly in the whole sample, costs remained comparatively stable or even increased in some countries during 2008. This situation intensified the trend towards high cost/income ratios as shown in figure 6. It is hardly surprising that the income decrease could not be offset by lower costs if one considers the rather inflexible cost structure in the private banking industry. This can be explained by the high share of personnel costs within total operational costs.

Figure 8: Personnel costs per employee (in tsd. CHF)

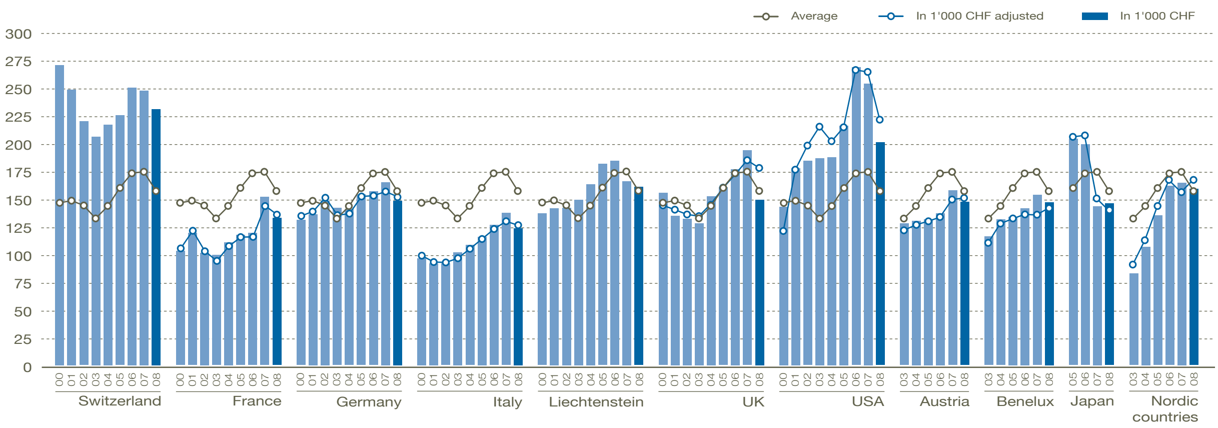
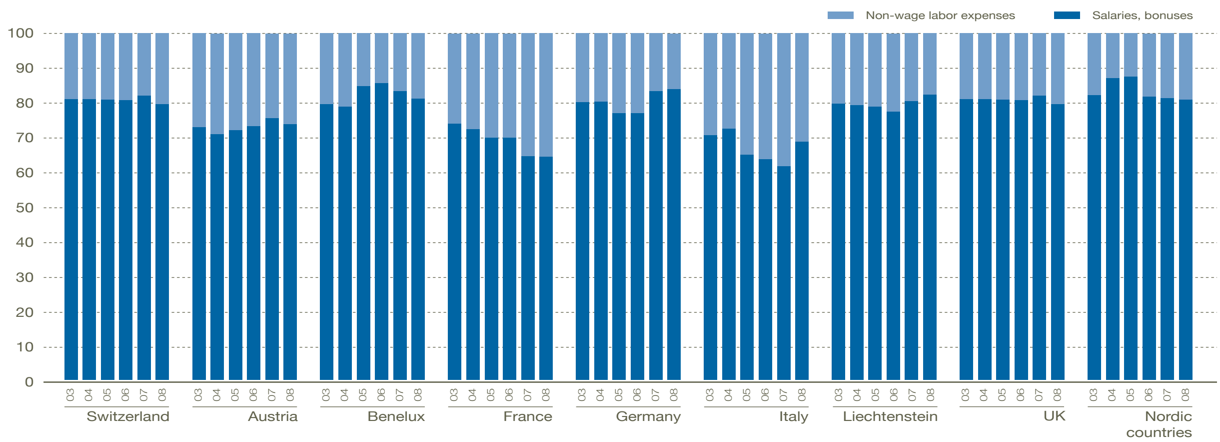


Figure 8 shows the development of personnel costs in the various countries over the last years. Adjustments to the values should reveal the effect of movements in currency exchange rates. The blue points show where the value would be plotted if the respective currency exchange rates had remained the same since the end of the previous year. This adjustment is particularly significant in the UK, the US and the Nordic Countries.

In the last study, US banks had the highest figures for personnel costs per employee. This did not change in 2007. However, in 2008, the US banks recorded a noticeable decrease in personnel costs per employee. This situation led to the overtaking of this position by the Swiss banks. In 2008, the Swiss costs were 231‘700 CHF compared to the US costs of 201‘600 CHF (223‘400 CHF if adjusted figures are regarded). The smallest figures can be observed in Italy where average personnel costs per employee are 123‘800 CHF (128‘000 CHF).

Figure 9: Division of personnel costs (in %)



A breakdown of personnel costs in direct remuneration payments and non-remuneration personnel costs, as illustrated in figure 9, shows that for most of the countries, the ratio has not changed significantly in the last years. Only French banks seem to continuously reduce the salary and bonus element of their personnel costs in favor of the non-wage labor expenses. In 2008, 64.5% of the personnel expenses of French banks were made up by salaries and bonuses, compared to the overall average of 77.7%. Switzerland, Liechtenstein and the UK show a consistent percentage of about 80% over the last six years.

Figure 10: Wage costs per employee (in tsd. CHF)

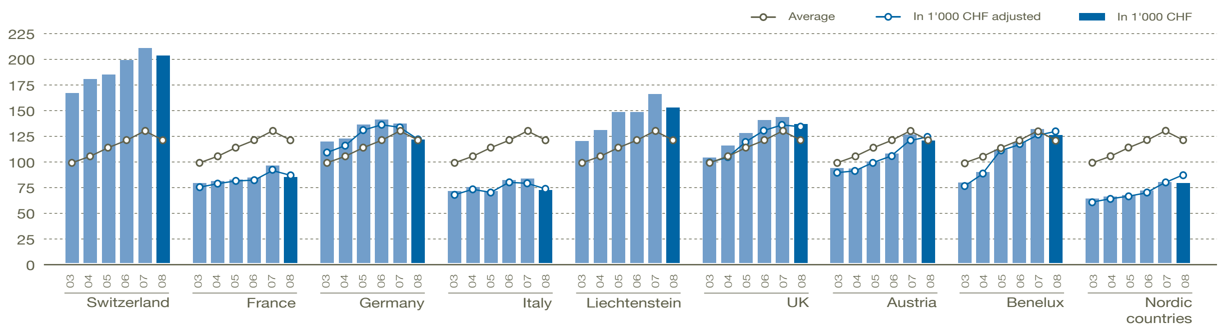


Figure 10 shows that wage costs per employee decreased in 2008 after a constant growth between 2003 and 2007. The differences within the sample are considerably high and constitute 133‘100 CHF between the highest average value, reached in Switzerland with 203‘300 CHF, and the lowest value of 71‘400 CHF, which can be observed in the Italian private banking sector.

Switzerland is followed by Liechtenstein, where banks pay average wage costs of 152’500 CHF per employee. In third place is the UK with 136‘000 CHF per employee.

High personnel costs in Switzerland present part of the explanation as to why Swiss banks have high cost/income ratio despite high revenues per employee. While wage costs per employee changed at an average rate of -7.2% in 2008, Swiss banks presented a decrease of 3.7%, which is the smallest decline among the countries analyzed.

An explanation for the sustainment of high wage levels in Swiss institutes might be the competition for talented employees in the Swiss private banking industry. The demand for talented private banking professionals significantly exceeds supply and banks risk losing skilled employees to their competitors if they cannot offer attractive monetary compensation.

Figure 11: Wage costs per employee (PPP adjusted, in tsd. CHF)

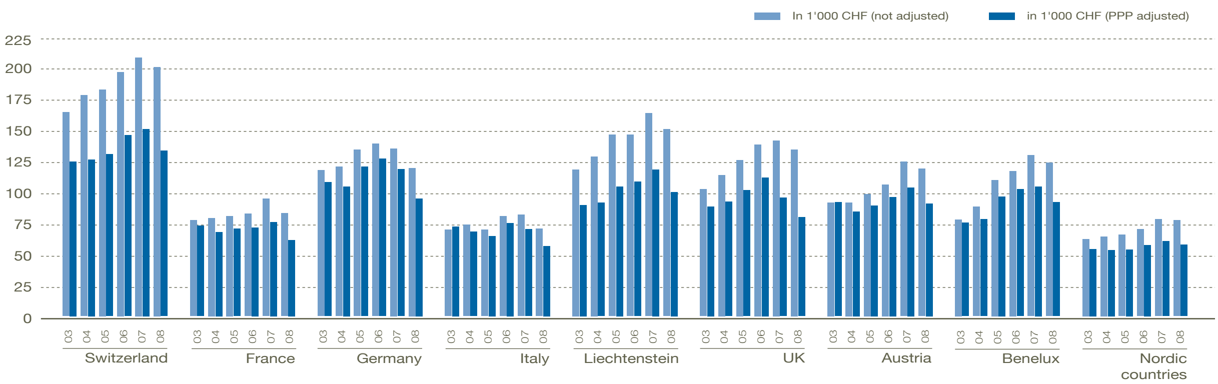


Figure 11 shows average wages per employee adjusted to a purchasing power parity exchange rate.[5] The reason for the adjustment is the fact that wages cannot be compared without considering the general level of prices at individual countries. If purchasing power parity is regarded, differences between the countries are significantly smaller.

Since those countries where salaries are higher usually also have a higher general price level, the figures of countries such as Switzerland (135‘100 CHF), Liechtenstein (101‘300 CHF) and the UK (80‘600) converge to the ones of low wage countries of the analyzed sample.

5) Source: Main economic indicators, OECD 2009.

However, bankers employed by Swiss banks earn significantly more than their colleagues in other countries. Liechtenstein can still be found on second place, but the distance to the other countries of the higher percentile (Germany (96'100 CHF), Benelux (93'000 CHF) and Austria (92'000)) has disappeared. Lowest wage costs per employee can be observed in the Nordic Countries (58'300 CHF) and Italy (57'300 CHF).

Figure 12: Division of total costs (in %)

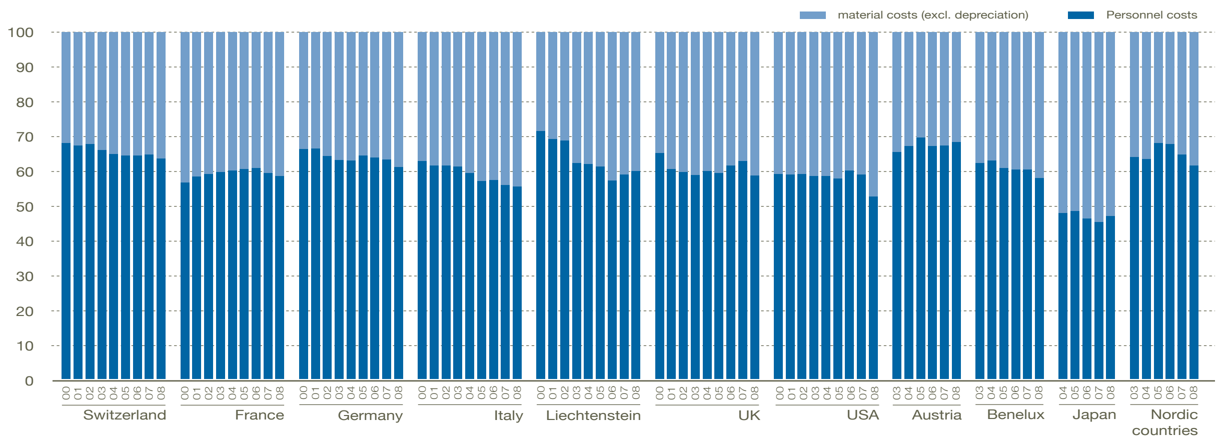
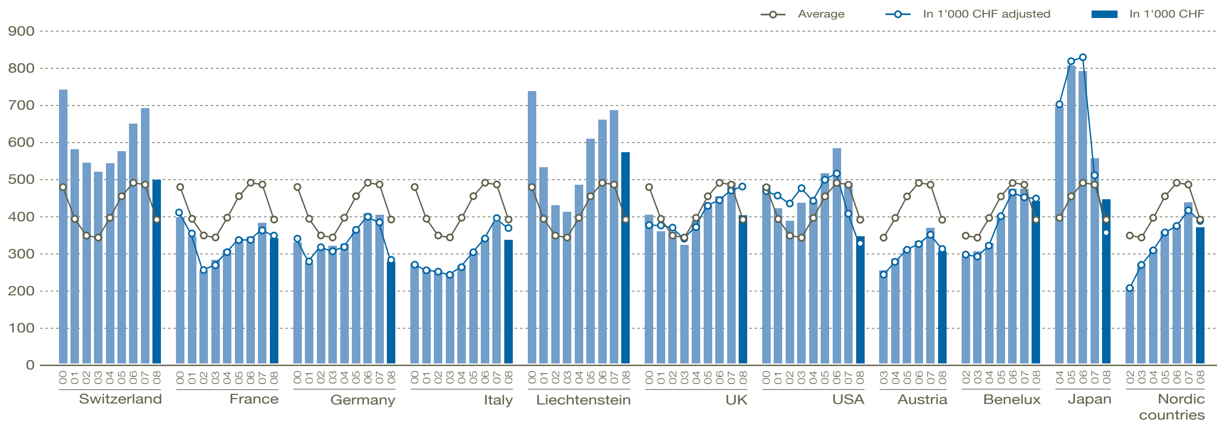


Figure 12 shows the division of total operational costs, thereby revealing that personnel costs make up about two third of total costs. Austria and Switzerland have the highest ratios (68.3%, respectively 63.5%). For Switzerland, the fraction of personnel costs has slightly decreased over the last nine years, what can be taken as a sign of higher dependence on IT applications and outsourcing as opposed to internal human resources. A similar trend can also be observed in Liechtenstein, Germany and Italy. Japan stands out with a constantly small ratio of 45% - 48%.

Figure 13: Total revenue per employee (in tsd. CHF)

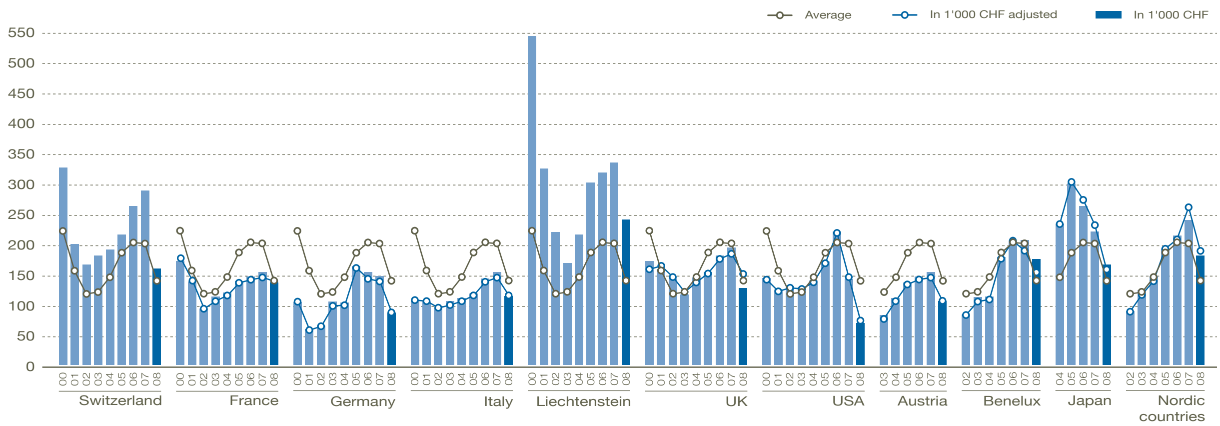


The 2007 issue of «The International Private Banking Study» showed Swiss banks on third place in terms of total revenue per employee. Only Liechtenstein and Japan showed higher figures. In 2007, Swiss banks managed to reach the leader position with average revenue per employee of 692‘000 CHF, closely followed by Liechtenstein with a per capita revenue of 686’400 CHF. In 2008, Swiss private banking providers faced a strong decline in revenue per employee what resulted in a – compared to 2007 - low figure for 2008 of 497‘000 CHF. However, Switzerland managed to stay on the top end of the ranking. Only Liechtenstein could produce higher figures (572‘500 CHF).

Japanese Banks, which have shown an impressive growth rate between 2004 and 2005, experienced an extremely strong decline in revenue per employee during the last three years, reaching total revenues of 445‘150 CHF in 2008. This represents less than half compared to the 2005 figure of 806‘400 CHF.

Even though decreases were not everywhere as predominant as in the cases of Japan and Switzerland, no country managed to increase the average revenue per employee in 2008.

Figure 14: Gross profit per employee (in tsd. CHF)



As illustrated in figure 14, Banks in Liechtenstein achieved the highest gross profit per employee (241'200 CHF) in 2008, followed by Japan with 215'800 CHF and Benelux with 175'300 CHF. Switzerland, which had the third highest gross profit per employee in 2007, fell back to the middle region with a figure of 160'700 CHF. This is mainly due to the sharp decrease in revenues as depicted in figure 13, and the high wage costs. The lowest figure can be observed in the US, where gross profits per employee were comparatively high in 2005.

Considering the market downturn in 2008 it is of no surprise that in all the countries analyzed banks were not able to improve or retain a stable gross profit per employee, as costs could not be reduced proportionally to the decrease in revenue.

Figure 15: Average AUM per employee (in tsd. CHF)

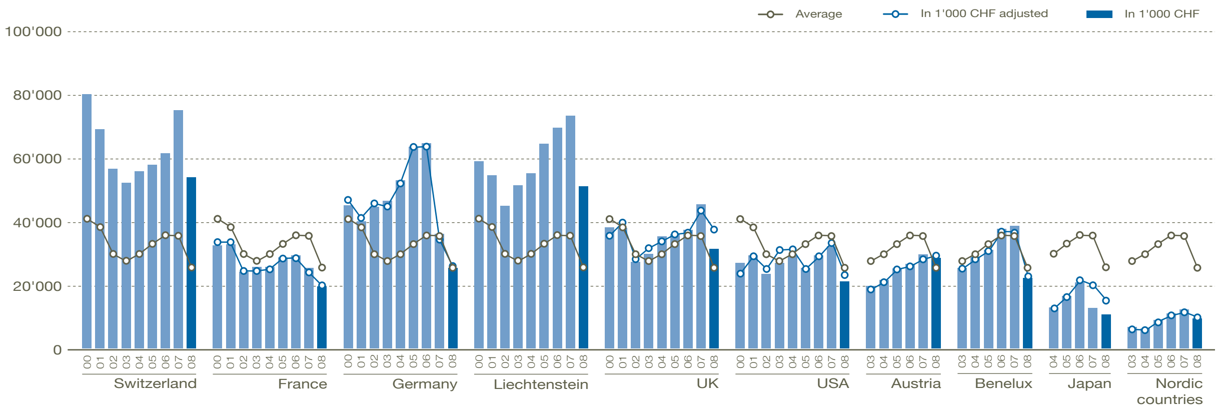


Figure 15 analyzes assets under management per employee in the various countries. Switzerland (54 mio. CHF) and Liechtenstein (51 mio. CHF) show by far the highest figures, although the negative impact of the market downturn in 2008 is clearly visible. The afore mentioned effect also becomes manifest in the overall average, which reached the lowest figure since 2000 (26 mio. CHF).

Striking is the strong decrease in Germany over the last three years, bringing the country down from its high position in 2006 to the middle quartile with average assets under management per employee of 25 mio. CHF. The lowest figures can be observed in Japan (11 mio. CHF), Italy (10 mio. CHF) and the Nordic Countries (9 mio. CHF).

The individual values are widely distributed around the mean value and the difference between the highest and the lowest figure is remarkable. The Nordic countries, to give an example, reach only one-sixth to one-fifth of the values of the leading group. The wide range in average assets under management per employee might be an indicator for the different business models in the various countries and the unequal client profiles. Such profiles are determined by country-specific distinctions between private banking and affluent clients, as well as by the different client needs.

Figure 16: Stakeholder income per employee (in tsd. CHF)

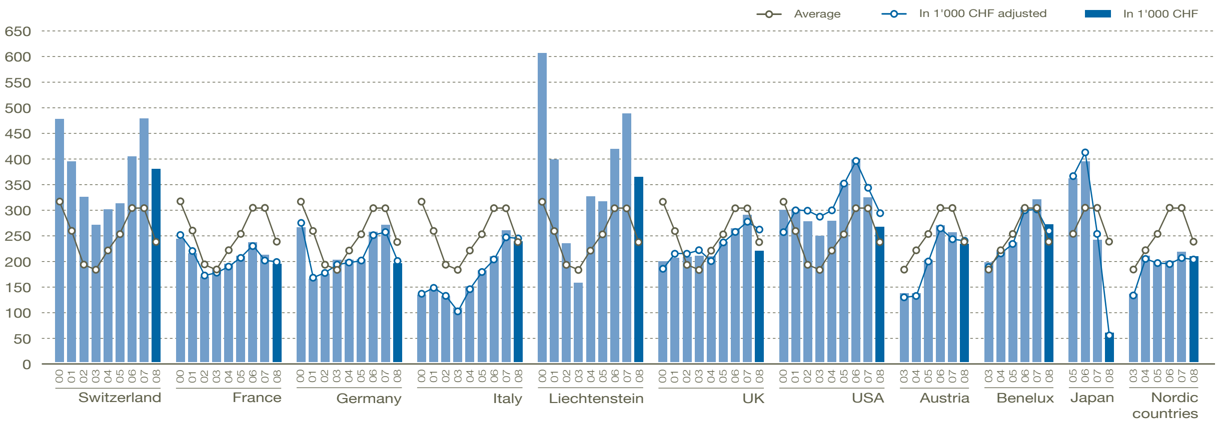


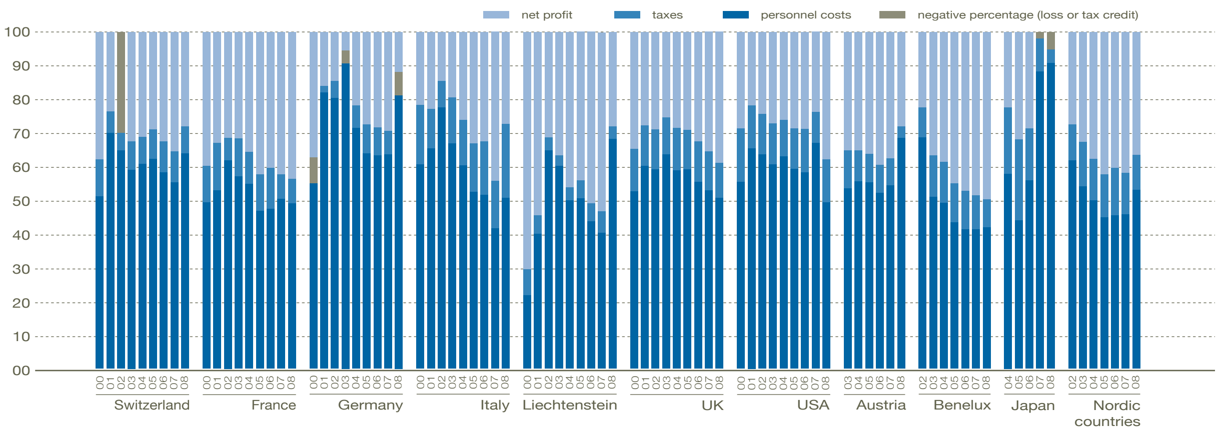
Figure 16 compares total value generation per employee in the individual countries. Stakeholder income is used as an indicator for total value generation. This corresponds to the total of personnel costs, fiscal expenses and net profit per employee.

Measured in this way, the banks in Switzerland generate the most value, closely followed by the ones in Liechtenstein. High values are also achieved in the US and in Benelux. A significant decrease in stakeholder value can be observed in Japan, which lost its high position of 2006 and now stands at the bottom end of the analyzed sample.

Despite the recent deterioration, all countries, with exception of Germany, managed to increase stakeholder income per employee since 2003, whereas Liechtenstein and Italy show the strongest improvement.[6] In those countries, stakeholder income more than doubled within the last five years. Regarding the whole sample, the average figure was approximately 30% higher in 2008 than in 2003.

6) Japan is excluded from this conclusion since figures for 2003 are not available.

Figure 17: Division of stakeholder income (in %)



A more differentiated examination of stakeholder income is disclosed in figure 17. For the year 2008, it can be shown that in France and Benelux, net earnings constitute a large part of the stakeholder income. Liechtenstein had a higher rate in 2007. However, due to decreasing profit and increasing personnel expenses in 2008, the relation between net profit and personnel costs changed in favor of the second. In Switzerland, personnel costs make up two third of total stakeholder income. In Japan, average net profits were negative in 2008 which resulted in an extraordinarily high estimate for personnel costs. The share of tax expenses in total stakeholder income is the lowest in Liechtenstein if the last years are taken into account. Higher-than-average figures in this concern can primarily be found in Italy and the US. In Germany, average tax expenses in 2008 were negative.

Figure 18: Tax/net profit (in %)

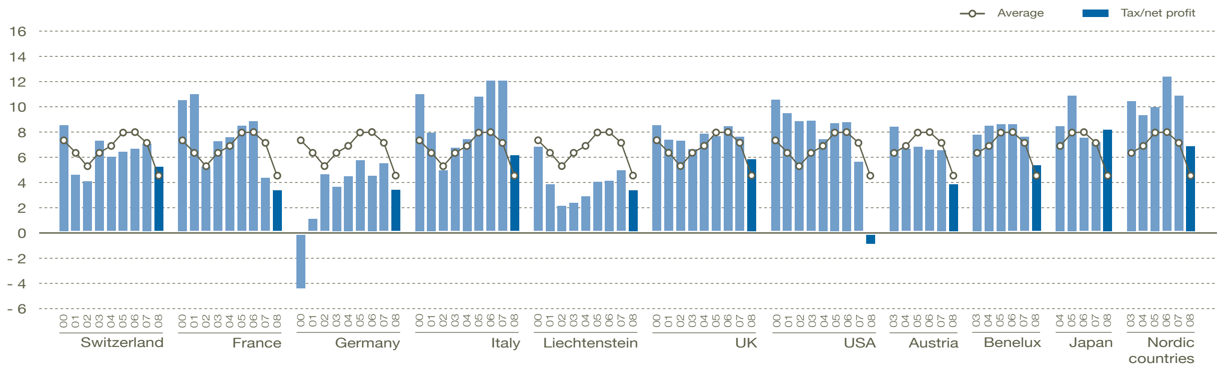


Figure 18 shows tax burdens in the various countries. In general, taxes in relation to net profit have decreased in 2008. This comes as a direct effect of negative profits and tax credits. If long term ratios are regarded, Liechtenstein stands out with the lowest taxation.

Summary

Along all the key operating performance indicators, Swiss banks demonstrate good results (cf. table 4). Switzerland achieves the second highest average rating. Only the banks in Liechtenstein surpass their results. Swiss banks particularly show room for improvement in cost/income ratio, adjusted gross margin and gross profit per employee. Regarding cost/income ratio, Swiss banks only achieve a position at the lower part of the ranking. The most efficient banks can be found in Liechtenstein.

The Swiss and Liechtenstein rating for return on equity must be put into perspective since it is attained by above-average capital ratios. For adjusted return on equity, which exactly considers that situation, Switzerland clearly shows the best performance. Top positions are held by Swiss banks under the following headings: adjusted return on equity, average AUM per employee, stakeholder income per employee and total revenue per employee. However, Liechtenstein banks outperform the Swiss banks with regards to total revenue per employee. Regarding gross profit per employee, Liechtenstein banks show clearly better figures than their Swiss peers. The main reason for the comparatively weak rating of Swiss banks in terms of gross profit per employee can be found in the wage costs, which are by far the highest of all the countries considered in the study.

Table 4: Final ranking

	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	4	3	1	7	2	5	1	1	**2**
France	2	8	9	8	8	6	8	10	**7**
Germany	5	10	10	10	11	10	5	9	**11**
Italy	7	7	7	3	9	8	10	5	**6**
Liechtenstein	8	4	2	1	1	1	2	2	**1**
United Kingdom	3	2	4	6	5	7	3	7	**4**
USA	9	5	5	11	7	11	7	4	**7**
Austria	10	9	8	4	10	9	4	6	**9**
Benelux	6	6	6	5	4	3	6	3	**5**
Japan	11	11	11	9	3	4	9	11	**10**
Nordic Countries	1	1	3	2	6	2	11	8	**3**

One can therefore conclude that Liechtenstein and Switzerland achieve particularly good results in the per capita figures. High operational costs are putting strong pressure on efficiency in Switzerland, while Liechtenstein banks seem to have their costs under control.

The Nordic banks, which achieve high margins and top positions in return on equity and cost/income ratio, rank in third place. Their total ranking is heavily influenced by relatively weak per capita figures, mainly in the field of AUM per employee and stakeholder income per employee.

Austrian banks managed to improve their position as they advanced from the last rank in 2006 to the ninth place in the current study. They particularly show a significant average cost/income ratio and clearly outperform Swiss banks in that matter.

Cross Dependencies

The aim of this section is to reveal interdependencies between the variables and key ratios shown in the previous chapter. Dependencies are measured by Pearson Correlation (R), which indicates the strength and direction of the relationship between two variables. If a correlation is shown as a scatter plot, R^2 provides information about the strength of the relationship. It is to note that correlation does not imply causation. However, the authors try to explain some of the correlations by discussing feasible cause-and-effect-relationships.

Table 5: Correlation matrix size, profitability, efficiency and growth 2008

	Size			Profitability			Efficiency	Growth				
	AUM	COM	Staff	ROE	Gross_margin	BIS	Cost_income	G_total cost	G_pers_cost	G_income	G_t_NMM	G_NMM
COM	<u>**0.868**</u>											
Staff	<u>**0.864**</u>	<u>**0.931**</u>										
ROE	-0.021	-0.017	-0.078									
Gross_margin	***0.158***	<u>**0.333**</u>	<u>**0.351**</u>	0.056								
BIS	0.005	0.021	0.013	0.011	-0.052							
Cost_income	-0.042	-0.024	-0.039	<u>**-0.450**</u>	-0.081	-0.016						
G_total_cost	***0.139***	0.016	0.068	-0.048	-0.098	0.166	0.096					
G_pers_cost	-0.037	-0.102	-0.087	-0.029	-0.131	0.142	0.028	<u>**0.853**</u>				
G_income	<u>**0.261**</u>	<u>**0.210**</u>	<u>**0.286**</u>	0.084	0.113	0.070	-0.124	<u>**0.537**</u>	<u>**0.458**</u>			
G_t_NNM	0.083	-0.018	0.025	***0.225***	0.011	0.019	-0.035	<u>**0.345**</u>	<u>**0.306**</u>	<u>**0.478**</u>		
G_NNM	-0.076	-0.075	0.073	-0.140	-0.171	-0.417	0.159	**0.296**	***0.271***	<u>**0.311**</u>	<u>**0.649**</u>	
G_AUM	0.037	0.098	***0.193***	-0.087	0.109	-0.086	0.001	**0.167**	<u>**0.235**</u>	<u>**0.298**</u>	<u>**0.546**</u>	<u>**0.530**</u>

<u>**Correlation is significant at the 0.01 level (2-tailed).**</u>
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: AUM (Ln(total assets under management, in CHF)), COM (Ln(total fee revenues, in CHF)), Staff (Ln(total number of employees)), ROE (return on equity), Gross_margin (adjusted gross margin), BIS (BIS tier one ratio), Cost_income (cost/income ratio), G_total_cost (growth of total cost, in %), G_pers_cost (growth of personnel cost, in %), G_income (growth of revenues, in %), G_t_NNM (AUM growth through net new money, in %), G_NNM (growth rate of net new money, in %), G_AUM (growth of assets under management, in %), Ln(x) is the natural logarithm of x.

Profitability

In the 2007 issue of «The International Private Banking Study», we could show a positive correlation between size, measured by assets under management (AUM), commission income (COM) and staff (STAFF) and the profitability ratio return on equity (ROE). This correlation cannot be verified with last year's data. However, a significant positive correlation can be observed between the above mentioned size variables and the adjusted gross margin (Gross_margin). Other than in the case of ROE, this correlation is similar as in the previous study. It would therefore appear that margins were affected by a certain degree of economies of scales.

Of further interest is the clear correlation between efficiency (cost/income ratio) and the profitability figure return on equity. The Pearson correlation is -0.450, compared to -0.294 in the last study. As one could expect, banks operating on a high efficiency level seem to generate comparatively high returns on equity.

Another variable that highly correlates with profitability in 2008 is growth of AUM by net new money. This correlation might have been influenced by the overall financial situation of a bank. As a result of the unstable market environment in 2008, risk averse clients were particularly looking for banks that remained as unaffected as possible by the crisis. Money flows towards those banks were therefore high while weakly performing banks had to denote negative net new money figures.

Efficiency

Other than the results in the field of profitability, the findings concerning efficiency of private banks show tendencies similar to the results of the previous study. Thus, indicators for diseconomies of scale can be found: e.g. measured against the size variable staff, a negative relation results for revenue per employee and gross profit per employee (cf. Table 6). However, this finding cannot be verified for the other size variables AUM and commission income. Furthermore, costs per employee and personnel costs per employee show a negative correlation with the number of employees, what would argue in favor of economies of scale. This relation puts into perspective the indicators for diseconomies of scale that can be observed in the field of per capita revenue and profit figures. It might therefore be part of the explanation as to why neither economies nor diseconomies of scale can be found between the efficiency figure cost/income ratio and size measured by the number of staff (cf. table 5).

The positive correlation between ROE and per capita profit as shown in Table 6 is obvious since both figures are directly affected by a bank‘s net profit. Of further interest is the correlation between per capita profit and revenue figures and the change in ROE during 2008. It would seem that banks with high per capita profits could not only denote high returns on equity, but also showed on average a slighter decrease in profitability during 2008 than banks with low per employee figures.

Table 6: Correlation matrix per capita figures 2008

	Size			Profitability		Efficiency
	AUM	COM	Staff	ROE	ΔROE0708	E_AUM
E_Rev	-0.064	-0.052	**-0.171**	**0.229**	**0.190**	**0.626**
E_Gross_Prof	-0.047	-0.050	***-0.126***	**0.365**	**0.300**	**0.559**
E_Prof	-0.073	-0.094	**-0.164**	**0.537**	**0.454**	**0.501**
E_Cost	-0.081	-0.043	**-0.214**	***-0.130***	-0.100	**0.582**
E_Pers	-0.090	-0.078	**-0.248**	-0.027	-0.026	**0.631**
E_Stake	-0.044	-0.044	**-0.189**	**0.347**	**0.279**	**0.627**
E_AUM	-0.018	**-0.187**	**-0.288**	0.061	0.045	-

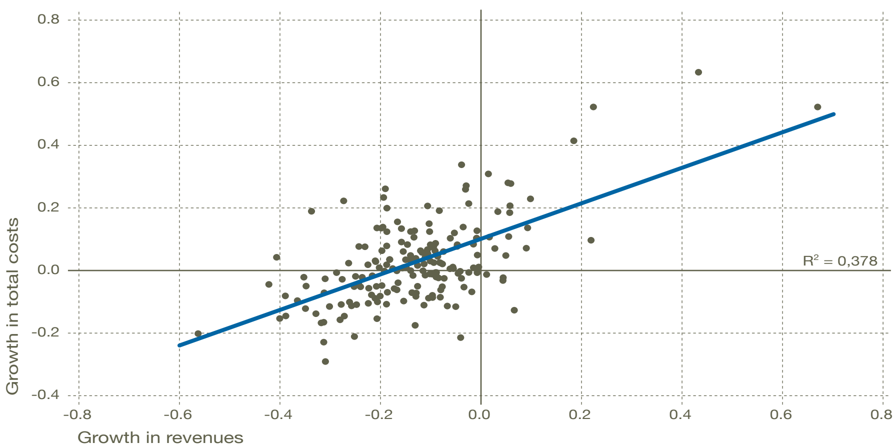
Correlation is significant at the 0.01 level (2-tailed).
Correlation is significant at the 0.05 level (2-tailed).
Correlation is significant at the 0.1 level (2-tailed).

The variables in Table 6 are defined as follows: AUM (Ln(total assets under management, in CHF)), COM (Ln(total fee revenues, in CHF)), Staff (Ln(total number of employees)), ROE (return on equity), ΔROE0708 (Relative change of ROE between 2008 and 2007, in %), E_AUM (assets under management per employee), E_Rev (revenue per employee, in CHF), E_Gross_Prof (gross profit per employee, in CHF), E_Prof (profit per employee, in CHF), E_Cost (costs per employee, in CHF), E_Pers (personnel costs per employee, in CHF), E_Stake (personnel costs, taxes and net profit per employee, in CHF), Ln(x) is the natural logarithm of x.

Growth

Table 5 shows a high correlation between growth of income and cost growth. This finding is illustrated in figure 19. Growth in revenues therefore leads to an increase in costs, what might be due to the fact that high revenue growth can only be achieved by investing in expansion activities. However, since the incline of the regression line is lower than 1, costs tend to rise at a lower rate than revenues, what can be seen as a clear incentive to increase the latter. On the other hand, if revenues decline, what actually happened to most of the banks in the last year, costs decrease to a disproportionately small extent.

Figure 19: Growth in total costs vs. growth in revenues



Further correlation analysis was undertaken in the field of growth of per employee figures. The results are summarized in Table 7. Growth of per capita revenue and profit is significantly correlated with the profitability figure ROE. Banks with a comparatively high growth rate (or small decrease) in per capita revenue and profit were able to generate comparatively high ROE figures. Furthermore, the negative correlation between the size variables AUM, commission income and staff and the growth of personnel costs per employee shows that larger banks were more likely to cut personnel costs (and therefore wages) in a significant amount than smaller banks. This might to some extent be due to the heterogeneity of business models among the banks analyzed. Bigger providers of private banking services are often also active in investment banking and asset management, where variable wage components are more prevalent than in wealth management. While per capita personnel costs are influenced by firm size, no similar relation can be observed in the area of revenue and profit figures. The size therefore had no significant influence on growth of revenue and profit per employee.

Table 7: Correlation matrix per capita growth figures 2008

	Size			Profitability				Efficiency	
	AUM	COM	Staff	ROE07	ROE08	Gross_margin07	Gross_margin08	Cost_income07	Cost_income08
G_E_Rev	***-0.148***	-0.098	-0.049	0.061	**0.378**	0.062	0.062	-0.124	**0.149**
G_E_Prof	0.031	0.009	-0.031	0.061	**0.447**	0.016	0.017	**-0.228**	0.015
G_E_Pers	**-0.281**	**-0.270**	**-0.278**	-0.030	0.085	-0.004	-0.005	-0.022	-0.087
G_E_AUM	0.080	0.049	0.092	-0.121	-0.123	0.002	-0.002	-0.047	0.124

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 (Ln(total assets under management, in CHF)), COM (Ln(total fee revenues, in CHF)), Staff (Ln(total number of employees)), ROE07 (return on equity 2007), ROE08 (return on equity 2008), Gross_margin07 (adjusted gross margin 2007), Gross_margin08 (adjusted gross margin 2008), Cost_income07 (cost/income ratio 2007), Cost_income08 (cost/income ratio 2008), G_E_Rev (growth rate of revenue per employee, in %), G_E_Prof (growth rate of profit per employee, in %), G_E_Pers (growth rate of personnel costs per employee, in %), G_E_AUM (growth rate of assets under management per employee, in %), Ln(x) is the natural logarithm of x.

Further dependencies

Over the last years, a significant negative correlation between AUM per employee and adjusted gross margin could be observed. Figure 20 depicts the relation for the year 2008. According to the plot, highest margins could be realized in banks where average AUM per employee is small. Possible explanations for this observation are discussed in the section "Focus Switzerland", where the analysis is examined for the Swiss sample.

Figure 20: AUM per employee – Adjusted gross margin

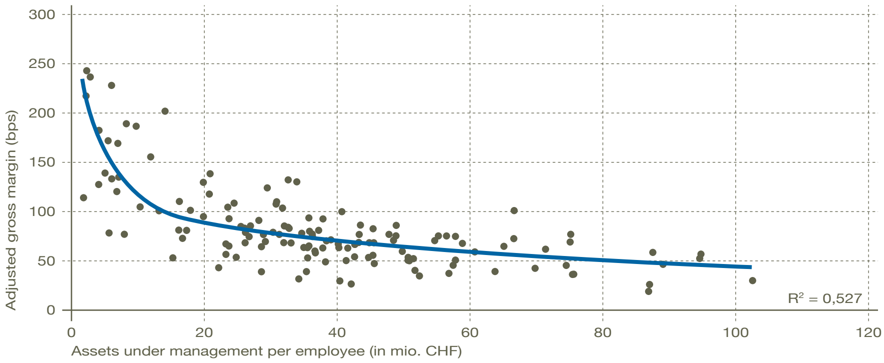
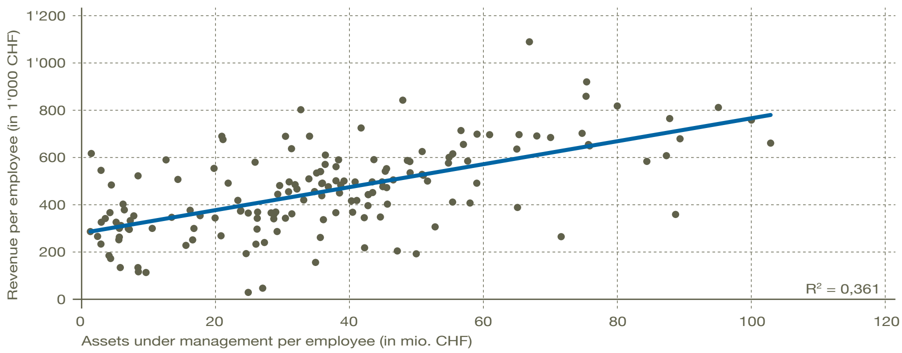


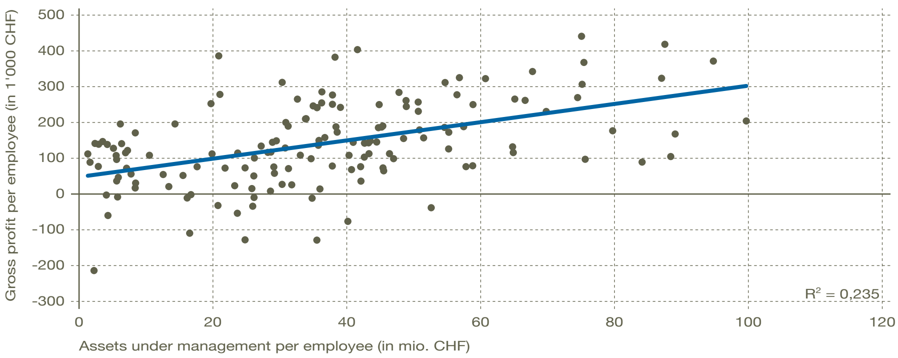
Figure 21 shows the correlations between AUM per employee and per capita revenue. There is significant evidence that per capita revenue is higher in banks were more client assets are managed per employee. A similar trend can be observed in figure 22, in which gross profit per employee is compared to AUM per employee.

Figure 21: AUM per employee – Revenue per employee



If the slope of the regression line is compared for figure 21 and figure 22, it can be seen that the line is steeper when revenue per employee lies on the y-axis. An increase in assets under management per employee has therefore a stronger average impact on per capita revenue than on gross profit per employee.

Figure 22: AUM per employee – Gross profit per employee



Over- and underperforming the market

In this section, we try to answer the question whether there are banks that manage to over-perform the market in several consecutive years. In order to analyze this issue, a correlation analysis has been undertaken to compare the annual values of key performance indicators from 2005 to 2008. This analysis will explain the existence or absence of relationships between banks figures over several years.[7] Results are summarized in Table 8.

Table 8: Regression analysis on key figures

Cost/income ratio	2006	2007	2008
2005	**0.865**	**0.629**	0.056
2006		**0.737**	0.096
2007			**0.245**

Return on equity	2006	2007	2008
2005	**0.707**	**0.555**	0.123
2006		**0.634**	***0.187***
2007			**0.376**

Adjusted gross margin	2006	2007	2008
2005	**0.868**	**0.671**	**0.684**
2006		**0.871**	**0.744**
2007			**0.895**

G_t_NNM *	2006	2007	2008
2005	**0.194**	0.117	**-0.209**
2006		0.169	0.137
2007			-0.019

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).

* Growth of assets under management by net new money.

The figures show that cost/income ratios correlated significantly in the years 2005, 2006 and 2007. This can be seen as an indicator for some banks showing an above average performance during several years while some other banks constantly underperformed the market. However, this relation was seemingly distorted by the market downturn in 2008 as only low correlation with the figures of the previous years can be identified.

A similar trend is visible for return on equity. A bank is therefore likely to generate a high ROE if ROE in the year before was comparatively high. As in the case of cost/income ratio, the correlation is significantly weaker for 2008 than for the other years.

Cost/income ratio and return on equity figures deliver evidence for the existence of banks with above average performance (and other banks showing below average figures) for consecutive years in times of good market environment. However, the market downturn in 2008 seemed to have a significant impact on this relation as formerly over performing banks showed comparatively weak figures while banks which showed below average performance could improve their performance in comparison to the market.

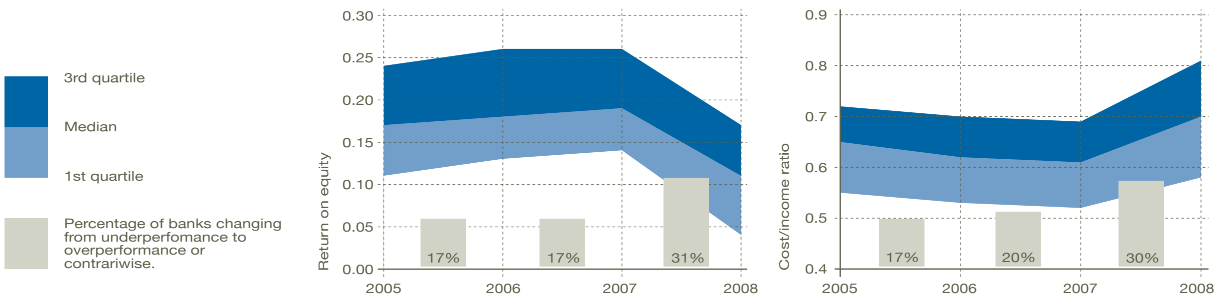
7) Due to a significant change in the sample size, data from earlier years could not be included in the analysis.

For better exemplification, Figure 23 shows the median value as well as the 1st and 3rd quartile of the deviation of return on equity and cost/income ratio figures for the last four years and therefore pictures the range in which the figures of 50% of the analyzed banks can be found. If a bank showed a stronger performance than at least 50% of its competitors, it can be found above the parting line between the dark blue and the light blue section. Figures below this line stand for banks that underperformed the market. The grey bars show the percentage of banks that changed their market position from under- to over-performer or vice versa.[8] For both figures analyzed, it can be shown that there was significantly more movement around the median line in 2008 than in the years before. This finding supports the thesis that the 2008 market downturn led to significant shifts within the private banking market.

The high correlation between adjusted gross margins of different years, which is shown in the lower left box in Table 8, can be influenced by a bank's business model. Banks with a high share of own products in their clients' portfolios generate higher margins since the whole margin can be kept in-house. This is not the case for banks that take up products from third party sources. Nevertheless if margins decrease, this relation does not significantly change.

If growth of assets under management by net new money is regarded (lower right box in Table 8), no clear correlations can be found. A high net new money inflow in one year can therefore not be taken as an indicator for good performance in the following year.

Figure 23: Development of return on equity and cost/income ratio



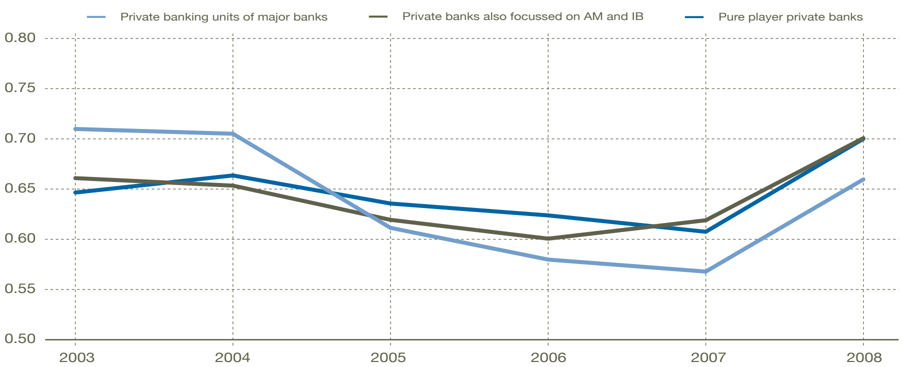
8) As movements around the median line are regarded, the number of banks crossing the line upwards is always the same as the number of banks changing from an above average to a below average performance. The percentages in the bars in Figure 23 include upside as well as downside movements.

Business Model Analysis

Further analysis was undertaken focusing on different business models. Therefore, banks were classified into three groups; (1) private banking units of major banks, (2) private banks focusing on investment banking (IB) and asset management (AM) and (3) pure player private banks. The latter were defined as banks with the dominant strategic focus in private wealth management. If a bank also runs investment banking activities (e.g. builds its own products) and/or is also strongly focused on institutional and corporate clients, it belongs to the second group. Major banks and private banks that could not clearly be allocated to one of the groups were omitted in the analysis. The total number of banks analyzed in this section is 159.[9]

The three groups are not only different in their business model, but also in the size of the constituent institutes. Group (1) is dominated by large private banks. 50% of the banks belonging to this group employ more than 2900 client relationship managers and other employees. The other two groups consist of much smaller institutes. Private banks which also focus on investment banking and asset management activities (2) show a median of 326 employees, while more than 50% of the pure players (3) have less than 120 staff members. Size differences between the three groups are also significant in terms of assets under management. Thus, private banking units of major banks show a median value of CHF 162 billion, compared to the second group with median AUM of CHF 17 billion and the pure players with a comparatively low value of CHF 4 billion. The significant differences in average bank size should be considered when we comment our results. Some differences could be linked to size effects and not necessarily be the cause of different business models.

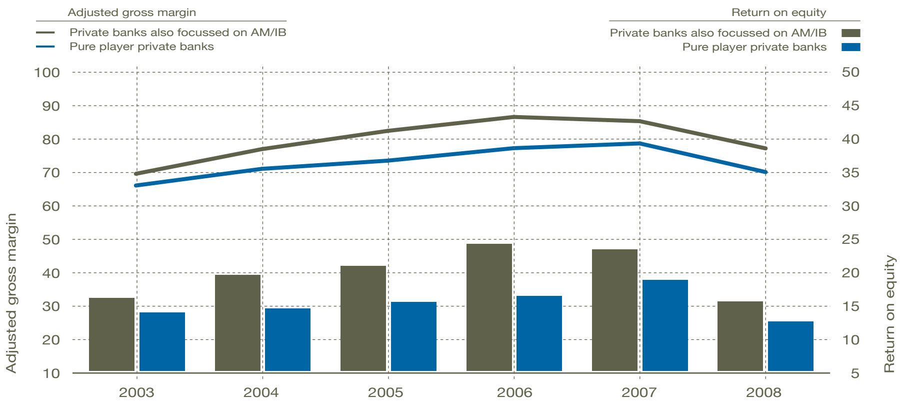
Figure 24: Efficiency – cost/income ratio



9) Whereas group sizes are as follow: Private banking units of major banks: 20; private banks also focusing on asset management and investment banking: 66; pure player private banks: 73.

Figure 24 shows the efficiency measured by cost/income ratio for the three groups. In the last three years, private banking units of major banks showed a significantly lower average cost/income ratio than private banks pursuing other business models. This might to some extent be explainable by synergy effects in overhead costs as well as by client referrals from other units, which lowers costs for client acquisition.

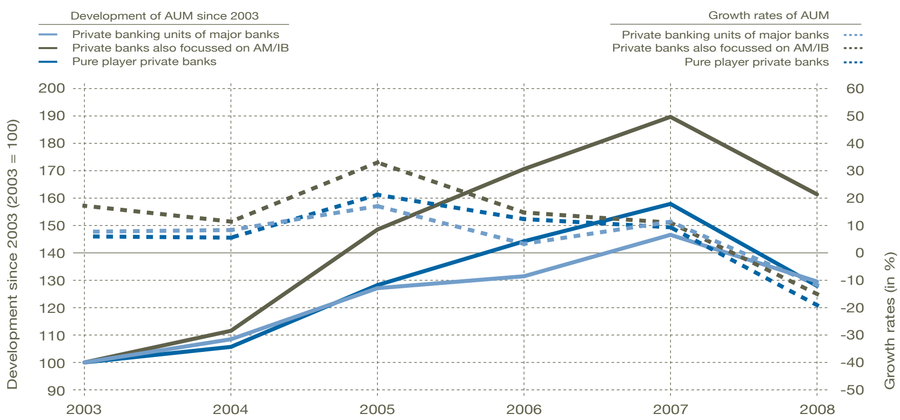
Figure 25: Profitability – adjusted gross margin (in bps) / return on equity (in %)



According to Figure 25, high adjusted gross margins can be realized by wealth managers that do not only serve private customers but also corporate and institutional clients. Those banks are often also active in investment banking and are therefore able to exploit an incremental revenue potential. Furthermore, production and distribution of own products allow them to keep margins in-house. Due to missing data, figures cannot be shown for private banking units of major banks.

Also in terms of return on equity, the more diversified private banks show higher figures than their peers only focusing on private wealth management. However, the gap has slightly decreased in the last two years, leading to the assumption that private banks also focusing on asset management and investment banking were facing stronger decreases in profit during the recent crisis.

Figure 26: Growth – assets under management



Private banks also focusing on asset management and investment banking do not only have a comparatively high profitability, they also indicate the highest growth in assets under management over the past five years (cf. figure 26). Between 2003 and 2007, managed clients‘ assets could almost be doubled by those banks, whereas the stock market downturn in 2008 led to a distinctive drop in AUM. The high AUM growth is to some extent due to acquisition activities by those banks, as growth by net new money was only marginally higher compared to the banks pursuing other business models.

Figure 27: Per employee figures – gross revenue, personnel costs and net profit (in 1‘000 CHF)

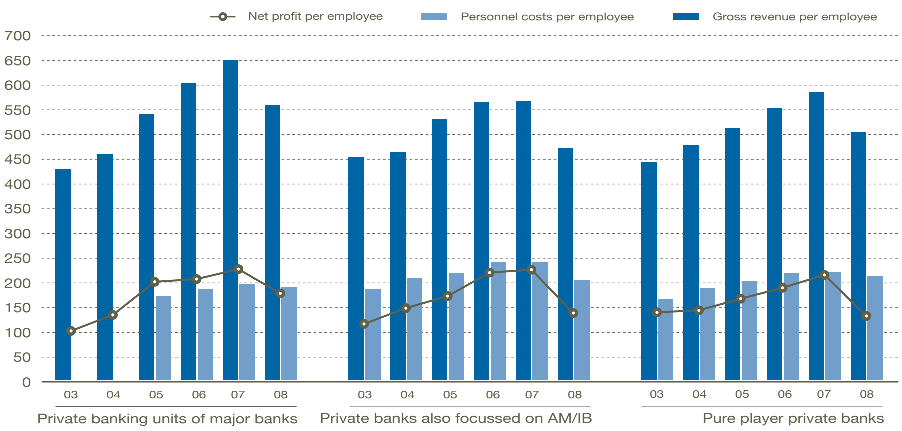


Figure 27 shows per capita figures per employee for the three groups analyzed.[10] Private banking units of major banks achieved the highest gross revenues per employee in the last years and managed at the same time to keep per capita personnel costs on a comparatively low level. This combination of high revenues and low costs resulted in a comparatively good cost/income ratio as shown in figure 24. Pure player private banks show similar figures as private banks which also focus on asset management and investment banking.

Comparing the findings from the figures 24, 26 and 27, one can conclude that private banking units of major banks proved to operate on a highly efficient level which allows them to generate high revenues per employee at low costs. On the other hand, expansion activities of those private banks were rather moderate what can be seen in AUM growth which was clearly lower than at the peer groups. Especially private banks also pursuing asset management and investment banking activities were able to register higher growth rates. Considering the fact that growth in per capita revenues of those banks was significantly smaller than at the major bank‘s private banking units, one can assume that the high AUM growth rates are a result of strong external and organic expansion accompanied by a significant increase in staff members.

10) Due to missing data, personnel costs per employee for the years 2003 and 2004 cannot be displayed for the group „private banking units of major banks".

Focus Switzerland

Table 9: Swiss ranking of private banks by assets under management

	Company / Business unit	Assets under management (AUM incl. double counts)					Net new money (NNM)					NNM / AUM	
	Figures in million CHF	**2008**	2007	2006	Δ 07-08	Δ 06-07	**2008**	2007	2006	Δ 07-08	Δ 06-07	2008	2007
1 (1)	UBS Wealth Management	**1'464'000**	2'124'000	1'962'000	-31%	8%	**-110'800**	150'600	111'400	-174%	35%	-6%	7%
	UBS Wealth Management & Swiss Bank [1]	***820'000***	*1'218'000*	*1'138'000*	*-33%*	*7%*	***-94'900***	*114'700*	*89'500*	*-183%*	*28%*	*-9%*	*10%*
	UBS Swiss Bank (only Wealth Management) [2]	***189'000***	*281'000*	*276'000*	*-33%*	*2%*	***-29'700***	*9'500*	*6'800*	*-413%*	*40%*	*-13%*	*3%*
	UBS WM Americas	***644'000***	*906'000*	*824'000*	*-29%*	*10%*	***-15'900***	*35'900*	*21'900*	*-144%*	*64%*	*-2%*	*4%*
2 (2)	Credit Suisse Private Bank	**646'000**	838'600	784'200	-23%	7%	**42'200**	50'200	50'500	-16%	-1%	6%	6%
3 (3)	Banque Pictet & Cie. Private Clients *	**174'000**	234'687	190'821	-26%	23%	**8'000**	n/a	n/a	n/a	n/a	n/a	n/a
4 (5)	HSBC Private Bank (Suisse)	**145'984**	186'454	168'559	-22%	11%	**14'417**	19'816	22'561	-27%	-12%	9%	11%
5 (4)	Julius Bär Private Banking	**127'600**	156'347	138'144	-18%	13%	**17'200**	11'711	5'909	47%	98%	12%	8%
6 (7)	Union Bancaire Privée (UBP) [3]	**100'710**	136'468	112'665	-26%	21%	**668**	15'167	11'829	-96%	28%	1%	12%
7 (6)	Lombard Odier Darier Hentsch Private Clients **	**91'440**	127'440	120'240	-28%	6%	**6'768**	n/a	n/a	n/a	n/a	6%	n/a
8 (8)	Banca della Swizzera Italiana (BSI) [3]	**78'238**	62'626	59'876	25%	5%	**2'968**	1'636	4'773	81%	-66%	4%	3%
9 (-)	EFG International [3]	**77'185**	98'300	73'600	-21%	34%	**18'200**	11'800	9'500	54%	24%	21%	14%
10 (9)	Clariden Leu Private Banking	**75'400**	107'000	n/a	-30%	n/a	**1'000**	3'900	n/a	-74%	n/a	1%	4%
11 (10)	Crédit Agricole (Suisse)	**47'148**	56'325	51'909	-16%	9%	**2'119**	3'009	2'370	-30%	27%	4%	6%
12 (11)	RBS Coutts Bank	**45'770**	60'635	50'385	-25%	20%	**-801**	8'127	1'873	-110%	334%	-2%	15%
13 (13)	Deutsche Bank (Schweiz)	**39'946**	46'702	42'458	-14%	10%	**5'311**	3'728	2'081	43%	79%	12%	8%
14 (12)	BNP Paribas (Suisse)	**36'000**	43'354	42'679	-17%	2%	**2'961**	1'703	1'539	74%	11%	8%	4%
15 (14)	Sarasin Private Banking	**32'840**	38'058	37'232	-14%	2%	**7'163**	6'846	2'147	5%	219%	20%	18%
	Rank 1-15	**3'182'261**	**4'316'996**	**3'834'769**	**-26%**	**13%**	**17'374**	**288'243**	**226'481**	**-94%**	**27%**	**1%**	**7%**
16 (16)	J.P. Morgan (Suisse)	**27'262**	32'072	30'587	-15%	5%	**2'697**	1'903	1'326	42%	44%	9%	6%
17 (18)	HSBC Guyerzeller Bank [4]	**25'092**	29'527	27'705	-15%	7%	**2'197**	1'133	908	94%	25%	8%	4%
18 (19)	SG Private Banking (Suisse)	**24'573**	30'340	26'751	-19%	13%	**284**	2'611	1'679	-89%	56%	1%	9%
19 (20)	Vontobel Private Banking	**23'000**	28'800	26'100	-20%	10%	**2'100**	2'400	1'100	-13%	118%	8%	9%
20 (17)	Citibank (Switzerland)	**20'924**	29'973	27'886	-30%	7%	**-2'673**	2'208	-1'324	-221%	-267%	-11%	8%
21 (22)	Banque Syz & Co.	**18'283**	30'662	23'571	-40%	30%	**-4'166**	5'876	5'756	-171%	2%	-17%	22%
22 (-)	Scobag	**18'063**	22'995	26'122	-21%	-12%	**-313**	-355	-252	-12%	41%	-2%	-1%
23 (24)	Merrill Lynch Bank (Suisse)	**17'542**	24'428	20'561	-28%	19%	**51**	4'352	1'522	-99%	186%	0%	19%
24 (-)	Dreyfus Söhne & Cie Banquiers	**16'963**	23'282	22'765	-27%	2%	**-369**	-692	-274	-47%	153%	-2%	-3%
25 (-)	Mirabaud & Cie. Privatbankiers ***	**16'500**	n/a	n/a	n/a	n/a	**1'650**	n/a	n/a	n/a	n/a	10%	n/a
26 (23)	ABN Amro Bank (Schweiz)	**15'469**	22'319	23'451	-31%	-5%	**-2'580**	-1'643	-693	57%	137%	-14%	-7%
27 (-)	Wegelin & Co. Privatbankiers	**15'000**	n/a	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a	n/a	n/a	n/a
28 (27)	Barclays Bank (Suisse)	**14'911**	17'355	16'724	-14%	-4%	**1'092**	-46	5'012	n/a	-101%	7%	0%
29 (29)	ING Bank (Switzerland)	**14'879**	18'060	16'127	-18%	12%	**1'284**	1'407	1'335	-9%	5%	8%	8%
30 (25)	Falcon Private Bank (Former AIG Private Bank)	**13'840**	20'951	19'242	-34%	9%	**-3'621**	1'195	597	-403%	100%	-21%	6%
31 (-)	Banco Santander (Suisse)	**12'808**	18'307	16'463	-30%	11%	**504**	975	727	-48%	34%	3%	6%
32 (-)	Rahn & Bodmer Privatbankiers ****	**12'000**	n/a	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a	n/a	n/a	n/a
33 (26)	Banque Jacob Safra (Suisse)	**11'689**	16'553	18'245	-29%	-9%	**-749**	1'363	718	-155%	90%	-5%	8%
34 (33)	Bank Morgan Stanley	**10'796**	16'208	12'839	-33%	26%	**-1'662**	2'282	-856	-173%	-367%	-12%	16%
35 (34)	Goldman Sachs Bank	**10'736**	13'775	12'701	-22%	8%	**-1'744**	1'286	1'010	-236%	27%	-14%	10%
36 (36)	Rothschild Bank	**10'715**	11'673	10'866	-8%	7%	**807**	2'540	434	-69%	485%	7%	23%
37 (30)	Fortis Banque (Suisse)	**10'403**	15'535	14'921	-33%	4%	**-1'019**	479	3'052	-313%	-84%	-8%	3%
38 (-)	LGT Bank (Schweiz)	**10'037**	11'344	9'099	-12%	25%	**1'250**	1'797	643	-30%	180%	12%	18%
39 (31)	Dresdner Bank (Schweiz)	**9'355**	12'819	14'432	-27%	-11%	**-1'033**	-1'947	1'622	-47%	-220%	-9%	-14%
40 (-)	BHI Swiss Private Banking	**9'191**	11'310	10'740	-19%	5%	**692**	1'273	-56	-46%	n/a	7%	12%
	Rank 16-40	**390'032**	**458'288**	**427'899**	**-15%**	**7%**	**-5'321**	**30'397**	**23'985**	**-118%**	**27%**	**-1%**	**7%**
	Rank 1-40	**3'572'293**	**4'775'284**	**4'262'668**	**-25%**	**12%**	**12'052**	**318'640**	**250'467**	**-96%**	**27%**	**0%**	**7%**
	80 swiss private banks analyzed	**3'718'208**	**4'963'345**	**4'439'045**	**-24%**	**12%**	**12'175**	**319'874**	**258'360**	**-96%**	**24%**	**0%**	**7%**
	80 swiss private banks analyzed (excl. UBS)	**2'254'208**	**2'839'345**	**2'477'045**	**-21%**	**15%**	**122'975**	**169'274**	**146'960**	**-27%**	**15%**	**5%**	**6%**

(x) Rank in the 2007 issue of «The International Private Banking Study».

1) The unit Swiss Bank does only include AUM from wealth management clients (cf. Footnote 2).
2) Data corresponds with the figures of the former business unit Wealth Management Switzerland. Swiss retail clients are excluded from the analysis.
3) Including institutional asset management.
4) HSBC Guyerzeller Bank AG merged with HSBC Private Banking (Suisse) on March 31, 2009.

*) Assumption based on Data from Julius Baer Business Review 1H2009.
**) Figures under the assumption of a similar business mix to Banque Pictet & Cie and Sarasin & Cie.
***) Net new money figures under the assumption that the percentage of total net new money attributed to the private client business is the same as in the case of assets under management.
****) Figures include institutional asset management. Figures for the private client segment would not be much lower since institutional asset management only accounts for a small percentage of total AUM according to Rahn & Bodmer Privatbankiers.

Assets under Management & Net New Money

Table 9 shows the 40 largest private banks in Switzerland by assets under management. At the end of 2008, they managed together nearly 3.6 billion Swiss Francs in client assets, of which more than 2.1 billion were managed by the two major banks. The total AUM of the 40 largest Private Banks has decreased by 25% in 2008 after an increase of 12% in the year before.

The table also shows the AUM figures for all the 80 banks considered in the ranking, which reaches a value of 3'718 billion Swiss Francs. This figure represents a large part of the whole Swiss private banking market. If the 40 smallest banks in the sample are compared to the 40 largest ones, it can be seen that only a small part of the AUM, namely about 146 billion Swiss francs, is managed by the small wealth managers. The market share of the 40 smallest banks is therefore only 4%. 56 % of total client assets are managed by the two major banks.

The total net new money figure for 2008 is slightly positive (+12.2 billion CHF). This relatively small figure is mainly due to the striking outflow of net new money from UBS. If the figures of the largest Swiss wealth manager are omitted, it can be seen that the banks were able to attract 123.0 billion CHF in net new money. The comparatively weak performance of UBS in 2008 can be put into perspective if figures of the years before are considered. In 2007 as well as in 2006, the bank showed high positive net new money inflows (Inflows of CHF 111.4 billion in 2006, CHF 150.6 billion in 2007 respectively compared to outflows of CHF 110.8 in 2008).

It is remarkable that overall net new money figures are positive despite the enormous money outflows at UBS. This shows that a large part of the money outflow registered at the major bank was kept within Switzerland. Next to various private banks and Privatbankiers, retail banks such as the Raiffeisen Group or the Cantonal Banks could profit from this shift in assets under management. However, those banks could not be considered in Table 9 due to lack of data.

Figure 28: Development of AUM 2005 – 2008 (in CHF bn)[11]

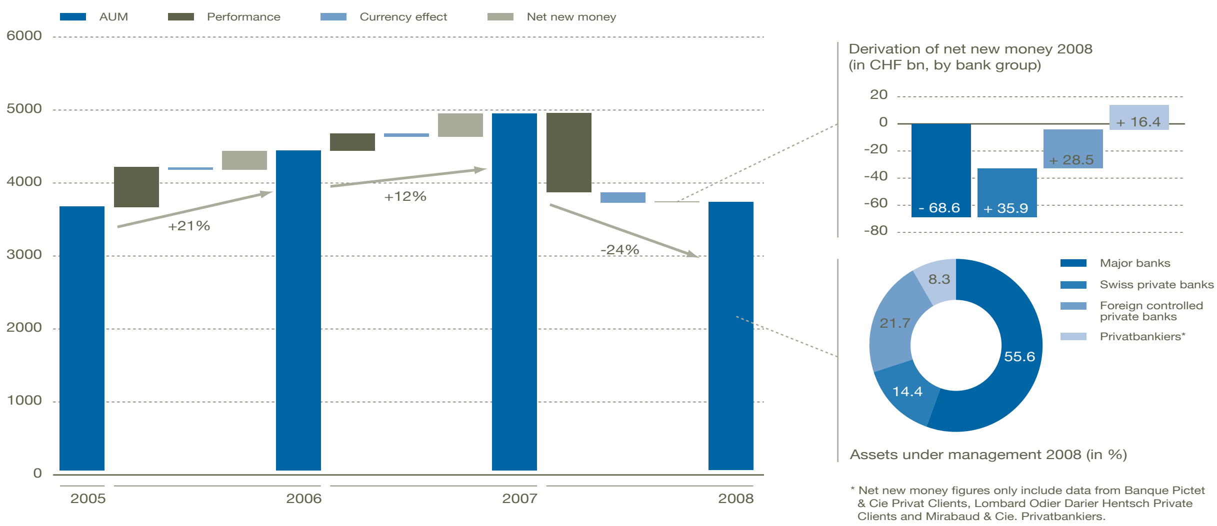


Figure 28 reflects the changes in assets under management between 2005 and 2008, broken down into net new money, currency impact and performance effect. In order to estimate the currency impact, it was assumed that the percentage of the constituent currencies in the sample was the same as for the total assets managed by Swiss banks. These figures are published by the Swiss National Bank.[12]

The figures reveal that the significant decrease in 2008 is mainly due to the poor performance related to the global stock markets. But also the impact of currency changes was more evident than in the years before. The main reason for this is the currency devaluation of the Euro. Between January 1st 2008 and December 31th, the Euro lost almost 10% of its value compared to the Swiss Franc. Also the US Dollar could not keep a strong currency value which resulted in a devaluation of the Dollar of more than 5% with respect to the Swiss Franc in 2008. The figure in the upper right hand corner analyzes development of net new money by bank group. According to that, the considerable total money outflow at the major banks was offset by inflows at the Swiss and foreign controlled private banks as well as the Privatbankiers.

11) The figure considers data for the 80 Swiss private banks whose AUM figures where analyzed for the ranking in Table 9.

12) The currency breakdown of total assets on Swiss bank accounts is as follows: 47% CHF; 25% EURO; 22% USD; 6% others (Source: SNB).

Figure 29: NNM/AUM for the years 2007 and 2008

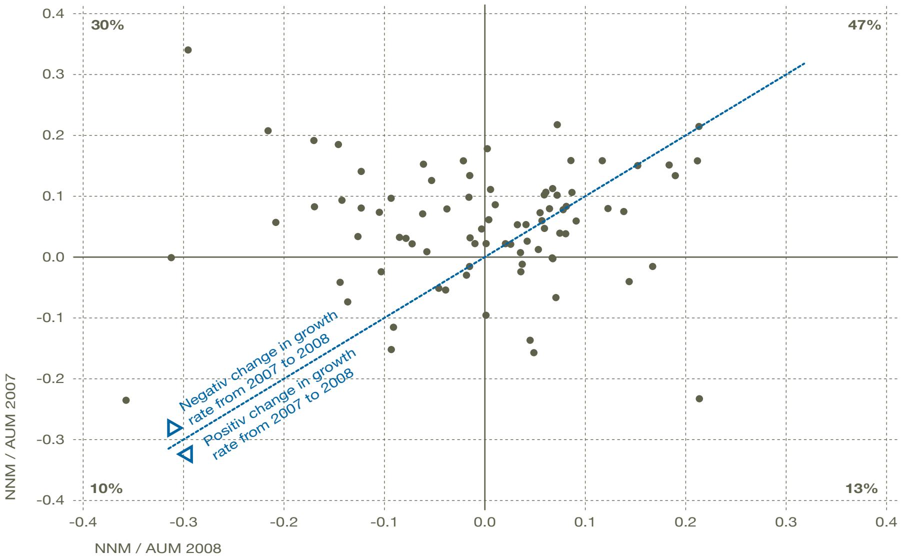
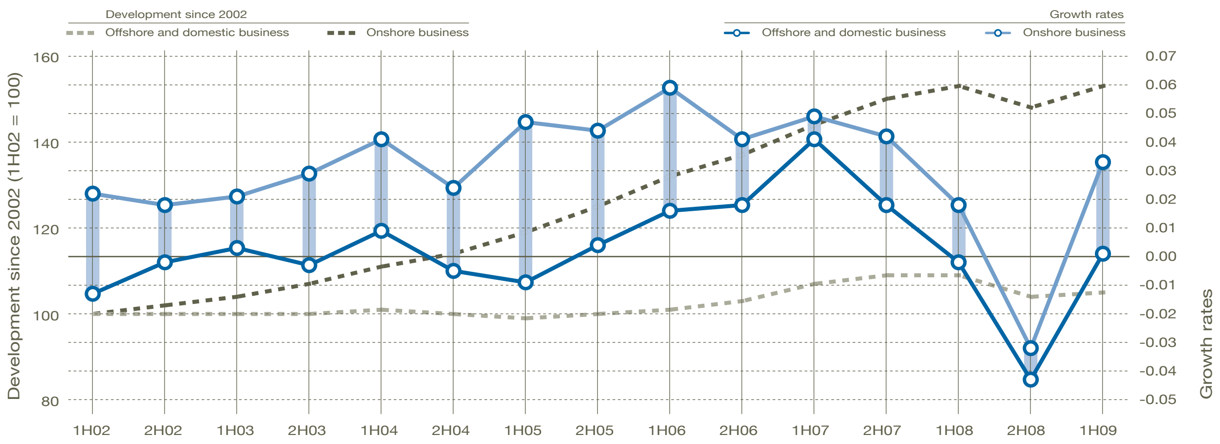


Figure 29 depicts AUM growth through net new money as it is calculated in Table 9. The figure exhibits that 60 % of all the banks examined were able to acquire clients' money in 2008. In 2007, 77% of the banks managed to do so. Almost every second bank could benefit from net new money inflows in both 2008 and 2007. Only 10% had to face negative figures in each year. The diagonal line divides the sample into two groups. Banks on the right hand side of the line could improve their growth rate in 2008 compared to 2007. Those on the left hand side showed weaker AUM growth through net new money in 2008 than in the year before.

On- and offshore business

Figure 30: Growth and growth rates in offshore and domestic business vs. onshore business



Traditional offshore private banking, which is offered by Swiss banks to foreign clients, has been under much discussion recently. Figure 30 analyzes the future perspectives of the offshore business model. Data illustrates growth and growth rates through net new money of the largest Swiss private banks, divided into two groups. The first group includes banks which predominantly pursue an onshore business model; the second group includes those banks whose business model is oriented towards an offshore strategy (Whereby in Figure 30, domestic business with Swiss clients is included into the offshore segment for reason of data availability).

Traditional offshore banking showed partly negative growth between 2002 and 2005. Nevertheless, comparatively high growth rates could be achieved between mid 2005 and the first half of 2007. Since then, a significant deterioration could be observed with a marked negative growth rate in the 2nd half of 2008.

Compared to the onshore business model, the offshore model showed significantly lower growth rates in the last seven years. Since 2002, onshore business grew by more than 50 per cent, whereas business volume in offshore private banking was at the end of the 1st semester 2009 only slightly above the level it had reached in 2002.

Division of assets under management

Figure 31: Composition of assets under management 2008

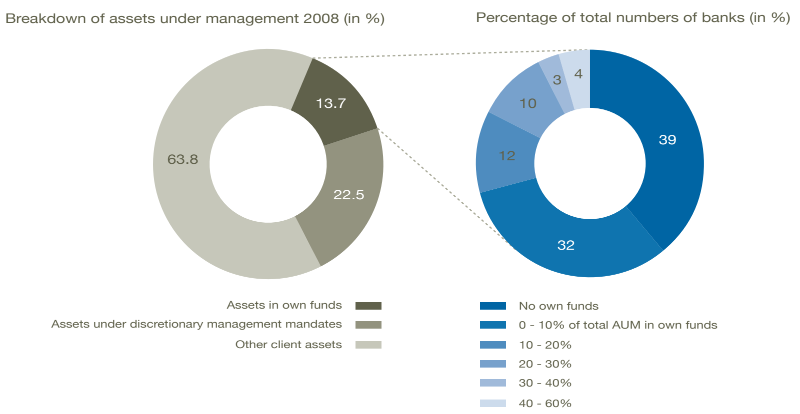


Figure 31 shows the average composition of client assets managed by Swiss banks. Of all banks examined, 13.7% of client assets were invested in the bank's own investment funds in 2008. This figure is important since high profitability can be achieved with a high share of assets in own funds (cf. Figure 33: Own funds as an attractive source of revenues).

Almost every fourth Swiss Franc that is managed in Switzerland is invested through discretionary management mandates. This percentage was 26.4% in 2005, 25.9% in 2006 and 24.0% in 2007. Almost two third of the assets under management (63.8%) appear as "other client assets" and are 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 at individual bank level shows that the majority of banks manage only a small portion of their entire AUM in own funds (cf. Figure 31 right). 39% of the banks analyzed hold no funds of their own, increasing the figure by 11% with regards to 2007. This is a clear evidence of further expansion of open architecture concepts. Almost every third bank (32%) has up to 10% invested in own funds. 27% have more than 10%, whereas 22% of all banks have between 10% and 30% of their AUM invested in own funds.

Figure 32: Own funds and percentage of discretionary management mandates

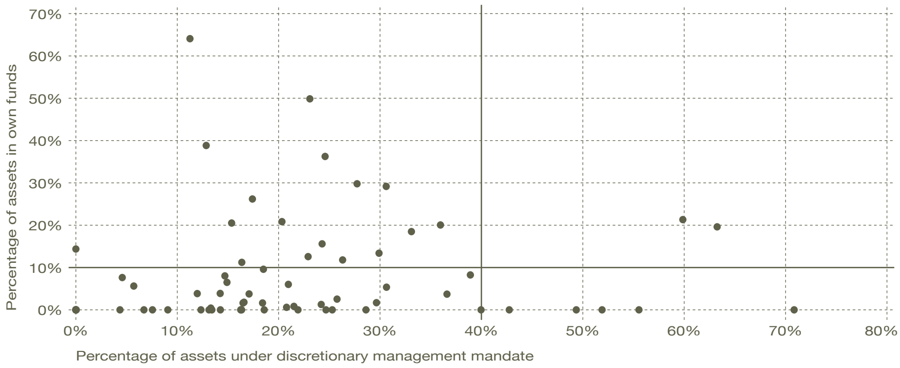
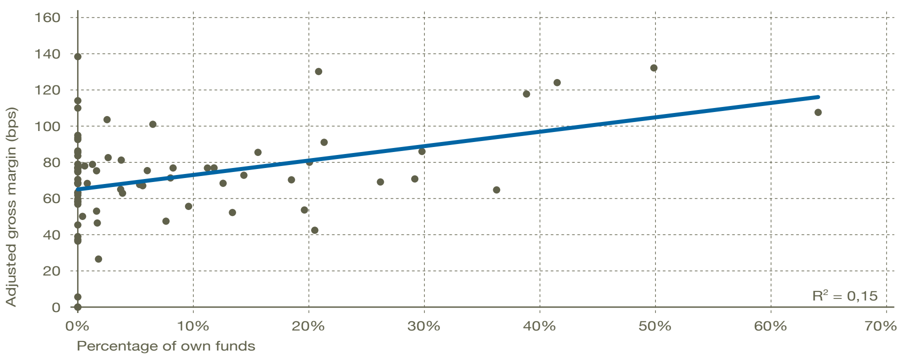


Figure 32 shows the positioning of banks in respect of own investment funds and discretionary management mandates. On can see that over 70% of all banks examined invest less than 10% of managed client assets in own funds. This number has not changed much since 2006. The small share of assets under management in own funds is surprising when one considers that there is a significant positive relation to the profitability of a bank (cf. Figure 33). Examining only banks with at least one per cent of client assets invested in own funds, the relationship is even stronger.[13]

Figure 33: Own funds as an attractive source of revenues



13) Correlation coefficient R2 would be 0.31 in that case.

Margins for a bank are higher with own funds than with third party funds since the whole margin can be kept in-house. Although banks with a high percentage of assets in own funds tend to show better margins than banks with a smaller ratio, they seem not to be more efficient or profitable for their shareholders. This can be shown if cost/income ratio and return on equity are compared to the percentage of own funds. In both cases, no relation between the respective figures can be observed. This leads to the assumption, that banks offering own funds have indeed higher net fee- and commission income per AUM. However, implementation and management of the own funds comes along with high costs, what seems to put the high adjusted gross margins into perspective.

While own funds seem to have a positive effect on adjusted gross margin, no clear correlation can be found between the percentage of discretionary management mandates and profitability.

Profitability

Table 10: Correlation summary: Assets under management per employee and profitability

Correlation summary		Assets under management per employee					
		2003	2004	2005	2006	2007	2008
Gross margins	Pearson Correlation	-.707(**)	-.673(**)	-.643(**)	-.622(**)	-.457(**)	-.547(**)
	N	30	50	77	78	80	82
Adjusted gross margins	Pearson Correlation	-.651(**)	-.591(**)	-.577(**)	-.542(**)	-.551(**)	-.424(**)
	N	27	47	73	74	76	77
Gross profit margins	Pearson Correlation	-.464(**)	-.355(**)	-.236(**)	-.301(**)	-0.046	-0.047
	N	30	50	73	74	76	77

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

Among Swiss private banks, a quite stable and significant negative correlation between assets under management per employee and the profitability ratios gross margin and adjusted gross margin could be observed in the last 6 years. Significant correlations also existed between gross profit margins and AUM per employee between 2003 and 2006, but could not be shown anymore in the consequent years.

Figure 34: AUM per employee for the years 2008 and 2006 - gross margin

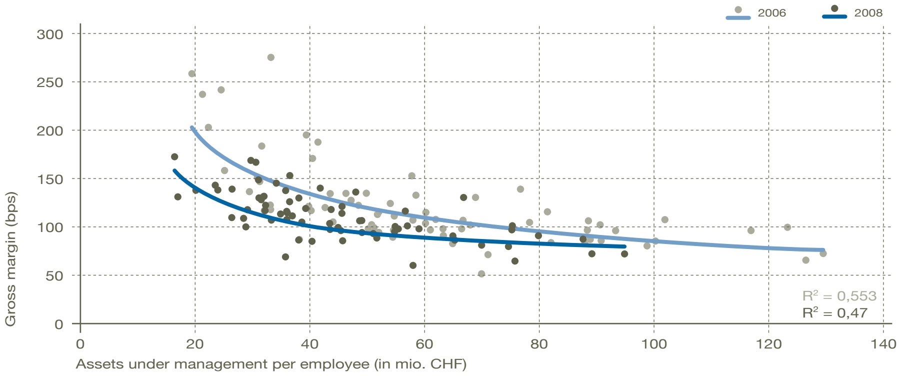


Figure 34 exhibits the correlation mentioned above, whereas AUM per employee is shown on the horizontal and the gross margin on AUM on the vertical axis. Observations for 2008 are colored in black, those of 2006 in grey. There are many possible reasons for the negative correlation between AUM per employee and profitability. One can assume that banks with few AUM per employee are predominantly focused on the lower client segment of the private banking business. Due to limited negotiating power of the client and limited client know how, higher margins can be realized in this segment.

On the other hand, large discretionary management mandates often carry special conditions. These assets yield lower margins than smaller client assets. If a more qualitative point of view is taken, one could argue 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 a smaller penetration in this type of client base with products and services.

Figure 34 clearly shows that gross margins as well as AUM per employee have decreased and that the gap between the highest and the lowest value is on both axes smaller in 2008 than in 2006. This observation might be an indicator for regression to the mean in the area of gross margins.

Figure 35: AUM per employee – Revenue per employee

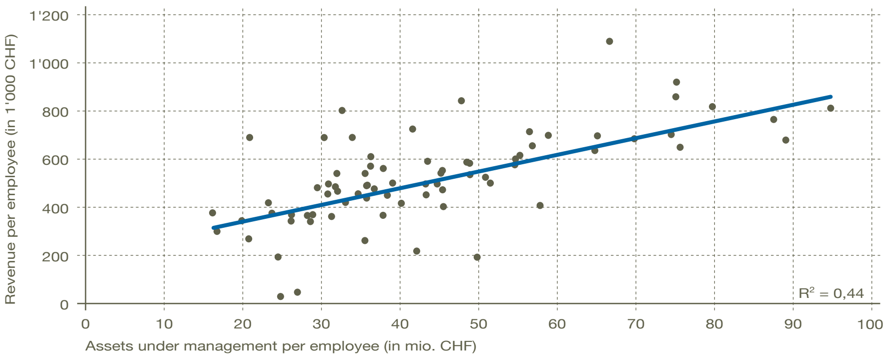
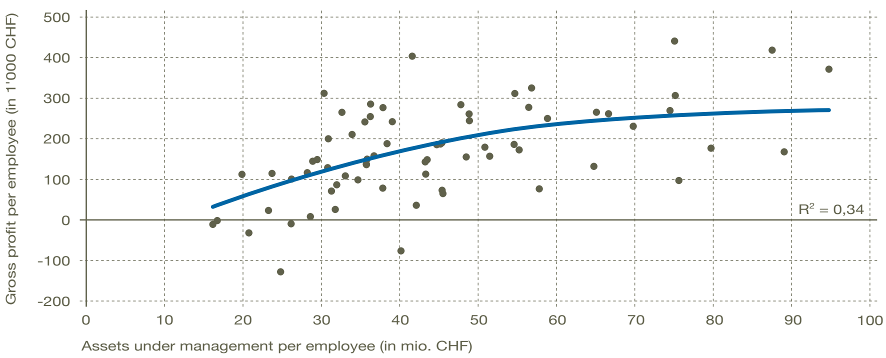


Figure 35 shows the relation between AUM per employee and revenue per employee. An identical relation was displayed in the 2007 edition of the study. It is of no surprise that a close positive correlation between the figures exists. Interesting is the fact that on average, revenue per employee rises under-proportionally to the assets under management.

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 revenues. As a result, the marginal gross profit from an additional Swiss Franc of AUM per employee decreases with an increase in amount of managed assets per employee.

Figure 36: AUM per employee – Gross profit per employee



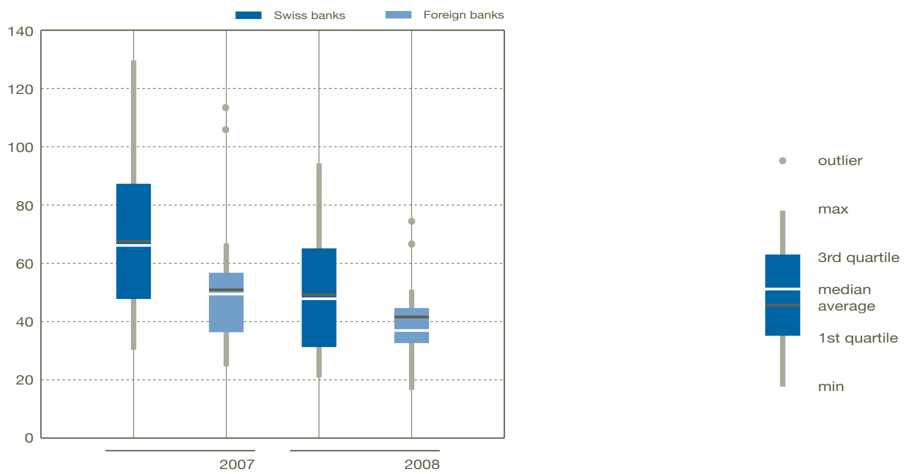
Comparison of domestic and foreign banks

In the following, selected figures of Swiss and foreign controlled banks in Switzerland are compared. The group of foreign banks includes subsidiaries of foreign banks in Switzerland.

Assets under management per employee

Figure 37 compares AUM per employee for the years 2007 and 2008. In 2007, an average employee managed significantly more AUM in a Swiss bank than in a foreign bank in Switzerland. This was still the case in 2008, but the difference was smaller since Swiss banks' AUM per employee decreased significantly during that year. Furthermore, a certain degree of heterogeneity within the Swiss sample can be observed since the range of different AUM per employee figures is remarkably wide compared to the foreign banks.

Figure 37: AUM per employee (in mio. CHF)



Efficiency and Profitability

Figure 38: Cost/income ratio

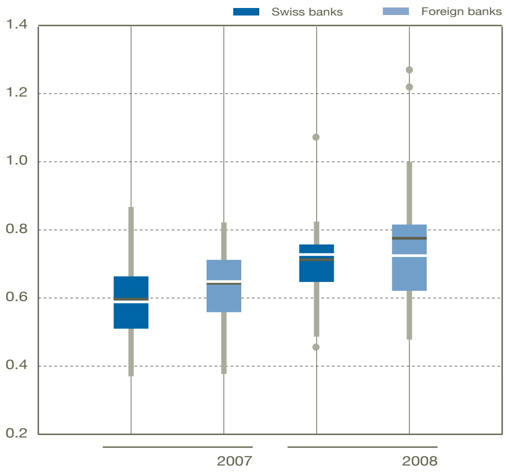


Figure 38 depicts that Swiss banks were superior to foreign banks in Switzerland as regards operational efficiency in 2007. In 2008, foreign controlled institutes still showed a significantly higher average cost/income ratio. However, median values were approximately the same for both groups.

Figure 39: Return on equity

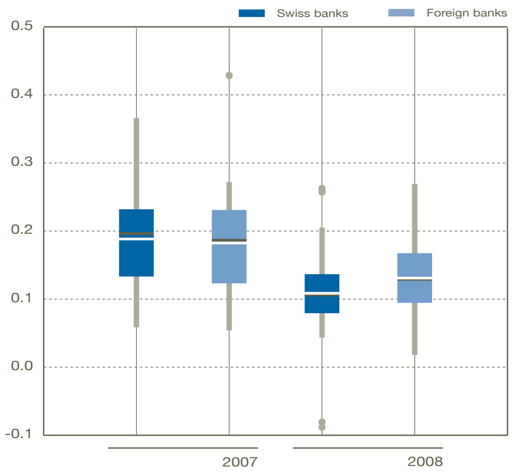
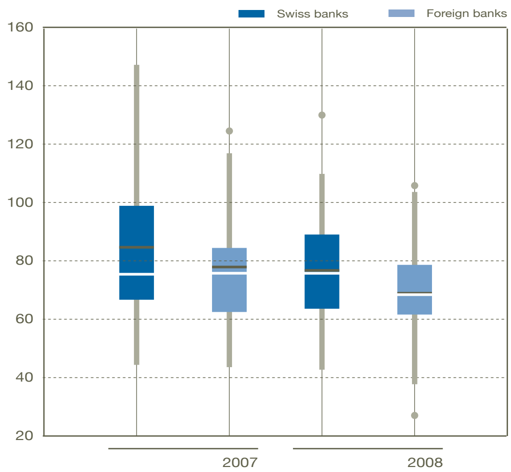


Figure 39 compares profitability of the two groups. While domestic banks could denote a median ROE of 18% in 2007, the decrease reported in 2008 was substantial, leaving the Swiss banks with a median value of less than 11%. A decrease in ROE figures could also be observed among the foreign banks, but to a smaller degree. (17% in 2007 and 13% in 2008).

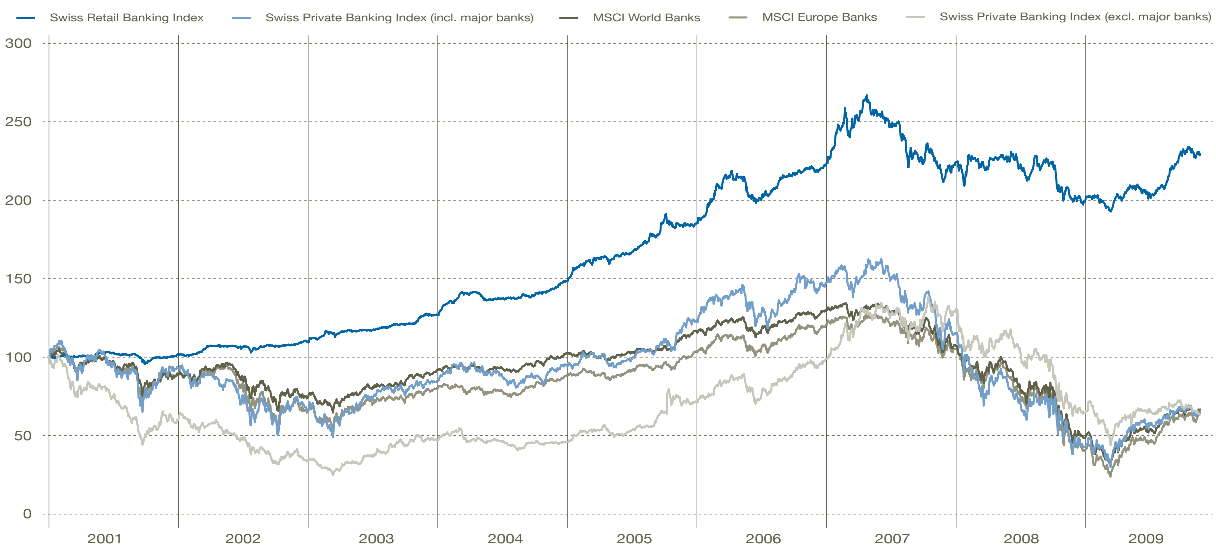
If adjusted gross margins – the result of fees and commission income divided by average AUM – are regarded, it can be seen that Swiss banks showed a significantly better performance in 2008 than foreign banks with a median value of about 75bps. It is also remarkable that median figures have not changed much for Swiss banks between 2007 and 2008. However, average adjusted gross margin was much lower in 2008 than in the year before. This leads to the assumption that outperformers of 2007 in terms of adjusted gross margin had to face the most severe margin deteriorations in 2008.

Figure 40: Adjusted gross margin on AUM



Swiss Private Banking Index

Figure 41: Swiss Private Banking Index (rebased at 100 as of 1.1.2001)



Indices were created to allow the comparison of the stock market performance for the listed banks in the Swiss sample. Figure 41 discloses that stock prices of private banks (excl. major banks) clearly underperformed the market between 2001 and 2007. In the course of the latest market downturn, however, shares of swiss private banks proved to be more stable than the remaining part of the banking sector. While the MSCI World Banks fell by 75% between mid 2007 and March 2009, the Swiss Private Banking Index (excl. major banks) only dropped by 62%.

A strong growth in share prices could be observed among the Swiss retail banks. They clearly outperformed the banking market in the last nine years.

Conclusion and Final Remarks

The past years brought extensive challenges to the private banking industry. The boom spirit which was omnipresent in the sector two years ago disappeared when markets started to nosedive in mid 2007. The subsequent turmoil, but also the tightening of regulatory rules had a striking impact on the international private banking market. The extent to which private banks were affected by the financial crisis underscores the fact that private banking is very dependent on market cycles. The high structural stability which could be observed within the private banking sector in the years before the crisis was overturned by the market turbulences. Formerly long standing over-performers could only partially defend their market position while banks with an under average performance were able to strengthen their competitiveness. These results reflect the different risk-levels found on the heterogeneous set of business models and business strategies available in the private banking market.

Despite the tendencies of key metrics to converge, which can be observed on the macro level of the international private banking market, and the global character of the latest crisis, remarkable country specific differences among the key performance indicators exist. This indicates both the diversity of business models and the differences in operating performance.

In the course of the financial crisis and the structural change in the US banking market, newly formed large scale wealth management service providers have emerged among the largest players. This concentration process has had a noticeable impact on the structure of the international private banking market. It is foreseen that this dynamic will persist over the next years as some global banks need to reassess their international private banking strategy. Additionally, the recent discussions about banking secrecy as well as rising skepticism towards offshore private banking will tighten pressure on certain business models. The enormous efforts some banks have put into building up onshore presences in the years before the crisis will pay off in the near future. However, costs and risks of such a strategy should not be ignored. Institutes which still predominantly focus on domestic and offshore banking will either have to redefine their offshore strategy or to think about alternative routes enabling them to serve their clients in their respective home territories. For some small banks, however, the latter will be difficult as a minimum scale is necessary for efficient cross-border expansion.

In the course of the year 2009, a fully tax compliant model gained prestige within the wealth management industry. This tendency will be a particular challenge for banks with a significant share of undisclosed assets in their clients' books. Given the international pressure as well as the recent regulatory trends, banks risk to be caught in a strategic trap unless they adapt their business models. Furthermore, a transformation towards full tax compliance would hurt bank's margins. In order to keep margins higher, cross-selling efforts and a stronger emphasis on expanding the product range will be necessary. The divergence between business models seems ever increasing. Whereas some players enforce a strategy of independency, some others pursue the contrary approach, building fully integrated models. As there is no clear evidence for the superiority of one or the other of those models, both approaches seem to address specific client preferences and should therefore continue to coexist in the market.

Changing client behavior has challenged private banks on different levels. Increased risk aversion in the course of the market downturn has led to a short run asset shift from high risk assets towards less risky capital market products and money market investments. Lower margins were the result of this development. Banks which have successfully implemented a flexible cost structure in the years before the crisis could show an adequate reaction to the sinking margins. However, also these banks had difficulties in keeping revenues stable as not only margins but also asset and trading volumes decreased substantially. Furthermore the significant shifting of assets within the market shows the importance of a private bank's brand and the perception clients grant to them. Mainly private banking units of major banks which suffered high losses in their investment banking division were facing the negative aspects of an integrated business model with an umbrella brand strategy.

While indicators for economies of scale in the private banking sector were visible in the last study, no such relation could be detected for the years 2007 and 2008. This leads to the assumption that economies of scale may occur under specific conditions but are not a persistent phenomenon in the wealth management industry. However, this does not negate the existence of scale barriers between the different business models. The size of a bank is therefore of vital importance when it comes to the questions, whether and to what extent a specific part of the value chain should be in-sourced or drawn from the market.

Over all the key performance indicators analyzed in this study, Swiss and Liechtenstein banks are the most successful. This should not conceal, however, that weaknesses certainly do exist. Room for improvement can particularly be seen for both countries in profitability. Additionally, Swiss banks need to improve efficiency in order to successfully defend their leading position in the international private banking market. The combination of highly paid relationship managers generating far above average revenues might be efficient in times of good market conditions. However, it also constitutes a remarkable risk in times of nose-diving markets.

Overall, the prospects for the industry are challenging. Besides cyclical swings, the industry is shaken by structural effects (banking secrecy, regulation), which have the potential to bring about substantial changes in the international wealth management market. These effects do not only challenge banks but also call upon authorities to ensure a favorable international playing field. We will continue to keep track of the winners and losers of the ongoing transformation process.

Zurich, December 2009

Appendix

Table 11: Sample overview

Name	Cost/income ratio (before depreciation)			Total revenue per employee (in CHF)			Gross profit per employee (in CHF)			Total costs per employee (in CHF)		
	2008	Average	2007	2008	Average	2007	2008	Average	2007	2008	Average	2007
Switzerland												
AAM Privatbank	82.9%	79.8%	76.7%	292'329	319'570	346'810	49'932	65'397	80'863	133'454	139'503	145'553
ABN Amro Bank (Schweiz)	55.3%	53.4%	51.4%	540'449	587'786	635'122	241'573	275'121	308'669	217'978	232'202	246'427
Adler & Co. Privatbank	72.0%	61.8%	51.6%	615'690	695'560	775'429	172'586	274'112	375'638	334'483	318'204	301'926
AKB Privatbank Zürich	66.3%	61.6%	57.0%	684'615	720'993	757'371	230'769	278'229	325'689	207'692	207'912	208'133
AP Anlage & Privatbank	76.5%	60.5%	44.4%	188'889	274'478	360'067	44'444	122'256	200'067	94'444	100'555	106'667
Arab Bank (Switzerland)	65.8%	55.6%	45.3%	524'675	629'239	733'803	179'221	290'315	401'408	240'260	237'031	233'803
Arvest Privatbank	539.2%	295.1%	50.9%	29'143	203'646	378'148	-128'000	28'778	185'556	100'000	116'667	133'333
Atlantic Vermögensverwaltungsbank	71.9%	63.4%	54.9%	489'650	579'299	668'947	137'500	219'539	301'579	228'150	241'443	254'737
Banca Arner	66.9%	58.7%	50.6%	802'222	796'178	790'135	265'185	327'930	390'674	306'667	273'010	239'353
Banca della Swizzera Italiana BSI	80.4%	71.0%	61.7%	361'648	356'122	350'596	71'046	102'749	134'452	179'544	158'116	136'689
Banco Santander	31.8%	33.6%	35.4%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Bank CIC (Schweiz)	69.5%	69.8%	70.1%	375'224	383'176	391'128	114'542	115'755	116'969	182'765	189'275	195'786
Bank Frey	75.0%	71.4%	67.7%	451'667	500'085	548'503	112'778	145'012	177'246	172'222	184'914	197'605
Bank Hapoalim (Switzerland)	62.7%	62.2%	61.8%	496'837	505'345	513'854	185'401	190'938	196'474	187'348	183'850	180'353
Bank Leumi le-Israel (Switzerland)	78.6%	74.0%	69.3%	366'548	423'500	480'451	78'292	112'830	147'368	180'071	185'900	191'729
Bank Morgan Stanley (Switzerland)	76.0%	68.3%	60.6%	1'089'506	1'228'964	1'368'421	261'728	400'689	539'649	558'025	523'925	489'825
Bank Sal. Oppenheim jr. & Cie (Schweiz)	94.7%	83.2%	71.8%	485'112	626'914	768'716	25'776	121'401	217'026	295'463	328'534	361'605
Banque Baring Brothers Sturdza	66.3%	62.6%	59.0%	842'553	954'883	1'067'213	284'014	360'860	437'705	283'362	303'156	322'951
Banque Bauer (Suisse)	n/a	n/a	266.1%	-318'182	-102'727	112'727	-663'636	-425'455	-187'273	190'909	181'818	172'727
Banque Cramer & Cie	71.7%	72.4%	73.2%	455'172	465'958	476'744	128'736	128'321	127'907	227'586	226'584	225'581
Banque de Dépôts et de Gestion	72.7%	63.5%	54.3%	369'004	402'269	435'534	100'606	149'721	198'835	179'221	172'038	164'854
Banque de Patrimoines Privées Genève BPG	102.8%	92.9%	83.0%	342'743	372'939	403'134	-9'611	29'392	68'395	253'593	246'662	239'731
Banque Franck, Galland & Cie	66.7%	62.9%	59.1%	474'425	535'279	596'133	157'779	201'146	244'513	239'046	253'626	268'205
Banque Genevoise de Gestion BGG	67.4%	65.2%	63.1%	344'091	387'284	430'476	112'273	135'660	159'048	177'273	186'255	195'238
Banque Jacob Safra (Suisse)	61.6%	60.4%	59.3%	702'279	742'112	781'944	269'535	294'027	318'519	318'142	329'904	341'667
Banque Pasche	83.5%	81.6%	79.8%	217'898	282'748	347'598	36'051	53'091	70'131	109'873	144'325	178'777
Banque Piguet & Cie	69.5%	64.6%	59.6%	491'630	537'151	582'671	149'780	192'489	235'199	237'004	238'990	240'975
Banque SCS Alliance	68.3%	67.0%	65.6%	n/a	n/a	n/a	160'963	168'488	176'014	194'830	192'702	190'573
Banque Syz & Co.	69.5%	58.2%	47.0%	690'100	1'184'288	1'678'475	210'617	550'152	889'686	352'654	483'502	614'350
Bearbull Degroof Banque Privée (Suisse)	54.3%	60.3%	66.4%	535'455	504'513	473'571	244'545	201'916	159'286	200'000	207'143	214'286
BHF Bank (Schweiz)	78.3%	72.2%	66.0%	455'844	521'803	587'761	98'701	149'201	199'701	236'364	246'540	256'716
Bipielle Bank (Schweiz)	102.9%	86.4%	69.9%	376'709	418'132	459'556	-11'063	63'691	138'444	235'873	217'381	198'889
BNP Paribas (Suisse)	44.0%	42.5%	41.1%	689'875	740'938	792'001	386'121	426'486	466'851	216'553	224'120	231'687
BZ Bank	n/a	n/a	22.5%	-281'081	960'293	2'201'667	-762'162	472'530	1'707'222	243'243	257'733	272'222
Citibank (Switzerland)	118.3%	95.7%	73.1%	416'507	485'998	555'490	-76'392	36'651	149'693	312'668	279'909	247'150
Clariden Leu	56.0%	52.5%	49.0%	817'627	921'479	1'025'330	176'271	431'273	686'275	282'034	326'846	371'658
Commerzbank (Schweiz)	50.7%	49.3%	47.9%	561'181	619'329	677'476	276'793	314'996	353'199	194'937	207'460	219'982
Coutts Bank von Ernst	66.9%	66.2%	65.5%	476'454	504'499	532'545	157'882	170'925	183'968	225'511	230'671	235'830
Credit Suisse	252.0%	158.2%	64.4%	193'285	519'581	845'877	-293'827	3'456	300'739	276'413	311'357	346'302
Credit Suisse Private Banking	74.9%	67.3%	59.6%	590'976	630'558	670'140	148'350	209'420	270'490	200'337	211'252	222'168
Crédit Agricole (Suisse)	53.2%	53.4%	53.6%	610'340	624'391	638'442	285'494	290'926	296'359	236'883	244'182	251'482
Deutsche Bank (Schweiz)	61.1%	64.4%	67.6%	714'064	725'020	735'977	277'456	257'891	238'326	225'442	249'064	272'687
Dominick Company	176.8%	132.4%	88.1%	466'667	502'159	537'652	-358'333	-147'183	63'968	233'333	236'100	238'866
Dresdner Bank (Schweiz)	74.2%	69.5%	64.8%	420'141	450'869	481'597	108'481	138'963	169'444	224'028	225'382	226'736
DZ Privatbank (Schweiz)	58.2%	57.4%	56.5%	449'869	491'412	532'956	187'927	209'946	231'966	154'331	167'123	179'915
EFG International	68.9%	62.8%	56.7%	438'203	492'613	547'022	136'143	186'599	237'055	207'178	213'077	218'976
F. van Lanschot Bankiers (Schweiz)	82.1%	76.2%	70.3%	487'179	521'090	555'000	87'179	126'090	165'000	276'923	273'462	270'000
Falcon Privatbank (Former AIG Privatbank)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Finter Bank Zürich	83.9%	76.7%	69.6%	402'703	465'715	528'727	64'865	112'796	160'727	201'351	218'130	234'909
Fortis Banque (Suisse)	55.4%	50.5%	45.7%	570'732	616'883	663'035	254'704	307'305	359'907	236'934	231'915	226'897
HSBC Private Bank (Suisse)	50.4%	47.7%	45.0%	655'383	709'365	763'347	325'216	372'675	420'133	225'613	225'540	225'468
Hyposwiss Privatbank	48.1%	46.5%	44.8%	600'597	690'944	781'290	311'642	371'434	431'226	198'806	214'242	229'677
IDB Schweiz	84.5%	85.7%	86.8%	472'593	430'558	388'524	73'037	62'185	51'333	280'556	253'373	226'190
ING Bank (Switzerland)	71.2%	66.6%	62.0%	496'802	538'630	580'458	143'023	181'893	220'763	238'953	239'629	240'305
J&T Bank	223.4%	150.6%	77.8%	192'500	373'173	553'846	-237'500	-57'212	123'077	255'000	255'705	256'410
Julius Bär	61.9%	59.7%	57.5%	696'811	791'219	885'628	265'366	320'865	376'364	306'426	336'870	367'313
Julius Bär Private Banking	67.7%	65.9%	64.2%	576'438	630'151	683'863	186'124	215'518	244'911	246'093	263'758	281'424
Jyske Bank (Schweiz)	54.8%	49.5%	44.3%	689'655	745'661	801'667	312'069	379'368	446'667	156'897	155'115	153'333
LB (Swiss) Privatbank	65.6%	55.9%	46.2%	552'747	657'268	761'790	190'110	300'013	409'915	232'967	227'124	221'282
Les Fils Dreyfus & Cie	54.2%	52.2%	50.2%	811'732	884'358	956'983	371'508	424'229	476'950	350'279	368'341	386'402
LGT Bank (Schweiz)	149.3%	122.0%	94.7%	261'593	298'654	335'714	-128'850	-55'496	17'857	249'912	230'908	211'905
Maerki Baumann & Co.	75.3%	74.0%	72.8%	679'195	623'381	567'568	167'785	161'190	154'595	291'275	252'124	212'973
MediBank	59.7%	49.6%	39.4%	496'774	688'387	880'000	200'000	366'667	533'333	212'903	213'118	213'333
MM Warburg Bank (Schweiz)	44.3%	38.8%	33.3%	725'000	903'571	1'082'143	403'571	562'500	721'429	221'429	237'500	253'571
Morval Vonwiller Holding	68.2%	62.0%	55.9%	365'787	425'383	484'978	116'426	165'146	213'867	168'511	174'922	181'333
PKB Privatbank	51.6%	48.2%	44.8%	500'592	528'382	556'173	242'130	274'614	307'099	199'408	193'531	187'654
Privatbank IHAG Zürich	55.3%	53.4%	51.4%	540'449	587'786	635'122	241'573	275'121	308'669	217'978	232'202	246'427
Privatbank Von Graffenried	81.2%	76.5%	71.9%	407'407	453'764	500'121	76'543	108'597	140'651	182'716	198'716	214'717
Rothschild Bank Zürich	69.1%	69.6%	70.0%	481'313	485'390	489'466	148'737	147'673	146'609	255'051	257'251	259'452

Name	Cost/income ratio (before depreciation)			Total revenue per employee (in CHF)			Gross profit per employee (in CHF)			Total costs per employee (in CHF)		
	2008	Average	2007	2008	Average	2007	2008	Average	2007	2008	Average	2007
Switzerland												
Rüd Blass & Cie	85.0%	77.4%	69.7%	649'275	817'517	985'759	97'101	198'076	299'051	211'594	242'664	273'734
Sarasin	68.6%	59.8%	51.1%	500'332	615'297	730'261	156'926	257'170	357'414	239'527	257'227	274'927
Sarasin Private Clients	79.2%	72.8%	66.4%	635'700	687'339	738'978	131'953	189'970	247'988	n/a	n/a	n/a
Schroder & Co Bank	64.2%	62.5%	60.8%	698'824	775'741	852'659	250'000	292'201	334'401	288'824	304'245	319'667
Scobag	64.2%	56.7%	49.2%	516'981	616'198	715'415	184'906	274'271	363'636	271'698	278'142	284'585
Sella Bank	60.8%	54.5%	48.1%	369'231	428'365	487'500	144'615	198'870	253'125	153'846	153'486	153'125
SG Private Banking (Suisse)	55.2%	54.6%	54.0%	582'903	623'363	663'823	261'233	283'288	305'344	232'406	238'608	244'810
SNB Börsenbanken	62.9%	58.7%	54.5%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
SNB Privatbankiers	69.5%	67.9%	66.3%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Société Bancaire Privée SBP	94.4%	89.9%	85.4%	418'605	433'341	448'077	23'256	44'320	65'385	220'930	207'581	194'231
St. Galler Kantonalbank Private Banking	45.3%	41.0%	36.7%	764'786	887'446	1'010'105	418'462	528'810	639'158	203'077	206'802	210'526
Sydbank (Schweiz)	100.6%	85.0%	69.4%	299'718	380'288	460'857	-1'690	69'584	140'857	194'366	190'040	185'714
Trafina Privatbank	179.2%	112.5%	45.8%	265'000	628'022	991'045	-210'000	163'657	537'313	237'500	244'123	250'746
UBS	705.5%	405.9%	106.2%	47'018	221'153	395'288	-284'698	-154'625	-24'552	201'583	258'584	315'584
UBS Wealth Management International & CH	65.5%	58.3%	51.1%	541'766	668'000	794'234	187'065	287'902	388'738	161'662	200'133	238'603
Union Bancaire Privée	48.7%	46.8%	44.8%	859'038	890'895	922'752	440'850	474'999	509'148	329'482	326'586	323'690
Valartis Bank	111.9%	78.4%	44.9%	268'734	559'176	849'618	-32'041	217'949	467'939	181'395	214'743	248'092
Vontobel	73.6%	68.4%	63.1%	587'413	705'850	824'288	155'167	229'465	303'764	278'011	314'718	351'424
Vontobel Private Banking	78.4%	73.3%	68.3%	818'024	927'633	1'037'242	176'776	253'008	329'239	279'723	301'906	324'089
VP Bank (Schweiz)	97.6%	93.9%	90.3%	340'541	363'127	385'714	8'108	22'804	37'500	218'919	238'924	258'929
USA												
Alliance Bernstein	73.1%	71.0%	68.8%	997'226	1'145'806	1'294'386	193'694	258'041	322'388	297'834	358'560	419'287
Bank of America	57.1%	56.6%	56.1%	449'506	471'802	494'098	139'257	156'234	173'211	81'858	96'342	110'827
Bank of New York Mellon	80.0%	74.0%	68.1%	479'829	499'762	519'695	69'327	100'989	132'650	129'703	140'358	151'013
Boston Private Financial Holdings	175.7%	126.9%	78.0%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Citigroup	134.7%	105.5%	76.2%	227'022	281'803	336'583	-56'902	3'586	64'074	104'473	110'322	116'172
Citigroup Global Wealth Management	84.0%	79.9%	75.8%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
JPMorgan Chase	62.8%	59.6%	56.5%	497'651	550'532	603'412	133'547	171'741	209'934	121'434	137'387	153'340
Legg Mason Inc.	330.9%	207.3%	83.8%	322'437	894'028	1'465'619	-537'109	-173'691	189'727	302'319	379'465	456'611
Merrill Lynch	n/a	214.1%	214.1%	-458'722	-59'675	339'373	-1'099'345	-704'379	-309'413	387'981	385'737	383'492
Morgan Stanley	90.8%	89.3%	87.9%	775'841	791'457	807'073	51'745	65'003	78'261	278'434	330'050	381'666
Northern Trust	69.4%	69.5%	69.6%	540'996	524'509	508'022	119'591	121'496	123'401	106'223	113'498	120'772
UBS Wealth Management USA	113.9%	101.9%	89.9%	426'614	446'668	466'722	-42'829	-2'536	37'757	205'738	230'341	254'944
Wells Fargo	87.4%	76.8%	66.3%	176'485	250'018	323'551	16'001	51'645	87'289	63'571	81'965	100'360
UK												
Barclays	58.3%	56.4%	54.5%	316'373	365'389	414'406	132'040	160'350	188'661	106'683	128'959	151'234
Barclays Wealth Management	70.6%	73.1%	75.6%	334'651	363'943	393'235	98'323	97'132	95'941	n/a	n/a	n/a
Brewin Dolphin Securities	83.0%	81.8%	80.7%	269'758	312'462	355'166	45'963	57'194	68'426	134'219	163'740	193'262
C Hoare & Co.	67.6%	65.6%	63.5%	518'239	n/a	n/a	167'893	n/a	n/a	n/a	n/a	n/a
Charles Stanley & Co.	92.1%	91.2%	90.2%	311'768	370'458	429'148	24'500	33'266	42'031	127'096	148'716	170'335
HSBC Holding	44.1%	45.3%	46.4%	495'749	546'755	597'761	276'940	298'764	320'587	126'192	143'816	161'440
HSBC Private Banking	58.3%	57.7%	57.1%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Investec	54.4%	56.3%	58.1%	503'381	535'955	568'529	229'504	233'816	238'129	187'474	210'714	233'954
Rathbone Brothers	67.5%	66.2%	64.9%	328'036	372'840	417'644	106'460	126'625	146'791	144'157	164'353	184'549
Royal Bank of Scottland	85.4%	66.0%	46.7%	216'635	291'422	366'208	31'730	113'541	195'353	103'487	103'939	104'391
Schroders	84.7%	73.5%	62.4%	530'234	698'994	867'754	81'078	203'822	326'565	268'411	311'955	355'499
Austria												
Bank Gutmann	70.8%	67.1%	63.5%	352'918	394'673	436'429	102'979	131'220	159'461	162'064	171'372	180'679
Bank Vontobel (Österreich)	81.3%	72.3%	63.3%	256'078	292'570	329'062	47'831	84'266	120'702	208'247	208'304	208'360
Bank Winter & Co.	45.6%	42.9%	40.1%	758'209	771'685	785'161	412'298	441'205	470'111	188'179	186'016	183'852
Bankhaus Carl Spängler & Co.	69.8%	64.6%	59.5%	238'219	257'545	276'870	72'055	92'107	112'160	112'925	110'478	108'031
Bankhaus Krentschker	57.7%	57.0%	56.3%	341'635	346'242	350'848	144'654	148'941	153'229	132'169	131'180	130'192
Bankhaus Schelhammer	52.5%	52.1%	51.8%	346'192	369'102	392'012	164'612	176'779	188'945	132'978	140'969	148'959
Constantia Privatbank	61.6%	55.8%	50.0%	631'946	995'302	1'358'658	242'704	460'992	679'280	111'492	152'768	194'043
Oberbank	47.4%	47.9%	48.3%	313'467	330'135	346'802	164'787	172'073	179'360	94'435	101'625	108'816
Privatinvest Bank	82.5%	70.3%	58.2%	228'587	303'923	379'259	40'003	99'332	158'661	118'750	138'563	158'377
Schöllerbank	73.6%	69.3%	65.0%	281'876	309'472	337'069	74'432	96'263	118'093	144'074	144'590	145'107
Nordic countries												
Bank of Aland	62.3%	58.4%	54.6%	246'225	259'518	272'810	92'917	108'437	123'957	93'978	94'443	94'909
Danske Bank Private Banking	54.3%	50.2%	46.0%	645'242	869'261	1'093'281	294'674	442'629	590'585	n/a	n/a	n/a
DNB Nor	48.0%	48.4%	48.8%	482'994	481'873	480'752	250'926	248'549	246'173	n/a	n/a	n/a
DNB Nor Asset Management	68.3%	65.5%	62.6%	639'334	746'321	853'308	202'620	260'756	318'893	n/a	n/a	n/a
HQ Bank	58.8%	55.7%	52.5%	491'428	607'917	724'405	202'459	273'147	343'835	216'877	259'418	301'958
Jyske Bank	60.9%	59.4%	57.9%	281'575	279'635	277'695	110'140	113'577	117'014	117'851	114'115	110'379
Nordea Bank Sweden	51.4%	50.8%	50.3%	395'838	401'966	408'095	192'416	197'714	203'012	123'965	123'771	123'577
Sampo Bank Private Clients	55.7%	43.7%	31.6%	623'297	489'427	644'935	426'498	433'901	441'304	n/a	n/a	n/a
SEB Nordic Retail & Private Banking	54.6%	50.7%	46.8%	701'717	749'014	796'311	318'595	371'099	423'603	213'644	211'744	209'844
Swedbank	46.9%	47.7%	48.6%	256'541	271'916	287'291	136'330	141'942	147'555	71'004	78'224	85'444
Sydbank A/S	62.2%	61.1%	59.9%	360'389	346'039	331'690	136'115	134'513	132'911	126'019	122'526	119'033
The Carnegie Group	97.4%	86.3%	75.3%	559'400	720'538	881'676	14'683	116'247	217'811	309'605	402'010	494'415
The Carnegie Group Private Banking	90.4%	73.3%	56.1%	425'372	507'216	589'060	40'828	149'683	258'538	245'918	225'867	205'816

Name	Cost/income ratio (before depreciation)			Total revenue per employee (in CHF)			Gross profit per employee (in CHF)			Total costs per employee (in CHF)		
	2008	Average	2007	2008	Average	2007	2008	Average	2007	2008	Average	2007
Liechtenstein												
Bank Alpinum	87.0%	81.8%	76.6%	444'583	475'932	507'280	57'917	88'247	118'577	238'750	234'982	231'213
Bank Frick & Co.	46.8%	50.9%	55.1%	607'768	774'030	940'292	323'527	372'763	422'000	152'065	171'636	191'208
Banque Pasche (Liechtenstein)	50.2%	46.1%	42.1%	660'912	712'491	764'070	329'404	385'984	442'565	198'632	195'140	191'649
Centrum Bank	53.7%	50.4%	47.0%	696'496	779'258	862'020	322'521	389'592	456'663	186'773	193'983	201'194
EFG Von Ernst	63.0%	58.2%	53.5%	560'714	560'714	560'714	231'169	323'043	414'916	234'476	255'893	277'311
Hypo Investment Bank Liechtenstein	53.9%	47.2%	40.5%	534'343	639'390	744'437	246'295	344'799	443'303	155'381	157'914	160'448
Kaiser Ritter Partner Privatbank	74.0%	59.9%	45.9%	396'280	524'045	651'811	103'140	227'979	352'819	148'560	158'025	167'490
LGT	67.9%	66.7%	65.5%	442'976	498'449	553'923	142'314	166'587	190'860	204'237	241'588	278'939
LGT WM Asia	86.3%	83.4%	80.6%	496'732	592'067	687'401	68'213	100'899	133'585	n/a	n/a	n/a
LGT WM International	65.1%	62.6%	60.0%	748'502	762'686	776'870	261'296	285'892	310'487	n/a	n/a	n/a
LLB	51.4%	47.5%	43.7%	528'530	640'694	752'858	256'962	340'490	424'019	182'415	205'475	228'535
LLB Private Banking	69.4%	63.6%	57.8%	n/a	n/a	426'491	n/a	n/a	180'011	n/a	n/a	n/a
Neue Bank	43.8%	40.3%	36.8%	654'901	693'355	731'810	367'780	415'223	462'667	178'505	180'193	181'881
Raiffeisenbank (Liechtenstein)	47.6%	47.0%	46.5%	476'638	495'360	514'083	249'942	262'591	275'240	155'362	158'210	161'058
Volksbank	35.2%	39.9%	44.5%	590'087	592'783	595'480	382'445	356'333	330'220	121'140	126'035	130'930
Vontobel (Liechtenstein)	50.5%	52.9%	55.3%	634'929	625'756	616'583	314'357	294'970	275'583	201'500	203'709	205'917
VP	67.8%	57.3%	46.7%	584'863	640'127	695'392	188'212	279'331	370'451	265'671	245'142	224'612
VP Private Banking Clients	62.0%	54.5%	46.9%	672'574	823'392	974'210	255'266	386'099	516'933	230'274	230'492	230'710
Italy												
Banca Albertini Syz & Co	83.9%	74.7%	65.4%	482'898	583'685	684'472	77'681	157'264	236'846	276'470	287'511	298'552
Banca Carige	61.5%	58.1%	54.6%	294'253	287'208	280'163	113'368	120'214	127'059	118'079	107'049	96'020
Banca Fideuram	50.5%	48.4%	46.3%	679'379	776'267	873'154	336'553	402'739	468'925	138'475	132'471	126'466
Banca Generali	77.9%	71.9%	65.8%	339'401	388'693	437'984	75'127	112'365	149'603	116'496	119'983	123'469
Banca Intesa Sanpaolo	73.7%	72.4%	71.2%	114'402	156'959	199'516	30'125	43'823	57'521	51'517	65'600	79'683
Banca Monte dei Paschi di Siena	63.4%	60.9%	58.3%	327'159	380'931	434'704	119'673	150'431	181'189	139'285	148'373	157'462
Banca Monte dei Paschi di Siena PB	77.5%	68.5%	59.6%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Banca Nazionale del Lavoro	62.9%	66.4%	69.9%	n/a	n/a	256'953	n/a	n/a	77'388	n/a	n/a	112'416
Banca Patrimoni Sella & Co	94.9%	88.5%	82.1%	245'011	289'147	333'282	12'389	36'041	59'692	126'343	127'011	127'678
Banca Popolare di Bergamo	43.4%	43.4%	43.3%	475'499	477'735	479'971	269'138	270'586	272'034	124'262	117'558	110'854
Cariparma	57.4%	55.1%	52.9%	320'567	305'091	289'614	136'719	136'523	136'328	113'025	100'084	87'144
Credem	77.3%	71.5%	65.7%	224'236	262'917	301'598	50'998	77'206	103'414	114'337	116'990	119'643
Credem Wealth Management	54.3%	51.4%	48.6%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Deutsche Bank Italien	94.0%	82.4%	70.9%	340'993	337'598	334'204	20'503	58'949	97'395	149'071	127'592	106'114
Intesa Sanpaolo Private Banking	49.8%	48.2%	46.6%	439'959	462'380	484'800	220'686	239'705	258'723	151'708	148'839	145'970
Intra Private Bank	95.8%	86.1%	76.3%	331'175	377'851	424'527	13'882	57'260	100'639	127'219	129'519	131'820
Mediobanca	38.2%	39.1%	40.0%	1'058'717	1'351'028	1'643'338	654'364	820'022	985'681	160'721	207'421	254'121
Mediobanca Private Banking	53.8%	53.0%	52.2%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Unicredit Gruppo	57.2%	53.8%	50.4%	247'561	278'890	310'219	105'839	129'864	153'890	94'563	95'974	97'384
Unicredit Private Banking	61.4%	59.5%	57.6%	498'558	490'123	481'688	192'513	198'404	204'295	153'227	137'910	122'593
Unione di Banche Italiane	58.8%	50.4%	42.0%	664'459	972'793	1'281'126	273'625	508'495	743'365	170'432	205'577	240'721
France												
BNP Paribas	63.3%	60.3%	57.3%	258'615	296'572	334'529	94'959	118'962	142'965	n/a	n/a	n/a
BNP Paribas Private Banking	74.7%	71.0%	67.3%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Credit Agricole	67.3%	66.2%	65.1%	513'574	553'293	593'012	168'051	187'587	207'124	214'540	218'683	222'826
Credit Lyonnais	67.2%	77.4%	87.5%	266'423	266'092	265'762	87'255	60'242	33'229	110'152	125'752	141'352
Dexia Group	107.5%	79.5%	51.5%	153'468	246'597	339'727	-11'523	76'658	164'839	90'249	90'066	89'882
HSBC France	46.9%	54.6%	62.3%	606'475	522'104	437'734	321'851	243'541	165'231	179'985	171'491	162'998
ODDO Banque Privée	70.2%	69.9%	69.6%	626'398	661'788	697'179	186'487	199'088	211'689	n/a	n/a	n/a
Quilvest	n/a	40.9%	40.9%	-323'198	789'054	1'901'307	-948'293	87'882	1'124'057	402'718	409'396	416'074
Société Générale	67.0%	64.3%	61.7%	229'733	271'139	312'546	75'751	97'774	119'798	93'666	102'623	111'580
SG Private Banking	64.2%	64.2%	64.2%	475'373	502'425	529'477	169'979	179'651	189'324	n/a	n/a	n/a
Germany												
Banhkaus Neelmeyer	75.4%	72.5%	69.6%	195'829	216'264	236'699	48'090	60'053	72'016	109'778	113'211	116'644
Bankaus Löbbecke	87.8%	80.2%	72.5%	295'200	325'963	356'726	35'876	67'007	98'139	155'854	150'618	145'383
Bankhaus B. Metzeler seel. Söhne & Co.	81.6%	81.8%	82.0%	344'182	361'716	379'251	63'184	65'750	68'316	193'489	196'114	198'739
Bankhaus Hallbaum	63.9%	65.4%	66.9%	294'881	295'150	295'420	106'380	102'078	97'776	125'354	127'898	130'441
Bankhaus Lampe	84.2%	77.7%	71.2%	347'080	376'149	405'217	55'000	85'869	116'739	179'683	173'287	166'891
Bankhaus Reuschel	75.6%	72.7%	69.9%	290'573	300'291	310'009	70'851	82'138	93'425	137'566	130'318	123'070
Bankhaus Wölbern	n/a	n/a	81.1%	n/a	n/a	454'497	n/a	n/a	90'305	n/a	n/a	173'326
Berenberg Bank	65.5%	64.1%	62.8%	411'105	453'685	496'265	141'981	163'314	184'647	182'416	192'220	202'024
Commerzbank	101.5%	82.8%	64.1%	181'716	268'660	355'604	-2'779	62'452	127'682	102'637	117'929	133'221
Deutsche Bank	143.6%	106.8%	69.9%	247'142	458'311	669'479	-107'664	46'780	201'224	197'878	238'547	279'216
Dresdner Bank	638.5%	362.1%	85.7%	44'328	187'919	331'510	-238'718	-95'710	47'298	179'363	175'236	171'109
Hauck & Aufhäuser Privatbanquiers	85.1%	85.6%	86.1%	306'868	318'352	329'836	45'738	45'827	45'915	149'873	146'684	143'495
HSBC Trinkhaus Burkhardt	70.2%	64.9%	59.6%	382'010	432'615	483'220	113'857	154'474	195'092	175'768	175'065	174'361
HSBC Trinkhaus Burkhardt Private Banking	62.3%	61.0%	59.8%	802'435	831'711	860'987	302'570	324'467	346'365	n/a	n/a	n/a
Merck Finck Privatbanquiers	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
MM Warburg	51.7%	47.6%	43.5%	201'106	268'931	336'755	97'173	143'666	190'158	71'485	82'395	93'305
Sal. Oppenheim Privatbankiers	112.5%	91.0%	69.6%	301'270	450'324	599'378	-37'610	72'405	182'420	192'550	220'160	247'770

Name	Cost/income ratio (before depreciation)			Total revenue per employee (in CHF)			Gross profit per employee (in CHF)			Total costs per employee (in CHF)		
	2008	Average	2007	2008	Average	2007	2008	Average	2007	2008	Average	2007
Benelux												
ABN Amro	n/a	n/a	69.9%	-9'862	136'910	283'682	-210'240	-62'438	85'364	116'656	112'359	108'062
ABN Amro Private Clients	77.7%	73.7%	69.7%	496'567	599'212	701'858	110'845	161'711	212'577	n/a	n/a	n/a
Banque Degroof	50.0%	48.2%	46.3%	492'950	531'550	570'149	246'474	276'256	306'038	177'451	178'957	180'464
Banque Delen	44.2%	40.1%	36.1%	236'173	235'920	235'667	131'758	141'219	150'679	66'031	58'895	51'760
Banque LBLux	49.1%	32.7%	16.3%	494'977	1'000'028	1'505'079	252'168	755'911	1'259'654	161'507	154'450	147'393
Banque Privée de Rothschild Europe	69.7%	68.2%	66.6%	n/a	n/a	483'618	n/a	n/a	161'390	n/a	n/a	215'180
DZ Bank International	34.5%	39.1%	43.6%	699'769	647'337	594'906	458'443	396'863	335'283	156'166	156'776	157'386
Fortis Bank	114.4%	88.7%	63.0%	366'718	349'243	331'767	-52'827	34'944	122'715	255'363	190'403	125'444
HSH Nordbank Private Banking	72.2%	61.5%	50.8%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
KBC Bank	106.1%	78.0%	49.9%	132'039	216'532	301'025	-8'097	71'407	150'912	88'846	90'718	92'591
Krediet Bank Luxembourg (KBL)	114.6%	86.6%	58.5%	229'317	323'813	418'309	-33'541	69'941	173'423	174'624	169'904	165'184
MM Warburg Luxembourg	48.7%	49.3%	50.0%	506'703	510'826	514'948	259'905	258'813	257'722	136'833	129'093	121'353
Norddeutsche Landesbank Luxembourg	44.8%	35.4%	26.0%	651'588	902'832	1'154'077	359'903	607'102	854'301	164'735	161'585	158'436
Petercam SA	74.6%	69.1%	63.5%	708'768	874'721	1'040'674	179'946	279'937	379'928	n/a	n/a	n/a
Rabobank	60.8%	63.0%	65.1%	320'637	332'126	343'615	125'646	122'726	119'807	122'149	126'762	131'374
Rabobank Asset Management & Investment	56.3%	58.6%	60.9%	724'295	730'336	736'377	316'487	302'134	287'780	n/a	n/a	n/a
Société Européenne de Banque	39.8%	45.2%	50.6%	658'741	554'723	450'706	396'762	309'703	222'644	145'473	137'035	128'597
van Lanschot Bankiers Belgie	78.4%	68.4%	58.4%	347'804	403'547	459'291	74'972	133'065	191'158	163'972	166'330	168'688

Name	2008	Average	2007	2008	Average	2007	2008	Average	2007	2008	Average	2007
Japan												
Mitsubishi UFJ Financial Group	63.7%	62.0%	60.3%	749'169	798'705	848'242	272'179	304'663	337'147	n/a	n/a	n/a
Mizuho Financial Group	58.3%	55.7%	53.2%	723'524	741'814	760'104	301'627	328'804	355'982	237'006	227'895	218'784
Nikko Cordial Corporation	87.6%	82.1%	76.6%	138'526	164'398	190'270	17'157	30'823	44'489	55'378	62'112	68'846
Nomura Holdings	426.0%	267.1%	108.2%	115'209	292'388	469'566	-375'622	-207'073	-38'524	n/a	n/a	n/a
Resona Holdings	85.2%	78.4%	71.6%	499'338	506'645	513'953	73'660	109'912	146'164	n/a	n/a	n/a

Table 12: Calculation methods

Calculation methods for variables	
Revenue breakdown	
Commission and services business (absolute, in CHF)	Commission & service revenues
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 & service revenues / AUM
Percentages assets under management	
Own funds as percentage of assets under management	Own managed funds / AUM
Discretionary 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 ratio / average BIS tier 1 ratio entire sample)
Capital structure	
BIS tier 1 ratio	BIS tier 1 ratio
Per capita analysis	
Revenue per employee (absolute, in CHF)	Company revenue net / average number of staff
Gross profit per employee (absolute, in CHF)	Gross profit / average number of staff
Stakeholder income per employee (absolute, in CHF)	Stakeholder income / average number of staff
Operating costs per employee (absolute, in CHF)	Operating costs / average number of staff
Personnel costs per employee (absolute, in CHF)	Personnel costs / average number of staff
Wages per employee (absolute, in CHF)	(Wages/bonuses) / average number of staff
Assets under management per employee (absolute, in CHF)	AUM / average number of staff
Costs 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 costs1 / Operating costs2) - 1
Breakdown of assets under management	
Assets under management (absolute, in CHF)	AUM
Number of staff	
Number of staff (absolute)	Number of staff
Other variables	
Business model	1 = Private banking unit of major bank 2 = Private bank also focussed on asset management and investment banking 3 = Pure player private banks

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