

# Banks in Need Of New Friends

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For ailing banks during the global financial crisis, sovereign-wealth funds and other investors from the oil-rich Middle East often played the white knight.

As Europe's banks come under mounting pressure now and their shares slump, these deep-pocketed investors are unlikely to ride to their rescue again if capital is needed.

At this point, it is unclear who could take their place.

In 2008, as the crisis brewed, oil prices were reaching new highs. Global banks, in need of billions of dollars in new investment, saw an opportunity.

Two of **Credit Suisse Group** AG's largest investors are now a Qatari sovereign-wealth fund, and a Saudi conglomerate.

The move wasn't unique. **Barclays** PLC received investment from the Qatari and Abu Dhabi sovereign-wealth funds, while **UniCredit** SpA got funding from Abu Dhabi-owned **Aabar Investments** P.J.S. **Deutsche Bank** AG took money from a company owned by a former Qatari prime minister.

Energy prices have since plummeted, however, squeezing the fortunes of sovereign-wealth funds and other players in regions such as the Middle East.

For the big banks that were once propped up by such investors and have seen their stock prices touch new lows in recent days, the timing is perilous.

"What happened in 2008 occurred more or less at the time of peak oil," said Ber-

nardo Bortolotti, director of the Sovereign Investment Lab at Bocconi University, in Milan. "The banks won't be able to tap again the huge amount of money from the sovereign-wealth funds if they need to recapitalize."

Another key difference between now and the crisis era: a much lower likelihood that domestic governments would be willing to be the investor of last resort, by bailing out banks.

In Switzerland, **Credit Suisse**'s rival **UBS Group** AG accepted a government bailout in 2008. That proved to be widely unpopular and helped change the political mood in a country where banks have long played an outsized role in the economy. Since the crisis, Switzerland has implemented one of the most restrictive sets of stability rules for its big lenders, which now regularly face legislative and popular initiatives aimed at curbing their operations.

Instead of the Swiss government, **Credit Suisse** turned to the Middle East to replenish its coffers amid the crisis.

In 2008, the Qatar Investment Authority, a sovereign-wealth fund, acquired a large stake in **Credit Suisse** as part of a \$9 billion capital injection. Saudi Arabia's Olayan Group, a manufacturing and investment conglomerate, significantly increased its stake in the Swiss bank through the same offering. The two investors remain among the bank's largest backers.

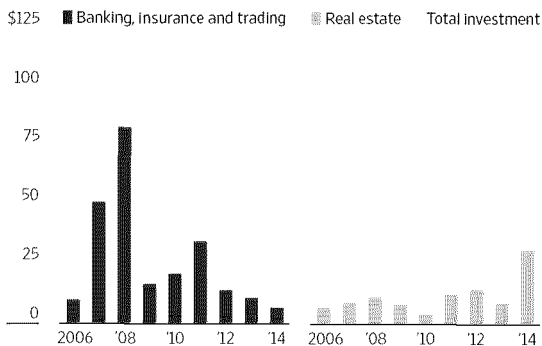
More recently, however, at least one of **Credit Suisse**'s large backers from the Middle East appears to have stayed on

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## Shifting Fortunes

Sovereign-wealth funds are investing less money in finance-sector companies and more in real estate.

Value of total global sovereign-wealth investment, in billions



Source: Sovereign Investment Lab, Bocconi University THE WALL STREET JOURNAL.

# BANKS

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 the sidelines as the bank raised fresh capital to support its strategic revamp under new Chief Executive Tidjane Thiam.

Credit Suisse said in October it would raise 6 billion Swiss francs (\$6.16 billion). One part of that effort involved a private placement of 58 million new shares. Backers hoping to maintain the size of their respective stakes would have to participate.

Not long afterward, in early December, Credit Suisse disclosed that Olayan Group's stake had fallen to 4.95%, from 6.7% as of the end of 2014.

A spokesman for Olayan Group declined to comment. A Credit Suisse spokeswoman

also declined to comment.

According to data from a separate December disclosure, the Qatar Investment Authority registered a 4.98% stake in Credit Suisse—compared with a figure of 5.2% previously reported as of the end of 2014.

Credit Suisse, whose shares have fallen more than 17% in the past week, isn't the only potentially troublesome investment for the Qatari fund.

Other bets made by the fund include German car maker Volkswagen AG and Switzerland-based commodities trader Glencore PLC. Shares of Volkswagen have fallen 47% in the past 12 months, while shares of Glencore have tumbled 67% in the same period.

A spokesman for the Qatar Investment Authority declined to comment.

Shares of Credit Suisse started their slide last week, after the bank rattled investors by posting a large fourth-quarter loss and raised questions about its ability to weather the current market turbulence as it tries its costly revamp.

## There is a political risk for sovereign-wealth funds that prop up big banks.

The stock's decline mirrors an 11% drop for European banks this week.

For sovereign-wealth funds and other big investors from energy-rich regions, tighter finances aren't the only reason they may avoid stepping in once again for big banks.

Many such investors now prefer to put their money directly into real estate, experts say.

Total investment by sovereign-wealth funds in financial firms slumped 92% between 2008 and 2014, to \$6.95 billion, while real-estate investment almost tripled to \$31.5 billion in the same period, according to Bocconi University's Sovereign Investment Lab.

In addition, there is a political risk for sovereign-wealth funds seen propping up big banks with large investments, according to Patrick Schena, an adjunct professor at the Fletcher School of Law and Diplomacy at Tufts University.

"There is a very fine line between being an investor of last resort and being involved in a rescue or bailout," Mr. Schena said.

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