Article

Private banking market developments: Evidence from Hungary

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Abstract: Private banking institutions serve the financial sector's wealthiest clientele via a dedicated value proposition. Based on the relevant tendencies and statistics, a remarkable expansion can be outlined since the mid-1990s. The aim of this study is to elaborate the Hungarian private banking market's development as a case study. The paper also intends to add to the literature on this unique segment of the financial market. Based on the available statistics, the analysis primarily focuses on the Hungarian private banking market's rapid development process. This can be underpinned by the clientele's savings, number of accounts and respective segmentation limits of the institutions. Referring to the amount of savings, a correlation analysis indicates significant co-movements with specific social and economic variables. The growth rate of the Hungarian clientele's savings outperformed the respective indicator in Western Europe during the review time period (2007–2020). The current paper also includes a section that summarises general challenges that private banking managers need to address during the development process. Generally, the literature on private banking can still be considered scarce, whereas there is a lack of studies on the Central-Eastern European region. The analysis of the Hungarian sector's development path can serve with relevant information to any financial expert in the field.

Keywords: financial services; investment banking; key performance indicators; asset under management; client number

1. Introduction

Private banking could be considered as a sector with high profitability and rapid growth in the financial world. The first significant shock to the sector was with the 2000–2002 financial turmoil (Maude, 2006), which was followed by the crisis of 2008, and then by the shockwave of COVID-19. Despite these market turbulences, the private banking sector still remained the most profitable segment within the banking industry even under the strongest pressure generated by COVID-19 in 2019 (McKinsey, 2020b). Moreover, the importance of private banking institutions stem from the fact that they serve a client group, which holds the largest amount of financial savings. As a result, this clientele's loyalty and satisfaction is crucial for service providers.

Originally, the term "private" implied to the bankers who owned their own private bank. As a result of the twentieth century's turbulences, the traditional, family-owned private banks disappeared or transformed. Private banks revived in the 1980s and became distinctive with their value proposition and their focus on wealthy clientele (Cassis and Cottrell, 2015). Since this transformation, the term "private" refers to tailor-made, personalised offers of private banking (PB) businesses in comparison to the mass retail segment (Bachmann et al., 2018). The offered value proposition has a great variety among regions and service providers. Generally, commercial banks offer the widest range of PB products and services, as they are able

to provide traditional banking products with added value, compared to the mass retail segment. At the heart of the PB value proposition stand the investment products and personal investment advisory services. In respect of investments, at most institutions the clientele can also opt for discretionary asset management. On top of these traditional elements, the respective value propositions offer a wide range of further products and services, including such unique elements as, for instance, yacht brokering or succession planning. Furthermore, in light of current challenges, PB institutions take part in the digital transition process, as they are required to provide tailor-made services (Deloitte, 2015).

There is no clear-cut definition for PB, as both the value proposition and the applied threshold for the clientele's financial wealth varies among regions and service providers (Maude, 2006). Henceforward, we refer to private banking as a business segment, which offers primarily financial services for wealthy clients and their families. The primary aim of this paper is to show the Hungarian private banking market's development as a case study. Furthermore, it highlights a range of economic indicators that show co-movement with the segment's growth performance. Within this paper, the markets' key challenges are also reflected.

Generally, the literature on private banking can be considered scarce. This refers to both the international and Hungarian PB market. Thus, as a secondary aim, this study would like to add to the literature on this unique segment of the financial market, providing a special focus on the Hungarian experience. The development of the Hungarian private banking market serves as a relevant case study for two main groups. Firstly, on a macro level, it can hold essential information for states that are at an early stage on their financial development paths. Secondly, on a micro level, it can be relevant for parent banks, which operate in developing countries, planning to launch or develop their PB activity. This case study can also be used for benchmarking on both levels. Finally, this paper can provide relevant information to any individual who is interested in private banking, no matter if they work in the academic sphere or financial markets.

The paper is structured as follows: The next chapter provides information on the applied methodology and also clarifies key terms. The third chapter's first section gives a brief overview of the Hungarian PB market's development, diversity, and recent indicators. This is followed by a further subchapter, which focuses on the growth of the clientele's savings, including specific aspects and a correlation analysis. The forth chapter will highlight five key topics that are relevant challenges in the long run. The paper's last chapter concludes and highlights the key messages.

2. Materials and methods

The private banking business can be considered one of the least transparent financial segments. There are a number of reasons behind this phenomenon. Private banks manage the savings of a delicate clientele. Furthermore, the market participants do not want to show their cards to other financial institutions including their competitors. Finally, publishing the number of clients and the respective investments is not compulsory from a legal perspective, thus neither the central banks nor the statistical offices publish PB data. Based on these facts, it is challenging to gather

reliable private banking statistics.

Based on the above-mentioned biases, in this study we rely articles from a Hungarian online journal, namely Portfolio.hu. This journal has published private banking statistics since 2006, based on their annual and semi-annual survey results. These numbers provide the source for the quantitative analysis. Along with PB market statistics, Portfolio.hu also publishes information on the ongoing market tendencies and challenges, which are primarily based on the above-mentioned surveys. As a result, Portfolio.hu is the primary source for analysing the Hungarian private banking institutions both from a quantitative and qualitative aspect.

The Hungarian PB market's growth with the Western European average is also being compared in the next chapter. The latter is based on McKinsey's annual PB surveys. The comparison is limited to the sum of PB client savings that these dedicated institutions handle, as other time series are missing or are incomplete. Further data sources are not included to this section in order to omit methodological differences. However, during the qualitative analysis, other consultant companies or respective academic literature was also used. These sources carry information on global and European tendencies, but the bulk of the messages are applicable for Hungary as well.

During the analysis, the following key performance indicators (KPIs) are included: the amount of the assets under management (AUM), the client number, and the segmentation limit. Starting with the definition of AUM, it refers to the overall amount of a PB clientele's financial savings, which is kept on the accounts of the respective private bank. Thus, the clients' liabilities are not taken into consideration. The sum of AUM includes money in the form of various financial asset classes, but it is calculated for a certain date by using the respective market value. Related to the AUM indicator, a specific subcategory is the so-called net new money, which refers to money inflows from external sources; namely savings from new clients or inward transactions from the existing clientele. As far as the currency is concerned, although large portion of the investments are allocated in foreign currency denominated instruments, the current study uses the Hungarian forint (HUF) to measure the amount of the local AUM; whereas in comparison with the Western European market, the respective growth rates are used.

The next KPI is the private banking client number, or more precisely, the number of PB accounts. Regarding this indicator, there are two factors which need to be underlined. Firstly, it is a fact that a single client can have multiple PB accounts in various banks within Hungary and abroad. Thus, on the one hand, the number of wealthy individuals is not necessarily represented by the client number, which might be biased. On the other hand, it still provides a clear indication of the number of PB accounts. Secondly, it is noteworthy that a single account can be held by a household with multiple wealthy individuals. This can cause a distortion in the relation between the particular client number and number of high-net-worth (HNW) individuals. Finally, one can mention that not only individuals and households can hold PB accounts, but occasionally wealthy trusts or foundations are served via private banking.

The former two variables, namely AUM and client number, are considered interrelated measuring sticks for market size. Furthermore, these indicators have a direct relation to the business line's profitability. As a result, these two indicators are

among the PB institutions' key performance indicators, and they are included in the private banks' annual business plans.

The third indicator, the segmentation limit, is a threshold that PB institutions use to determine their potential clientele, namely the HNW individuals. It is the minimum amount of financial savings that clients need to hold; however, there is a great variety among the limits used by the individual PB institutions. These thresholds are based on business goals, the particular countries' financial wealth conditions and the respective market structure. Despite the above-mentioned global differences, in the developed countries USD 1 million is a widely used as the segmentation limit. As for the Western European approach, the same amount is used, but it is denominated in euros, thus EUR 1 million is considered to be a common PB threshold (McKinsey, 2019). It is noteworthy that even upscale institutions often have an average AUM size below these minimum requirements (Maude, 2006). The Hungarian PB segmentation practice is not in line with the developed economies' PB policy, thus it is elaborated on in a later section.

Due to the above-mentioned importance of AUM, the next chapter will include a wide range of variables that can be linked to the Hungarian PB market's AUM. The Hungarian PB AUM data is available only for the time period between 2006 and 2021, so the low number in the sample size did not allow us to build a regression function. However, to select those variables that move in line with PB AUM, a correlation analysis was implemented by checking the Pearson correlation for the significant variables. Batrancea and Fetita (2023) analysed the influence of specific financial ratios linked to banks' earnings, capital gains and share prices. In the current study, based on the available data, macroeconomic, social and financial indicators were added to our sample. PB portfolios include a number of financial asset classes, such indicators as the EUR/HUF exchange rate, Hungarian money market interest rate and an index for the bond market, so CMAX was added to the sample. Furthermore, due to general tendency, as AUM tends to move in the same direction as stock markets (Birchler et al., 2010), we included, for the stock market, an international indicator–the S and P Global BMI–and a Hungarian stock market index–the BUX–to the group of variables. In the group of financial indicators, AUM growth of the Western European PB market was also added in order to check potential similarity. As the sample size will increase over the upcoming years, the correlation analysis can be repeated, it can be used for other country cases, or a regression can be built. The data have been collected from the respective domestic or international institutions.

Based on the above-mentioned facts, the KPIs must be treated with caution; however, the respective tendencies can be well defined. The current paper analyses the time period between 2006 and 2021. In order to understand growth tendencies and implemented management policies, it is appropriate to include indicators for profitability and asset classes, but such indicators for Hungary are not available for the time frame examined. Finally, the applied methodology is reproducible, so the research can be carried on and developed in the upcoming years as well.

3. Results and discussion: Hungarian PB development

3.1. Overview

The Hungarian private banking market's initial development can be dated back to the 1990s when banking experts noticed that the wealthiest clientele required dedicated service. From the mid-1990s the first private banking departments were founded. Then, from the end of the decade and the first half of the 2000s, a dynamic development process could be detected in both the value proposition and growth of the business line (Portfolio.hu, 2007; Portfolio.hu, 2024b). As it has already been explained, the Hungarian market's growth is represented by two core indicators, namely the number of PB accounts and the amount of AUM. These KPIs, the diversity of the applied PB segmentation limits and the number of accounts per PB advisor are displayed in **Table 1**.

Table 1. KPIs of Hungarian private banking institutions (first half of 2021).

Private bank	Segmentation limit (HUF mn)	Number of accounts	Total AUM (HUF bn)	Number of PB advisors	Number of accounts per number of advisor
OTP	40/100	23,693	2475	181	131
MKB	100	1931	731	22	88
Erste	120	2609	730	24	109
Raiffeisen	100	2634	723	41	64
CIB	60	3117	456	21	148
UniCredit	100	2061	388	16	129
K and H	100	1654	303	18	92
Concorde Securities	100	989	270	9	110
Budapest Bank	35	3716	265	25	149
HOLD Asset Management	80	615	210	8	77
Bank Gutmann	360	190	196	4	48
Takarék	30	855	80	10	86
Equilor	75	746	79	5	149
SPB	40	1414	68	12	118
Generali	30	253	25	4	63
Total/Average	92*	46,477	7000	400	116

Note: The order is based on the AUM amount; * 92 is the arithmetic average; Source: Portfolio.hu (2021a), own compilation.

Continuing with the value proposition's development, the first step covered preferential cost structures and term deposits. From this initial step, PB institutions widened the spectrum of investment products and services by including various bonds, funds and equities into their offer. Certain market participants included third party products by carefully selecting their partners by utilising a cherry-picking strategy. Other private banks offered a wide product range in cooperation with a number of various third party partners in a "boutique" style. One should also differentiate PB service providers based on their background institutions, namely, in the case that the private bank is part of a commercial bank; therefore, it can offer a wide range of

traditional banking products–for instance, a prestige credit card–but in an upgraded form or with a preferential cost structure. As in Hungary the private banking market is dominated by universal banks' dedicated units, this product group of traditional products is relevant. The service spectrum has also widened over the years and PB market participants have gradually included such additional elements to the value proposition, like succession planning or legal consultation. Nevertheless, the private banks' bottom line has remained the diverse investment-related product and service range, including a wide range of investment funds, retirement planning, discretionary mandate and art treasures. Thus, all in all, the seed of the value proposition has continued to be personal investment advisory services, which is based on trust (Cassis and Cottrell, 2015; Portfolio.hu, 2024b).

3.2. Aspects of AUM growth

Figure 1 displays the development of the two core variables–the number of PB accounts and AUM–since 2006. The graph for the latter shows that apart from the 2008 and 2011 financial turmoil, Hungarian PB AUM has increased rapidly. This growth was not disrupted even by the COVID-19 crisis, despite the fact that from a global aspect financial market generally demonstrated certain resilience. As a result–based on the latest survey data–AUM increased further during the first half of 2021 and exceeded HUF 7 trillion (Portfolio.hu, 2021a) by the middle of 2021. This indicates a 7.2% expansion compared to the end of the previous year.
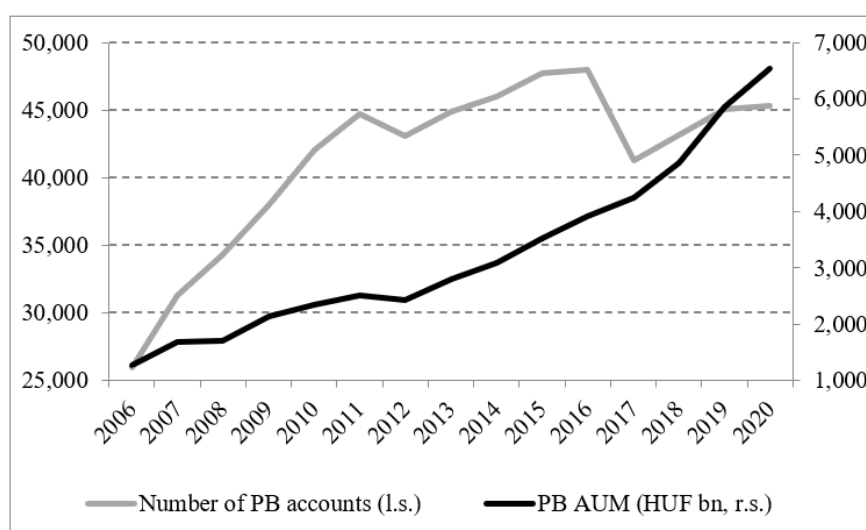

Figure 1. The development of the number of PB accounts and AUM in Hungary.
Note: l.s. stands for "left hand scale" and r.s. is the abbreviation for "right hand scale";
Source: Portfolio.hu: Privát Bank (Annual articles based on the yearly Portfolio.hu Private Banking Surveys).

Figure 2 shows the time series in order to provide comparison or a potential benchmark for the Hungarian PB AUM growth rates. Generally, the expansion of the latter indicator exceeded Western European respective data, as it can be seen in the figure's respective graphs. This phenomenon might be explained by the "infant" phase of the Hungarian market's development, indicating more room for client acquisition and net new money. From a domestic aspect, in most years, the Hungarian PB AUM growth was also higher than the total households' net financial wealth growth. In this

case, higher growth rates in the top segment are generated by greater social inequality regarding financial savings. Referring to this tendency, occasional discrepancies could be detected during financial turmoil. As for the final variable of **Figure 2**, the PB AUM was calculated in real terms.
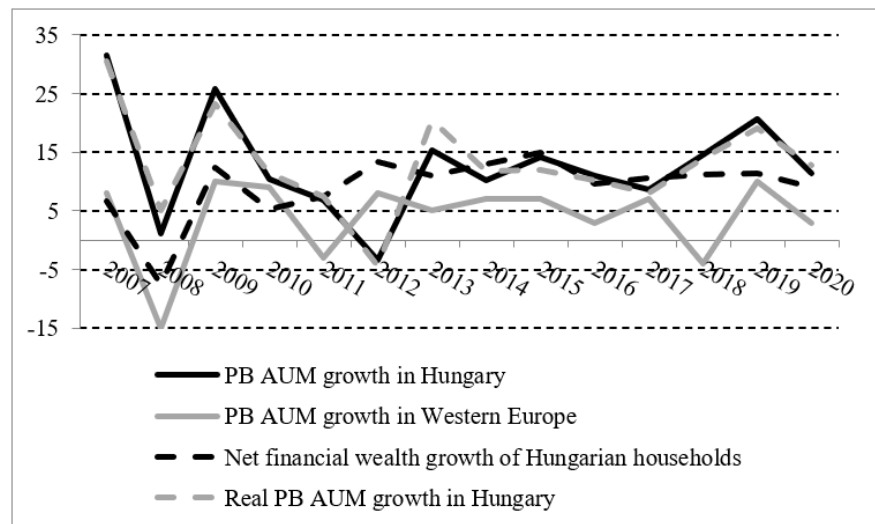

Figure 2. Comparison of AUM growth (% change on previous year).

Notes: The growth rates and real PB AUM have been calculated by the author based on the referred to data sources. The growth for 2020 in Western Europe is an estimate by McKinsey (2021);
Source: McKinsey, 2013; McKinsey, 2019; McKinsey, 2021; McKinsey, 2022; ECB: SDW;
Portfolio.hu: Privát Bank; own calculations.

As discussed in chapter 2 on methodology, a correlation analysis was used to highlight a number of further variables that tend to move in line with the change of the Hungarian PB AUM amount. Among the fundamental macroeconomic indicators, the Hungarian inflation rate and real GDP growth were tested, but neither of the two proved to be significant. It is worth highlighting the non-significant social indicators of the Gini coefficient and the net wealth of households. However, the latter is considered significant at the 0.05 level, which shows a general connection between PB AUM and social inequality on an overall domestic level. It is noteworthy that the EUR/HUF exchange rate did not prove to have a significant correlation with PB AUM, which can be explained by the clientele's portfolio diversification.

Time series for the client portfolios' composition was not available, thus this aspect was not added to the correlation analyses. Still, an overview of the recent data might provide insight on the significant variables. In the third quarter of 2022, 32% of AUM was invested in various funds, 27% in bonds, 21% in cash or deposits, 16% in stocks, 3% in alternative instruments and 1% in other categories (Portfolio.hu, 2022).

Turning to the significant indicators, social or economic variables, which fell into the category of financial assets (namely the compensation of employees, households' savings and households' property income), showed a connection to PB AUM (see **Table 2**). Households' property income might be used as an indicator of the general assumption that a large fraction of PB clients own high income generating assets, such as profitable companies. Among the financial variables, the money market interest rate has a negative connection with the PB AUM, signaling that within the portfolios money market instruments form merely a small fraction of the total. Nevertheless, it

might also be that higher money market interest rates can indicate certain tensions on financial markets. As for the variables that detect the performance of certain financial assets, the Hungarian stock market index–the BUX–and the index for the domestic government bonds–the CMAX–have a positive correlation with PB AUM. When choosing a global indicator to measure the financial market's performance–for instance, the S and P Global BMI–a positive correlation could be underpinned. The latter three financial market indexes were added to the dataset to show the connection between the PB investment portfolios and certain asset classes' performance.

Table 2. Significant variables of the correlation analysis.

Variables	Pearson Correlation	Notes
Financial market indicators		
BUX	0.883	End of period; Hungarian blue chip stock market index
S and P Global BMI	0.930	End of period; S and P Global Broad Market Index
Money market interest rates	−0.797	Average for Hungarian three months maturity
CMAX	0.861	Value, end of period; Hungarian government bond index
Social		
Compensation of employees	0.984	Household; Income of employees
Household savings	0.838	Total % of household disposable income
Property income	0.925	Household; Includes primarily interest and dividends

Note: Correlation is significant at the 0.01 level (2-tailed);
Source: ÁKK: CMAX; BÉT: BUX; ECB: SDW; KSH: STADAT; OECD: Data; S and P: Global BMI.

Overall, AUM growth levels are particularly significant when taking into consideration the Hungarian PB market's mainstream segmentation routine. The Hungarian segmentation policy has constantly developed over the years in line with two tendencies. Firstly, the amount of savings has become the single indicator of the PB threshold. This was not always self-evident. During the early years of the business line's development, further segmentation limits were used in a parallel form. Such thresholds were the amount of the client's monthly income or the sum of their loans. The reason for using the former indicator was the expectation that clients with high monthly income will have large amounts of savings in a matter of time. In the case of loans, the institutions noticed that generally the wealthiest clientele were capable of paying back large amounts. Occasionally, PB service was offered to clients based on their corporate connection with the bank. Furthermore, in unique cases, even qualitative factors generated an invitation to the PB service, such as an individual's social prestige. As financial institutions tended to offer dedicated services to the affluent segment in the 2000s, the amount of a clients' savings became the dominate private banking threshold, whereas other indicators were rather used in "lower" segments (Portfolio.hu, 2024b).

The second tendency regarding the PB segmentation limit was the gradually increasing minimum AUM amount, which could be explained by two underlying reasons. Firstly, (potential) PB clients were able to increase their savings over the years, which could be detected, for instance, by the increasing levels of the total AUM per client number ratio. This growth could be attributed to the returns on savings and also to the inflows of net new money. Secondly, banks established dedicated services

to increase the affluent segment. As a result, based on new respective segmentation policies, clients with lower amounts of savings were migrated to the affluent service business line (Portfolio.hu, 2024b). The outcome of the PB clientele's wealth accumulation is displayed in **Figure 3**.

In terms of exact numbers, the total PB AUM divided by the respective total number of PB accounts amounted to HUF 49 million (Portfolio.hu, 2007) in 2006. As a result of the fact that the growth of AUM exceeded the increase of the total number of PB accounts, the ratio reached HUF 151 million (Portfolio.hu, 2021a) by the first half of 2021. As far as the segmentation limits are concerned, in 2006 they ranged between HUF 10 million and HUF 100 million (Portfolio.hu, 2007), whereas the arithmetic average amounted to HUF 42 million. By the middle of 2021, the lowest segmentation limit gradually increased to HUF 30 million, the highest to HUF 360 million, and the arithmetic average to HUF 92 million (see **Table 1**). It is important to underline that the growth of the number of PB accounts and AUM–highlighted in **Figure 1** must be viewed in light of these segmentation policy features.
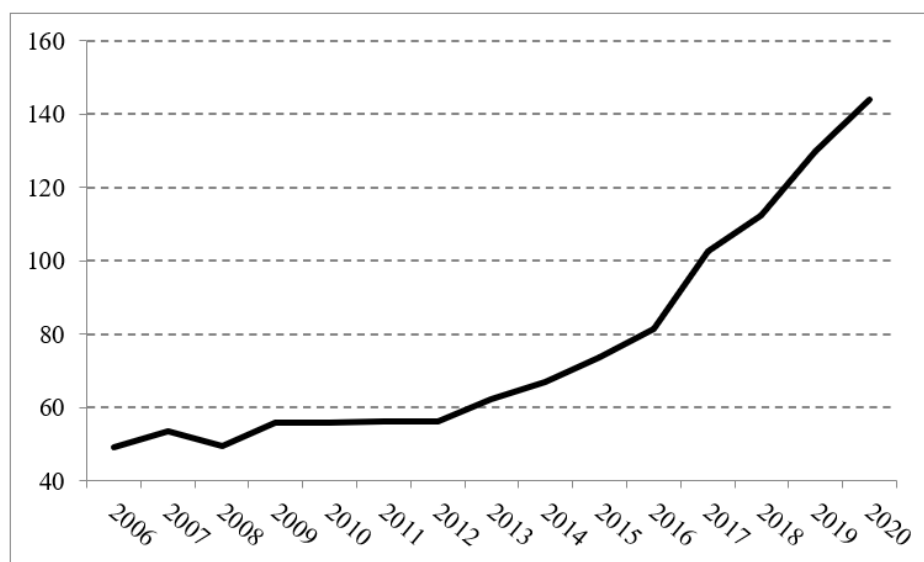

Figure 3. Total PB AUM per the number of PB accounts (HUF million).
Source: Portfolio.hu: Privát Bank (Annual articles based on the yearly Portfolio.hu Private Banking Surveys).

Last but not least, it is noteworthy that detailed statistics for the PB AUM's asset classes are not available. Thus, it is merely an assumption that a significant share of this growth could be attributed to the financial markets' "rallies". Though time series are not available, but it is worth mentioning that in the middle of 2021, 39% of the Hungarian PB AUM was invested in bonds, 29% in various mutual funds, 16% in cash and deposits, 12% in stocks, 3% in alternative investments and 1% in other investments (Portfolio.hu, 2021a). The growth, reflected by **Figure 3**, could be attributed to the yields, the amount of net new money and the higher segmentation limits. Furthermore, these three factors could explain that the growth rates of the number of PB accounts and the AUM have diverged over time, which is visible via **Figure 1** as well. Namely, with the exception of 2008 and 2010, within the reviewed time period the PB AUM increased with a higher pace than the number of PB accounts.

4. General challenges

This chapter highlights five key tendencies or challenges in the area of private banking. These briefly highlighted topics are essential characteristics of the general European PB market, thus relevant for the Hungarian institutions as well. They can all be directly linked to the indicators of AUM, client number and profitability.

Prior to the COVID-19 pandemic or the geopolitical tensions, there were a number of challenges that private banking managers had to address. Generally, the value proposition had to be developed, while maintaining the clientele's loyalty and enhancing client satisfaction. The service's profitability is under pressure in times of low margins or significant market volatility. Great efforts have to be made to hire and retain PB relationship managers while also providing them with the necessary and up-to-date knowledge.

4.1. Growth

During 2020, the private banking segment generated remarkable growth rates in terms of AUM not only on a Hungarian or European level, but also on a global level. This could be explained by the financial markets' gradual revitalisation or occasionally by currency fluctuations. On top of these tendencies, the institutions were able to acquire net new money flows, which underpins the fact that there was growing wealth in the top clientele segment of financial services. The acquisition of new clients and net new money was challenging during the times of lockdowns and social distancing, leading to lower growth rates during the first wave of the pandemic. However, the acquisition process could gain momentum after the easing of COVID-19 related restrictions at the end of 2020. These growth amounts can be linked to profit pools as well. One can conclude that the private banking business line remained the most profitable segment within the banking industry on a global level (McKinsey, 2020b). Nevertheless, there are clear differences among regions. While the amount of AUM and total profits generally increased over recent years, with the exception of 2019, profit margins have shown mixed tendencies (McKinsey, 2019). For instance, in Western Europe, the profit margin indicator was under pressure for years and revenue margins gradually decreased since the global financial crisis (McKinsey, 2020b).

4.2. Economic, social and governance instruments

The idea of sustainable development has been incorporated via the buzzword of Economic, Social and Governance (ESG) instruments in the wealth management sphere. By 2021 the private banking sector in developed countries offer ESG investments within their value proposition. Generally, these instruments are not kept for their outstanding performance, but rather for philanthropic intentions and portfolio diversification. Nevertheless, during the COVID-19 pandemic, these instruments often outperformed many of the asset classes, thus giving the impression of being more resilient in periods of crises. Furthermore, private banking institutes want to provide a platform for their clients to fulfil their philanthropic desires. To some extent, a majority of clients agree that their investments should have a positive effect on global development, thus they do require information on ESG investments (Deutsche Bank, 2021). Based on Capgemini's survey, more than a quarter of the wealthiest clientele

expressed an interest in sustainable investing, and this is valid for more than half of the clients when turning to the younger generation (Capgemini, 2021). As a result, on top of including ESG instruments and philanthropy advisory services to the value proposition, certain PB businesses arrange ESG-related trainings to their relationship managers.

4.3. Digitalisation

The plan to digitalise was on the table prior to the global pandemic. This could be attributed to the goal of satisfying customer needs, enhancing efficiency and responding to the so-called fintech revolution. COVID-19 abruptly pushed PB institutions to speed up their digitalisation process. On the one hand, the front and back-office had to be equipped with remote but safe tools. On the other hand, at the same time, the digital platforms for clients had to be enhanced in a matter of weeks. The majority of these new demands were expected to remain persistent, specifically, according to McKinsey (2020b), the share of employees willing to work remotely, which doubled and reached 80%. Alongside this tendency, the clientele's demand for digital services had accelerated. As a consequence, the user numbers for robo-advisors or online trading platforms had increased along with widening of the users' age group. The aim to enhance the user experience amid these new conditions is still crucial (McKinsey, 2020a).

Related to digitalisation, it is noteworthy to mention the interest regarding digital currencies and the possibility of even including them in investment portfolios. This global tendency is already present on the Hungarian PB market as well (Portfolio.hu, 2021b), and it is more on the table as a younger generation inherits the managed wealth (Portfolio.hu, 2024a).

Finally, in the aspect of digitalisation, the development of blockchain technologies and digital assets should be noted (McKinsey and Company: Blockchain and Digital Assets), as PB service providers ought to respond to these changes as well. Generally, the Hungarian financial market is adjusting to this development process (MNB, 2023).

4.4. Human touch

While the process of rapid digitalisation was a general requirement in the entire financial industry, private banking still holds a unique need of human touch compared to other segments, namely the demand of face-to-face meetings and personalisation. Putting it more precisely, while PB clients continue to use digital tools, they occasionally require consultancy on their investment decisions and their long-term financial plans. Furthermore, the respective value proposition baskets contain a variety of banking products and services on top of investment services. Face-to-face meetings are preferred, for instance, in the cases of tax advisory services and succession planning. A gentle form of client education can also be detected during meetings. As a result, automation and robotics play an increasing role even in private banking, but the face-to-face advisory system will remain among the channels between the institutions and their clientele. Furthermore, the trust between the clients and their advisors continues to be an underlying factor. Based on experience, the reliance on

private bankers becomes even more important in times of high uncertainty (Deloitte, 2016; McKinsey, 2020b).

4.5. Profitability

In Europe, revenue margins have gradually declined between 2011 and 2020. This contraction can be detected despite a general "bull" market that was able to fuel the number of AUM. This could be particularly attributed to the increasing cost factors coupled with sustained low interest margins (McKinsey, 2020a). Due to the fact that public data for the Hungarian PB market's profitability is not available, we can merely assume similar developments for local service providers.

5. Conclusion

The current paper demonstrated the Hungarian private banking market's remarkable expansion since the mid-1990s. This development could be detected via the offered value proposition, but also via such quantitative indicators, such as the amount of PB AUM, number of client accounts and applied segmentation limit. The experienced wealth concentration is relevant for the planning process of the business line. Nevertheless, managers are also required to fulfil such global requirements, such as ongoing digitalisation, along with the need of human touch and the growing demand for ESG products.

Related to the expansion, the paper included a correlation analysis, which served to select a range of variables that showed connection to the amount of PB AUM with three main purposes. Firstly, it can help to detect co-movements for an asset's further development, that primarily include the financial sector's performance, but also the indicators for property income, and households' income and savings, which all proved to have connection with PB AUM. Secondly, the included correlation analysis can be considered as a starting point for building a regression, as the covered time period did not reach the required sample size and will do so only over the upcoming years. Thirdly, both of the links can be analysed in an in-depth form.

The current research can be carried out in multiple forms. For instance, as a comparative analysis; further country cases can be included. An additional option is to include indicators of profitability in the research, though the lack of respective time series could be a concern. Last but not least, the current analysis can be carried out in the upcoming period. The ongoing military conflict in Ukraine is expected to influence financial markets on a global scale, but it can also affect the Hungarian PB market specifically.

Conflict of interest: The author declares no conflict of interest.

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