



Let the bidding begin for \$80 billion of private client assets

08/12/2015 by: John Evans, International Editor

The troubled Brazilian banking group BTG Pactual has confirmed that it is considering a sale of assets that could include its Swiss private banking property, BSI.

The prospective deal could thus go down in private banking history as the most short-lived merger, after BTG only acquired the Swiss group from Italy's insurance giant Generali in September.

BTG is under stress after its former chief executive Andre Esteves was arrested amid a government corruption probe, but BSI stresses that it is not suffering any liquidity problems.

The Brazilian company paid CHF 1.25 billion for BSI and the CHF 82 billion of client assets under management.

Generali, however, took more than a year to find a buyer for its Swiss arm, based in Ticino and which tended to specialise in an Italian clientele. If BTG undertook a distressed sale of BSI, then it may have to take a sharp loss on the disposal.

Ray Soudah, chairman of Millenium Associates, a specialist Swiss and international M&A firm said that if BSI is indeed coming onto the auction block it is certainly "not distressed".

He is more optimistic than some other analysts, reckoning that BSI could fetch book value, estimated at around CHF 1.25-1.5 billion.

Current indications are that at least four banks have so far put out feelers for a potential deal. Julius Baer, which has now completely absorbed its buy of Merrill Lynch's international business, could be ready for another acquisition. Baer has said in the past that it wants to be closely involved in the consolidation of the Swiss private banking industry.

In addition, Baer could be attracted by BSI's substantial franchise in Asia. It has more than 300 employees in Hong Kong and Singapore, led by seasoned Asia chief executive Hanspeter Brunner.

A spokesman for Baer declined to comment.

Italian banking giant Intesa Sanpaolo is also keen on building its international private banking presence, and has just opened a wealth management branch in London.

Mr Soudah believes, however that BSI management would probably prefer a non-Italian foreign institution “which would safeguard its ongoing independence and growth prospects”.

UBS has also been mentioned as a potential acquirer, if only to ensure such a large Swiss private banking presence wasn't destabilised by the whole BTG Pactual scandal.

Finally, some Zurich bankers believe that Chinese bank buyers could be interested.

For example, Fuson International could eye BSI if it is thwarted in its current offer for BHF-Kleinwort Benson, in the face of a competing bid from France's Oddo et Cie, helped by financing from Societe Generale.

As a long shot, another Brazilian bank, Safra Group, could mull a move on BSI to add weight to its own Swiss private bank, J Safra Sarasin.

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