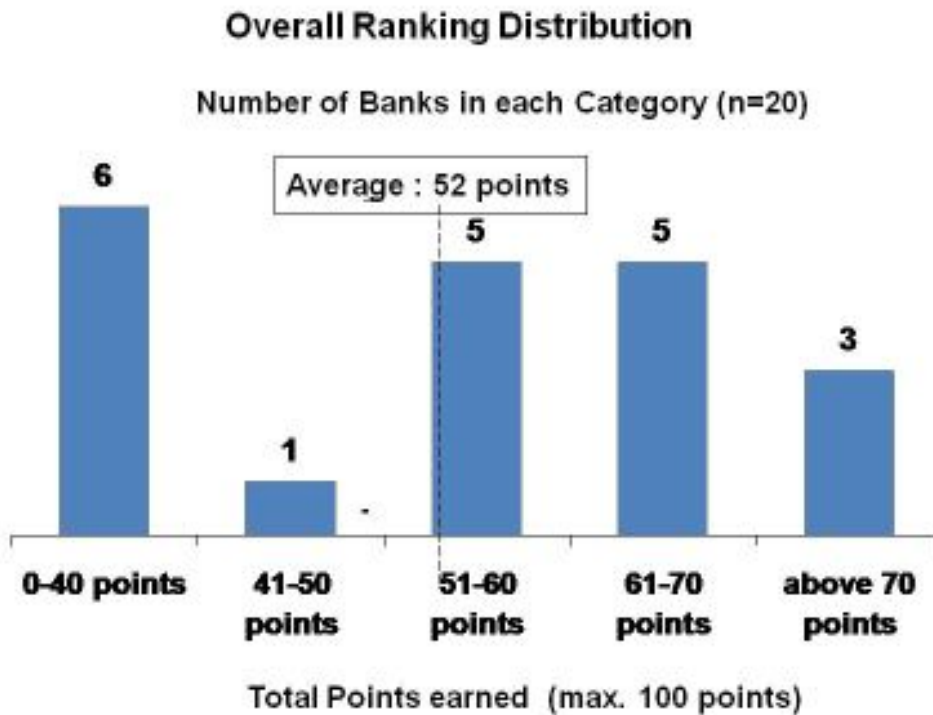


New Survey on Top European Private Banks

Insufficient Client Focus

May. 29, 2009



Source: MyPrivateBanking.com – European Private Bank Report 2009

MyPrivateBanking.com has just released its annual [survey on the top European based private banks](#). 20 of the most important private banks in Europe were selected to assess the quality of their customer interface, their investment proposal and the total cost of asset management. In order to make the results comparable and fair MyPrivateBanking.com analysts have contacted only the branch offices of these banks in Switzerland.

The analysts of MyPrivateBanking.com uncovered a series of weak spots in all areas of the wealth management process. Far too many banks did not listen to their prospective clients. As a consequence portfolio proposals were in many cases inadequate. Another problem was the cost structure of the banks. The analysts found that on average 50% of costs were hidden from the eyes of the client. MyPrivateBanking.com analysts have approached all these banks as test clients

(mystery shopping) and graded them based on a series of objective criteria.

The biggest weaknesses uncovered by the report were:

- Many Private Banks do not listen to the client: Hard to believe, but about one-fourth of all advisers visited would rather listen to themselves speak than to their potential clients. No questions were asked at all.
- Pro-cyclical asset allocation: When the survey was conducted the market had almost bottomed out, and more than half of the banks recommended an extremely bearish strategy. In six cases the portion of stocks in the portfolio was 20% or lower, despite the test client indicating a long-term outlook and medium high-risk tolerance.
- Deceptive cost structures: About one third of the banks offered quite low flat fees but had significant hidden costs in their investment proposal.
- Mediocre Funds instead of ETFs: The majority of funds we analyzed in the suggested portfolios could be easily replaced by ETFs, cutting the yearly costs by about one percentage point a year.

However, the study also found improvements in various fields such as a higher degree of asset diversification and the use of questionnaires. Several banks impressed with exceptional good service and customer-focused investment strategies.

The following three wealth managers received the highest grades.

- Nordea is the number one bank with 79 out of 100 points, is. This leading Scandinavian bank is a somewhat surprising winner because it was not a well-known brand name as a wealth manager in private banking. However, [Nordea](#) shows good performance across all our evaluation categories. MyPrivateBanking.com's analysts were impressed by the professional handling of the customer interaction, the comprehensive inquiry using a questionnaire and a proposal that showed how the bank really understood the preferences of our test client. We also liked the use of ETFs and the avoidance of high hidden costs.
- Sal. Oppenheim, the traditional Private Bank, headquartered in Luxembourg, but with strong German roots, comes second. [Sal. Oppenheim](#) showed a strong performance, especially in the area of costs. With an all-inclusive fee of 1% and almost no hidden costs (because of low use of managed products and no in-house products) this bank showed how straight forward and cost-efficient

wealth management could be.

- UBS, taking third place, is still the world's leading wealth manager measured by assets under management. We found that the customer interface of [UBS](#) was very professional and the proposed asset allocation was an excellent fit with the preferences of our test client.

Overall it was possible for our contestants, i.e. the analysed banks, to score a maximum of 100 points. No bank was even close to this maximum score – 79 being the winner's score. The average score was 52 points, with most banks being between 50 and 70 points and more than a quarter at or below 40. This result reflects the fact that most banks had substantial weaknesses in one or more areas chosen by us for evaluation. We also found that overall there is a large variance among the banks. The scores vary from 26 to 79 points.

Summary in other languages 