ARGUS
Medienbeobachtung

FINANCIAL TIMES

SE1 9HL London
Aufl./Tir. 6x wöchentlich 469057

999.072 / 27854 mm2 / 0 Seite / Page : 19 04.06.2002

Private bank merger leaves size problem

Odier-Hentsch Swiss tie-up reduces number of operators in the sector even further, find **William Hall** and **Frances Williams**

The combination of Lombard Odier and Darier Hentsch, Geneva's two oldest private banks has sent shock waves through Switzerland's shrinking band of private banks. Their numbers have fallen from close to 100 to little more than a dozen over the past 50 years.

Now that well known private banking partnerships such as Wall Street's Goldman Sachs and London's Cazenove have abandoned the private banking partnership principle, Geneva's private bankers look out of step in a global wealth management industry increasingly dominated by well-financed institutions such as UBS, Merrill Lynch and HSBC.

The deal has highlighted a growing problem in private banking: banks have to be very big or very small. The ones in the middle are in danger of being squeezed out.

It is a dilemma now facing Lombard Odier Darier Hentsch. With SFr140bn ($90bn) of funds it will now rank on a par with the likes of Julius Baer. But it is still a minnow compared with UBS or Credit Suisse.

Thirty years ago Lombard Odier's partners worried whether a private banking partnership could survive with more than 200 staff. The same challenge faces the new bank with more than 2,000 staff.

Geneva's private bankers have always much preferred talking more about their history than their latest business model. Darier Hentsch was founded in 1796 by Henri Hentsch, one of a group of sought-after Geneva financiers. He also helped establish a brokerage house with Jean-Gedeon Lombard which grew into Lombard Odier.

Leading Swiss private banks
Assets under management, 2001

	SFr bn
UBS*	682
Credit Suisse*	469
Lombard Odier/Darier Hentsch	**140**
Julius Baer*	125
Pictet & Cie	119**
Lombard Odier	100**
Vontobel*	62
UBP	59
Sarasin*	39
Darier Hentsch	38**
Deutsche Bank*	33

* Private business ** Estimates
Sources: company reports; FT research

Thierry Lombard, Lombard Odier's current senior partner is the sixth generation of his family to be in the business. His bank is unusual in that it is one of a handful to boast a chief executive. Most of its rivals are run by generalist partners who start each day by opening the mail together and vetting new accounts.

It was a business strategy that seemed to work, nonetheless. Geneva private banks, as unlimited partnerships, are not required to publish any financial information. But according to annual statistics published by the Swiss National Bank, their business has taken off over the past five years.

Between 1995 and 2000 the profits of Switzerland's small group of private bankers have jumped from SFr181m to SFr713m. Staff numbers have risen more than 50 per cent over the same period.

The Swiss National Bank has yet to publish its figures for 2001, but it would be surprising if they were not as depressing as those released by the publicly quoted private banks, such as Baer and Bank Vontobel.

The combination of falling revenues combined with a much higher cost base has taken a heavy toll. After years of losing market share, UBS and Credit Suisse, the two biggest Swiss private banks, have started to regain business lost to smaller rivals.

The weakness in world equity markets has hit commission income and concerns about European Union attacks on Swiss bank secrecy plus the impact of the repatriation of funds as a result of the recent Italian tax amnesty, has raised questions about the future for servicing the offshore banking needs of wealthy foreign individuals – the traditional forte of Geneva's private bankers.

UBS and Credit Suisse have the financial muscle to be able to invest heavily in building up an onshore presence in private banking to cushion the long-term decline in their offshore banking operations. Geneva's private banks, without access to the capital markets, are less fortunate.

Earlier this year, Basle's Bank Sarasin raised eyebrows when it signalled that it was prepared to surrender its independence to Rabobank of the Netherlands in return for a hefty capital injection.

Pierre Darier, senior partner of Darier Hentsch, yesterday played down any suggestions that Lombard Odier was rescuing his bank. Contrary to speculation, the two banks had not been pushed into merger by financial problems. Both establishments were in "excellent financial health" and their profitability was "the envy of competitors".

The decision to merge had been taken solely to serve clients better. "It's no longer enough to be an excellent generalist like our fathers, the financial world has become extremely complicated, financial instruments and markets have multiplied," said Mr Darier.

Ray Soudah, whose Millennium Associates advises several private banks, was less upbeat about the deal: "The business issues facing them are probably more severe than those facing quoted competitors."