

# Bloomberg

## Swiss Banks Find Winning Deposits From Asia Brings `07 Salaries

*By Joyce Koh and Warren Giles - Jul 21, 2010*

Swiss banks face the highest wage demands in three years from bankers skilled at winning wealthy clients in Asia, where the number of millionaires rose 26 percent last year.

UBS AG, [Credit Suisse Group AG](#) and Julius Baer Group Ltd., three of Switzerland's biggest fund companies, are competing for so-called relationship managers as heightened scrutiny of individuals' tax affairs in Europe drives them to seek rich customers living in the world's fastest-growing economies.

Retaining or hiring senior advisers in Asia can cost two to three years of bonuses, said [John Koh](#), managing director of [WMRC Pte Ltd.](#), a recruitment firm in Singapore. Base pay increases of about 30 percent are available for switching firms and bankers with eight to 10 years of experience who have brought in assets of \$300 million to \$500 million can earn S\$500,000 (\$363,742). Entry-level advisers are paid about S\$120,000, he said.

"We're back to levels seen in maybe 2006 or 2007 with lots of people in the market at reasonably expensive prices," said [Boris Collardi](#), chief executive officer of Zurich-based Julius Baer. The trick is to find people who "pay for themselves" by attracting assets, he said.

Higher salaries will depress profits from Asia, where UBS reported 3.77 billion Swiss francs (\$3.6 billion) of revenue last year and Credit Suisse had 3.44 billion francs, said [Roman Scott](#), managing director at fund company Calamander Capital Ltd. in Singapore. Every 1 percent increase in wages, which account for two-thirds of the banks' total costs, will reduce pretax profit by 0.7 percent, he said.

### Taking the Risk

"Costs may be higher in Asia, but it's a gamble the banks have to take," Scott said, adding that profitability in Asia is now similar to more mature markets, such as the U.S. and Europe. "You may get lower margins and profits, but at least the volume of the market is growing."

UBS, Switzerland's biggest bank, plans to increase headcount in the Asia-Pacific region to 9,500 in three years from 7,300. Credit Suisse employed 6,400 people in Asia at the end of 2009, representing 13 percent of the firm's workforce.

Zurich-based Credit Suisse, ranked by Scorpio Partnership as the world's fifth-largest manager for millionaires, expects to add about 60 so-called private bankers in the region in 2010.

“I would not necessarily want to be a newcomer and set up now because entry costs are going up,” said [Marcel Kreis](#), head of [Credit Suisse](#)’s private-banking unit in Asia-Pacific, which attracted a record 11.5 billion francs of net funds last year.

### Skyrocketing Expenses

[Julius Baer](#), which managed 166 billion francs at the end of June, expects [Asia](#) to account for as much as a quarter of the bank’s assets within five years, up from less than 16 percent in 2009. The region will account for as much as 50 percent of the bank’s wealth-manager hires in the second half of this year.

“Everyone is fighting for the same shallow reservoir of talent,” said [Hanspeter Brunner](#), head of Lugano, Switzerland-based BSI SA’s Asian unit, which by March had increased its headcount to 180 in Singapore from 30 last year. “The region is leading global growth and that has cost consequences.”

Pay increases helped push up cost-to-income ratios at Asian fund managers to 86 percent in 2009 from 61.8 percent two years earlier, according to data compiled by industry consultants at Boston Consulting Group. The ratio at Swiss banks rose 12.9 percentage points to 66.7 percent in the same period.

The gain occurred as the number of millionaires in the Asia-Pacific region reached 3 million in 2009, matching those in Europe for the first time, according to a report published last month by Capgemini and [Bank of America Corp.](#)’s Merrill Lynch brokerage unit. The assets of the millionaires rose 31 percent to \$9.7 trillion, the study showed.

### ‘Chasing Talent’

Reyl & Cie., a Geneva-based money manager with about 4 billion francs of client assets, aims to attract \$1 billion within a year, said [Charles Bok](#), head of the firm’s Singapore office, which opened last month.

“Competitors are busy chasing talent and we have to differentiate ourselves with a more entrepreneurial approach from the classic big banks,” Bok said. Singapore “allows us to take advantage of Asia’s unprecedented growth and is a fiscally and legally stable door to China,” he said.

The cross-border market for millionaires in Hong Kong and Singapore will grow at an annual rate of 6 percent to about 800 billion francs in 2012, Zurich-based UBS estimated in November. The bank boosted the maximum bonus for managers winning assets in those two centers to 200,000 francs, and said in May that it’s reviving efforts to recruit and train people in Asia as competition for private bankers accelerates.

### Swift Turnaround

[Deutsche Bank AG](#), Germany’s biggest bank, has increased the hiring of graduates in Asia, instead of paying up to recruit industry veterans, the Wall Street Journal reported July 18. Chief Executive Officer [Josef Ackermann](#) was quoted as saying that competition for talent may cause a bubble in bankers’ pay.

“The Swiss are going to Hong Kong and Singapore to access these growth markets, but the difficulty they have are high set-up costs, and the problems of acquiring talent and establishing a brand name,” said Stephen Wall, a director at London-based Scorpio. “There’s inevitably pressure on banks’ global profitability, but in the long run the big players will expect to see a turnaround in cost-income ratios relatively swiftly.”

Swiss banks are expanding in Asia as attacks on bank secrecy by the U.S., Germany and France threaten their domestic position as managers of 27 percent of the world’s privately held offshore wealth.

The Swiss Parliament approved a settlement last month with the U.S. by agreeing to hand over account details on UBS clients. That followed the decision in 2009 when the country offered greater assistance to catch tax evaders in order to avoid being blacklisted as a tax haven.

While sacrificing cost-to-income ratios to win business in Asia isn’t a “sustainable model,” banks can’t overlook the region’s potential, said [Lok Yim](#), Deutsche Bank’s head of private wealth management for China, Hong Kong, Taiwan and the Philippines.

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