

Performance of Swiss private banks

February 2022 update



The most recent edition of our annual *Clarity on Performance of Swiss Private Banks* was published in August last year, covering the industry's developments up to the end of July 2021. Given the high level of activity we are seeing in the sector currently, we would like to update you on what has happened in the past seven months. This includes the latest on the number of private banks in Switzerland, recent M&A transactions, and first insights into banks' financial performances for the full-year 2021. We also take a look at what is happening among independent asset managers (IAMs) due to the considerable momentum we see in that market.

Number of private banks and M&A

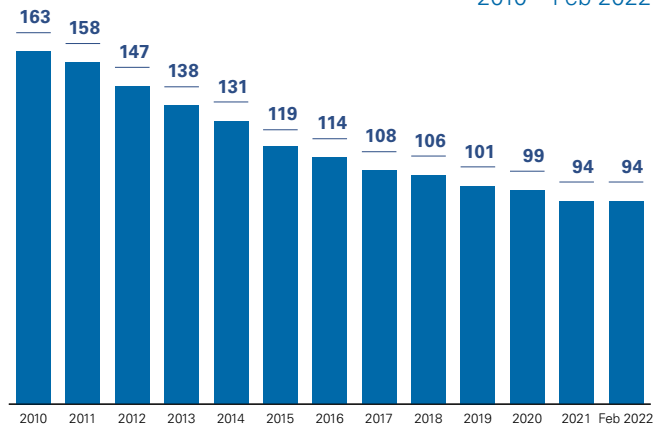
Following 16 M&A transactions in 2021, eight deals were announced in the first two months of 2022 alone.

The past seven months saw three outbound deals and three foreign market exits by Swiss private banks. The largest of these transactions was UBS's acquisition of Wealthfront, which represents CHF 27bn in assets under management (AuM); this is in fact the largest deal since EFG's acquisition of BSI in 2016. Also noteworthy was EFG's acquisition of the 39 percent stake it did not already own in Australia's Shaw and Partners which has CHF 11bn in AuM. UBS exited its activities in Spain while expanding in the US, Credit Suisse exited nine Sub-Saharan countries, and Julius Baer sold 50.1 percent of its Mexican subsidiary. One of the few transactions announced in the past ten years where a foreign bank acquired a Swiss private bank was the acquisition of Kaleido Privatbank by a Gibraltar-based bank.

There were three consolidation deals since July 2021, being the acquisitions of UBP (Millennium Banque Privée – BCP (Suisse)), PKB (clients of Quintet Private Bank (Switzerland)) and Gonet & Cie (Banque Degroof Petercam (Suisse)).

Also in the past seven months, Swiss private banks were involved in transactions with three independent asset managers. These were Syz's acquisition of BHA Partners, Reyl's acquisition of a 40 percent stake in 1875 Finance – one of the largest IAMs in Switzerland with AuM of more than CHF 11bn – and the management buy-out of Wergen & Partner

Number of private banks in Switzerland
2010 – Feb 2022



Wealth Management from Julius Baer. See later in this update for further analysis of M&A activity involving IAMs.

Overall, the number of private banks in Switzerland fell to 94 by the end of 2021 and remained at this level by the end of February 2022 as Cité Gestion, a large independent asset manager in Geneva with AuM of CHF 6bn was granted a banking license in 2022, and as Intesa Sanpaolo Private Bank (Suisse) Morval merged with REYL & Cie. Once the other announced deals are closed and banking licenses returned, the number of private banks will fall to 92.

Swiss private bank transactions (excluding asset management deals)

Announced date	Target	Bidder	Seller	AuM (CHF bn)	Deal type
Feb 2022					
Feb 22	NSC Asesores, S.C. (Mexico) (sale of 50.1% of its 70% stake)	Stratos Wealth Partners Ltd	Julius Baer Group Ltd.	4.0	Share deal
Feb 22	bank zweiplus ag (42.5%)	J. Safra Sarasin Group	Aabar Trading S.à.r.l, Luxembourg	n/d	Share deal
Feb 22	Credit Suisse (Wealth management in nine Sub-Saharan countries)	Barclays PLC	Credit Suisse Group AG	2.5	Referral deal
Jan 22	Wealthfront Inc.	UBS Group AG	Various	270	Share deal
Jan 22	Banque Degroof Petercam (Suisse) SA	Gonet & Cie SA	Banque Degroof Petercam SA, Belgium	0.8	Share deal
Jan 22	Kaleido Privatbank AG	Trusted Novus Bank Limited, Gibraltar	AS Citadele banka, Latvia	n/d	Share deal
Jan 22	BHA Partners AG	Banque Syz SA	Pierre-Yves Eckard, Henrik Hedman, Urs Leuzinger, Reto Stöcklin	1.0	Share deal
Jan 22	Wergen & Partner Wealth Management Ltd	Management of Wergen & Partner Wealth Management Ltd	Julius Baer Group Ltd.	1.2	Share deal
2021					
Dec 21	Quintet Private Bank (Schweiz) AG (Private Banking business)	PKB Privatbank SA	Quintet Group	1.0	Referral deal
Dec 21	UBS Swiss Financial Advisers AG	Vontobel Holding AG	UBS AG	72	Share deal
Nov 21	Shaw and Partners Ltd. (Australia) (39%)	EFG International AG	Shaw and Partners Limited	11.2	Share deal
Oct 21	Hottinger Group (42.5%)	Group Edmond de Rothschild	Various	0.6	Share deal
Oct 21	UBS Spain (Wealth Management Business)	Singular Bank S.A.U.	UBS Group AG	n/d	Asset deal
Aug 21	1875 Finance Holding SA (40.0%)	Reyl & Cie SA	Olivier Bizon, Paul Kohler, Aksel Azrac, Jacques-Antoine Ormond	11.0	Share deal
Jul 21	Danske Bank International S.A. wealth management business	Union Bancaire Privée, UBP SA	Danske Bank International S.A.	n/d	Asset deal
Jun 21	Millennium Banque Privée – BCP (Suisse) SA	Union Bancaire Privée, UBP SA	Banco Comercial Português, S.A.	4.0	Share deal
Jun 21	Oudart SA	Cholet Dupont S.A.	EFG International AG	1.5	Share deal
May 21	UBS Securities Ltd. (16%)	UBS Group AG	Guangdong Provincial Transportation Group (14%) & China Guodian Capital Holdings Ltd. (1.99%)	n/d	Share deal
Apr 21	Consenso Inverimentos Ltda. (40%)	UBS Group AG	Consenso Inverimentos Ltda.	n/d	Share deal
Apr 21	Asesores y Gestores Financieros, S.A (40.5%)	Management of Asesores y Gestores Financieros	EFG International AG	n/d	Share deal
Mar 21	HNW clients of Austrian branch of Credit Suisse (Luxembourg) S.A.	Liechtensteinische Landesbank (Österreich) AG	Credit Suisse (Luxembourg) S.A.	1.0	Referral deal
Feb 21	Heritage & Partners SA	n/d	Banque Heritage SA	n/d	Share deal
Jan 21	United Mizrahi Bank (Switzerland) AG	Hyposwiss Private Bank Geneva S.A.	Mizrahi-Tefahot Bank Ltd, Israel	0.5	Share deal
Jan 21	Bank of Montreal (Hong Kong and Singapore PB business)	J. Safra Sarasin Group	Bank of Montreal	n/d	Asset deal

- Acquisition of a Swiss private bank from abroad
- Sale outside Switzerland by a Swiss private bank
- Acquisition outside Switzerland by a Swiss private bank
- Swiss domestic transaction involving a Swiss private bank
- Swiss consolidation transaction involving two Swiss private banks

Insights into full-year 2021 financial performance

Six large private banks have already announced their 2021 results. The results are generally excellent, with banks growing AuM by between eight and 17 percent last year on the back of strong market performances and net new money (NNM). M&A impacted the AuM of UBP which acquired Millennium Banque Privée – BCP (Suisse) and of EFG which disposed of its Ticino retail business, sold Oudart in France and divested its Luxembourg fund management company.

NNM was very strong at between 3.7 and 7.8 percent. Julius Baer, Vontobel and UBP all reported positive NNM across all regions, in particular:

- Julius Baer: Western Europe, Asia, UAE and Brazil;
- Vontobel: Switzerland, Germany and Italy;
- UBP: Asia, Middle East and Eastern Europe.

As a consequence, operating income increased significantly at all the banks, driven by a higher volume of AuM and despite being partially offset by falling interest margins.

Net profit growth was impressive with four of the six banks achieving around 50 percent or more – two of them exceeding 75 percent. Net profit of the six banks totaled CHF 3.3bn compared to CHF 2.2bn in 2020. Net profits were impacted by extraordinary events such as the sale and lease-back of Pictet's headquarters in Geneva and EFG optimizing its global footprint and operating model by closing its Guernsey booking center and pursuing several disposals. UBP's net profit rose by 10.9 percent as a 5.9 percent increase in operating income was almost entirely offset by higher operating expenses for a number of reasons: investing in strengthening its sustainability and responsible offering, acquiring Millennium Banque Privée – BCP (Suisse), and recruiting client-facing teams.

This section of our update is based on 2021 financial performance. The Russian invasion of Ukraine may have a significant impact on the financial performance of Swiss private banks in 2022.

Key growth figures

	Pictet	Julius Baer	Vontobel	J. Safra Sarasin	UBP	EFG
AuM growth	15.0%	15.0%	11.0%	16.8%	8.8%	8.3%
NNM growth	4.8%	4.5%	3.7%	7.8%	3.9%	5.5%
Operating income growth	13.0%	7.7%	21.3%	5.5%	5.9%	11.0%
Net profit growth	75.0%	55.0%	48.0%	5.7%	10.9%	78.0%

Figures and comments are based on financial information published by the respective banks



M&A trends among Switzerland's Independent Asset Managers (IAMs)

Although not usually included in our private banking study, the IAM space has been particularly interesting over the past 12 months due to a number of M&A transactions and as the deadline for new licensing, regulatory and compliance requirements (mandatory FINMA licensing by the end of 2022) approaches. We share some insights below, given the degree of interest also from private banks in acquiring IAMs.

Although many small deals are not made public, the IAM sector set a new record with five transactions in the first two months of 2022 in addition to three sizable deals in 2021 where the AuM involved was larger than many small private banking deals. We also mentioned Cité Gestion above which received a banking license in January 2022.

Of the eight transactions since January 2021, two were consolidation deals between IAMs: being the mergers of Probus and Pleion and of Woodman and Pentagram. Other deals included two acquisitions by private banks (Syz and Reyl), the management buy-out of Wergen & Partner, Artorius exiting the Swiss market, and the acquisition of Diem Client Partner by Quaestor Coach, a passive independent private equity group that has already acquired and merged seven IAMs in the Netherlands.

There is considerable momentum in the IAM market with a lot of interest from private banks, IAM platforms and private equity firms, and valuations are generally high. It remains to be seen whether the slow licensing process – only seven percent of the around 2,500 registered IAMs in Switzerland have received their license to date – will yield more M&A activity among smaller and mid-sized IAMs, and whether larger IAMs will continue acquiring as they position themselves for future growth.

Announced date	Target	Bidder	AuM (CHF bn)	Deal type
Feb 2022				
Jan 22	PENTAGRAM Wealth Management SA	Woodman Asset Management AG	3.5	Merger
Jan 22	Artorius Wealth Switzerland AG	Decisive Capital Management SA	n/d	Asset deal
Jan 22	Diem Client Partner AG	Quaestor Coach AG	n/d	Share deal
Jan 22	BHA Partners AG	Banque Syz SA	1.0	Share deal
Jan 22	Wergen & Partner Wealth Management Ltd	Management of Wergen & Partner Wealth Management Ltd	1.2	Share deal
2021				
Aug 21	Pleion SA	Probus Holding SA	4.0	Merger
Aug 21	1875 Finance Holding SA (40% Stake)	Reyl & Cie SA	11.0	Share deal
Feb 21	Aldini AG	VERSO Capital S.à r.l.	3.0	Share deal

What to look out for

As 2022 progresses, we will set out to answer a number of questions:

- Have small and mid-sized private banks also benefited from the positive environment in 2021? Or does the industry remain starkly divided with a sizeable group of poorly performing banks?
- Will the high level of M&A activity be sustained, and which large transactions will be announced in the coming months?
- Will the new IAM licensing requirements accelerate deal activity in the IAM sector this year and to what extent will these deals involve acquisitions by Swiss private banks?

For answers to all of these questions and more, watch out for the next edition of our annual *Clarity on Performance of Swiss Private Banks* to be published after the summer break. If you have questions in the mean time, please do not hesitate to contact us.

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