WealthInsight

Connect to Wealth Through Intelligence

Germany – The Future of HNWIs to 2016:

Wealth in the Powerhouse of Europe

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1 Introduction

1.1 What is this Report About?

This report is the result of WealthInsight's extensive research covering the high-net-worth individual (HNWI) population and wealth management industry in Germany.

It provides a market overview and forecast of the HNWI population and HNWI wealth across asset classes. By utilizing the WealthInsight HNWI Database, it provides key demographic breakdowns.

The phrase "coverage period" refers to the period 2007–2016, whereas the "review period" relates to the years 2007–2011 and the "forecast period" to the years 2011–2016.

This report segments the German HNWI population across five wealth bands (defined in Table 1) and HNWI wealth investments across asset classes and regions.

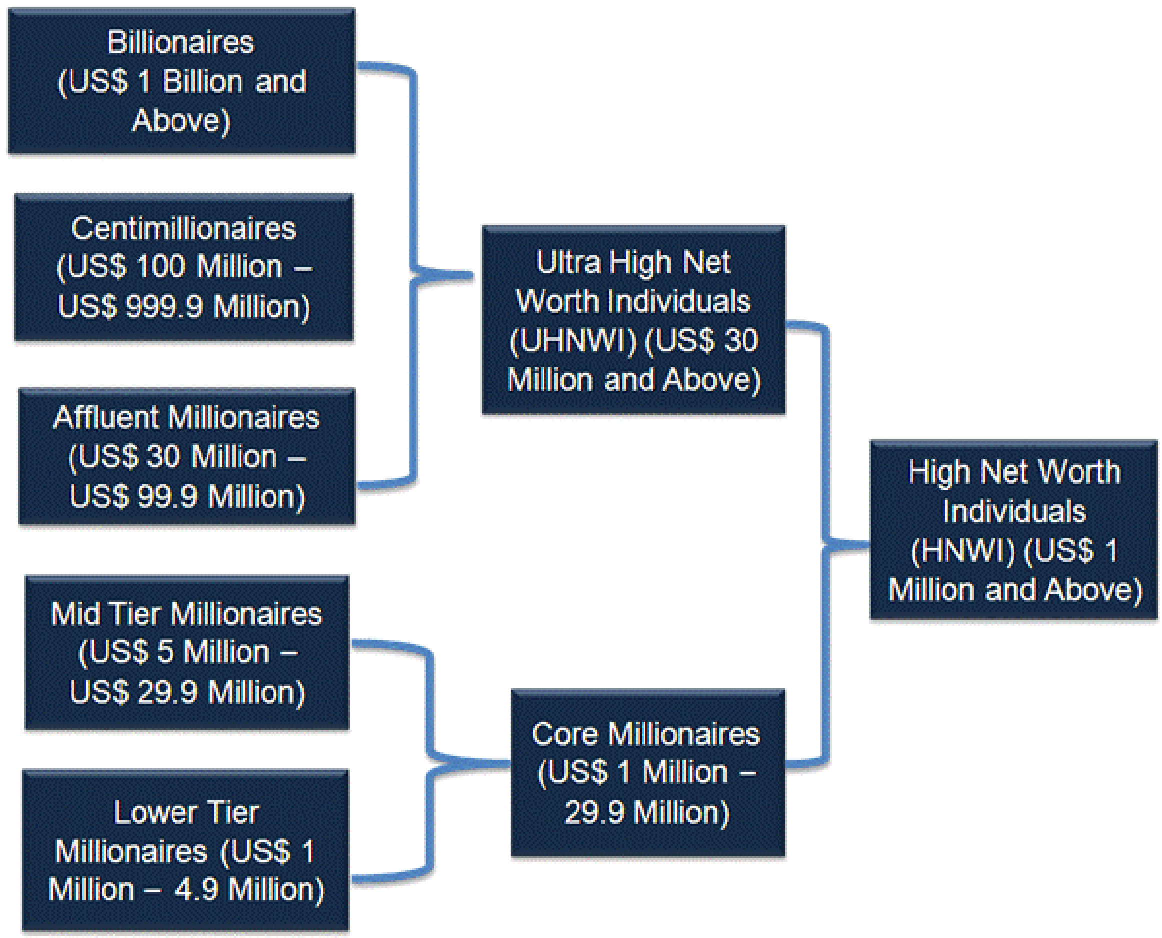
In order to provide a fully comprehensive analysis of HNWI wealth, wealth is defined as the net value of assets, including both financial holdings and tangible assets. Financial holdings and tangible assets include alternative assets, real estate (excluding the primary residence), cash and deposits, fixed-income, equities and business interests.

Table 1: HNWI Wealth Band and Group Definitions

Wealth Band	Definition
Billionaires	Billionaires are those HNWIs holding investable assets of US$1 billion or more, including equities, bonds, cash and deposits, fixed-income products, real estate, alternative assets and business interests.
Centimillionaires	Centimillionaires are those HNWIs holding assets between US$100 million and less than US$1 billion, including equities, bonds, cash and deposits, fixed-income products, real estate, alternative assets and business interests.
Affluent Millionaires	Affluent millionaires are those HNWIs holding assets between US$30 million and less than US$100 million, including equities, bonds, cash and deposits, fixed-income products, real estate, alternative assets and business interests.
Mid-Tier Millionaires	Mid-tier millionaires are those HNWIs holding assets between US$5 million and less than US$30 million, including equities, bonds, cash and deposits, fixed-income products, real estate, alternative assets and business interests.
Lower-Tier Millionaires	Lower-tier millionaires are those HNWIs holding assets between US$1 million and less than US$5 million, including equities, bonds, cash and deposits, fixed-income products, real estate, alternative assets and business interests.
Wealth Group	**Definition**
HNWIs	The high-net-worth individuals (HNWIs) wealth group comprises all wealth bands. It represents those individuals holding assets of US$1 million or more, including equities, bonds, cash and deposits, fixed-income products, real estate, alternative assets and business interests.
UHNWIs	The ultra-high-net-worth individuals (UHNWIs) wealth group comprises the billionaire, centimillionaire and affluent millionaire wealth bands. It represents those individuals holding assets of US$30 million or more, including equities, bonds, cash and deposits, fixed-income products, real estate, alternative assets and business interests.
Core HNWIs	The core HNWIs group comprises the mid-tier millionaire and lower-tier millionaire wealth bands. It represents those individuals holding assets between US$1 million and less than US$30 million, including equities, bonds, cash and deposits, fixed-income products, real estate, alternative assets and business interests.

Source: WealthInsight **© WealthInsight**

Figure 1: HNWI Wealth Band Definitions



Source: WealthInsight **© WealthInsight**

Figure 2: Map of Germany

Source: CIA Factbook **© WealthInsight**

2 Executive Summary

HNWIs – Slow rebound from the financial crisis and moderate growth forecast

- Germany has the 4th highest number of HNWIs in the world after the US, Japan and China. As of 2011, there are just over 1,253,000 HNWIs in Germany, with a combined wealth of US$3.9 trillion, accounting for roughly 36% of Germany's total wealth (US$11.0 trillion).
- The total number of HNWIs in Germany declined by 8.4% over the review period (2007 to 2011), while HNWI wealth dropped by 12.5%.
- The wealth of HNWIs in Germany was negatively influenced by a large decline in German stock markets in 2008 and a slow stock market recovery since the crisis.
- Growth in HNWI wealth and volumes over the forecast period will be moderate as projections are constrained by ongoing concerns of a double dip recession in European markets. Growth of the number of HNWIs in Germany, however, is expected to be greater than in other major EU markets such as the UK and France.
- Over the forecast period, HNWI volumes will increase by 16.5% at a CAGR of 3.1% to reach just over 1,460,000 individuals in 2016. This is well above the level of 1,367,000 reached at the end of 2007.
- Total wealth of Germany's HNWIs is forecast to grow by 20% at a CAGR of 3.8%, to reach US$4.7 trillion in 2016.

Asset classes – HNWIs will move away from real estate and towards alternatives and fixed income offerings

- In 2011, equities are the largest asset class for HNWIs in Germany, accounting for 24% of total HNWI assets, followed by real estate (23%), business interests (22%), fixed income (16.0%), alternatives (8.8%) and cash (6.4%).
- Fixed income, alternative assets and cash holdings were the best performing asset classes over the review period, driven by a flight to safety during and after the global financial crisis. Against international norms, the share of HNWIs assets held in real estate also increased substantially over the review period, as the German real estate market outperformed global markets.
- Alternative asset allocations were boosted by a strong commodities market – the commodity holdings of German HNWIs increased significantly over the review period, from 1.7% of total assets in 2007 to 3.3% in 2011.
- Over the forecast period, WealthInsight expects a movement away from real estate and towards alternatives and fixed income products.
- Alternative allocations are forecast to rise by the highest margin, as HNWIs seek to take advantage of the development of alternative asset products geared towards taking advantage of growth in Asia, especially in China.

The geographic distribution of HNWI investments – Allocations to Europe will decrease as allocations to Asia and the emerging world increase

- In 2011, Europe accounts for 55.1% of the foreign asset held by German HNWIs, followed by North America with 23.5%, Asia-Pacific with 11.8% and Latin America with 6.3%.
- Led by increases in investments into Hong Kong and Singapore, the share of foreign assets that German HNWIs allocated to the Asia-Pacific region rose substantially over the review period from 8.2% in 2007 to 11.8% in 2011.
- Of the assets German HNWIs hold abroad, the share allocated to the rest of Europe increased slightly over the review period from 54.8% in 2007 to over 55.1% in 2011. This was despite a significant drop in investments into Spain and Italy, in particular.
- Over the forecast period, WealthInsight expects that, of the share of wealth German HNWIs hold abroad, the share they allocate to the Asia-Pacific will increase to 13.8% of foreign holdings, while the allocation to the rest of Europe will decline to 53.1% of foreign holdings.

Core millionaires – Volume and wealth trends

- There are 1,241,632 core millionaires in Germany, with combined wealth of US$2,583 billion and an average wealth of US$2.1 million.
- Over the review period, the number of core HNWIs decreased by 8.4% which was in line with the HNWI average.
- According to WealthInsight’s projections, the number of core HNWIs in Germany will grow by 16.5% over the forecast period to reach 1,446,895 by 2016.

UHNWIs – Volume and wealth trends

- Germany has the third highest number of UHNWIs in the world, behind the US and Japan. There are 11,392 Ultra HNWIs in Germany, with an average wealth of US$118 million per person and a combined wealth of US$1.3 trillion.
- There are currently 81 billionaires, 2529 centimillionaires and 8,782 affluent millionaires in Germany as of year-end 2011.
- During the review period, the number of Ultra HNWIs increased by 0.7% compared to the decline of 8.4% for all HNWIs. This was due to the particularly strong performance of affluent millionaires. There was a wide range of performance between the different Ultra bands: the number of billionaires dropped by 24%, while the number of centimillionaires decreased by 4.9%. Affluent millionaires, by contrast, grew by 2.8% over the period.
- Over the forecast period, WealthInsight expects the number of Ultra HNWIs to rise by 17.9%, to reach 13,426 individuals in 2016. Billionaire volumes will grow by 21%, the most of any UHNWI wealth band, while centimillionaire and affluent millionaire volumes are set to increase by 18.0% and 17.8%, respectively.

- Over the coverage period, 2007 to 2016, Billionaires are the only ultra wealth band forecast to register negative growth in terms of volumes, declining by 8.0%, from 106 individuals in 2007 to 97 individuals in 2016. On the other extreme, the number of affluent millionaires is expected to increase by 21%, the largest percentage growth of all wealth bands over the coverage period.

UHNWIs – Demographic and sector trends

- The average age of UHNWIs in Germany is 61 years. Billionaires have the highest average age of 67 years, while the average age of centimillionaires and affluent millionaires is 63 years and 60 years, respectively.
- Manufacturing (including automotive) and retail & fashion are the two main industries in which UHNWIs have accumulated their wealth, serving as the source of wealth for 19.5% and 15.5% of UHNWIs, respectively. Other important industries in which German UHNWIs have made their fortunes include FMCG (12.7%), diversified (9.6%) and financial services (8.4%).
- Over the review period, the number of UHNWIs who have acquired their wealth through retail & fashion grew by 19.2% – more than any other major sector. UHNWIs who acquired their wealth in manufacturing – the most important sector for UHNWI wealth creation – were more severely impacted by the global financial crisis, with their total number rising by a lower 2.7% over the review period. However, this is still above the overall growth in the number of Germany's UHNWIs of 0.7% over the period.
- The number of UHNWIs who acquired their wealth in the technology sector declined by more than for any other sector – 23% over the period.

UHNWIs – Regional trends

- Frankfurt is home to the largest portion of Germany's UHNWIs (16.4% or 1,868 UHNWIs). This is above Paris (1,501 UHNWIs), but still well below London (4,224 UHNWIs). There are also sizable German UHNWI populations in Munich (1,113 UHNWIs), Hamburg (843 UHNWIs), Düsseldorf (524 UHNWIs), Berlin (464 UHNWIs) and Stuttgart (382 UHNWIs).
- Among Germany's top 10 cities, Munich and Essen were the top performing cities for UHNWIs over the review period, with number of UHNWIs in each city increasing by 30% and 23%, respectively.
- The population of UHNWIs in Berlin and Stuttgart fared less well, with their number decreasing over the review period by 16.5% and 13.2%, respectively. UHNWIs in Frankfurt also saw their number decline over the review period, but by a less severe 6.2%.

Private Banking – Well developed wealth management market

- The wealth management sector in Germany is well developed and had AuM of US$1.1 trillion as of year-end 2011. This is 28% of the total wealth of Germany's HNWIs, a ratio that is well above the global average of 20%. German HNWIs account for 57%, or US$630 billion, of the total AuM of Germany's wealth management sector, meaning that 16% of total German HNWI wealth is managed by the German wealth management sector.
- There are over 50 private banks and over 300 wealth managers currently operating in Germany.
- The top ten private banks control 40% of the wealth management market in Germany and have AuM of over US$440 billion.
- Frankfurt is home to 115 wealth management head offices, followed by Munich with 75, Hamburg with 28 and Berlin with 24.
- Among top 10 cities for UHNWIs: Essen, Bonn, Hannover and Stuttgart have the lowest number of wealth managers per UHNWI. These cities may therefore offer the greatest potential for the wealth management sector going forward.
- There are 112 multi-family offices with a presence in Germany. Sixty-one of these are German based institutions, 38 are Swiss and six are British multi-family offices also operating in the country. The remainder are based in Luxemburg and other offshore centers.

3 About WealthInsight

WealthInsight provides detailed data and insightful analysis on the world's High Net Worth Individuals (HNWI) and wealth sector. With decades of experience providing business information, WealthInsight helps organizations to make informed decisions and win new business.

At WealthInsight's core is our proprietary HNWI Database of the world's wealthiest individuals. Around this database we have built a number of valuable research based products and services that make WealthInsight much more than just a rich contact list.

We work with and provide solutions for:

- Wealth Managers
- Private Banks
- Family Offices
- Technology Providers
- Professional Services - Consultants, Accountants, Lawyers and Real Estate Professionals
- Fund Managers, Hedge Fund Managers, Asset Managers, Venture Capitalists
- Nonprofits and Educational Institutions

WealthInsight's corporate headquarters are located in London, with offices in New York, San Francisco, Sydney, Seoul and Hong Kong.

For more information on WealthInsight please visit www.wealthinsight.com

Reports

WealthInsight publishes high quality research reports focused on the wealth sector. The reports provide comprehensive analysis of countries, regions and special topics.

With the High Net Worth Individual (HNWI) Database as the foundation for its primary research and analysis, WealthInsight is able to obtain an unsurpassed level of granularity, insight and authority on the HNWI universe in each of the countries and regions covered.

All reports are available as a part of the WealthInsight Intelligence Centre. Reports can also be purchased on a subscription or one-off basis.

Every WealthInsight report is uniquely formulated for the region, country or topic covered. Some of the key features of the reports include:

- Market Sizing
- Forecasting
- Benchmarking
- HNWI Asset Allocation
- Behavioural Mapping
- Family Offices

Methodology

WealthInsight's team of in-house analysts devise and collect data over a historical period of five years and develop forecasts for a five year forecast period. All WealthInsight Wealth Reports are rigorously sourced and created according to a comprehensive methodological process:

Internal Audit

- Review of in-house databases to gather existing data:
  - Historic market databases and reports
  - High Net Worth Individual (HNWI) Database
  - Wealth management, private bank and family office database
  - Financial deals and news archive

Secondary Research

- Collection of the latest market-specific data from a wide variety of industry sources:
  - Government statistics
  - Industry associations
  - Company filings
  - Broker reports
  - International organizations

Primary Research

- Review of the latest wealth management and private banking industry trends
- Surveys using panels compiled from across the wealth sector:
  - Wealth management and private banking professionals
  - Financial services experts
  - High net worth individuals

Expert Opinion

- Collation of opinion taken from WealthInsight interviews of leading industry experts
- Analysis of third-party opinion and forecasts:
  - Broker reports
  - Industry associations
  - Wealth management and private banking media
  - Official government sources
  - Leading academic research and commentary

Data Consolidation and Verification

- Consolidation of data and opinion to create historical datasets
- Creation of models to benchmark data across sectors, asset classes and geographies

Market Forecasts

- Feed of forecast data into market models:
  - Macroeconomic indicators
  - Industry-specific drivers

- Analysis of the WealthInsight HNWI Database and Wealth sector company databases to identify key trends:
  - Latest wealth trends
  - Key drivers of the wealth management industry

Report Writing

- Analysis of market data
- Discussion of company and industry trends and issues
- Integration of survey results
- Annual review of financial deals and wealth management trends
- Standardization of market definitions using recognized industry classifications

Quality Control

- Peer review
- Senior-level QC
- Random spot checks on data integrity
- Benchmark checks across databases
- Market data cross-checked for consistency with accumulated data from:
  - Internal databases
  - Company filings

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