Geneva Banks Break 200-Year Silence to Unveil Earnings

By Giles Broom - Aug 22, 2014

Switzerland’s two largest closely held banks are poised to publish their earnings after two centuries of secrecy.

Cie. Lombard, Odier SCA, the Geneva-based bank established in 1796, is due to publish its financial statement on Aug. 28, according to a company official who asked not to be named in line with the bank’s policy. Pictet & Cie. Group SCA, the third-biggest Swiss wealth and asset manager after UBS AG (UBSN) and Credit Suisse Group AG (CSGN), is also poised to report this month.

Under pressure from regulators overseas, the two companies dropped their centuries-old partnership structures in January, bringing with it the requirement to report earnings publicly. They’re doing so as Switzerland’s private banking industry and traditional secrecy comes under unprecedented scrutiny from tax authorities in the U.S. and Europe.

Swiss Bank Accounts: Not So Secret Anymore

“It will be fascinating to see Pictet and Lombard Odier’s results after they kept the numbers private for so long,” said Tim Dawson, an analyst at Helvea SA in Geneva, who covers publicly traded financial companies in Switzerland. “These guys are at the forefront of adapting to the changing environment in the Swiss industry.”

Richest Families

Thierry Lombard, Patrick Odier and Hugo Baenziger, Deutsche Bank AG’s former chief risk officer, are among Lombard Odier’s eight managing partners. Pictet is also led by eight partners including Nicolas Pictet and Jacques de Saussure.

While Pictet and Lombard Odier haven’t disclosed which figures they will publish in the earnings, they are set to produce a trove of information for industry analysts, investors in publicly traded asset managers and the banks’ own customers regarding their performance.

The banks, traditionally used by the world’s richest families to protect their fortunes, oversee about $630 billion for private and institutional clients, according to the companies.

Banks across Switzerland are seeking to adapt their business models to a new era of regulatory and fiscal compliance in which government tax authorities will require them to call up details on their private clients and exchange the information across borders.
The demands have required investment in technology infrastructure and crimped margins at a time when revenue from services such as trade execution, transactions and loans has withered since the financial crisis amid subdued demand for risky investments and low interest rates.

**Institutional Clients**

Pictet is among a dozen Swiss banks under investigation by the U.S. Justice Department for allegedly helping Americans avoid taxes while Lombard Odier has entered a voluntary U.S. disclosure program along with more than 100 other banks in the country.

More than half of Pictet’s business now originates from institutional clients, versus the assets of rich individuals that originally helped the family-run firm, formed in 1805, develop into Geneva’s largest private bank. It gained its first pension fund account in 1967.

Lombard Odier has increased assets managed for institutional clients to $47.7 billion at the end of 2013 from $25.2 billion five years previously, as global markets rebounded from the financial crisis, according to the company.

Lombard Odier looks after about $200 billion for private and institutional clients globally, including assets held in custody. Earlier this month it hired Nancy Everett, who ran BlackRock Inc. (BLK)’s fiduciary management business from 2011 to 2013, to help build business among U.S. money managers.

**‘Better Job’**

The bank is also stressing its credentials as a modern enterprise with expertise in technology through marketing its in-house software and by way of its e-merging online networking initiative for independent asset managers and family offices that began in 2009.

Describing their businesses in more detail in public may help them market their services, according to Francesco Lurati, professor of corporate communications at the University of Lugano in Switzerland.

“Secrecy and privacy was the unique selling proposition in the past,” Lurati said in a telephone interview. “Today, they probably need to communicate other key attributes. They need to ensure people understand their competencies and that they can do a better job than competitors can.”

The two banks announced last year that they would drop structures that made the companies’ partners assume unlimited liability for losses. Swiss law now requires them to publish financial statements that contain information on balance sheets and earnings. The semi-annual reports must be published within two months of the end of the six-month reporting period.

The two companies have also never revealed the profitability of their longer-standing private client business versus the investment mandates they increasingly crave from institutional customers such as pension funds, or the custody services they provide to other banks and asset managers.

Moody’s Investors Service cut its outlook for the Swiss banking industry to negative from stable in a...
report on July 31 that described profitability and efficiency as “deteriorating.” Moody’s produces ratings for 17 Swiss banks including Pictet.

To contact the reporter on this story: Giles Broom in Geneva at gbroom@bloomberg.net

To contact the editors responsible for this story: Mark Bentley at mbentley3@bloomberg.net Elisa Martinuzzi