“Focusing on local market customers has been our advantage”

Jean Berthoud, chairman and majority shareholder of Bonhôte, a private bank with offices in Neuchâtel, Lausanne, Biel/Bienne, Bern and Solothurn, among others, recently opened a branch in Zurich. Bonhôte is feeling less pressure on margins than its competitors.

Private banks may be attracting new money, but profits are growing at a below-average rate, if at all. How strongly is your bank feeling the pressure on margins?
We’re definitely feeling this pressure, but less so than other private banks, because 85% of our clients have their permanent residence in Switzerland and have remained loyal to us. Banks more active in offshore asset management have lost clients in recent years. When we opened our branch in Geneva in 2009 and hired client advisors, we were careful not to take on exotic client portfolios. In Geneva, we wanted people from Geneva to open an account with us. The focus on local customers has proven to be our advantage – and not only in Geneva.

So the demise of banking confidentiality in the offshore business has not negatively impacted your Bank all that much?
No, we’ve lost virtually no clients. For a long time, our competitors looked down on us because, as a Neuchâtel-based bank, we seemed a bit parochial to them. But over time, this regional focus has been proven to be a trump card. Today no one views us condescendingly.

When you took over in the early nineties, the Bank was stuck in the past, with seven employees and three apprentices and managing significantly less than one billion Swiss francs in assets. What has happened since?
We’ve grown steadily over the past 30 years and today manage 6 billion francs in assets and have over one 100 employees. One milestone was the inception of our property fund in 2006. At the time, we were looking to raise 200 million francs to invest in property assets.
But instead 400 million was proposed, and because buyable properties were in too short supply, we regrettably had to limit the capital investment to 300 million.

Jean Berthoud, Chairman of Bonhôte, the Neuchâtel private bank. KARIN HOFER / NZZ

And the string of new branches?
That has been another performance driver. First we opened a branch in Biel/Bienne. Later followed Geneva, Bern and Lausanne. Especially important was Lausanne, where several private banks used to have their home. We were able to bring on board families in the canton who felt a little lost and missed not having someone close by to look after them.

Since February 2020, we’ve also been present in Solothurn. And since acquiring Private Client Partners, we’ve made inroads into Zurich.

From Zurich it might seem wasteful to have branches in Biel/Bienne, Bern or Solothurn. Why does it make sense?
When we decided on Biel/Bienne, my wife, a German national born in Washington DC, said to me: at last an interesting city. As it turned out, she thought I’d said “Vienne”, not “Bienne”. But seriously, from Zurich Biel/Bienne may seem like a backwater, but in reality it has a broad manufacturing base, powered by privately owned companies. These business owners are looking to invest their money. For us, the move was worth it.

How did you pull it off?
Our customer advisors are what drive our success. They know they will get to serve their clients for years to come. There’ll be no new customer segmentations, no internal reorganisations, no strategic realignments, and we don’t have a CEO merry-go-round every couple of years. This ensures continuity and stability. Even though digitalisation is making communication easier, wealthy clients do not want to dispense with personal relationships. They want to have their advisor on the phone or sitting opposite – someone they can trust.

The future therefore belongs to a hybrid business model, which gets the best out of digital communications while also permitting contact with human advisors?
Precisely. One of our directors is a professor at Ohio State University whose job is to look into these issues. He ran a seminar for us in which we discussed these issues, and the conclusions were crystal clear: professional wealth management needs real people advising clients. You cannot discuss complex issues such as estate planning with a machine. And can you really trust a machine anyway?

There are a hundred or so Swiss private banks still operating in Switzerland, of which one-third are reportedly operating unprofitably. What is your Bank doing right?
We benefit from the fact that clients and relationship managers want to join our Bank. That was not always the case. Whether we’re talking about the establishment of the Solothurn branch or the acquisition of Private Client Partners, we are visibly a valued employer and an approachable business partner. And I’d like to see that continuing in the future.

Pushing out east, you've now arrived in Zurich, at the financial nerve centre. Isn't this foreign soil for you?
Zurich is no stranger to us. Our CEO’s mother is from Zurich, I worked for JP Morgan in Zurich for several years, and I met my wife here. A handful of relatives and many friends live here. Here, too, we have the possibility of falling back on our network. And I don't see why this shouldn't function. But it’s still far too early to call, especially after this rather strange summer we’ve just been through. In addition, we already have a client base in Zurich and strategic partnerships with several local partners. When we’ve opened branches, it has always been to get closer to our clients, and the same holds true for Zurich.

You’ve hinted at Covid. How has your bank fared in these difficult times?
I’m delighted with our IT department. Almost all our employees could work from home without any glitches, including the traders. We’ve also managed to maintain contact with clients at all times, discussing their concerns and reassuring them. Interestingly, the pandemic has brought us even closer together. A new normal is slowly emerging. I’m extremely confident about the government, but I’m also concerned about certain measures that could have a negative fallout on the economy.

Which ones do you mean?
I’m a culture buff and I’m convinced that it’s good for the soul to interact with people who don’t think the same way as we do, be this in the theatre, in the music world, or through other art forms. As a member of various foundations, I’m seeing just how much the arts are suffering from the pandemic, in the same way as tourism and the hospitality industry. And it doesn’t seem provision has been made to be compensated for loss of income during the rest of this year.

These economic and social impacts must be weighed carefully against the threat to people’s health.

Has this balancing act been successful, or has too much emphasis been placed on the public health emergency?
To be honest, one has to admit that the Federal Council and other authorities are having to make tough calls. They’re not in an enviable position. I’m quite interested in what’s happening in Sweden, which has so far managed to blunt the negative consequences of the pandemic on economic output more successfully than those countries enforcing more restrictive measures. The curtailments have been less drastic, resulting in less pain overall.

Sooner or later, we’ll get back to normal, or move on to a new normal. What will this look like for your Bank?
At first it seemed we could return to ‘business as usual’, bringing all employees back to the Bank after the worst had passed. But people now want to work from home at least for some of their week. And that is something we’ll consider, especially since we’ve seen that it works. In addition, the industry is currently pondering the idea of aligning business hours to the operating hours of European stock exchanges. This would leader to shorter opening hours and accommodate the general desire to spend more time with the family. Younger generations, in particular, don’t want to get the same thing out of life as we do; they don't want simply to work and work and work. And that’s actually a positive development.

Sustainability was already on people’s radar even before the pandemic hit. It has since moved into first place as an investment theme.
Our clients – the younger ones in particular – want only one thing: impact investing. Since their time at school they’ve been hearing about environmental pollution and global warming, and some are hoping that the nightmares playing out in their imaginations will not come true. They’re deeply concerned. And that affects the way they want their assets managed. We can only support this.

You acquired Bonhôte almost 30 years ago. How has wealth management changed since then?
The biggest changes have been the abolition in offshore banking confidentiality and the related focus on taxed client funds.

> “Professional wealth management needs real people advising clients.”

It has become evident that our business has a strong foundation and can offer much more
than helping rich people get away with not paying their taxes. As a staunch supporter of federalism, I’m proud that a medium-sized, independently owned bank in Neuchâtel has risen up the league tables and is a source of employment in the city, away from the financial hubs.

I was brought up in Paris and experienced first-hand just how counterproductive centralism is.

I don't hear you complaining about rising costs and rampant regulation.
Regulation aims to protect investors, which is an honourable goal. Technology can simplify a lot of things. We must keep pace with Europe in the regulation stakes, as access to European markets must remain unfettered. After all, we’re an export industry.

How do you see things in ten years’ time? What will the wealth management industry look like then?
Switzerland and its neighbours still have too many banks, so industry consolidation will continue. I’m rather more sceptical about the future of independent asset managers, who are likely to find it increasingly difficult to access foreign markets. Last but not least, in the era of impact investing, banks that have become caught up in scandals or found to be rigging markets will find they are less trusted by clients. It remains to be seen whether today’s market leaders will still be calling the tune in ten years’ time.

Interview: Ermes Gallarotti

A young man’s dream comes true

Jean Berthoud has fulfilled a childhood dream. Having grown up in Paris, the son of a Swiss lawyer, he came up with plans to take over the Bonhôte, a tiny bank founded in 1815, as soon as he returned to his native city of Neuchâtel in the late 1970s. However, Claude Bonhôte, the owner at the time, refused to sell his bank to this whippersnapper with little experience in the banking business.

So Berthoud went off to study in the US, first earning his stripes at Salomon Brothers, then in Zurich at JP Morgan. In 1990, the Cortaillod industrial holding company, which had acquired Bonhôte two years earlier and didn’t know what to do with it, appointed him as its general manager. In 1992, Berthoud organised a management buyout and became the majority shareholder. Since 2010, he has been Chairman of the Board of Directors at the Bank, which today manages assets of CHF 6 billion and recently opened a branch in Zurich.