



Marcos Esteve,
CEO of Banque Heritage

FROM “ONE-STOP-SHOP” TO “FIRST BANK TO TALK TO”

Between a 200-year tradition and new banking models, an evolving financial landscape and merger & acquisition opportunities, Marcos Esteve, CEO of Banque Heritage in Geneva, spills beans on the commitment and innovation of the company in a rich conversation.

Starting in commodity trading, Banque Heritage has a long history. How important are those roots for a Swiss bank today?

Although Banque Heritage has never been active on the commodity side of the family business, our roots are deeply planted in the trading industry. My ancestors created our first venture back in 1849 in Spain. Switzerland is a land of traditions with many successful family-owned companies, and we believe our strong roots and values belong in that inspiring landscape. In that regard, Banque Heritage emerged from the trust inherent in strong family relationships, and was created in Lausanne in 1986 for a purpose: to answer the needs of the founding family following the wealth creation from its commodity trading operations. The same goes for the Barth family business starting in 1792 and Sallfort Privatbank, founded in 1981, merging with Banque Heritage four years ago.

Today, Banque Heritage is a Swiss independent family-office bank which looks after the wealth of our families and clients.

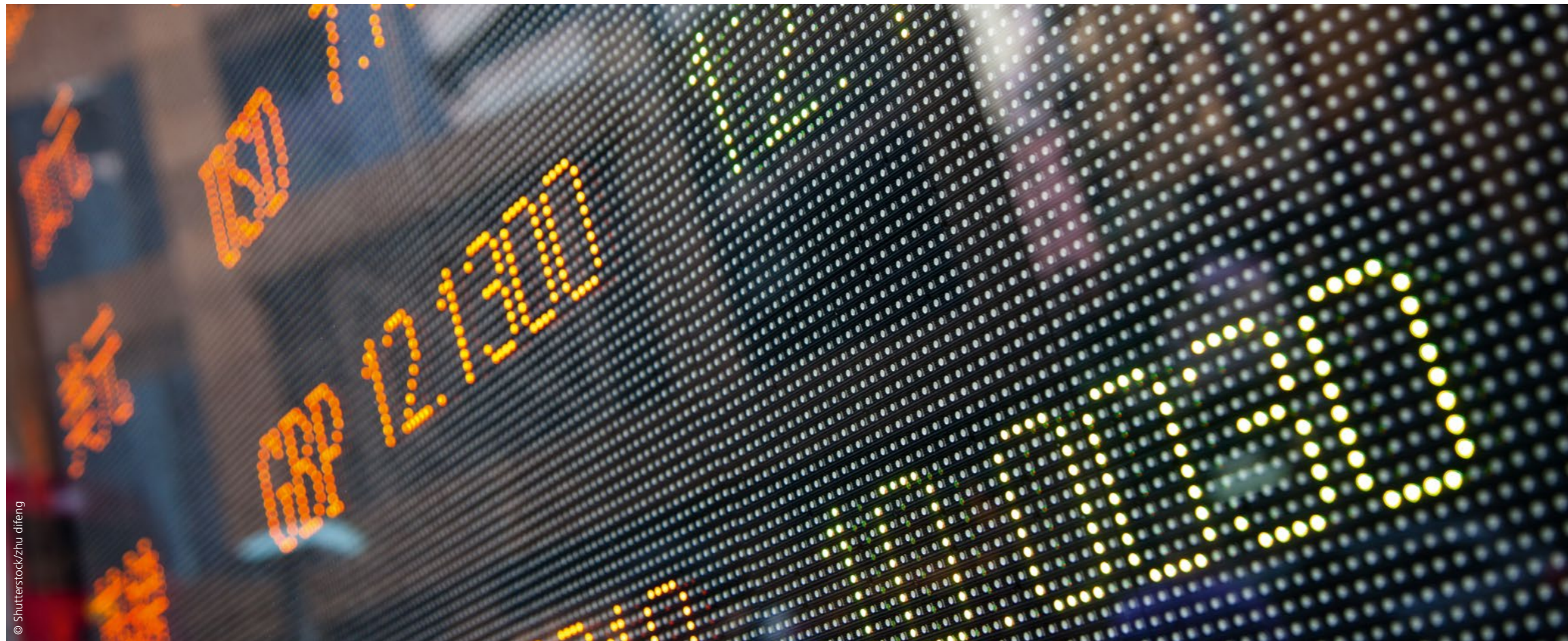
As a true thinking partner, we are dedicated to share ideas,

and expertise with our clients to help them navigate complex challenges. We believe in building a trustworthy relationship with our clients.

The bond of trust that unites us with our clients allows us to create a true sense of partnership with them. Relying on 200 years of history, we combine the traditional values of consistency, and commitment demonstrating our long-term engagement alongside our partners.

You have just concluded the merger with Sallfort Privatbank. How transformational was this operation? And do you think that a merger & acquisition strategy is the only way to go for small Swiss banks in the current environment?

The merger with Sallfort Privatbank is a significant development for Banque Heritage. The combined entity creates a stronger player in the highly competitive Swiss banking market, with increased scale and resources to better serve clients, and compete with similar sized banks.



The merger is transformational in several ways. First, it creates a larger and more diversified bank with a broader range of products and services, which is essential in today's environment where clients are looking for comprehensive solutions to meet their financial needs. Second, the merger brings together the expertise, and experience of two successful families and their respective banks, which will help drive innovation and growth in the merged entity. Finally, the merger results in cost synergies and operational efficiencies, which are benefitting the bank and its clients in the long run.

Given the commodity trading origin of both families, both banks had a similar set of values, comparable culture, but also matching investment offering, however each with its peculiarities. Joining forces has not only allowed us to benefit from the synergies, but also to expand our geographical presence in Switzerland, complement our offering to our clients, and strengthen our capital base. As examples, the merger allows us now to offer pension planning solutions, and mortgage financing.

While mergers and acquisitions can be transformational for small banks, they are not the only way to go in the current environment. Small banks can also focus on building their niche expertise and developing close relationships with clients, as well as investing in technology and digital solutions to stay competitive. The key is for small banks to identify their strengths and opportunities, and leverage them to create value for clients. It is true that we are constantly screening the market for acquisition opportunities, nonetheless it is important to find the right target with similar values and culture to facilitate an integration. In the past, we have turned down many opportunities as we did not see a fit.

Growth also comes organically. Banque Heritage offers a competitive working environment which attracts bankers willing to join an institution with a true differentiating offering and services. For the time being, we are looking to hire between 4–6 bankers per year.

You are the sixth generation at the head of the family business. What does it mean for Banque Heritage? Studies show that family businesses are more successful in the long run. Why do you think this is the case?

Having a sixth-generation family member at the helm of Banque Heritage can bring several advantages. Firstly, a family member with a long-term view and an in-depth understanding of the Bank's history and culture helps maintain the Bank's values and identity over time, ensuring continuity in leadership and a clear vision for the future.

Secondly, having a family member in a leadership position creates a sense of trust, stability, and commitment to the bank's stakeholders, including employees, clients, and shareholders. In addition, family members have a personal interest in the bank's success, and are often highly committed to its long-term growth and success.

As for why family businesses tend to be more successful in the long run, there are several reasons. One reason is that family businesses often have a strong sense of purpose and values that are deeply embedded in the organisation. This can create a strong culture of loyalty, commitment, and resilience that can help the business weather challenges, and adapt to changing market conditions over time.

Additionally, family businesses tend to take a long-term view, focusing on sustainable growth, and investing in the future rather than short-term gains. This can lead to a more measured and conservative approach to risk-taking and decision-making, which can be beneficial in the long run.

Family businesses have always performed better than listed companies with independent board members and management whose short-term objectives are stock price, and their payout with little consideration for the shareholders. Again, we are here to cater to our families and clients, sometimes investing their wealth in longer term projects, thus our commitment to look after their interests as well developing a sustainable business for the generations to come.

What is your vision for Banque Heritage for the next 5–10 years?

We want to remain a Swiss independent private bank, open to teaming up with other families and entrepreneurs as their trusted partner, and who are like-minded in what we do, and share our investment philosophy and vision. We want to be their «First Bank to Talk to» as their solution provider.

Our vision extends well beyond a five to 10-year horizon as we develop long-term relationships with our families and clients, often investing in opportunities which go beyond such a time period.

Some areas of focus for Banque Heritage in the next 5–10 years include expanding our client base and geographic reach, investing in technology and digital solutions to improve efficiency, and enhancing our client experience while continuing to develop innovative products and services to meet the evolving needs of clients.

The bank will also focus on maintaining a strong risk management framework, and a compliance culture to meet regulatory requirements and ensure the safety and safeguard of our client assets.

You have many implants in Switzerland, how important is it to be close to your clients?

Switzerland is a country with a decentralised banking system, and many wealthy individuals and families prefer to work with local banks that have a deep understanding of their needs and preferences. By having multiple locations across Switzerland, Banque Heritage can offer a high level of personalised service to clients in different regions, building strong relationships and providing tailored solutions that meet their unique needs.

Being close to clients also allows us to build trust and credibility with our clients, which is essential in the wealth management business. Clients want to work with a bank that understands their goals and concerns, and is committed to providing the best possible service. By having a local presence, Banque Heritage can demonstrate its commitment to its clients and build strong relationships that can last for generations.

In addition to offering personalised service, having multiple locations in Switzerland also enables us to stay abreast of local market trends and regulatory changes. This allows the bank to be more responsive to changes in the market, and better position itself to meet the evolving needs of its clients.

Not many banks of our size can pride themselves to have so many offices across Switzerland. Our Swiss client base represents 30% of our clients, proximity is key in maintaining, and developing long standing relationships. For such clients, we have notably expanded our investment offering to include pension fund planning and mortgage lending.

What does the concept of open architecture mean at Banque Heritage?

Open architecture at Banque Heritage refers to our approach to investment management, which is based on offering clients access to a wide range of investment solutions from a variety of providers.

Rather than limiting clients to a set of proprietary investment products like many of our competitors, Banque Heritage seeks to offer a broader range of investment solutions that are tailored to the specific needs, and goals of each client. This approach allows clients to access a diverse range of investment opportunities, including traditional and alternative investments, as well as actively managed, and passive investment strategies.

By offering open architecture, Banque Heritage can provide clients with a comprehensive wealth management solution



that is customised to their specific needs and preferences. This approach also allows the bank to remain independent and unbiased in its investment recommendations.

In addition to offering access to a wide range of investment solutions, open architecture at Banque Heritage also means providing clients with transparency and accountability in the investment process. The bank works closely with clients to ensure that they understand the risks and benefits of each investment solution, and to help them make informed investment decisions.

You work extensively with external independent asset managers. As the regulatory landscape tightens, how do you see your relationship with these independent asset managers evolve?

Banque Heritage values its relationships with independent external asset managers (EAMs) and recognises the important role they play in serving the needs of its clients. As the regulatory landscape tightens, the bank is committed to ensuring that its relationships with EAMs are compliant with all applicable regulations, and that the interests of its clients are always put first.

This business segment represents a major focus. Approximately 20% of our asset base originates from 70 independent asset managers who are mainly based in Switzerland. Knowing that 40% of Swiss independent asset managers have not filed for the FINMA licence following the new regulatory requirements, we were pleasantly surprised to see that all of them whom we work with, have either obtained or are in the process of obtaining their licence, which demonstrates that we have been targeting and developing relationships with reliable and trustworthy business partners. Large banking institutions are turning down small players, which we look forward to onboarding and assisting in their developments.

The EAM we work with value the quality of our services, and our speed of execution. Furthermore, our flat hierarchical

organisation allows us to provide them with prompt answers to their clients' needs.

One way that Banque Heritage plans to adapt to the changing regulatory landscape is by continuing to work closely with its EAM partners to ensure that they have a thorough understanding of the bank's compliance requirements, and that they are able to meet these requirements in their own operations. The bank will also continue to monitor the regulatory environment closely, and make adjustments to its policies and procedures as needed to ensure ongoing compliance.

Another way that Banque Heritage plans to evolve its relationship with EAMs is by leveraging technology to streamline and enhance the due diligence process. The bank is investing in digital solutions that will help it better assess and monitor the performance of its EAM partners, while also providing more transparency and accountability to clients.

Historically, you have always been open in the world. How easy is it to operate on an international scale for a Swiss bank these days?

Operating on an international scale as a Swiss bank can be both challenging and rewarding. Switzerland is a global financial centre with a long history of international banking, and Banque Heritage has been open to the world since its founding. However, there are also several regulatory and practical challenges that come with operating on an international scale.

Despite these challenges, there are also many opportunities for Swiss banks operating on an international scale. Switzerland is known for its stability, safety, and security, and these factors are attractive to clients around the world. Additionally, Swiss banks have a reputation for providing high-quality financial services, including wealth management and private banking.

Banque Heritage already has a strong international client base. We mainly target 20 countries: our home country Switzerland, some Western European countries as a result of our families'



origins, and a few Latin American countries where our families continue to operate, as well as the Middle East.

The bank has a long history of serving clients from around the world and has developed a deep understanding of the needs, and preferences of international clients. While operating on an international scale can be challenging, Banque Heritage is well-positioned to continue serving the needs of its clients around the world.

Studies show that private banking clients are changing and becoming more involved in the management of their wealth. How does this trend impact your offer/your business?

This trend is an important one, and it will probably have significant implications for Banque Heritage's business and offerings in the future. As clients become more sophisticated and knowledgeable about investment management, they are looking for greater control over their investments, and more transparency from their private banks.

We like to be challenged by our clients as we ultimately seek to be aligned in what we do, particularly when it comes to investment opportunities. As part of our open-architecture investment model, we would analyse investment opportunities, and determine whether its risk-reward justifies participating. Furthermore, in the near future, we will not spare ourselves investing in digitalisation solutions to constantly interact with our clients, and share investment ideas.

Within that digital strategy, the bank will offer a range of tools that will allow clients to monitor their investments in real-time, access detailed information about their holdings, and communicate with their advisors in a more efficient, and streamlined way.

In addition, Banque Heritage will also continue to offer a wide range of investment opportunities and strategies, including alternative investments such as private equity, real estate, and hedge funds. The bank's offerings are designed to be flexible

and customisable, allowing clients to choose the investment strategies, and opportunities that best meet their needs and preferences.

You offer a very wide range of services from portfolio management to merger & acquisitions advice.

Where does this business model come from, and why is it relevant for your clients?

Banque Heritage's business model of offering a wide range of services comes from our long history of serving the needs of wealthy families, and entrepreneurs. The bank's founders recognised that wealthy individuals and families have complex financial needs that require a wide range of services, from managing their investment portfolios to providing advice on business transactions.

When you deal with different generations within a family, their members' needs are very multiple and diverse. Transferring business from one generation to another requires valuing businesses. We have developed in-house expertise to offer that to our family members, and have extended this offering to other clients who wish to benefit from our history and challenges. As a family office bank, we offer many value-added family office services, for example these include handling and custody of physical certificates, and their related valuation.

By offering a comprehensive suite of services, Banque Heritage is able to provide its clients with a one-stop-shop for all of their financial needs. This model is particularly relevant for our clients because it allows them to work with a single institution that understands their unique needs and preferences, and can provide tailored solutions that meet those needs.

In addition, our wide range of services allows us to serve as a trusted advisor to our clients, providing them with guidance and advice on a wide range of financial issues. This is particularly important for wealthy families and entrepreneurs who often have complex financial structures, and need a trusted partner to help them navigate the challenges of managing their wealth. •