



## Question-mark over Brown Shipley's future as owner restructures

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Brown Shipley, one of London's small but august band of private banks faces an uncertain future.

Its parent, KBC, has submitted a deep restructuring programme for approval by the EU after getting some EUR7 billion of state aid. This will involve hiving off much of its KBL European Private Bankers arm, of which the London-based private bank is a member.

Based in Lothbury, Brown Shipley has a near 200-year history of managing client money. It was acquired by KBC in 1992. The Belgian group's KBC Peel Hunt brokerage and corporate arm in London is also due to be divested, amid talk that a management buyout could be on the cards.

Word in Brussels is that KBC would like to sell the bulk of its KBL wealth arm as a single going concern.

"In the short and longer term the best value for all stakeholders will be a continuation of the unique KBL European Private Bankers concept under a stable and, if necessary, new ownership, but one which must be committed to excellence and one which can be seen as developing longer term client relationships and trust," says Ray Soudah, founder of Millenium Associates, which calls itself the only independent and pan-European private banking M&A house.

But Brown Shipley, which has more than £2 billion under management, could have a better future if it is sold off individually, ideally to a player ambitious to establish – or grow – a footprint in the UK private banking market.

Still, such a direct deal is not certain - despite all the talk that private banks are hungry for acquisitions in the long-awaited consolidation of the wealth industry, which has still failed to materialise on any scale. Qatar National Bank apparently didn't see much interest when it tried to sell its Ansbacher wealth arm last year while the prestigious Kleinwort Benson private bank wasn't sold off to a mainstream bank but rather to private equity group RHJ for £225 million, in a deal agreed in October.

Brown Shipley has several attributes it can bring to the M&A party. Ian Sackfield, managing director of the private bank, who joined back in 1987, is well regarded and also heads up its collective funds arm, KBL Investment Funds - ormerly known as Solus.

While the bank has rationalised its fund range to focus on core strengths, products like its sterling bond vehicle have generated good long-term performance. The bank certainly doesn't want to slug it out with much larger competitors or play in the retail market, and rather is concentrating on its high net worth heartland. It recently raised the minimum investment levels across its fund range to £3,000 upwards.

Brown Shipley has also carried out several deals to build its operation, including gaining a larger presence in Scotland. It has recruited Paul Embleton and Gail Craig as private client managers and Agnes Lagden as a private client assistant to further augment the client facing personnel at its recently-established Edinburgh office. They joined the existing team headed by private client director Graham Auld, following the acquisition of the investment management business of Lindsays, an Edinburgh-based firm of solicitors. Overall, the bank has something like £100 million managed north of the border.

Brown Shipley also has offices in Manchester, Leeds, Birmingham in addition to its London HQ.

Potential buyers, say analysts, could include Deutsche Bank, which nailed its colours to the UK private banking mast with the acquisition of Tilney, at a rich premium, back in 2006 and which is keen further to develop as a powerhouse in the UK.

But a downside for a Brown Shipley acquisition by a big gun like Deutsche or Credit Suisse is that an important element of the deal, the goodwill and brand value, will be somewhat extinguished as it is absorbed into the new parent.

Indeed, some analysts believe that the time is ripe for an Asian player to take a foothold in European private banking, arguing that Brown Shipley represents a good platform for injection expertise and professionalism into the merging wealth management propositions which have sprung up widely across the Asia-Pacific region.

Potential acquirers could thus include Singapore's DBS and OCBC, with the latter just acquiring ING Private Bank in its region at a significant premium.

With continued growth in Indian wealth outside the country, Brown Shipley could also represent a strategic buy for a bank like ICICI – an institution which has already launched a British high-interest internet and phone deposit account.

And, as a long-shot, interest could be shown from China. Bank of China has launched jumbo mortgages for more affluent UK clients and so has indirectly started to tap into high net worth business.

The Bank of China's strategic deal with Rothschilds, involving a

strategic stake in the European private and investment bank, fell apart earlier this year, apparently because of the opposition of Beijing regulators. One of the rationales for the original alliance was to help bring Rothschilds' private banking expertise to the Chinese partner.

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