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# Financial IPOs to test waters

NEW YORK, Sept 13 (Reuters) - A dozen or so financial companies, from banks to asset managers, are planning initial public offerings by year's end, betting that investors are over their aversion to the sector a year after Wall Street's crisis boiled over.

The largest of a group of IPOs set to price later this month is a $585 million offering by Artio Global Investors Inc (ART.N), the U.S. asset management arm of Swiss bank Julius Baer (BAER.VX), a deal that would end a 14-month IPO drought in the financial sector, excluding real estate investment trusts.

Several banks have recently filled in the paperwork for prospective IPOs. Last week, Banco Santander SA, the Brazilian unit of Spain's Santander (SAN.MC) for an IPO that could fetch $5.6 billion and become the largest U.S. IPO in 18 months.

The pickup in IPOs in the sector has been buoyed in part by the strong performance of financial stocks in the past six months, one banker said.

The S&P Financial index .4GSPF, which tracks bank stocks, is up 69.6 percent since March lows, besting the S&P 500 Index .SPX which is up 53.6 percent over the same period.

"A lot of IPOs done in the FIG (financial institutions) space will have the opportunity to participate in the resurgence in the economy, in asset values," said Dan Cummings, co-head of equity capital markets for the Americas at Bank of America Merrill Lynch. (BAC.N)

"Certainly the market resurgence helps investor sentiment and psychology."

While the crisis made financial IPOs unthinkable for many months, it has now, paradoxically, led to a spate of deals by firms seeking to raise money to buy toxic assets and mortgages on the cheap.

The largest U.S. IPO of the year, by Starwood Property Trust Inc (STWD.N), raised $951.5 million last month to buy distressed commercial mortgage-backed securities (CMBS).

"The credit system breakdown of the past year has reduced the amount of liquidity for FIG issuers in areas like bank debt and CMBS," Cumming said, prompting them to turn to IPOs.

Similar IPOs on the way include a unit of private equity firm Apollo Management [APOLO.UL], seeking to raise $400 million to buy CMBS and mortgage loans, and Crexus Investment Corp, to be managed by a unit of Annaly Capital Management Inc (NLY.N), aiming for $500 million.

Both are set to price this month, and analysts think there is demand for such deals.

"Several deals have been done and sometimes raised more money than expected," said Linda Killian, a principal at Connecticut-based investment firm Renaissance Capital.

NO SLAM DUNK

Still, investors got burned by plummeting financial stocks last autumn, making IPOs in the sector a tougher sell.

The last financial-company IPO in the United States was in June 2008, when asset manager Fifth Street Finance Corp (FSC.N) debuted, but its shares were down 27 percent at Friday's close from their IPO price. The last bank IPO occurred in 2007.

A number of the largest financial IPOs the pipeline are carve-outs of well-known companies, such as Artio and Santander, and more may try to come to market in the next year.

"If you have a subsidiary that investors think will be well valued, you may see the pace of carve-outs accelerate in coming months," Cummings said, adding that some financial firms may want to spin off some units to focus on their main businesses.

Still, financial institutions will have to have immaculate financial statements to draw investors, who remember the drubbing the sector took last year, an investor said.

"The only IPOs that are going out now are the highest quality -- the appetite is only for the top shelf today," said Robert Lutts, president and chief investment officer at Cabot Money Management.

(Reporting by Phil Wahba; Additional reporting by Juan Lagorio; Editing by Gary Hill)