University of Zurich[UZH]

Department of Banking and Finance

The International Private Banking Study 2015

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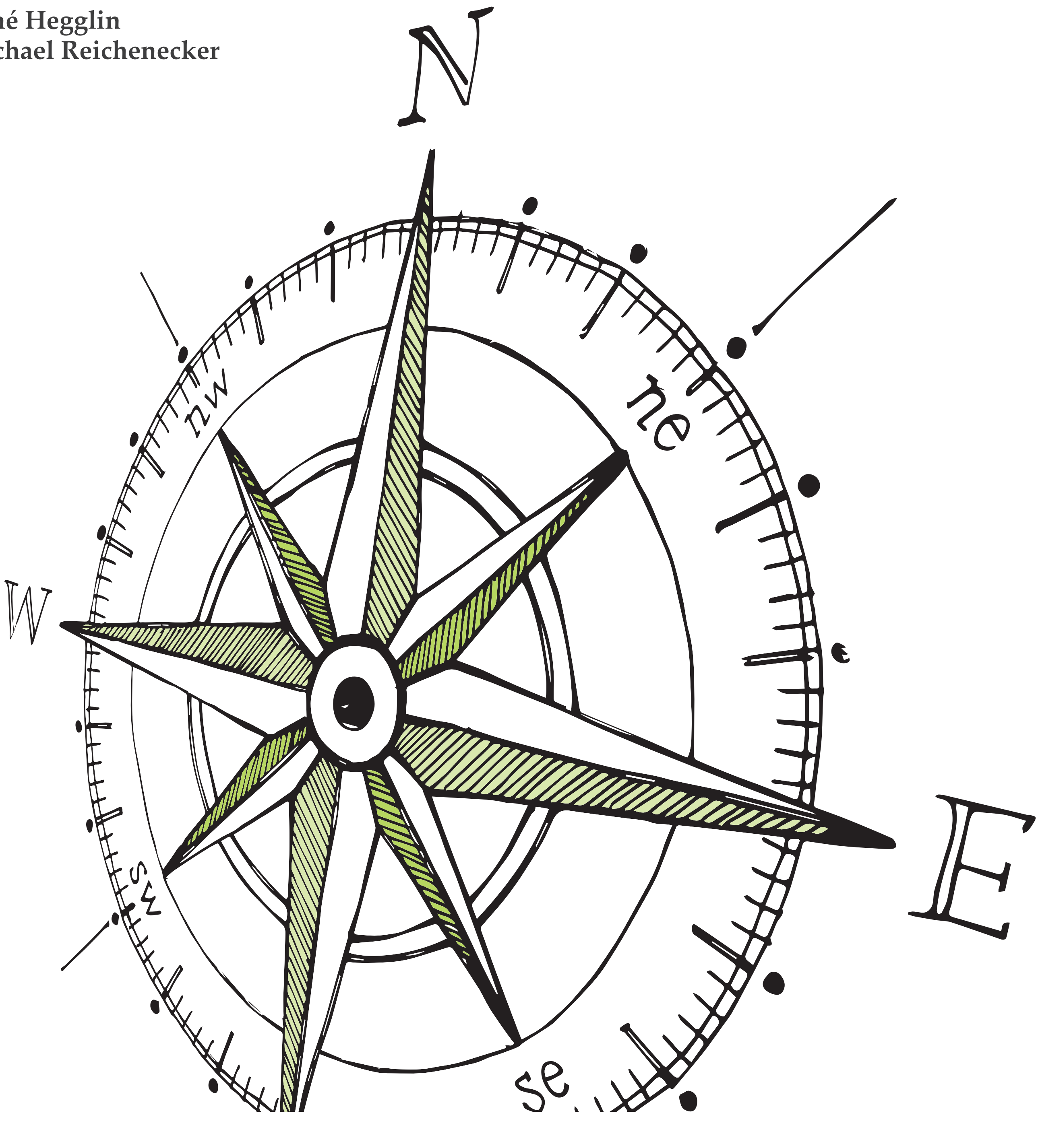

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This study is available for download at www.bf.uzh.ch.

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Executive Summary

The seventh issue of "The International Private Banking Study"

This is the seventh issue of "The International Private Banking Study", a biannual review of private banking published since 2003. Based on data per the end of 2014 (having become available during the course of 2015), the study analyzes the recent performance of 279 financial institutions active in private wealth management. Included in the international sample are banks from Austria, the Benelux countries, France, Germany, Italy, Liechtenstein, the UK, the US and, with special focus, Switzerland. The study investigates the relative strengths and competitiveness of wealth management banks from different countries as measured by key performance ratios such as volume of client assets managed, profitability and efficiency. Within the international section, bank performance is compared across countries. The chapter on Switzerland delves into the performance analysis of Swiss private banks, with special emphasis on the distinction between small and big banks (less or more than 10bn CHF in assets under management). Both the international comparison and the analysis of Switzerland lead to conclusions on the current state of affairs and a cautious outlook for the wealth management industry.

The end of a special case

Private banking is a traditional pillar of the Swiss financial industry. Having absorbed major shocks in the past decade, such as the 2007-2008 financial crisis and the phasing out of tax secrecy, Swiss private banks remain among the most important wealth managers globally. Yet, Swiss private bankers are learning to eat their bread in the sweat of their faces. Deprived of their edge in the form of bank secrecy as a prerequisite for tax evasion with respect to foreign customers, Swiss banks are subject to fierce global competition for wealth management clients.

International competition

There is a clear difference between countries with an internationally oriented wealth management industry and countries with a more domestic focus in wealth management. The internationally oriented group, including Switzerland, the UK, and the US, reports rather homogeneous return figures with adjusted gross returns of, typically, 50-60 basis points of assets under management. The domestically oriented group is much more heterogeneous. There is a sharp contrast between countries with weak competition, resulting in gross margins above 80 basis points (Italy, France) and countries with low-efficiency in wealth management and gross margins below 40 basis points (Germany, Austria). Switzerland and Liechtenstein still stand out in two respects. Assets under management per employee are higher than in other countries. At the same time, Switzerland has the highest wage costs per employee. Wage costs in 2012-2014 were only slightly lower than in 2006-2008.

Efficiency, as measured by the cost-income ratio (CIR), is similar among the internationally oriented banking systems with median values ranging from 70-75 percent (with considerable heterogeneity within individual countries). Since the financial crisis, CIRs have deteriorated in most countries. Most strongly hit was Liechtenstein, followed by Switzerland, the UK, Germany, and France. Efforts to control costs have been met with partial success. A flattening of the CIR curve in 2012-2014 has been observed in Switzerland, Liechtenstein, Benelux, and France; US banks, however, managed to improve their CIR from above 80 to barely more than 70 percent.

The fight for international market share in wealth management and for profitability goes on. It is a fight among banks, but also among financial centers or jurisdictions eager to safeguard or improve competitive conditions for their national financial industries. Apart from Asian financial centers like Singapore and Hong Kong, for which we have no data, Switzerland's main competitors are the UK and the US. Banks in the eurozone are competitors at home, rather than on an international turf.

Swiss banks: gross margins stabilized — persistent cost pressure

By the end of 2014, the Swiss portfolio management industry consisted of 102 banks (2012: 101). Still, portfolio management (in the sense of private banking and asset management combined) accounts for more than half of the value creation by Swiss banks and for about one fourth of the aggregate value creation by the financial sector (including insurance). Assets under management are rather concentrated among the five biggest banks (79 percent), particularly UBS and Credit Suisse, the biggest two (59 percent).

Assets under management are growing again since 2011, after almost one fourth had melted away in the financial crisis. In 2014 growth of AuM was stronger than in the preceding years. However, this is mainly due to positive performance developments (price and exchange rate effects). Net new money – the "true" inflow of money, net of valuation effects – kept its slow but steady pace observed since 2010. The net money inflow of 100-200 bn CHF per year is not spectacular, but still remarkable in the light of the quasi-erosion of bank secrecy for non-tax-compliant money.

Gross margins on AuM in 2014 were still below pre-crisis levels, roughly speaking. For a majority of banks, the adjusted gross margin was between 40 and 75 basis points. Since 2012, smaller banks performed substantially better than their bigger counterparts, which experienced a setback in 2014, the leanest year since the turn of the century.

Banks are also struggling on the cost side. Costs, particularly wage costs, seem sticky. At the same time, restructuring business models to a tax-compliant customer base is costly. On top of this, compliance costs (as well as the costs of non-compliance) are increasing with the growth of regulatory frameworks. This regulatory burden is particularly felt by smaller banks.

A proxy for the short-run probability of survival is the development of the cost-income ratio. Immediately after the financial crisis, CIRs exploded, particularly at small banks. In 2011, a third of the smaller banks were pushed into the non-viable terrain with a CIR above 100 percent. Since then, wealth management institutions managed to improve cost control. Half of them are operating with a CIR below 80 percent with a good chance of survival in the long run. A number of mostly smaller banks are however still operating at critical CIR levels above 90 percent, or close to 100 percent. A further restructuring of the industry should not come as a surprise. Combining the efficiency of digitalized mass production with a unique personalized service to the customer will be a tough challenge for wealth management banks.

Introduction

The pre-crisis days of exciting margins belong to a distant past. The protection of cross-border tax evasion by Swiss bank secrecy laws has been eroded and will soon be gone with the official adoption and implementation of the Automatic Exchange of Information. Costs of compliance increase with additional regulation. Advances in information technology foster new competition from previously unrelated fields.

The performance of the wealth management industry is largely driven by the macro environment, particularly by developments in stock markets and by currency fluctuations. In the period under consideration, the European economy was largely stagnating with growth in countries such as Germany being the exception rather than the rule. The US economy continued its fragile recovery, while growth in China and emerging markets showed signs of weakness.

Central banks expanded their balance sheets further in an effort to keep policy rates low. The FED started its third quantitative easing program, designed to last for two years, at the end of 2012. The ECB stepped up its expansionary stance with the addition of a government bond purchasing program. The Swiss National Bank (SNB) pegged the currency to the Euro with a rate floor of 1.20 CHF/EUR. In addition to negative interest rates not relieving upward pressure on the CHF, the SNB was forced to lift the exchange rate target in January 2015. Both ECB and SNB pushed policy rates to historically low levels.

With the zero or negative interest rate environment, world equity markets delivered a strong performance with an increase of roughly 40 percent in 2013 and 2014. Due to SNB's floor policy, the CHF/EUR exchange rate remained constant during 2013 and 2014 with only smaller fluctuations, while the USD gained 8 percent versus the CHF. The favorable equity markets and the stronger USD led to higher assets under management. In addition, Swiss banks managed to attract some net inflows.

A mild improvement on the return side was partially undermined by continuing cost pressure. The inability to reduce wages and a heavier regulatory burden weigh on banks' profits. The implementation of Art. 26 of the OECD Model Tax Convention and thus the Automatic Exchange of Information regarding tax matters as well as the "Foreign Account Tax Compliance Act" (FATCA) have led to more complex and cost intensive reporting requirements. On the European level, regulations such as UCITS V (Undertakings for Collective Investment in Transferable Securities), MIFID II (Markets in Financial Instruments Directive) and AIFMD (Alternative Investment Fund Managers Directive) aim to harmonize financial markets and enhance transparency as well as investor protection. While partly improving the customer's position, they also increase the cost to banks and – indirectly – to customers. Furthermore, Switzerland anticipates to introduce FIDLEG (Finanzdienstleistungsgesetz) and FINIG (Finanzinstitutsgesetz) before 2018.

This study explores the performance of the Swiss wealth management industry in light of the above developments and consists of two parts: The international section compares Swiss results to the performance of banks from other markets such as Germany, France, the UK, and the US. The domestic part examines the figures of Swiss banks in great detail. With Switzerland being the only country among wealth management centers with a mandatory disclosure of NNM, we're able to analyze indicators such as assets under management (AuM) and net new money (NNM). Expanding upon indicators of business volume, the study discusses revenue, cost, and profitability figures. We conclude with a cautious outlook.

International Private Banking

The main figures on private banking in different jurisdictions over 2013 and 2014 are summarized in Table 1 and Table 2. Color coding of cells illustrates the indicator's change from the previous year. Figures with dark (light) green background improved by more (less) than 10 percent. Figures with dark (light) grey background declined by more (less) than 10 percent.[1]

Table 1: Summary of key performance ratios for 2013

	Switzerland	Austria	Benelux	France	Germany	Italy	Liechtenstein	UK	US	All Countries
Adjusted gross margin on AuM (bps)	58	23	71	79	33	148	45	55	54	58
Total revenue per employee (in tsd CHF)	413	272	398	269	249	321	446	315	346	360
Personnel costs per employee (in tsd CHF)	214	134	151	161	124	103	168	135	126	156
Cost/income ratio (before depreciation)	76%	77%	69%	74%	89%	66%	77%	76%	74%	75%
Gross profit per employee (in tsd CHF)	83	64	121	67	26	85	117	78	97	79

Compared to 2012

- Improvement of more than 10%
- Improvement of 0 - 10%
- Deterioration of 0 - 10%
- Deterioration of more than 10%

Adjusted gross margins on assets under management reflect the basic earning power of banks in wealth management. Figures for 2013-2014 paint a heterogeneous picture. Regarding levels there are three groups of countries. The first consists of countries with an internationally oriented wealth management industry like Switzerland, the UK, and the US, which exhibit adjusted gross returns of, typically, 50-60 basis points on assets under management. The second group is comprised of countries with seemingly weak competition and gross margins above 80 basis points (Italy, France). Finally, the third category contains countries with either high domestic competition or, more likely, low efficiency in wealth management and gross margins below 40 basis points (Germany, Austria). In 2013 and 2014, most countries saw an improvement in one year. The only two countries experiencing a deterioration in both years are Switzerland and the US. Banks from the eurozone did decently well in 2014 after a rather meager year for German and Austrian wealth managers.

1) For 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 costs per employee a decrease in the figure is considered as an improvement.

Table 2: Summary of key performance ratios for 2014

	Switzerland	Austria	Benelux	France	Germany	Italy	Liechtenstein	UK	US	All Countries
Adjusted gross margin on AuM (bps)	56	37	73	81	34	170	43	50	53	56
Total revenue per employee (in tsd CHF)	412	320	370	257	265	376	433	277	522	368
Personnel costs per employee (in tsd CHF)	218	130	137	167	124	111	172	128	207	159
Cost/income ratio (before depreciation)	77%	75%	64%	68%	87%	64%	72%	79%	72%	74%
Gross profit per employee (in tsd CHF)	93	93	108	69	35	103	127	79	103	85

Compared to 2013

- Improvement of more than 10%
- Improvement of 0 - 10%
- Deterioration of 0 - 10%
- Deterioration of more than 10%

Cost-income ratios improved considerably across the board in 2013 and 2014. Only banks from Switzerland and the UK did not manage to reduce their (relatively high) ratios in 2014. German banks continue to operate on rather critical levels. The average level of all surveyed institutions is 74 percent. The reasons for this unsatisfactory development of CIRs are smaller client fees due to higher informational efficiency and client sovereignty, rising regulatory and compliance costs, and soaring investments in information technology.

Total revenues per employee are highest in the US, followed by Liechtenstein and Switzerland. Banks in these three countries also pay the highest salaries to their personnel. In summary, the majority of countries (or their banks respectively) managed to improve gross profit per employee, particularly in 2014.

Assets under Management

A ranking of international wealth managers according to assets under management (AuM) is given in Table 3. Among the top five banks, three are Swiss. The biggest, UBS, leads the field. Credit Suisse has lost rank two to Bank of America; more Swiss banks follow on ranks 9, 11, 16, 19, and 20.

The aggregate volume of AuM has stagnated in the last two years, the top 20 having slightly increased their market share at the expense of the share of smaller institutions. The top 20 have thus attained a market share of an estimated 15 percent, which highlights the (still) low degree of concentration in the international market for wealth management services. Net new money (NNM) figures are only published by Swiss banks. In 2014 and 2013, most but not all of the Swiss banks listed in Table 3 have achieved positive inflows as measured by NNM.

Table 3: International ranking of wealth managers by assets under management

Company/Business unit			Assets under management					Net new money			World market share		
		Figures in billion US$	**2014**	2013	2012	Δ 13-14	Δ 12-13	**2014**	2013	2012	**2014**	2013	Δ 13-14 (in pps)
1	(1)	UBS Global Wealth Management	**2,034.5**	1,967.9	1,742.9	3%	13%	**44.4**	60.1	51.3	**3.6%**	3.7%	-0.13
		UBS Wealth Management (Americas)	***1,037.5***	*972.1*	*844.6*	*7%*	*15%*	***9.7***	*19.8*	*22.5*	***1.8%***	*1.8%*	*-0.01*
		UBS Wealth Management	***997.1***	*995.7*	*898.2*	*0%*	*11%*	***34.8***	*40.3*	*28.8*	***1.8%***	*1.9%*	*-0.12*
2	(3)	Bank of America[1]	**902.9**	821.4	698.1	10%	18%	**n/a**	n/a	n/a	**1.6%**	1.6%	0.04
3	(2)	Credit Suisse PB WM Clients	**883.4**	888.6	873.6	-1%	2%	**27.8**	21.2	20.8	**1.6%**	1.7%	-0.12
4	(4)	Morgan Stanley Global WM Group[2]	**778.0**	688.0	563.0	13%	22%	**n/a**	n/a	n/a	**1.4%**	1.3%	0.07
5	(8)	Pictet Group	**542.8**	532.8	n/a	2%	n/a	**29.1**	n/a	n/a	**1.0%**	1.0%	-0.05
6	(9)	JP Morgan Private Banking[3]	**428.0**	361.0	318.0	19%	14%	**n/a**	n/a	n/a	**0.8%**	0.7%	0.07
7	(7)	BNP Paribas Wealth Management SA	**370.6**	385.7	339.5	-4%	14%	**n/a**	n/a	n/a	**0.7%**	0.7%	-0.08
8	(6)	Deutsche Bank Private Wealth Management[4]	**366.3**	369.0	361.9	-1%	2%	**n/a**	n/a	n/a	**0.6%**	0.7%	-0.05
9	(5)	HSBC Global Private Banking	**365.0**	382.0	398.0	-4%	-4%	**-3.0**	-26.0	n/a	**0.6%**	0.7%	-0.08
10	(12)	Goldman Sachs[5]	**330.0**	363.0	294.0	-9%	23%	**n/a**	n/a	n/a	**0.6%**	0.7%	-0.10
11	(14)	Julius Bär Group Ltd.	**293.6**	285.9	207.1	3%	38%	**12.8**	8.5	10.6	**0.5%**	0.5%	-0.02
12	(13)	ABN Amro Private Clients	**231.6**	231.9	215.6	0%	8%	**n/a**	n/a	n/a	**0.4%**	0.4%	-0.03
13	(15)	Northern Trust	**224.5**	221.8	197.7	1%	12%	**n/a**	n/a	n/a	**0.4%**	0.4%	-0.02
14	(11)	Citigroup Private Bank[6]	**185.9**	188.3	186.1	-1%	1%	**n/a**	n/a	n/a	**0.3%**	0.4%	-0.03
15	(17)	Crédit Agricole Private Banking	**172.5**	182.1	174.8	-5%	4%	**n/a**	n/a	n/a	**0.3%**	0.3%	-0.04
16	(16)	Lombard Odier	**162.6**	174.2	179.4	-7%	-3%	**2.5**	n/a	n/a	**0.3%**	0.3%	-0.04
17	(18)	Wells Fargo Wealth[7]	**146.4**	141.7	128.6	3%	10%	**n/a**	n/a	n/a	**0.3%**	0.3%	-0.01
19	(19)	Société Generale Private Banking	**131.2**	116.4	111.7	13%	4%	**n/a**	n/a	n/a	**0.2%**	0.2%	0.01
18	(-)	Bank J. Safra Sarasin Ltd.	**116.3**	125.7	107.0	-7%	17%	**0.7**	0.1	-4.8	**0.2%**	0.2%	-0.03
20	(20)	Banque Privée Edmond de Rothschild	**110.6**	122.1	111.2	-9%	10%	**-2.9**	1.8	2.7	**0.2%**	0.2%	-0.04
		Total top 20 wealth managers	**8,776.7**	8,549.5	7,208.3	3%	19%						
		Total market volume[8]	**56,403**	52,623	46,200								

(x) Rank in the 2013 issue of «The International Private Banking Study».

[1] Excludes brokerage assets of USD 1,081.4bn.

[2] The Company´s Global Wealth Management Group had USD 2,025bn in client assets. This ranking only takes the USD 778bn in assets under management or supervision into account.

[3] Private Banking is a combination of previously separated disclosed client segments: Private Bank, Private Wealth Management and JP Morgan Securities.

[4] Due to unavailability of data, 2013/2014 AuM were estimated. Estimates based on the assumption of constant AuM Private Wealth Management / Total AuM.

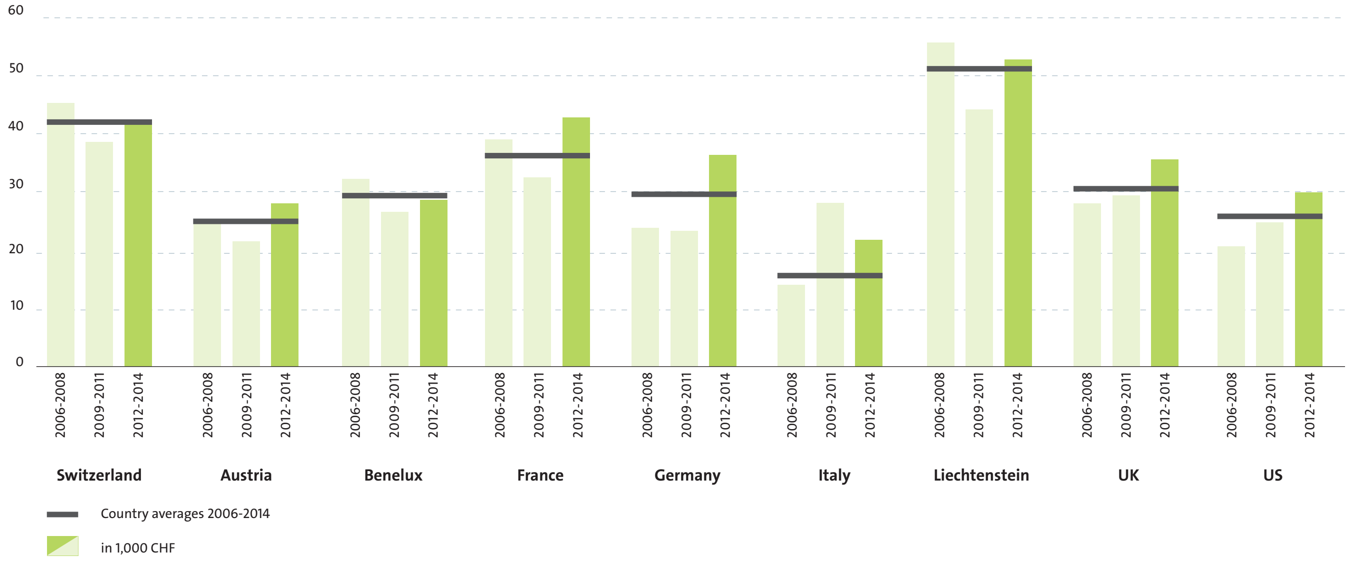
[5] Only High-net-worth individuals.

[6] Due to unavailability of data, 2012/2013/2014 AuM were estimated. Estimates based on the assumption of constant total income / assets under management margins.

[7] Due to unavailability of data, 2012/2013/2014 AuM were estimated. Estimates based on the assumption of constant total income / assets under management margins.

[8] Source: Capgemini & Merrill Lynch: World Wealth Report 2012/2013/2014

Figure 1: Assets under management per employee (median values per country, in mn CHF)



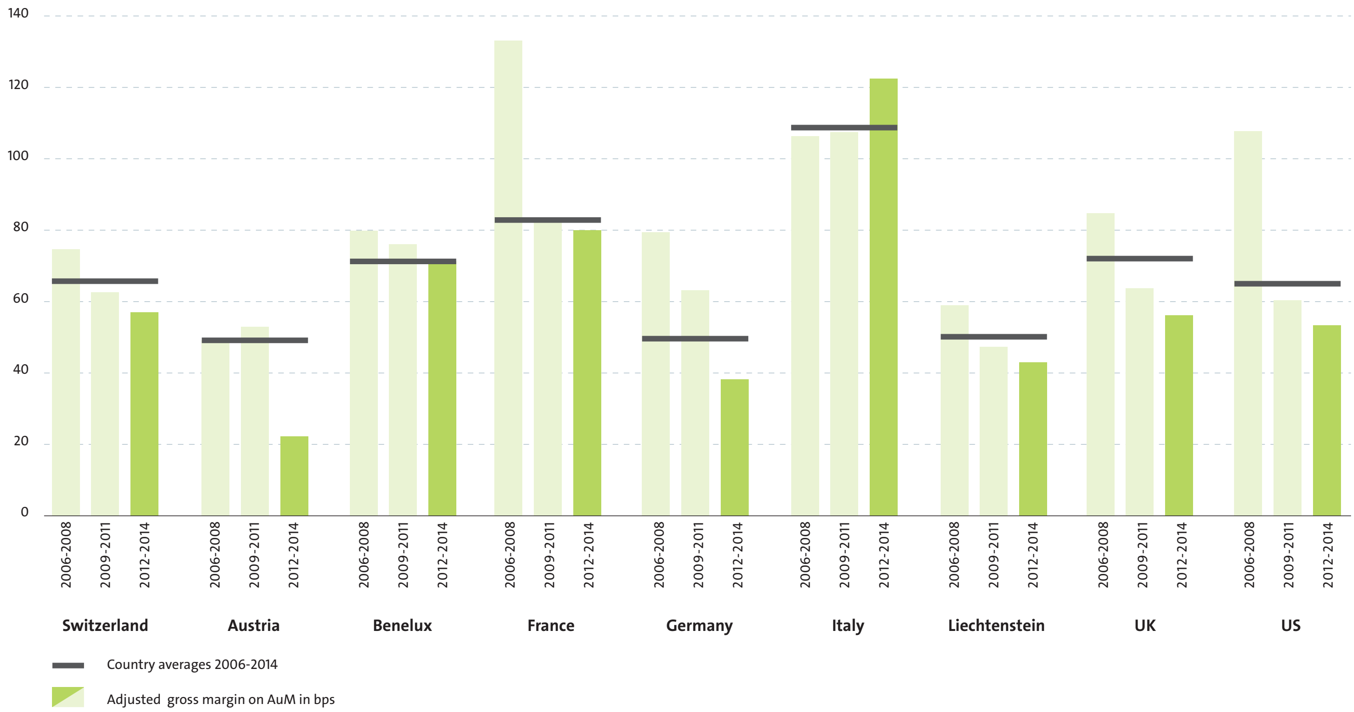
Assets under management are the very basis of income generated by the wealth management industry. Figure 1 shows the development of assets under management on a per employee basis. In all countries, assets under management per employee dropped significantly during the financial crisis after 2007. Worldwide AuM decreased by 20 percent during the year 2008 alone. Over the last six years, however, markets were flooded with liquidity. Equities experienced a secular bull market leading to ever higher assets under management. Only Switzerland and Liechtenstein, both accounting in the strong CHF, as well as the Benelux countries could not top their peak in assets under management from 2006 to 2008. Nevertheless, all countries except Italy were able to increase their assets per employee from the three-year average 2009-2011 to the corresponding level in 2012-2014.

National levels in assets under management per employee still differ remarkably due to international variation in business models and client profiles. The highest volumes of assets per employee are still managed in Liechtenstein and in Switzerland.

Profitability

Adjusted gross margins on assets under management are based on the relation of fees and commission income to pure wealth management assets. Figure 2 illustrates a clear trend for most of the monitored countries, reflecting the intensity of pricing pressure from an ever more transparent and competitive market. The emergence of a new generation of more demanding and performance-oriented clients has led to a further deterioration of margins in the international wealth management industry.

Figure 2: Adjusted gross margin on assets und management (median values, in basis points)



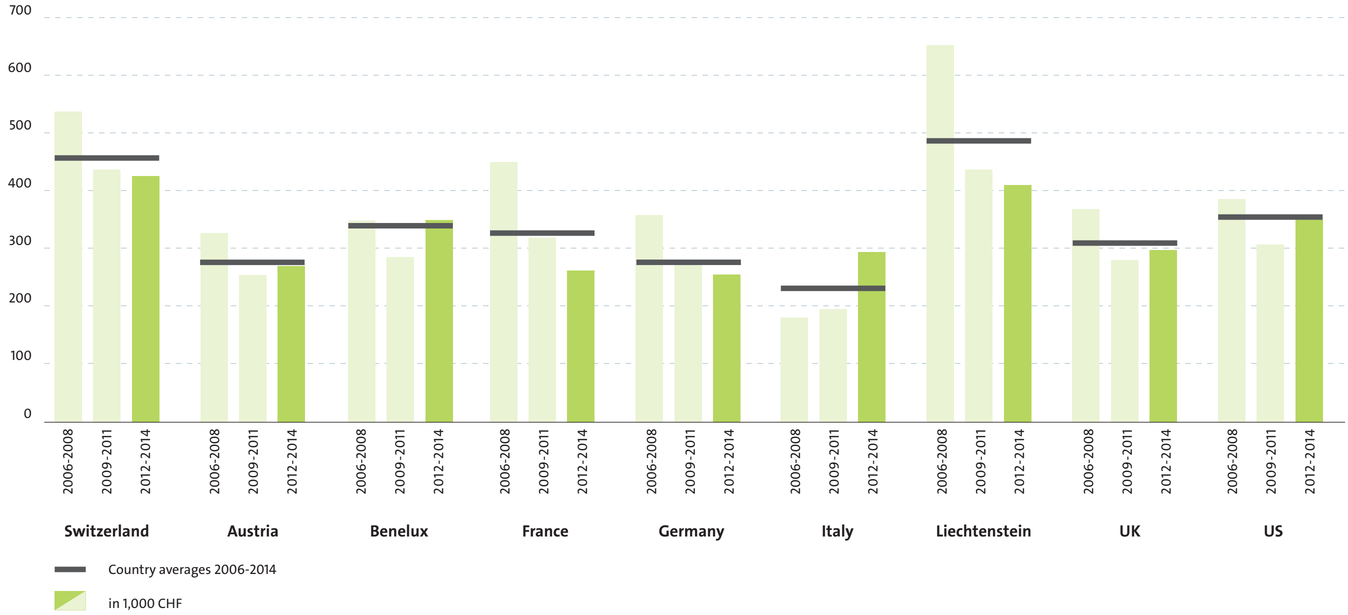
On a relative basis, banks in Austria, Germany, and the US took the strongest hit with their margins falling to about half of their former level. Austria, Germany, and Liechtenstein now operate with a gross margin below 50 basis points.

The margin of Swiss banks steadily declined over the last year and is now at 58 basis points matching the industry's international median. Besides the margin deterioration observable throughout the whole sample, the data also reveal a global trend towards convergence. As already discovered in previous editions of this study, the gap between the different countries has narrowed over time, suggesting a more level playing field for the wealth management industry as a whole. This is true, at least, for those countries whose banks are active international competitors in wealth management. Banks in Italy and Austria appear to be primarily affected by domestic conditions.

Revenues

Figure 3 reports revenue per employee. Banks in most countries saw revenue per employee under pressure, but none as much as those in Switzerland and Liechtenstein. Swiss and Liechtenstein banks have lost their strong advantage in per employee revenues. They still rank numbers one and two but only by relatively modest margins. International attempts to fight tax evasion, followed by national endeavors to ward off money with unclear tax history, have left clear marks on the wealth management industry in countries where offshore-oriented practices traditionally predominate. The three-year averages in Figure 3 hide the decline in employee revenue over the last eight years to a certain extent. In Switzerland, revenues per employee fell from around 590,000 CHF in 2006 to around 404,000 CHF in 2014 (-32 percent). An even sharper drop is observable in Liechtenstein, where revenues per employee were almost halved between 2006 and 2014.

Figure 3: Total revenue per employee (median values, in tsd CHF)



Whereas in 2009-2011 total revenues per employee in all countries surveyed were lower than before the financial crisis, the numbers stabilized and in most countries even slightly improved between 2012 and 2014. Again, there was a trend with respect to convergence across countries. The gap between the most and least successful country in terms of per capita revenues shrunk from 397,000 CHF in 2006 to 160,000 CHF in 2014.

Costs

Since private banking is a labor-intensive business, total operating costs are driven by expenditures on personnel. In most countries under review, personnel costs (salaries and bonuses as well as other personnel expenses) account for almost two thirds of operating costs. The composition of personnel cost varies slightly across countries as illustrated in Figure 4. Banks in Switzerland and Liechtenstein, both traditional high-wage countries, have a relatively high share of salaries in personnel cost compared to their peers from other countries.

Figure 4: Distribution of total operative cost components in 2014 (mean values)

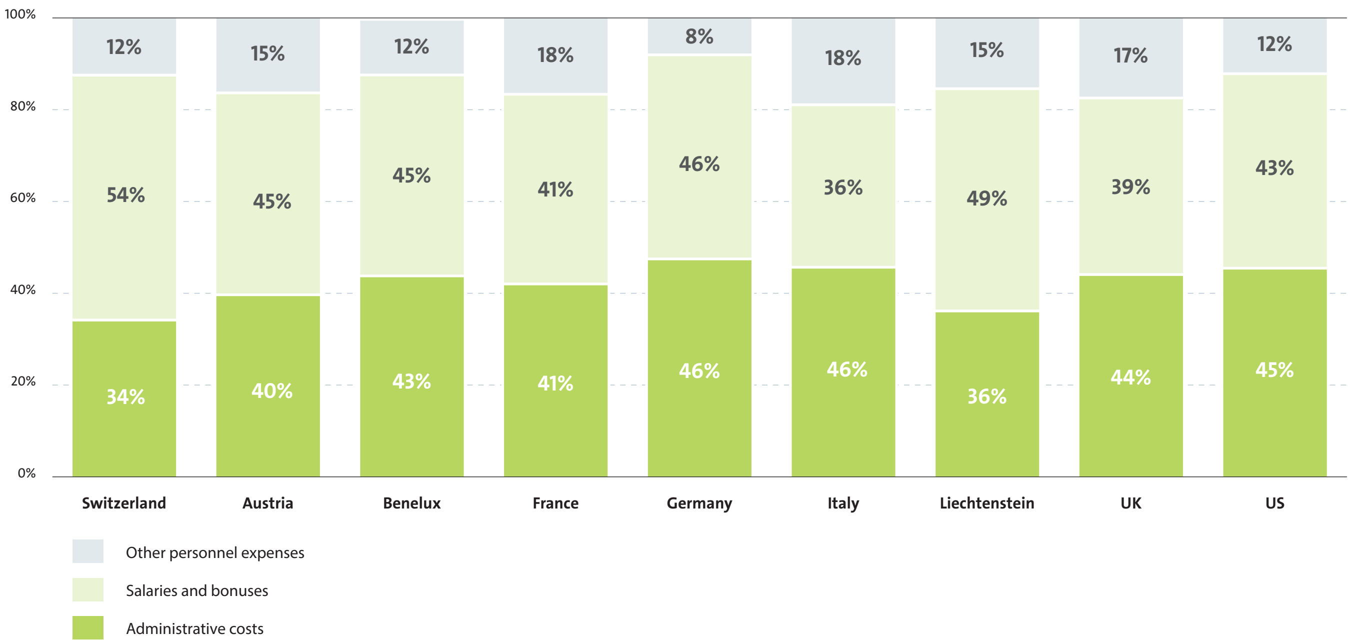
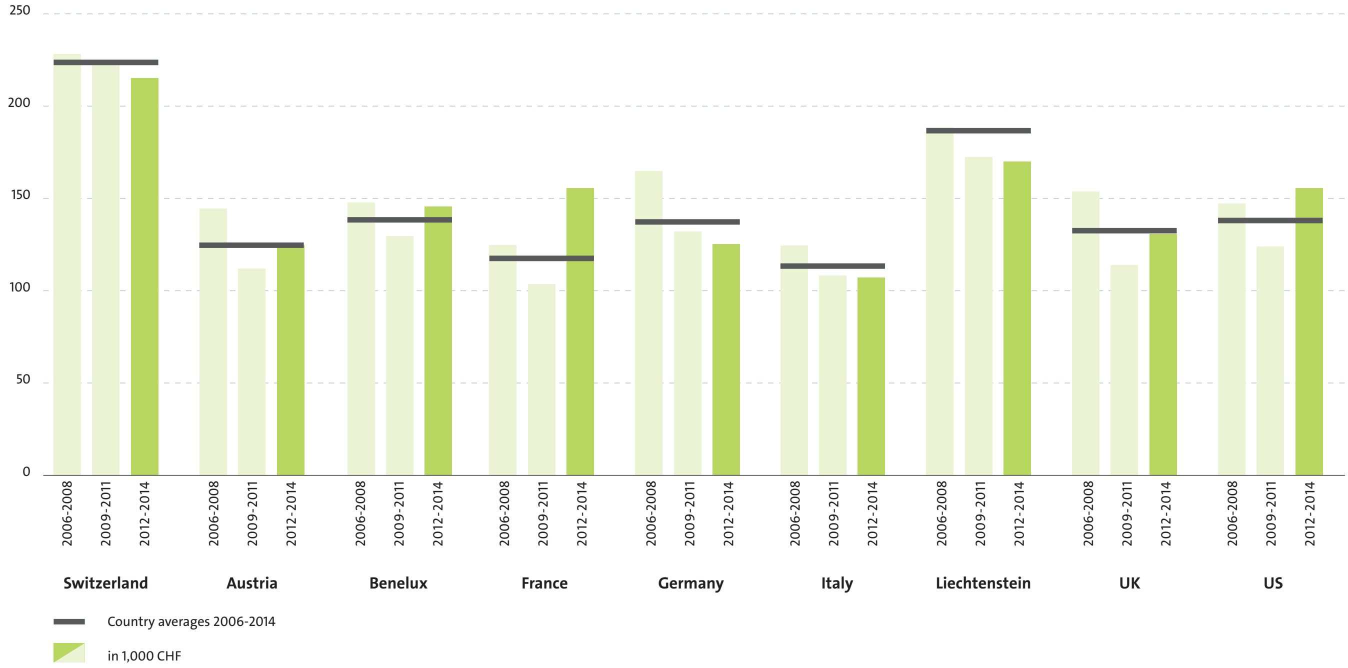
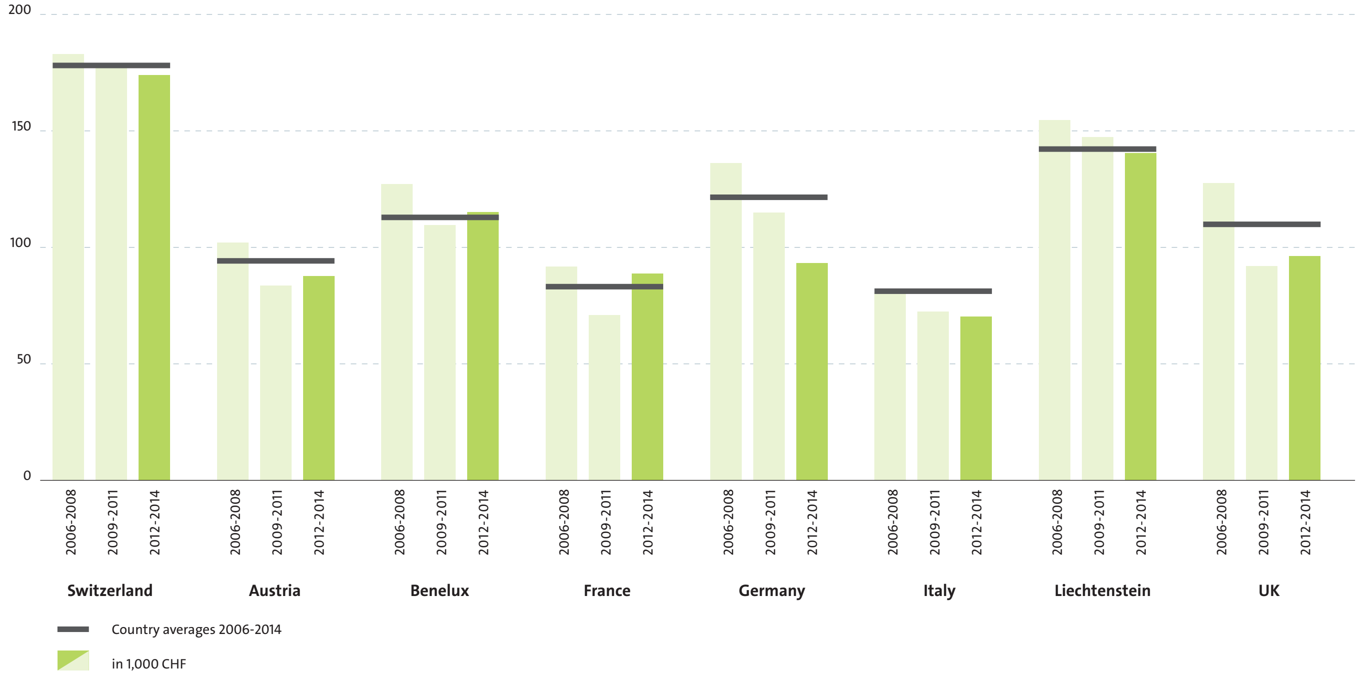


Figure 5: Personnel costs per employee (median values, in tsd CHF)



Personnel costs per employee draw a mixed picture across countries under review. A decrease in the aftermath of the financial crises was not sustainable in the UK and the US, the main countries with international financial centers. In Switzerland, banks managed to defend an albeit modest reduction. Within the eurozone, personnel cost per capita increased again (except in Germany) since 2011; even though figures in Figure 5, denominated in the (relatively strong) CHF, somewhat underestimate costs in Euro. While global personnel costs seem to be centered around an industry level of 150,000 CHF per employee, Liechtenstein and Switzerland still stand out as a high-wage area. Switzerland maintains the highest level of personnel costs with slightly more than 200,000 CHF per employee in 2014.

Figure 6: Wage costs per employee (median values, in tsd CHF)



The resilience of personnel costs, especially in Switzerland (compared to other countries), is even more pronounced at the pure wage costs (consisting of salaries and bonuses) level. Absolute wage costs per private banking employee in Switzerland are still above 150,000 CHF on average (Figure 6). The wage costs in Switzerland did not follow the drop in revenues observed elsewhere. Over the last nine years, banks in all other countries except France managed to cut wages, in some cases such as Germany even drastically. On average over all analyzed countries, the wage costs dropped by 16.9 percent between 2006 and 2014.

Efficiency

The cost-income ratio (CIR) indicates the fraction of income from wealth management that is consumed by the costs incurred to generate said income. As a rule of thumb, a CIR below 60 percent is considered comfortable, while a CIR above 80 percent can become critical for long-term viability.

Figure 7: Cost/income ratio (median values)

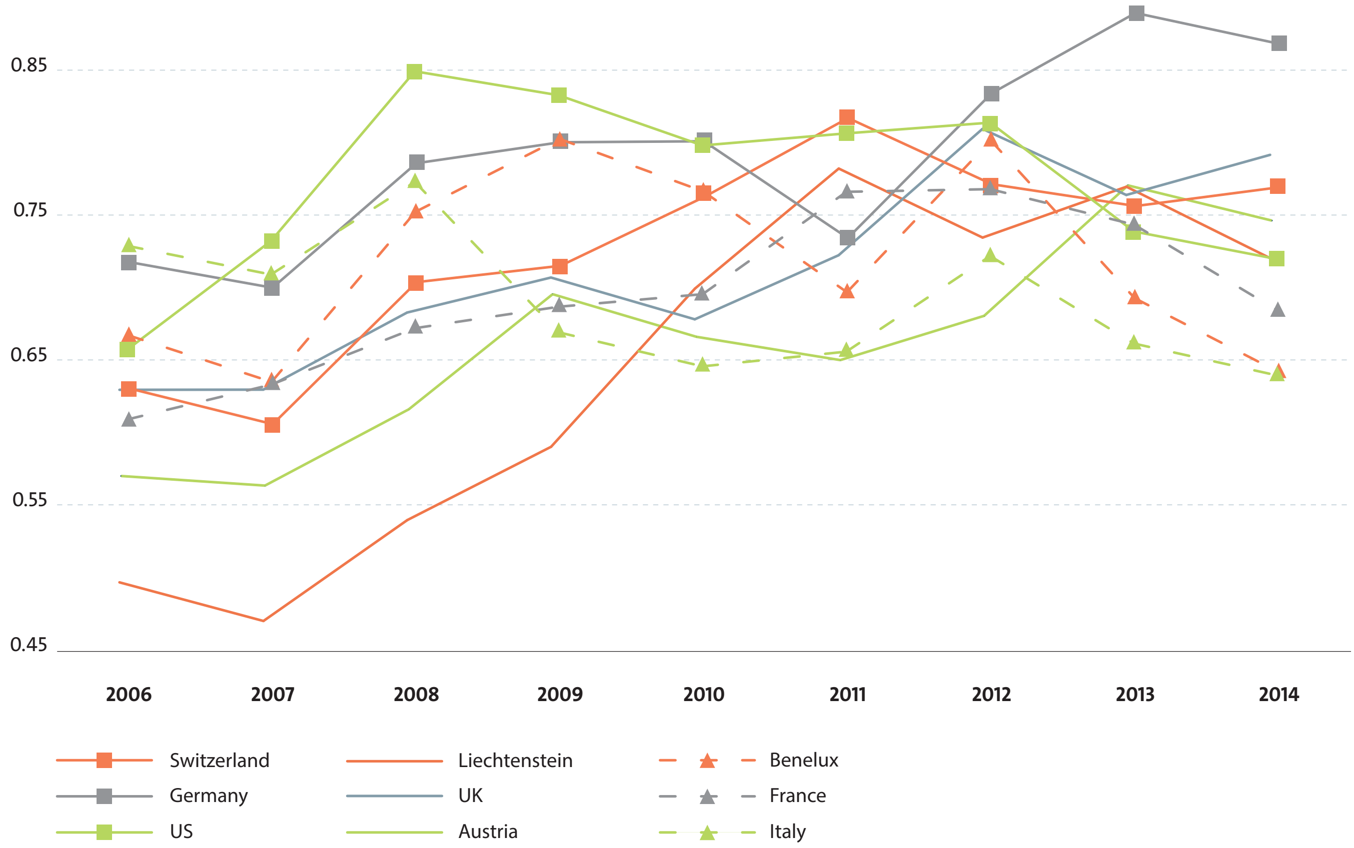


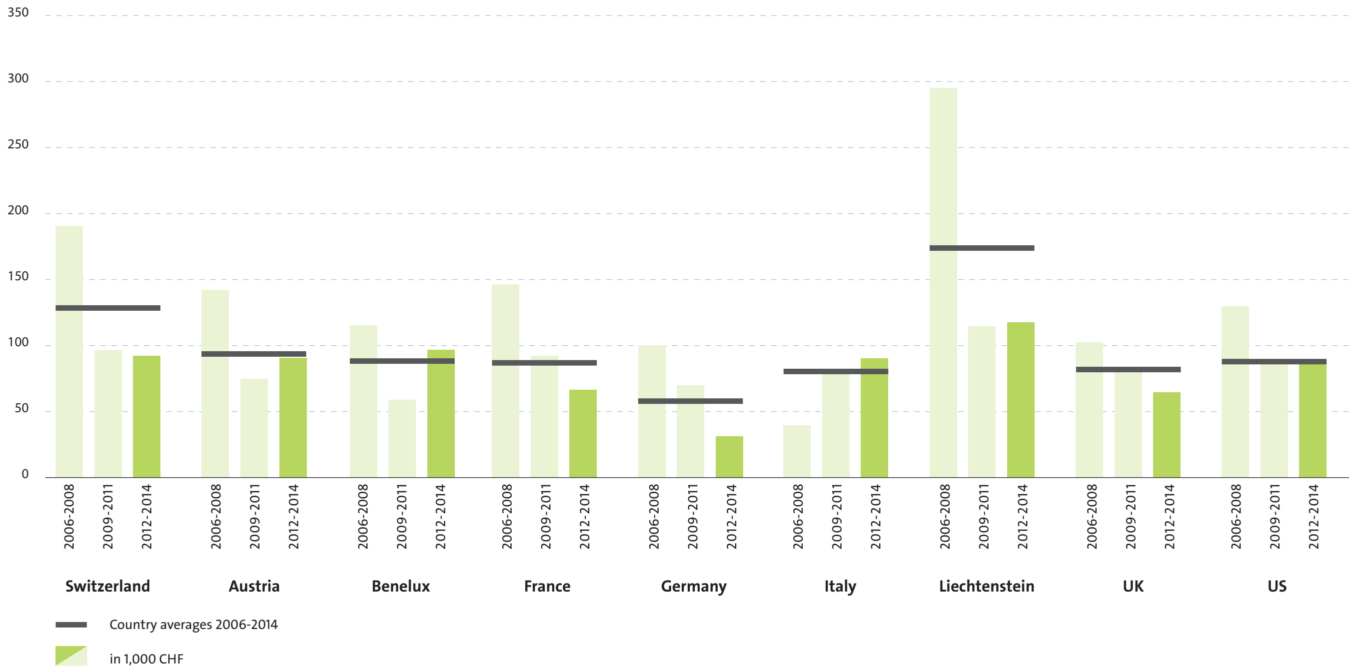
Figure 7 illustrates the development of cost-income ratios since 2006. It clearly emphasizes the deterioration of business conditions over the past decade. The favorable environment prior to the crisis in 2008 gave way to rather demanding conditions for wealth management banks in most countries. While the financial crisis hit all countries, the developments in CIRs also reflect national conditions. Italian banks even improved their CIRs during the financial crisis and its aftermath, while Benelux banks on balance managed to defend their CIRs. French and US banks finally recovered lost terrain towards the end of the period under consideration. By contrast, banks in Switzerland, Liechtenstein, Germany, Austria, and the UK are burdened with CIRs above pre-crisis levels. Liechtenstein seems to resemble a paradise lost, while German banks have reached critical levels with half of them operating at above 85 percent.

Plummeting revenues after the financial crisis are not the only reason for increased CIRs. Banks in several countries suffer from an unfavorable combination of lower revenues and higher costs for both IT and compliance. Fortunately, banks managed (on average) to lower their ratios, compared to the peak around 2011, over the last few years. A more detailed analysis, distinguishing between smaller and larger banks, is given below in the domestically oriented part of this report.

Gross Profit and Stakeholder Income

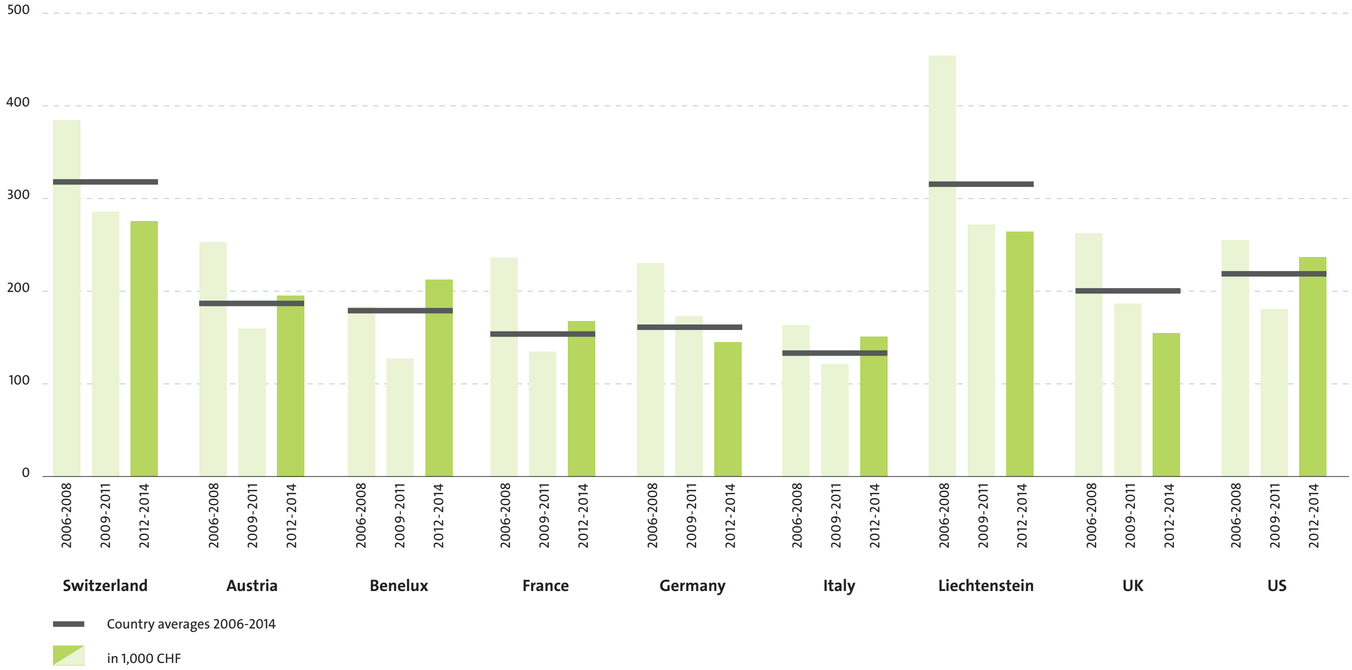
The impact of the financial crisis on the private banking industry is clearly illustrated by the gross profit per employee figures in Figure 8. Median values in 2012-2014 were below their pre-crisis levels for all countries except Italy, with some falling by 50 percent. Expressed in local currency, the developments in Figure 8 would paint a considerably more favorable picture for the eurozone, given that the EUR lost a third of its value against the CHF within the reporting period. In recent years, gross profits per employee are highest for banks located in Liechtenstein, Switzerland, Italy, and the Benelux countries. The Swiss and Liechtenstein banks do not achieve above-average margins, but they manage relatively high volumes of assets per employee. Median gross profit per employee figures are strikingly homogeneous across countries, with the exception of Germany as a low-profitability market.

Figure 8: Gross profit per employee (median values, in tsd CHF)



Stakeholder income per employee is the total of personnel costs, fiscal expenses and net profit per employee. Figure 9 shows that Swiss and Liechtenstein banks, due to their high asset per head volumes, created the highest stakeholder income in 2014. The depicted development appears especially bleak for German and UK banks with a continuous decrease of stakeholder income over the last nine years.

Figure 9: Stakeholder income per employee (median values, in tsd CHF)



Concluding Remarks on the International Private Banking Industry

Table 4 offers rankings (1 = best, 9 = worst) for wealth management banks' performance for the past three years. The table highlights banks' business models and competitive positions. Swiss and Liechtenstein banks lead the charts in stakeholder income (value added) per employee. High volumes of AuM per employee compensate mediocre or low gross margins and high CIRs. While Swiss stakeholder income goes mostly to employees, Liechtenstein ranks first in gross profits per employee. Banks from the US, the Benelux countries and, to a lesser degree, from Austria manage to achieve decent stakeholder income per employee figures despite comparatively low AuM per employee. Institutions from the remaining countries have their own distinct problems. In Italy, banks earn fat margins on low volumes, thus creating low stakeholder income. UK banks seem challenged under all criteria. German wealth management banks are bottom of the league in all measures of return and profitability.

Table 4: Summary 2012-2014

	Average AuM per employee	Adjusted gross margin on AuM	Total revenue per employee	Cost/income ratio	Gross profit per employee	Stakeholder income per employee
Switzerland	3	4	1	7	5	1
Austria	8	9	7	4	4	5
Benelux	7	3	4	2	2	4
France	2	2	8	3	8	6
Germany	5	8	9	9	9	9
Italy	9	1	6	1	3	8
Liechtenstein	1	7	2	6	1	2
UK	4	6	5	8	7	7
US	6	5	3	5	6	3

Focus Switzerland

Assets under Management and Net New Money

Table 5 provides an overview of the 30 largest private banks in Switzerland measured by assets under management. By the end of 2014, they managed more than 4,900 bn CHF in client assets, which is an increase of about 12 percent compared to 2013. Assets under management are concentrated among a small number of banks. The five leading private banks manage approximately 3,877 bn CHF (or 79 percent overall). UBS and Credit Suisse, the two largest wealth managers, jointly manage around 2,888 bn CHF (or 59 percent overall).

In 2014, both major players on the Swiss wealth management market increased their assets under management strongly, by 15 percent and 19 percent, respectively. This growth was primarily driven by positive net new money figures. A closer inspection of the sample of the 5 major players reveals generally solid and profound developments of assets under management and positive net new money figures. Especially the tremendous externally driven increase of assets under management of Julius Bär Group in 2013 is remarkable.

In 2014, the volume of AuM at Swiss banks increased by more than the previous five year›s developments combined. Favorable asset market conditions on the one hand and a partially successful shift of focus towards fully tax-compliant funds helped to keep AuM on a growth path. While assets under management constitute the basis for revenue generation, net new money figures reflect a bank's ability to expand its business. Net new money only includes true in- and outflows of customer funds, but not the increase or decrease of managed assets due to changes in the value of assets or in exchange rates.

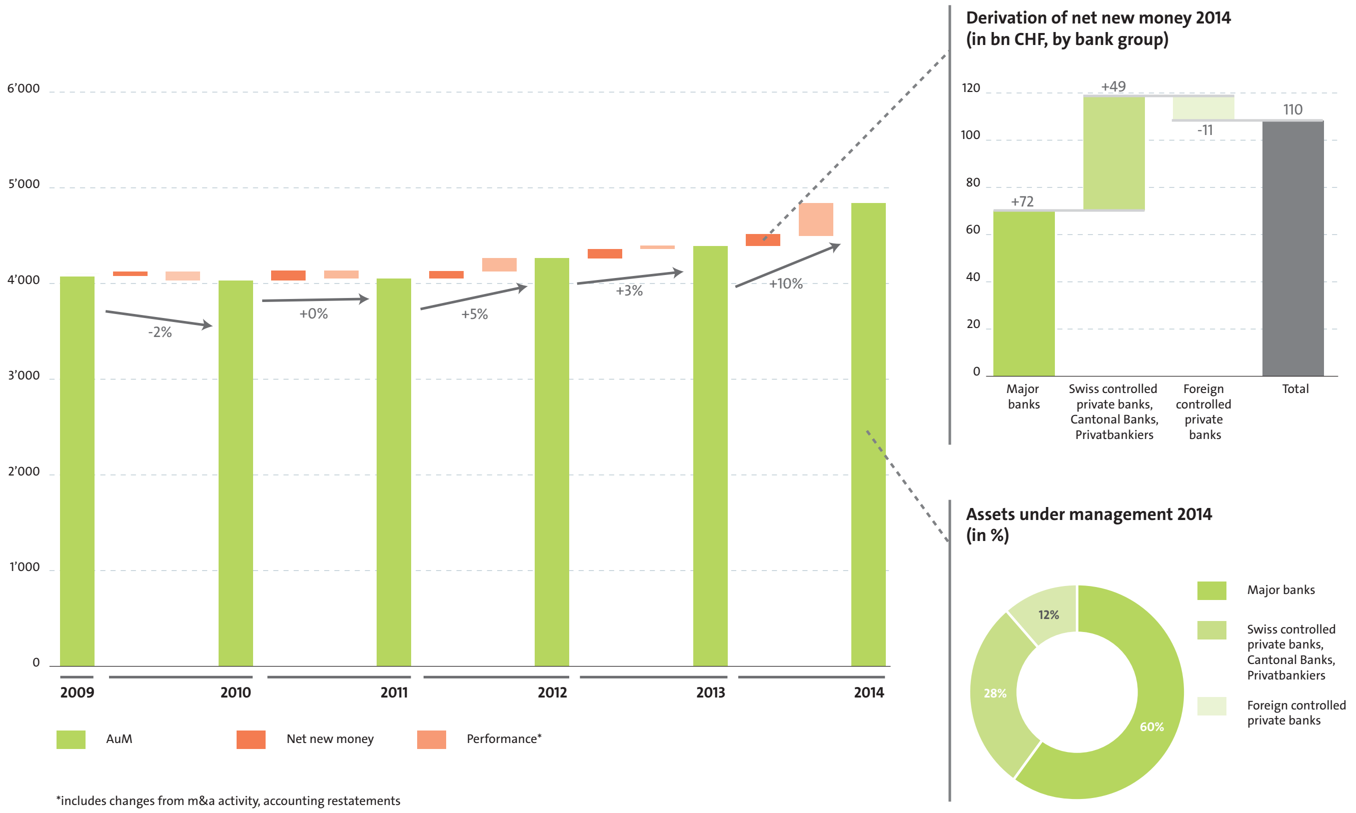
Table 5: Swiss ranking of wealth managers by assets under management

Company/Business unit			Assets under management (AuM incl. double counts)					Net new money (NNM)			NNM/AuM	
		Figures in billion CHF	**2014**	**2013**	**2012**	**Δ 13-14**	**Δ 12-13**	**2014**	**2013**	**2012**	**2014**	**2013**
1	(1)	UBS Global Wealth Management	2,014.0	1,751.0	1,593.0	15%	10%	44.0	53.5	46.9	2.2%	3.1%
		UBS Wealth Management (Americas)	*1,027.0*	*865.0*	*772.0*	*19%*	*12%*	*9.6*	*17.6*	*20.6*	*0.9%*	*2.0%*
		UBS Wealth Management	*987.0*	*886.0*	*821.0*	*11%*	*8%*	*34.4*	*35.9*	*26.3*	*3.5%*	*4.1%*
2	(2)	Credit Suisse PB WM Clients	874.5	790.7	798.5	11%	-1%	27.5	18.9	19.0	3.1%	2.4%
3	(3)	Pictet Group	537.3	474.1	n/a	13%	n/a	28.8	n/a	n/a	5.4%	n/a
4	(4)	Julius Bär Goup[1]	290.6	254.4	189.3	14%	34%	12.7	7.6	9.7	4.4%	3.0%
5	(6)	Lombard Odier	161.0	155.0	164.0	4%	-5%	2.5	n/a	n/a	1.6%	n/a
6	(11)	Bank J. Safra Sarasin[2]	115.1	111.8	97.8	3%	14%	0.7	0.1	-4.4	0.6%	0.1%
7	(-)	Edmond de Rothschild (Suisse)	109.5	108.6	101.6	1%	7%	-2.9	1.6	2.5	-2.7%	1.5%
8	(8)	Union Bancaire Privée (UBP)	98.7	87.7	80.0	12%	10%	4.5	7.5	5.0	4.5%	8.5%
9	(7)	Banca della Svizzera Italiana (BSI)	92.3	89.4	86.3	3%	4%	-0.6	2.2	7.5	-0.7%	2.4%
10	(16)	Deutsche Bank (Schweiz)	85.7	77.9	34.8	10%	124%	0.1	1.4	0.0	0.1%	1.8%
11	(9)	EFG International Private Banking	80.8	73.5	72.8	10%	1%	n/a	n/a	n/a	n/a	n/a
12	(5)	HSBC Private Bank (Suisse)	68.2	75.1	171.1	-9%	-56%	-14.5	-14.9	-4.7	-21.2%	-19.9%
13	(10)	Credit Agricole (Suisse)	46.5	41.9	44.9	11%	-7%	1.1	-3.3	-1.6	2.4%	-7.9%
14	(15)	Coutts & Co Ltd	33.2	32.6	34.8	2%	-6%	-2.0	-0.8	-0.8	-5.9%	-2.5%
15	(13)	BNP Paribas Private Bank (Suisse)	32.4	35.3	36.8	-8%	-4%	3.6	2.2	n/a	11.2%	6.2%
		Rank 1-15	**4,639.7**	**4,159.0**	**3,505.7**	**12%**	**19%**	**105.5**	**75.8**	**79.1**	**2.3%**	**1.8%**
16	(17)	Vontobel Private Banking	31.9	31.4	28.8	2%	9%	1.1	1.4	0.9	3.4%	4.5%
17	(18)	Banque Syz Group	28.6	28.7	25.0	0%	15%	-0.9	2.3	2.2	-3.3%	7.9%
18	(-)	Citibank (Switzerland)	26.7	21.7	20.4	23%	6%	2.7	2.6	2.4	10.0%	11.9%
19	(19)	Mirabaud Wealth Management	24.2	n/a	25.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a
20	(21)	St. Galler Kantonalbank - Private Banking	22.3	22.3	24.5	0%	-9%	-0.2	-0.4	-1.0	-1.0%	-2.0%
21	(23)	Notenstein Privatbank	21.2	19.8	19.6	7%	1%	0.1	-0.3	-1.9	0.7%	-1.6%
22	(24)	Les Fils Dreyfus & Cie	18.9	18.3	18.3	3%	0%	-1.0	-1.4	-0.5	-5.4%	-7.4%
23	(26)	Falcon Private Bank	15.6	13.0	12.1	20%	7%	1.7	0.4	0.7	10.9%	3.0%
24	(25)	Rothschild Bank Zuerich	14.3	14.4	13.3	-1%	8%	-0.3	-0.3	1.0	-1.9%	-1.8%
25	(29)	PKB Privatbank	12.4	9.6	8.5	28%	13%	2.2	0.9	1.1	18.2%	9.4%
26	(28)	Bank Hapoalim	12.1	10.8	9.5	12%	14%	0.5	0.6	0.0	3.7%	5.9%
27	(35)	DZ Privatbank (Schweiz)	7.5	6.6	6.1	14%	8%	0.7	0.3	0.1	9.1%	5.1%
28	(33)	Maerki Baumann & Co.	7.1	6.5	6.4	10%	0%	0.1	0.0	-0.2	0.9%	-0.6%
29	(31)	Banque Piguet & Cie	7.0	7.2	7.4	-3%	-3%	-0.7	-0.5	-0.4	-9.5%	-6.5%
30	(34)	Schroder & Co Bank AG Private Banking	6.8	6.4	6.3	5%	2%	0.1	0.1	0.3	1.9%	1.7%
		Rank 16-30	**256.5**	**216.7**	**231.5**	**18%**	**-6%**	**5.9**	**5.6**	**4.3**	**2.3%**	**2.6%**
		Rank 1-30	**4,896.2**	**4,375.7**	**3,737.1**	**12%**	**17%**	**111.5**	**81.4**	**83.4**	**2.3%**	**1.9%**

(x) Rank in the 2013 issue of «The International Private Banking Study».

[1] Assets under management exclude assets under custody.
[2] In 2012 Bank J. Safra merged with Bank Sarasin to build J. Safra Sarasin Holding.

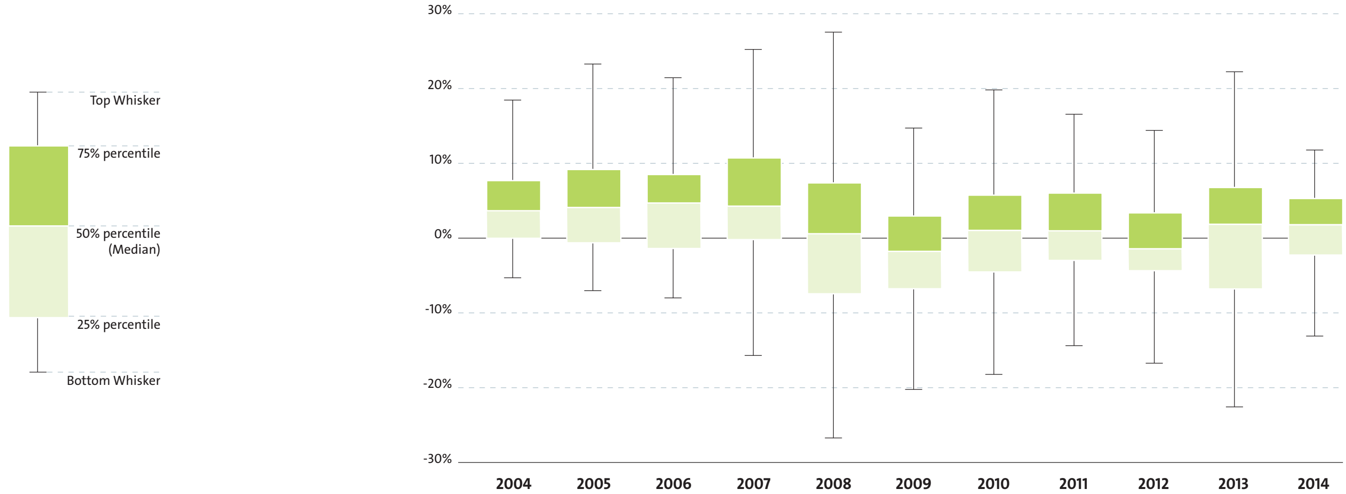
Figure 10: Development of total assets under management 2009-2014 (in bn CHF)



*includes changes from m&a activity, accounting restatements

Figure 10 breaks aggregate changes in AuM into their individual drivers. The figure shows that the increase in AuM in 2014 was primarily driven by asset market performance. The reading indicates that portfolio values recovered some of the ground lost during the 2007-08 crisis. In 2014, the increase in assets under management can be split into a positive performance contribution of around 12 percent and an increase of net asset inflows by around 2.3 percent.

Figure 11: Net new money per AuM for all Swiss private banks 2004-2014 (in %)



As established by Figure 11, net new money flowed into Swiss private banks at a relatively steady annual rate of 3-5 percent of managed assets in the pre-crisis period from 2003 to 2007. As a consequence of the international market turmoil and the switch to tax-compliant funds, almost half of Swiss banks suffered net money outflows in 2008 and more than half in 2009 and 2012. However, the last two years produced a turnaround and in 2014, most banks managed to attract new funds. In 2013 and 2014, net new money per year was 2-3 percent of AuM. A good omen may be the convergence among banks' net new money figures. During the course of 2014, the range of net new money per AuM narrowed, and only a minority of banks stayed in negative terrain. While the inflow of new funds is still considerably weaker than before the crisis, bank attractiveness seems to have become more homogeneous.

Figure 12: Net new money per AuM: 2013 vs. 2014

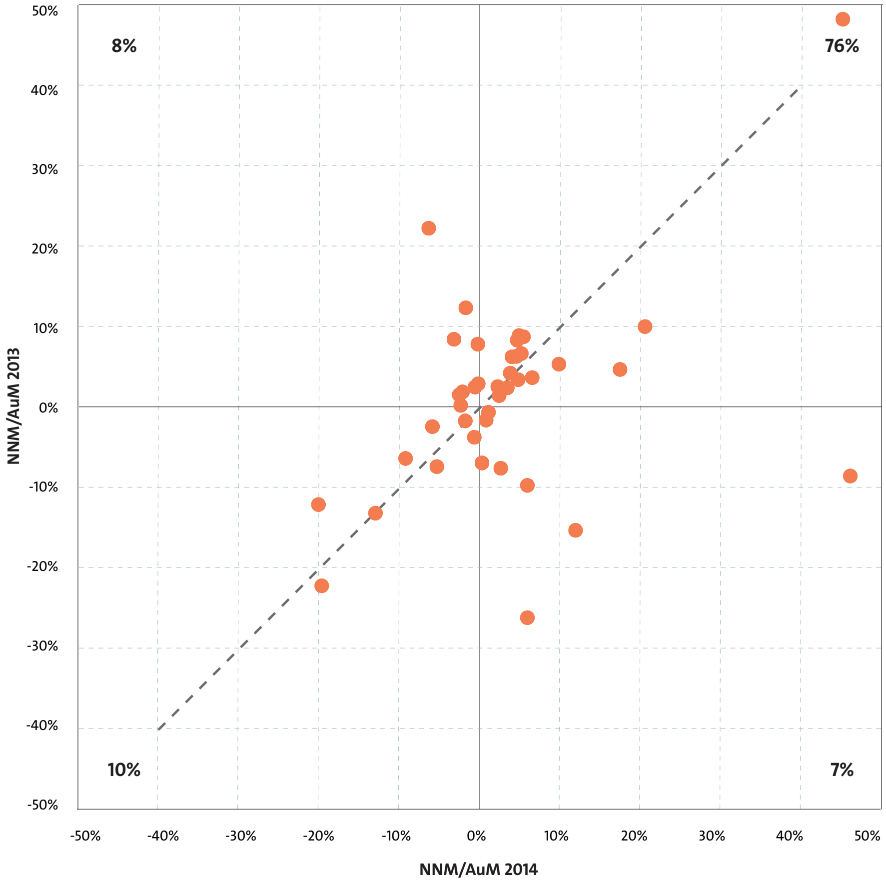


Figure 12 describes how a bank's ability to attract funds (net new money as a percentage of assets under management) is "inherited" from year to year. The figure plots the increase in net new money (per assets under management) attracted in 2014 (horizontal axis) against the corresponding value in the previous year. The figure indicates the existence of a "momentum effect" in fund inflows: A bank that increased NNM by 20 percent in 2013 is likely to raise it by 40 percent in 2014. Conversely, a bad year is likely to be followed by another bad year. While this relationship holds on average, there are some banks who got from heaven to hell (top left corner) or vice versa (bottom right corner). Still, most banks are clustered around changes of +/-10 percent.

Performance and Bank Size Analysis

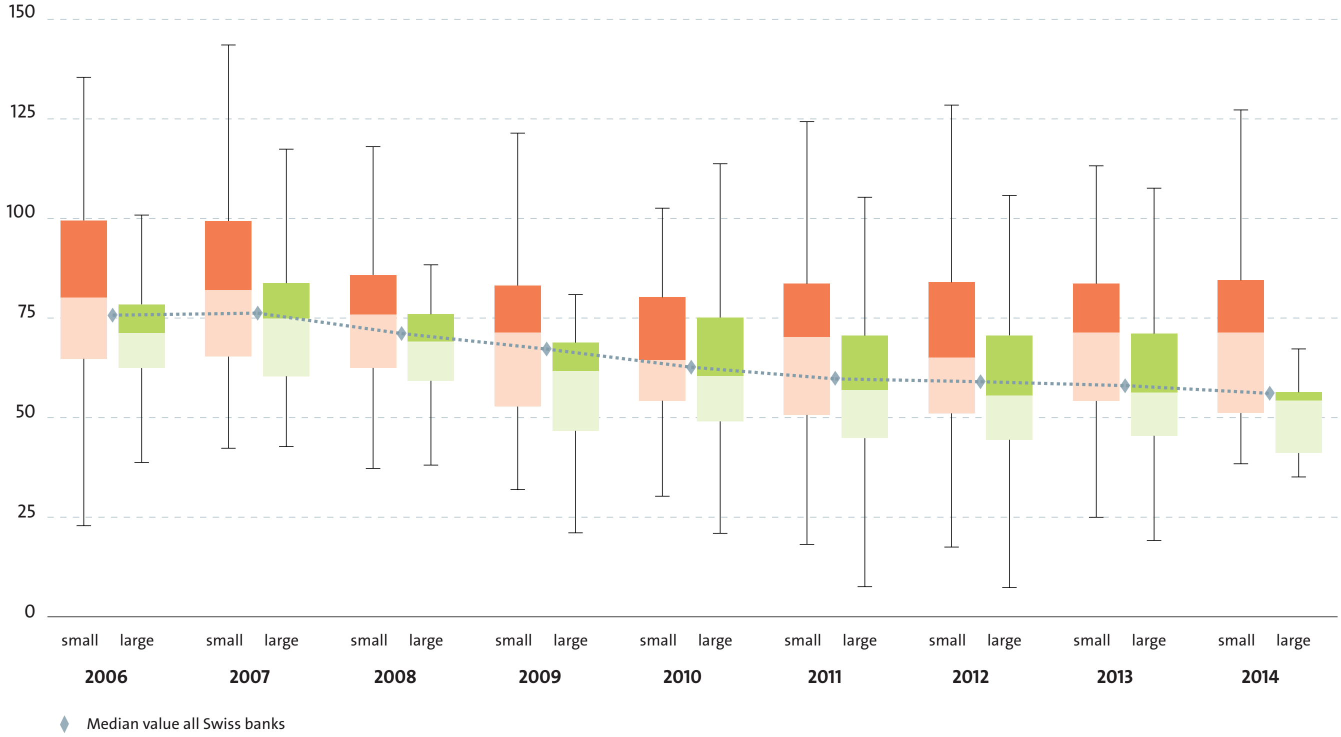
The negative factors weighing on the Swiss private banking industry in recent years tend to affect smaller banks more than their bigger competitors. Examples include increasing complexities in regulatory rules and frameworks as well as the difficulties with traditional offshore business models. Investments in information technology, due to both regulatory requirements and the coming-of-age of existing systems, put a heavy burden on most banks – especially on smaller institutions.

In order to analyze size effects, we split the Swiss bank sample into two distinct groups based on size. Banks showing an average AuM of less than 10bn CHF from 2004 to 2014 were assigned to the group “Small Banks”, whereas institutions with an average AuM of more than 10bn CHF were assigned to the “Large Banks” group. Our sample includes 19 small and 22 large wealth managers.

Profitability and Assets under Management composition

The development of margins is illustrated in Figure 13. The figure shows gross margins on operating costs on an adjusted basis: All revenues not directly related to private banking, such as interest income, trading revenue, and other revenues, are excluded. The adjusted margins thus measure a bank’s ability to generate income from private banking.

Figure 13: Adjusted gross margin on assets under management (in basis points)



In 2014, the trend of decreasing margins continued, at least with the bigger banks. Smaller banks managed to defend the 2013 level. Yet, with an adjusted median gross margin on AuM of 56 basis points in 2014, profitability is still short of pre-crisis levels of 70-80 basis points in 2006-2007. In an environment of extremely low (if not negative) interest rates, achieving reasonable margins presents banks with an extreme challenge.

This is particularly true at a time when the composition of clients shifts towards more sophisticated and demanding groups like institutional investors, mobile and digital-affine younger target groups, and fully tax-compliant customers. The continuous reduction in mandates from clients with undeclared assets, particularly from the US and some European countries, is reflected in the 2014 figures. When comparing the median adjusted gross margin of the two groups of banks (small and large), it is remarkable to see that small banks still continued to increase their margins over the recent years. Even more striking, smaller banks realized a significantly higher margin than larger banks. Thus, the median margin difference between the two groups remained persistent over the recent years and even increased to around 20 basis points in 2014. Smaller banks tend to have a relatively higher (but decreasing) share of discretionary management mandates, which often yield higher margins than advisory assets.

Figure 14: Split of AuM - Assets in own funds, under discretionary mandates and other client assets

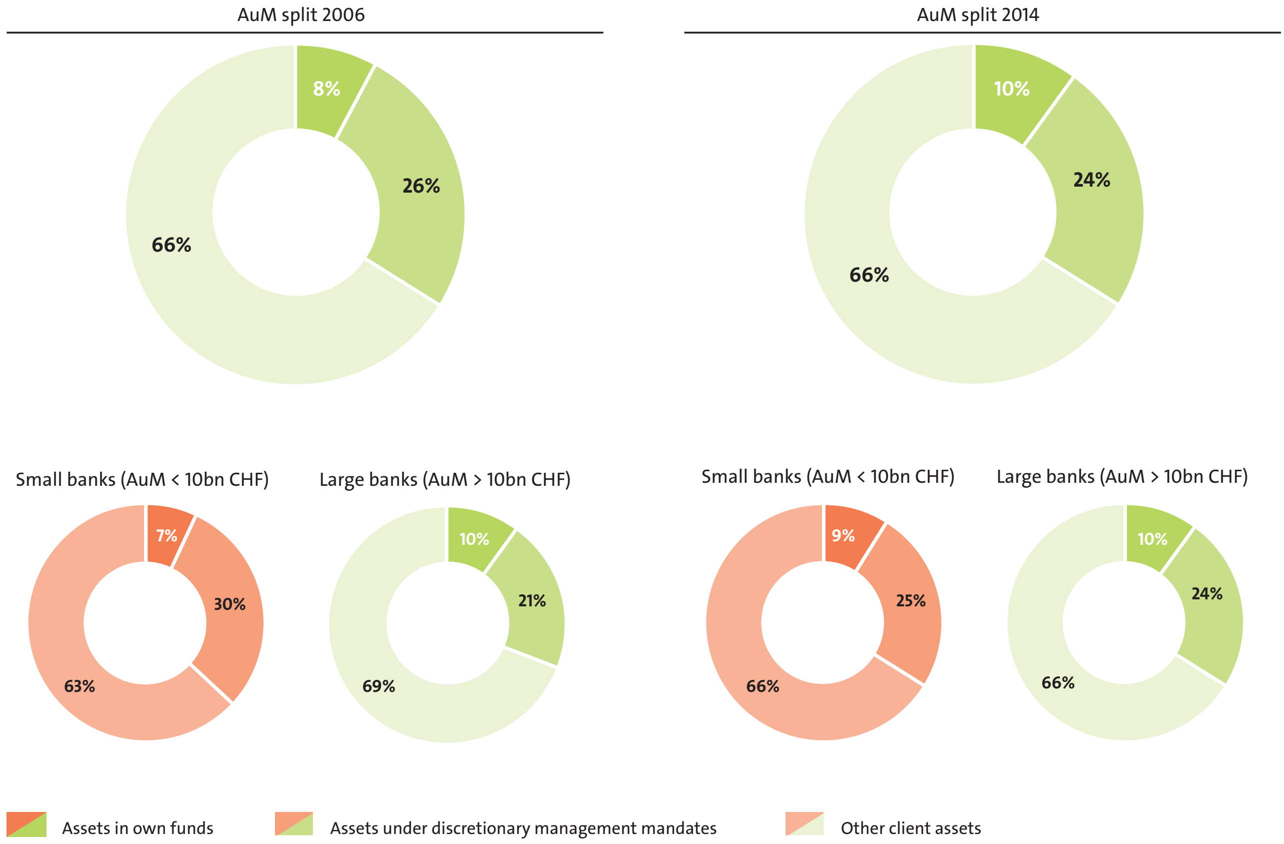
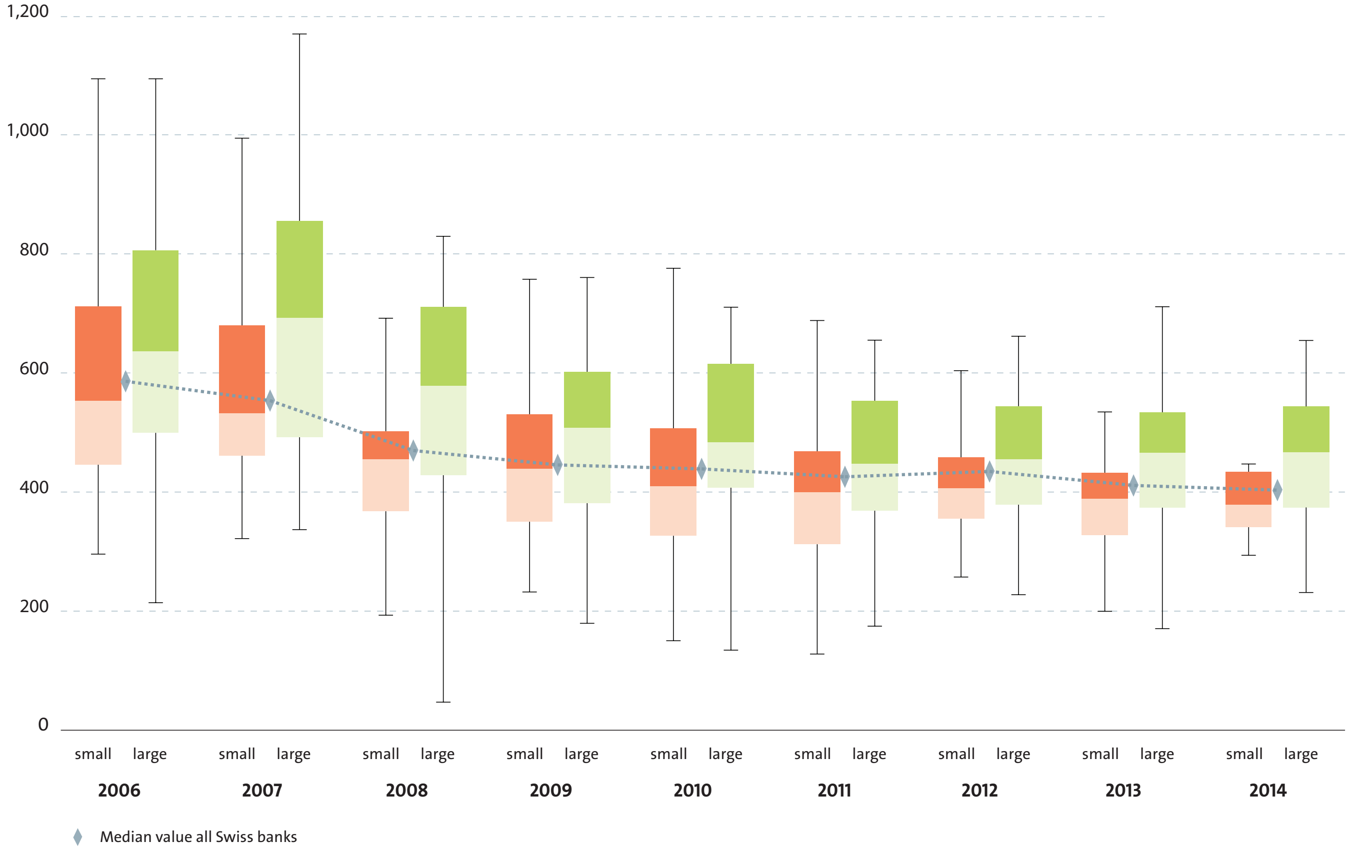


Figure 14 depicts the mean composition of assets under management over time (between 2006 and 2014) for the two size groups of banks. The compositions are surprisingly stable, given the demise of client funds with unclear tax history and a relatively high share of assets under discretionary mandates. Despite headwind, the bigger banks managed to expand the portfolio of assets under discretionary mandates; the share of these assets increased from 21 to 24 percent in total AuM. The smaller banks, by contrast, report a decreasing share of discretionary mandates. The difference between mandate structure between the two groups reflects some economies of scale or scope. The bigger banks seem in a better position than their smaller competitors to offer 360-degree services to clients with discretionary mandates. This helped to compensate for the loss of offshore funds with discretionary management mandates by motivating execution and advisory clients to consider new forms of mandates.

Revenues

Revenues generated by wealth management activities are sensitive to market movements. Weak stock markets, low turnovers, and extremely low nominal yields led to an apparent structural break in wealth management returns. Figure 15 depicts the total revenue per employee for the two large and small bank samples, respectively. In 2013 and 2014, the overall tendency of declining revenues per capita came to a halt. Median revenues settled at 465,000 CHF for bigger banks and 385,000 CHF for smaller banks. This is clearly less than pre-crisis levels. The gap between the more productive, bigger banks and their smaller counterparts had widened during the financial crisis, but returned to the traditional level of 10-15 percent soon after 2009. In 2014, the bigger banks' edge widened slightly, as the smaller institutions lost productivity and exhibited declining mean revenues per capita.

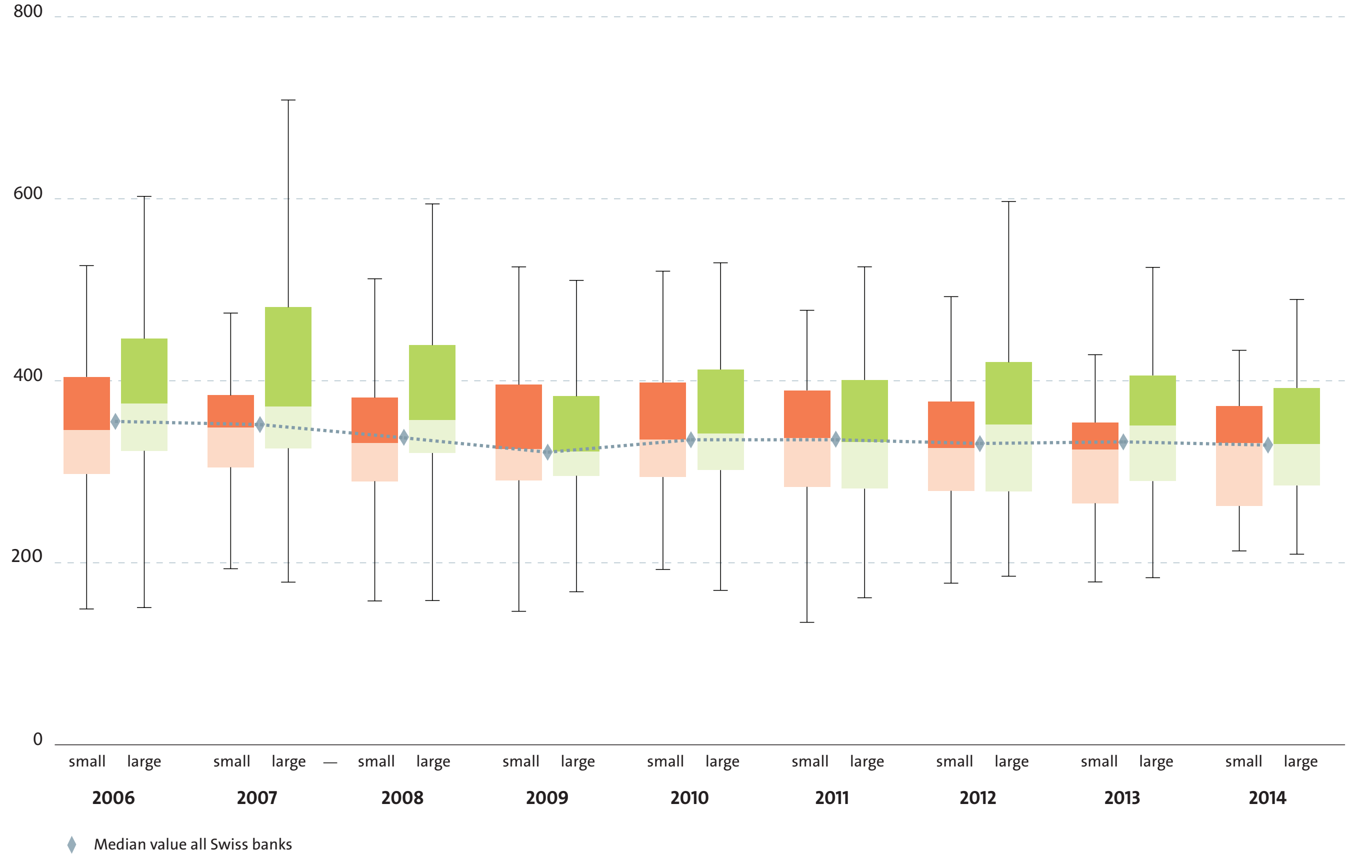
Figure 15: Total revenue per employee (median values, in tsd CHF)



Costs

Compared to revenues, operational costs per employee exhibit sticky tendencies. Over the last five years, the operating costs per employee (at the median banks) have stagnated at a level of around 340,000 CHF. As indicated by Figure 16, costs per employee are back to pre-crisis levels. The figure also reveals that small banks did operate under slightly lower median costs per capita in the years 2012 and 2013. However, in 2014, the large banks were able to reduce their median costs per employee. Thus, the difference in cost per capita figures between the bigger and the smaller banks all but disappeared in 2014.

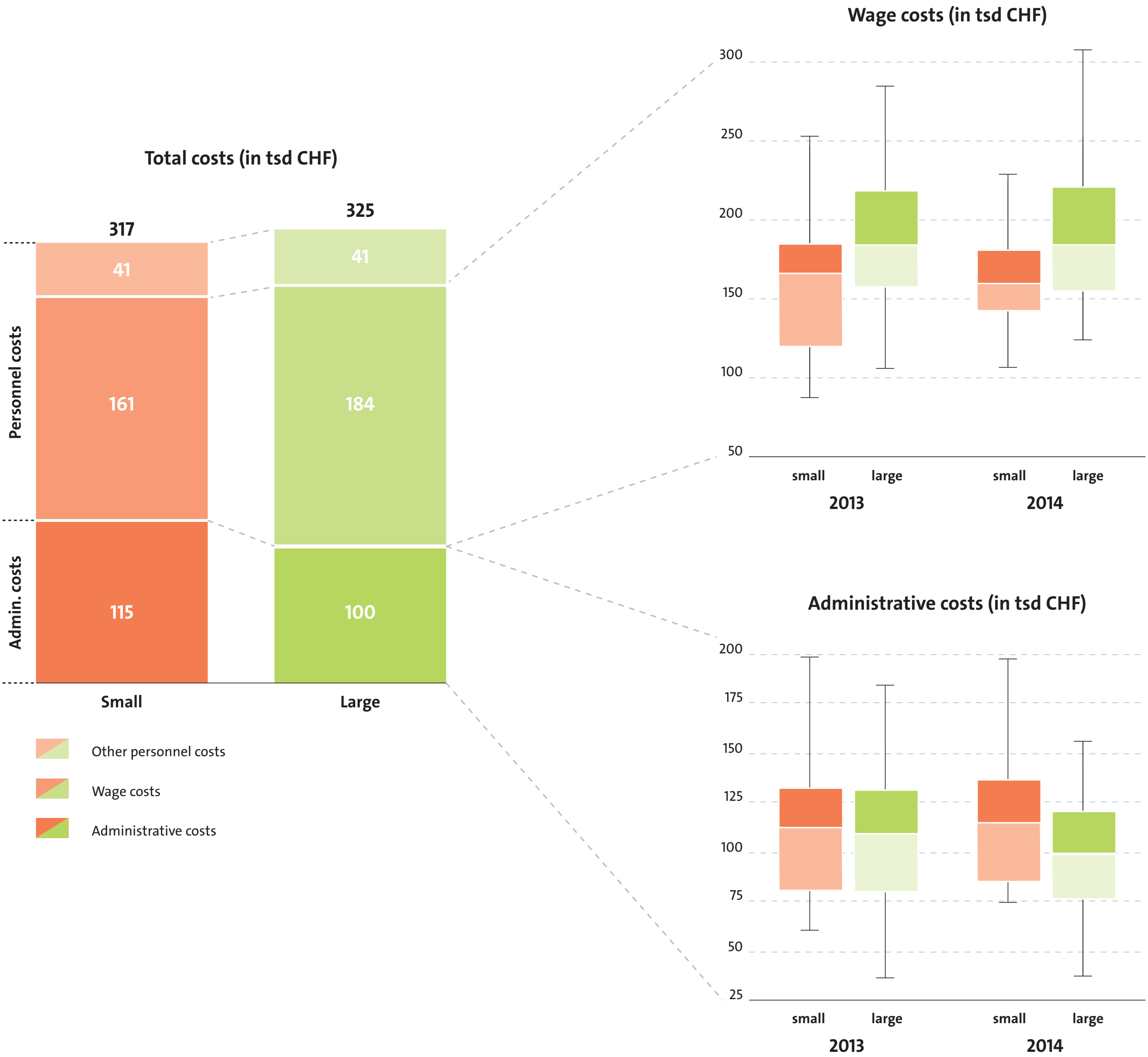
Figure 16: Total operative costs per employee (median values, in tsd CHF)



The rigidity of operating costs stems from both main cost components – wage costs and administrative costs. Banks seem hesitant to reduce either wages per head or the number of employees. Administrative costs, on the other hand, are hard to reduce at a time of increasing regulatory and compliance requirements in conjunction with the need to respond to changing client preferences by investing in information systems.

As Figure 17 shows, both cost components are indeed sticky, but at times quite heterogeneous across banks. During the run-up to the crisis, cost ratios not only increased but scattered over a wide area. After the financial crisis, outliers vanished and the spreads within both groups of banks narrowed. Wage costs per employee are approximately twice as high as the administrative costs per capita from both a cross-sectional and an intertemporal perspective.

Figure 17: Cost split (median values, in tsd CHF)

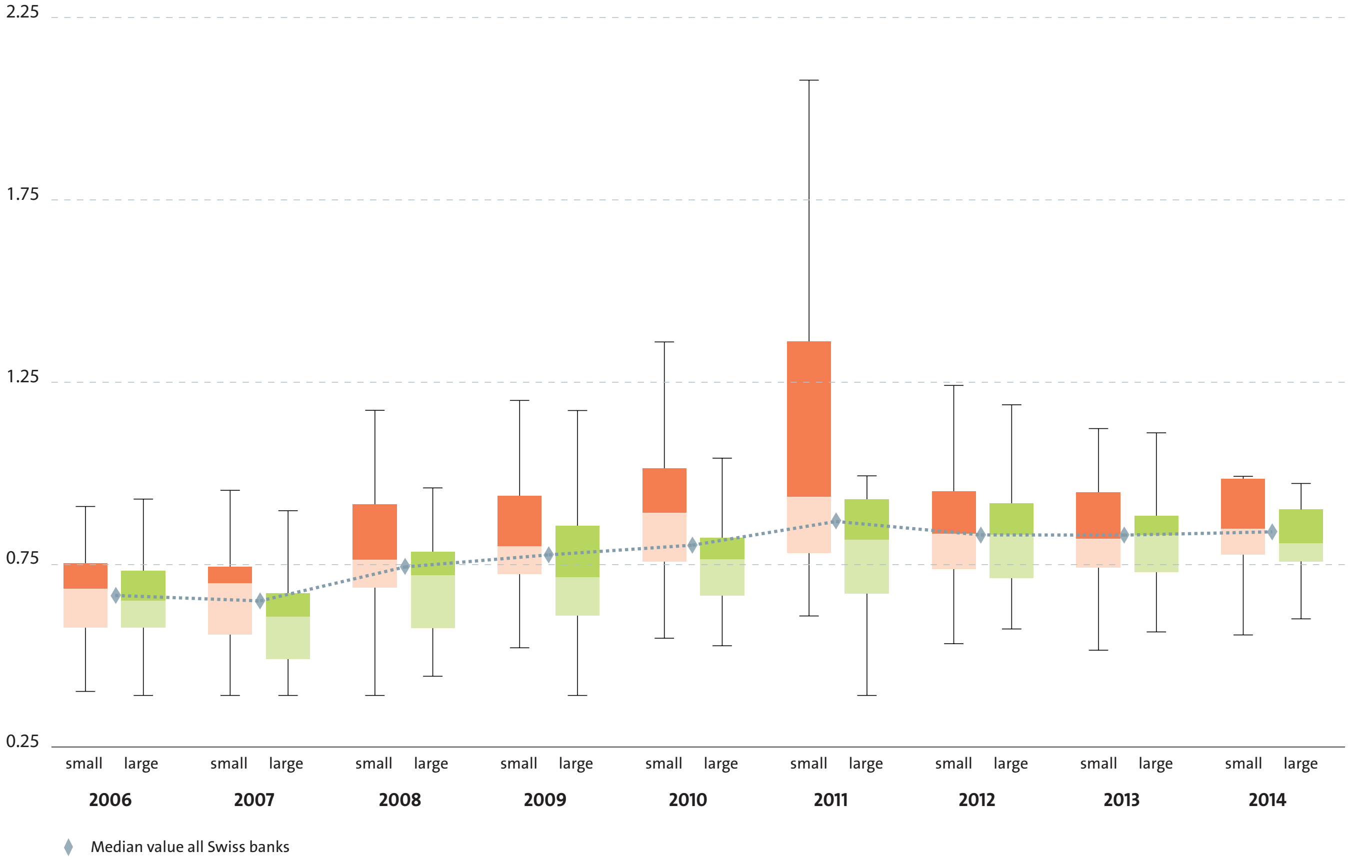


Efficiency

Banks' efficiency can be measured by their overall cost-income ratio (CIR). CIR is computed as the ratio of total costs plus tangible assets depreciation to total revenues. A ratio below 60 percent is considered comfortable; ratios above 80 percent are critical in the long term, and a ratio above 100 percent is obviously not viable for long.

After a structural break of the cost-income ratios, the median cost-income ratios consolidated on a level below the critical ratio of 100 percent in the period 2012 to 2014 (Figure 18). This is a remarkable observation as banks still face a very challenging environment due to cost pressure resulting from ever tougher regulatory requirements and investment needs from a demanding clientele as well as pressure on generating sustainable income due to challenging capital markets and demand conditions. On average, the median cost-income ratio for Swiss private banks was around 83 percent in the period from 2012 to 2014. An investigation of the different size groups reveals a more heterogeneous situation for different bank sizes. In 2012, the median cost-income ratio was, for both small and large institutions, around 83 percent. In 2013 and 2014, large institutions were able to keep this level constant. In contrast, the reading of the median cost-income ratio figures for the small institutions deteriorated and increased by up to 4 percentage points. Overall, the median cost-income ratios consolidated on a high, but still moderate, level of around 81-84 percent, which indicates a slight cost advantage for the larger Swiss private banks.

Figure 18: Cost-income ratio (after depreciation)

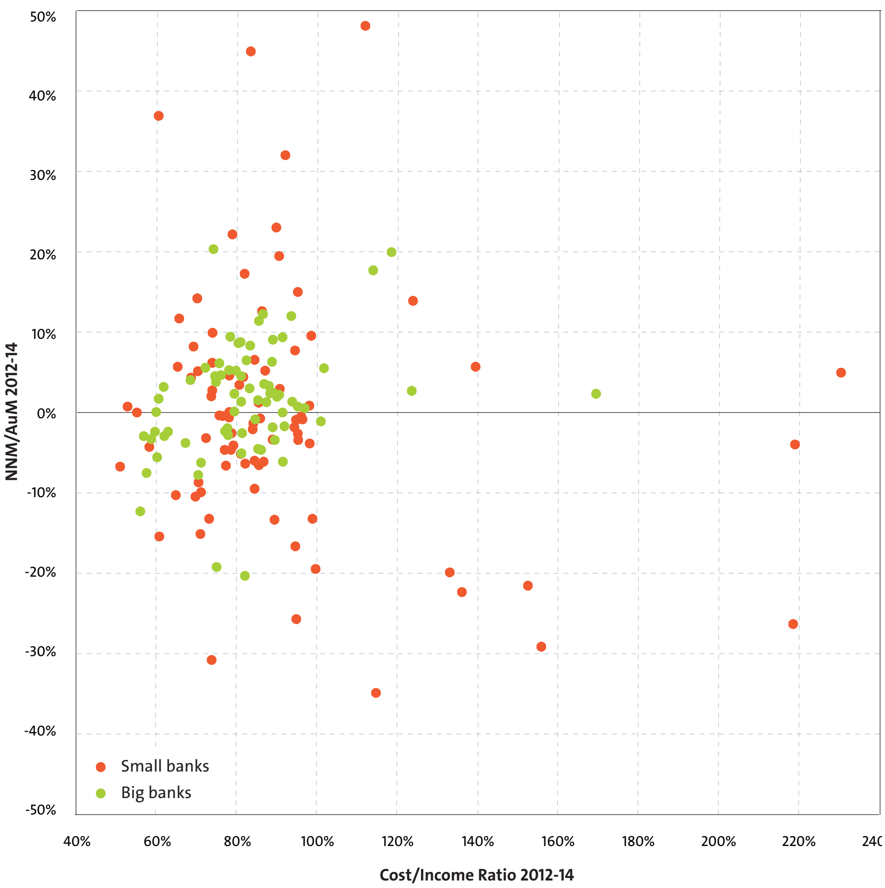


Interdependencies of Key Performance Indicators

Figure 19 plots the relative growth of assets under management through net new money ('ability to attract new money'; vertical axis) against the cost-income ratio ('performance; horizontal axis').

Banks are clustering in a CIR range between 60 and 100 percent and in a NNM range between plus and minus 20 percent of AuM. The median is slightly above zero, i.e., more than half of the banks have attracted new money between 2012 and 2014. The figure also reveals that multiple banks have been operating at CIR values above (and quite few not much below) 1.0. These banks have been living on their reserves.

Figure 19: Margin growth vs. AuM growth through NNM



One might expect that a high CIR reflects efforts to restructure and will lead to higher NNM inflows in the following years. As the figure shows, this is (at least in the short run) not the case. Most banks with high CIRs also suffer from negative NNM. If there is a link between CIR and NNM it may be in the opposite direction: Banks losing client money are more likely to implement programs that lead to a higher CIR in the short run. In the whole sample the correlation of CIR and NNM is slightly negative. Cost wise, efficient banks seem to have an edge in attracting money. Or: Banks with money inflows are less likely to incur high cost.

Most banks with high NNM figures are from the group of smaller banks. At the same time, banks with high CIRs are small banks as well, and all of the seven banks with both a CIR above 100% and net outflows (negative NNM) are smaller institutions. If one assumes a CIR above 95% as lethal within a 10 year horizon, the figure would suggest that up to two dozen banks are threatened, half of them severely.

Concluding Remarks on the Swiss Private Banking Industry

Swiss private banks are among the most important wealth managers globally, despite looking back to difficult years. During the past decade, Swiss banking met major obstacles, such as the 2007-2008 financial crisis, the phasing out of tax secrecy as well as a limp European economy. Nonetheless, banks have risen up to the challenge, strengthening their position in new markets and getting costs under control.

Swiss private banking remains a pillar of the Swiss financial industry, but in the coming years bankers will eat their bread in the sweat of their faces. Perspectives in new markets (Asia, emerging economies; asset management) may seem promising, but competition is fierce, and expansion and cost control are in conflict. Wage costs, which have been sticky despite the financial crisis, may not fall enough to prevent job losses. Wage costs per employee in Swiss private banks still exceed the values exhibited by their European and American competition by 50-100 percent.

Three trends have come to shape the Swiss wealth management industry: Intensified regulation, increasing pressure for digitalization and automation as well as a shift in client behavior.

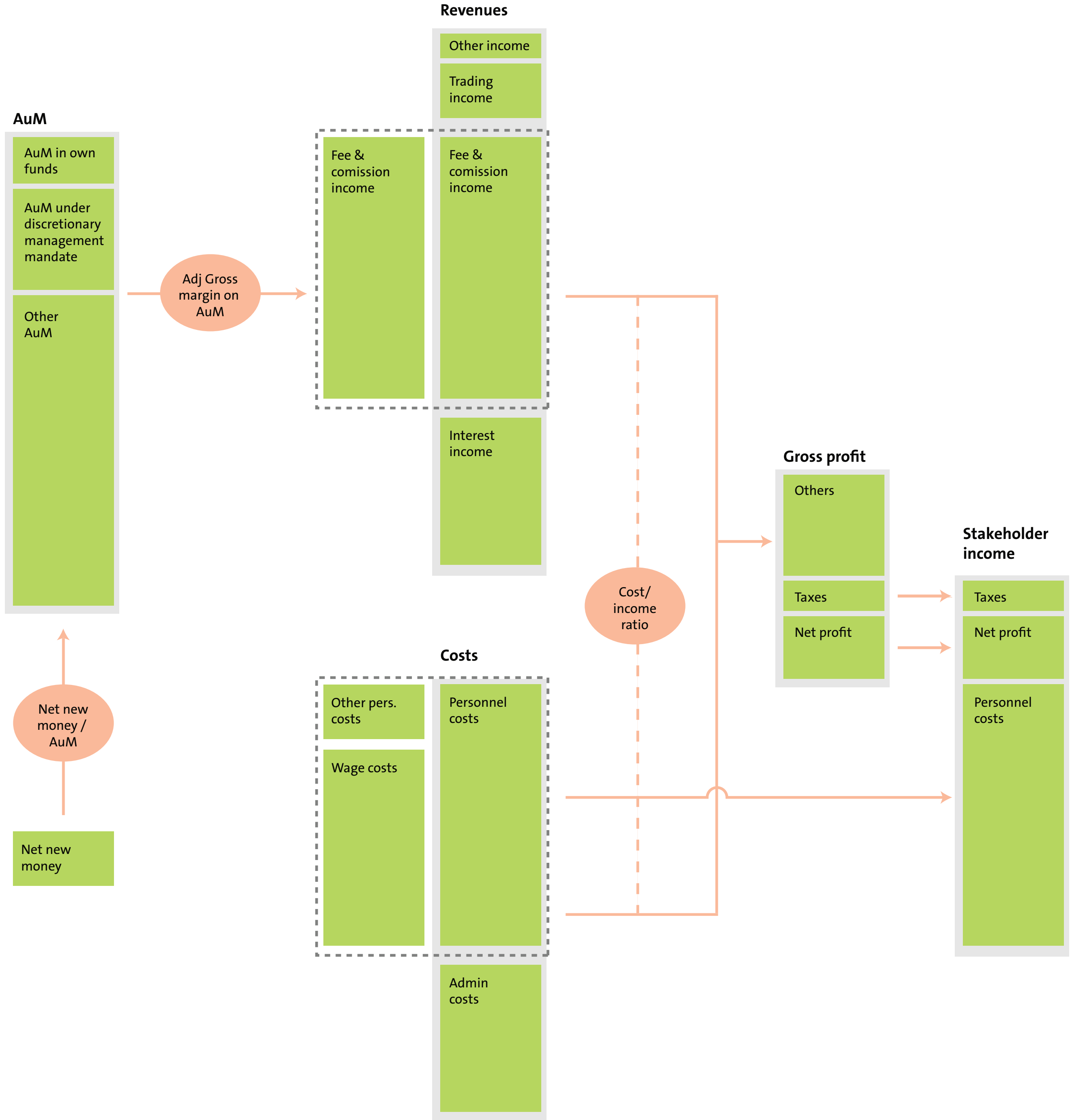
First, the regulatory train is not losing speed. After the implementation of FATCA and, on a European level, UCITS V, MIFID II and AIFMD, banks are facing the implementation of the Automatic Exchange of Information combined with looming domestic regulation such as Fidleg and Finig. The regulatory burden – roughly measured by the ratio of compliance officers to client advisors in a bank – has become heavy, particularly for smaller banks. For some of them, further regulation like Fidleg and Finig may push cost-income ratios up again, from uncomfortable to critical levels. Fidleg may be a price to pay for continued access to European markets, but for some banks the price might prove too high. True, European neighbor countries are the traditional market for Swiss private banking. Yet globally, the main competitors from Singapore, Hong Kong and other jurisdictions are fighting with a lighter regulatory armor.

Second, digitalization and automation are transforming the financial industry. The costs of producing fully automatable services, e.g. in brokerage and custody, are approaching zero. Entities focusing on economies of scale like transaction banks are offering such commodity services at marginal costs, hence depriving traditional banks of yet another source of income. In addition, private banking business models face increasing competition by new competitors (FinTechs) on all levels. Even though these new entrants may only manage a tiny market share of the assets at present, they are running at much lower costs and are often closer to the needs of a new, wealthy generation of "digital natives". New concepts like Bitcoin or, more importantly, the blockchain concept behind it, may still look exotic. But they (and their future descendants) have the potential to uproot the traditional financial industry.

Third, it has become more difficult for banks to generate revenue from their customer base. Customers have become relatively price sensitive concerning active management (e.g. funds and discretionary mandates) and complex financial products (e.g. structured products and hedge funds), leaving private banks with lower return on assets. Clients are turning away from the classic high margin products and services, whilst their need for wealth consulting services (such as strategic asset allocation optimization, manager selection, tax planning, etc.) and passive investment products is increasing. Some banks are struggling to adapt their offering and pricing models to capitalize on these trends.

All these factors led to an intensified rivalry among competitors. Both growth and focus are key to survive. Options to expand are scarce and international expansion is capital intensive. Whereas offshore banking is rather risky, the Swiss market appears to be overbanked. In 2013 and 2014, mergers and acquisitions among wealth managers have already picked up, leading to a further decrease in the number of banks in Switzerland. For a number of banks, the fight for survival will continue in the next few years, leaving staff the dire choice between lower wages and the risk of job loss. The market will be unforgiving, but opportunities are there for the best, i.e. for those who manage to deliver a consistent performance while combining the efficiency of digitalized mass production with a unique service to the customer.

Figure 20: Structural framework of Private Banking performance ratios



Appendix

Appendix A: Data and Methodology

The sample contains 279 distinct banks and business divisions of universal banks having a substantial part of their activities focused on private banking markets. The following criteria govern the composition of the sample: (1) data availability, (2) observable strategic focus on private banking, and (3) fee and commission income amounting to at least one third of total revenue. The sample includes banks from the following countries/regions: Switzerland (108 banks), Austria (11), Benelux (28), France (21), Germany (26), Liechtenstein (18), Italy (22), the UK (21), and the US (14). The sample used differs slightly from those in previous editions as new banks have emerged and others have disappeared from the private banking market. This leads to minor differences in certain figures and tables compared to the 2013 edition but it does not change any of its main statements.

Country summary statements are based on median values over three years, rather than on arithmetical means, for all banks in a country. Given their negligible influence on the median, outliers were not generally excluded. The data set covers the years 2003 through 2014. Accounting figures were extracted from periodical company reports (annual and quarterly reports as well as analyst conference materials). Currency effects may limit the comparability of figures in the section “International Private Banking”.

The analysis conducted in the sections “International Private Banking” and “Focus Switzerland” follows the simplified structural framework illustrated in Figure 20. Private banks generate a majority of their revenue through fees and commissions earned from the discretionary or non-discretionary management of client assets. Fees can be volume-, transaction-, or time-based. Trading revenue and interest income play secondary roles.

As wealth management is a human capital intensive service, personnel expenses, mainly salaries, account for the major share of total costs. The cost-income ratio is used to measure a private bank’s efficiency. Gross profit captures the relationship between cost and revenue in absolute terms. Stakeholder income, which is composed of net profit, taxes and personnel cost, is used to measure bottom line results.

The Swiss sample is split into small and large banks, respectively, i.e. into banks having less or more than 10bn CHF in assets under management. The Swiss sample allows for a more detailed analysis of important indicators, particularly net new money figures, which are not available for the international sample. For 2014 the small and large bank samples consist of 21 and 80 banks, respectively. Depending on the year and the actual statistical evaluation, sample sizes may slightly differ.

Appendix B: Sample

	Cost/income ratio (before depreciation)	
	2014	2013
Switzerland		
Arab Bank (Switzerland)	62.0%	67.8%
Arvest Privatbank	n/a	71.5%
Banca Arner	119.0%	144.2%
Banca del Sempione	71.7%	69.2%
Banca della Svizzera Italiana (BSI)	80.2%	77.2%
Banca Zarattini & Co	71.7%	74.5%
Bank CIC (Schweiz)	79.4%	77.1%
Bank Gutenberg	n/a	84.5%
Bank Hapoalim	67.7%	69.7%
Bank J. Safra Sarasin	74.3%	82.3%
Bank Julius Bär & Co	73.3%	79.6%
Bank Morgan Stanley (Switzerland)	n/a	85.5%
Banque Cantonale Vaudoise	52.1%	52.4%
Banque Cramer & Cie	77.1%	107.2%
Banque Piguet & Cie	78.7%	80.4%
Banque Privée Edmond de Rothschild	70.9%	74.0%
Banque Profil de Gestion	87.9%	91.6%
Banque Syz	n/a	105.6%
Banque Syz Group	85.1%	78.5%
Banque Thaler (Switzerland)	54.2%	49.7%
BNP Paribas Private Bank (Suisse)	n/a	67.3%
Citibank (Switzerland)	n/a	85.9%
Compagnie Bancaire Helvetique	63.8%	58.3%
Coutts & Co Ltd	83.6%	73.5%
Credit Agricole (Suisse)	75.6%	68.9%
Credit Suisse Group	85.5%	83.5%
Credit Suisse Private Banking & WM	72.0%	74.8%
DZ Privatbank (Schweiz)	95.4%	84.1%
EFG International	80.2%	82.2%
EFG International Private Banking	n/a	71.9%
Falcon Private Bank	n/a	115.3%
Frankfurter Bankgesellschaft (Schweiz)	88.3%	86.6%
HSBC Private Bank (Suisse)	78.2%	55.4%
Jyske Bank (Schweiz)	99.0%	89.5%
Les Fils Dreyfus & Cie	60.7%	58.1%
Leumi Private Bank	n/a	66.5%
Lienhardt & Partner Privatbank Zürich	n/a	75.6%
Luzerner Kantonalbank Private Banking	35.6%	33.8%
M.M. Warburg Bank (Schweiz)	92.0%	75.5%
Maerki Baumann & Co.	95.4%	93.8%
MediBank	127.6%	131.0%
Notenstein	95.7%	90.8%
Pictet	70.7%	n/a
PKB Privatbank	62.0%	63.7%
Privatbank IHAG Zürich	72.3%	66.8%
Rothschild Bank Zürich	n/a	83.9%
Schroder & Co Bank	84.3%	94.5%
Societa Bancaria Ticinese	63.9%	70.0%
St. Galler Kantonalbank Private Banking	76.8%	79.8%
UBS	88.0%	84.8%
UBS Wealth Management	n/a	66.3%
Union Bancaire Privée (UBP)	67.1%	68.5%
Vadian Bank	74.3%	62.6%
Valartis	200.6%	70.6%
Vontobel	73.3%	74.2%
Vontobel Private Banking	n/a	73.9%
VP Bank (Schweiz)	n/a	101.4%

	Cost/income ratio (before depreciation)	
	2014	2013
Austria		
Alpenbank	104.4%	105.9%
Bank Gutmann	82.0%	79.7%
Bank Winter	54.0%	53.8%
Bankhaus Carl Spängler & Co.	76.0%	77.1%
Bankhaus Krentschker	61.5%	56.3%
Bankhaus Schelhammer & Schattera	81.3%	73.5%
Oberbank	50.8%	52.2%
Schöllerbank	62.3%	62.8%
Semper Constantia Privatbank	73.2%	87.7%
Walser Privatbank	93.7%	86.8%
Zuercher Kantonalbank Oesterreich	n/a	120.0%
Benelux		
ABN Amro	65.8%	65.0%
Banque Privée Edmond de Rothschild E.	85.3%	86.5%
Bank Degroof	58.7%	66.0%
Banque LBLux	n/a	44.7%
Banque Safra-Luxembourg	n/a	46.7%
Banque Transatlantique Belgium	n/a	38.4%
BNP Paribas Fortis	62.5%	68.2%
DZ BANK International	72.4%	69.3%
EFG Bank Luxembourg	80.4%	74.7%
Hof Hoorneman Bankiers	n/a	56.9%
KBC Bank	57.6%	50.6%
KBL Group European Private Bankers	81.4%	78.8%
M.M. Warburg & Co. Luxembourg	77.6%	76.3%
Norddeutsche Landesbank Luxembourg	58.9%	39.0%
Petercam	n/a	85.1%
Puilaetco Dewaay Private Bankers	n/a	76.7%
Quilvest Compagnie de Banque Privée	n/a	76.6%
Rabobank Group	66.4%	76.4%
Société Européenne de Banque	14.8%	14.7%
Societe Generale Bank & Trust	33.5%	39.0%
Société Générale PB (Belgium)	n/a	82.4%
Staalbankiers	n/a	276.1%
Van Lanschot	59.6%	74.1%
France		
Banque Patrimoine et Immobilier	n/a	69.9%
Banque Privée Européenne	86.9%	90.1%
Banque Transatlantique	57.8%	63.0%
BLOM Bank France	60.5%	62.1%
BNP Paribas	67.7%	67.9%
BNP Paribas Wealth Management	111.9%	111.9%
CA Indosuez Private Banking	n/a	80.1%
Credit Agricole	62.8%	61.9%
Credit Lyonnais	71.4%	68.8%
Edmond de Rothschild (France)	90.2%	88.9%
HSBC France	69.0%	73.9%
Neuflize	75.2%	74.7%
Oddo	72.7%	76.1%
Quilvest	n/a	97.4%
Rothschild et Compagnie Banque SCS	63.9%	66.2%
Société Générale	67.0%	66.2%
SwissLife Banque Privée	n/a	85.7%

	Cost/income ratio (before depreciation)	
	2014	2013
Germany		
Bank Julius Baer Europe	n/a	205.0%
Bank Vontobel Europe AG München	128.8%	120.9%
Bankhaus August Lenz & Co.	n/a	318.6%
Bankhaus B. Metzler seel. Sohn & Co.	97.8%	86.5%
Bankhaus Hallbaum	79.2%	79.3%
Bankhaus Lampe	81.8%	86.0%
Bankhaus Neelmeyer	96.1%	104.1%
Bankhaus Wölbern	242.6%	175.3%
Berenberg Bank	86.4%	82.2%
Comdirect Bank	76.5%	76.1%
Commerzbank	79.1%	73.4%
Deutsche Bank	85.9%	87.3%
Deutsche Kontor Privatbank	213.9%	387.8%
Donner & Reuschel	77.9%	90.6%
Frankfurter Bankgesellschaft	94.6%	122.7%
Fürst Fugger Privatbank	82.0%	84.6%
Goyer & Goeppel KG, Privatbankiers	n/a	46.2%
Hauck & Aufhäuser Privatbanquiers	98.4%	95.6%
HSBC Trinkhaus & Burkhardt	69.4%	67.9%
M.M. Warburg	87.2%	88.9%
Merck Finck & Co.	104.8%	98.4%
Merkur Privatbank	72.9%	64.5%
Otto M. Schröder Bank	40.6%	37.4%
quirin bank	92.9%	101.6%
Salomon Oppenheim	155.9%	206.1%
Italy		
Banca Albertini Syz & C.	73.1%	72.0%
Banca Carige	84.1%	65.7%
Banca Esperia	78.8%	93.7%
Banca Fideuram	42.2%	45.2%
Banca Generali	49.4%	47.0%
Banca Leonardo	83.2%	85.4%
Banca Monte dei Paschi di Siena	72.4%	65.9%
Banca Passadore	61.1%	66.3%
Banca Patrimoni Sella & C.	62.8%	73.4%
Banca Popolare di Bergamo	54.0%	54.6%
Credem	67.3%	68.3%
Deutsche Bank Italien	72.7%	68.9%
Finanza e Futuro Banca	63.9%	65.2%
Mediobanca	40.9%	54.5%
SanPaolo Intesa	55.2%	57.2%
SanPaolo Intesa Private Banking	43.2%	33.6%
Santander Private Banking SpA (Italy)	n/a	130.8%
UBI Banca Private Investment	84.9%	75.5%
Liechtenstein		
Bank Alpinum	84.9%	79.9%
Bank Frick & Co.	68.3%	69.4%
Bank Vontobel Liechtenstein	n/a	87.2%
Centrum Bank	n/a	85.7%
Kaiser Ritter Partner Privatbank	79.9%	79.3%
LGT	76.4%	76.9%
LGT Wealth Management	n/a	74.4%
Liechtensteinische Landesbank LLB	69.8%	75.4%
Neue Bank	62.4%	56.1%
Raiffeisen Privatbank Liechtenstein	89.2%	88.7%

	Cost/income ratio (before depreciation)	
	2014	2013
Liechtenstein		
Valartis Bank Liechtenstein	48.9%	49.9%
Verwaltungs- und Privatbank	74.2%	81.5%
Volksbank	57.7%	59.5%
UK		
Arbuthnot Latham & Co.	82.3%	71.8%
Barclays	79.8%	77.9%
Brewin Dolphin Sec.	86.2%	90.0%
C. Hoare & Co. Privatbankers	n/a	67.7%
Coutts & Co	77.2%	84.5%
Duncan Lawrie	n/a	110.9%
EFG Private Bank	81.8%	86.0%
HSBC	65.1%	57.1%
HSBC Private Banking	n/a	53.1%
Kleinwort Benson Bank	n/a	151.9%
N M Rothschild & Sons	n/a	84.7%
Rathbone Brothers	78.5%	74.8%
Rathbone Investment Management	n/a	72.5%
Schroders	65.9%	67.6%
Schroders Private Banking	79.9%	56.6%
TSB Lloyds	67.0%	80.0%
US		
Alliance Bernstein	79.7%	79.6%
Bank of America	89.2%	76.8%
Bank of New York Mellon	70.4%	75.0%
Boston Private Financial Holdings	70.9%	73.8%
Citigroup	72.2%	63.2%
JP Morgan Chase	65.0%	72.5%
Legg Mason	86.9%	84.7%
Morgan Stanley	90.8%	83.6%
Northern Trust	71.9%	72.7%
T. Rowe Price Group	52.5%	53.0%
Wells Fargo	58.1%	58.3%

Appendix C: Country Level Data

Median assets under management per employee (in mn CHF)	2008	2009	2010	2011	2012	2013	2014
Switzerland	37	41	39	39	43	41	45
Austria	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Benelux	23	24	23	36	33	29	29
France	33	33	35	n/a	n/a	49	n/a
Germany	25	27	19	24	32	55	55
Italy	18	17	16	43	45	17	18
Liechtenstein	46	48	44	44	47	53	58
UK	20	30	31	30	33	n/a	n/a
US	23	27	23	24	35	28	47

Median adjusted gross margin on assets under management (in bps)	2008	2009	2010	2011	2012	2013	2014
Switzerland	71	66	62	59	59	58	54
Austria	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Benelux	78	75	74	78	68	71	73
France	n/a	n/a	n/a	n/a	n/a	79	81
Germany	82	53	70	47	43	33	34
Italy	88	119	108	77	72	148	170
Liechtenstein	54	49	47	44	42	45	43
UK	83	65	62	62	54	n/a	n/a
US	99	50	58	79	61	54	53

Median total revenue per employee (in tsd CHF)	2008	2009	2010	2011	2012	2013	2014
Switzerland	473	447	441	427	438	413	405
Austria	307	263	237	257	249	271	317
Benelux	335	343	300	276	325	396	366
France	369	327	307	297	240	267	255
Germany	283	307	251	269	230	248	262
Italy	186	229	178	183	201	320	373
Liechtenstein	590	500	415	383	383	446	433
UK	243	305	291	286	267	319	283
US	340	319	315	314	334	332	564

Median personnel costs per employee (in tsd CHF)	2008	2009	2010	2011	2012	2013	2014
Switzerland	225	219	220	219	215	214	218
Austria	130	134	109	111	115	133	129
Benelux	148	146	130	122	143	150	136
France	95	111	93	119	90	160	165
Germany	159	144	119	117	117	124	123
Italy	126	121	102	108	107	103	110
Liechtenstein	192	184	169	172	173	168	172
UK	100	114	113	114	117	137	131
US	129	125	115	122	137	121	224

Median wage costs per employee (in tsd CHF)	2008	2009	2010	2011	2012	2013	2014
Switzerland	180	174	178	174	176	171	167
Austria	95	92	81	81	80	n/a	n/a
Benelux	124	119	105	108	112	115	111
France	62	78	70	n/a	69	88	91
Germany	129	122	102	97	86	91	99
Italy	77	80	66	71	69	70	70
Liechtenstein	151	146	141	144	143	140	137
UK	83	94	86	91	101	103	95
US	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Median gross profit per employee (in tsd CHF)	2008	2009	2010	2011	2012	2013	2014
Switzerland	143	126	104	79	93	83	91
Austria	116	64	74	86	91	64	92
Benelux	72	62	49	68	69	121	107
France	89	122	97	50	62	67	68
Germany	59	74	61	69	36	25	35
Italy	28	98	82	77	61	84	102
Liechtenstein	250	186	117	86	88	117	127
UK	65	90	80	66	47	80	81
US	51	73	88	77	72	93	111

Median stakeholder income per employee (in tsd CHF)	2008	2009	2010	2011	2012	2013	2014
Switzerland	347	317	279	273	278	259	267
Austria	198	192	171	154	169	191	217
Benelux	104	103	181	139	166	258	233
France	119	135	133	n/a	123	193	163
Germany	138	197	157	156	157	135	146
Italy	134	126	120	61	96	177	186
Liechtenstein	381	314	266	237	226	268	297
UK	140	179	184	182	135	192	151
US	100	160	175	204	209	209	332

Appendix D: Calculation Methods

Breakdown of costs	
Percentage of administrative costs against operating costs (in %)	Administrative costs / operating costs
Percentage of wage costs against operating costs (in %)	(Salaries and bonuses) / operating costs
Percentage of other personnel expenses against operating costs (in %)	(Personnel costs – (wages and bonuses)) / operating costs
Return on assets under management	
Adjusted gross margin on AuM (in bps)	Fee and commission revenues / average AuM
Percentage assets under management	
Own funds as percentage of assets under management	Own managed funds / average AuM
Discretionary management mandates as a percentage of assets under management	Management mandates / average AuM
Per capita analysis	
Total Revenue per employee (absolute, in CHF)	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
Total operative costs per employee (absolute, in CHF)	Total operative costs / average number of staff
Personnel costs per employee (absolute, in CHF)	Personnel costs / average number of staff
Wage costs per employee (absolute, in CHF)	(Wages and bonuses) / average number of staff
Assets under management per employee (absolute, in CHF)	AuM / average number of staff
Cost/income ratio	
Cost/income ratio before depreciation	Operating costs / revenue net
	(Operating costs + depreciation) / revenue net
Growth of assets under management	
Growth of AuM (in %)	$(AuM_{t=1} / AuM_{t=0}) - 1$
Growth of AuM by net new money (in %)	$NNM_{t=1} / AuM_{t=0}$