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NEWS RELEASE

CREDIT SUISSE ON THE PROWL IN TOP END OF U.S. MARKET

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With Swiss banking giant Credit Suisse Group AG on the lookout for private banks and possibly other wealth management firms in the United States, the short list for potential acquisition targets is led by big names such as U.S. Trust Corp. and First Republic Bank, both owned by Bank of America Corp.

Other likely candidates are smaller private banks such as Lydian Private Bank and Trust and Boston Private Financial Holdings Inc., as well as a large multifamily office such as GenSpring Family Offices LLC, according to industry insiders.

Speculation about Credit Suisse's U.S. strategy began this month, when Walter Berchtold, chief executive of the bank's private-banking division, told attendees at an industry conference in Geneva: "We are clearly ready to acquire."

Many see last month's out-of-court settlement in the UBS AG tax evasion case, which was widely seen as a blow to Swiss banks' offshore business (InvestmentNews, Aug. 24), as the key to Credit Suisse's acquisition plans.

"The UBS settlement was a catalyst for Credit Suisse, no doubt," said Alois Pirker, a senior analyst for Aite Group LLC.

"I think Credit Suisse sees UBS' offshore initiatives and its earlier purchase of Paine Webber [Group Inc.] as a case study in what not to do. I think they want to strengthen their onshore presence and will look at firms with a solid high-net-worth clientele they can buy at the right price," Ms. Pirker said.

In this environment, "it is important that Swiss banks can offer their services onshore," said Hans Kaufmann, a former private banker who is a member of the Swiss Parliament.

Credit Suisse officials didn't respond to a request for comment.

The Swiss bank is expected to kick the tires at private banks and firms that can provide wealthy clients and an established presence in the U.S. market.

Many industry observers think that not only do U.S. Trust and First Republic fit Credit Suisse's profile, but BofA would entertain offers for the wealth units as the bank struggled to define itself.

BofA officials didn't respond to a request for comment.

Others, however, think that Credit Suisse is more interested in independent companies.

"I think a strong going concern would be more attractive to them than a unit of a behemoth," said Doug Regan, an executive vice president of Northern Trust Corp. and president of its wealth management group.

Credit Suisse may even be looking at boutique wealth management firms, said Rob Elliott, senior managing director of Bessemer Trust Co.

"I think a sweet spot for them would be a firm with between \$1 billion and \$10 billion in assets," he said. "It's a fragmented market, and if they buy something at a depressed level, it can be a very good long-term investment."

Indeed, the weak U.S. dollar "makes small banks look more attractive as acquisition targets than previously," noted Ian Cain, the private-wealth chief for Ogier Group.

Valuations for regional banks and trust companies are also down because of lower earnings, said **Daniel Seivert**, chief executive and managing partner for **Echelon Partners** LLC. According to his firm's report on valuations for the wealth management industry, total revenue for the 26 regional banks and trust companies the firm covers declined 35% to \$52.5 billion for the one-year period ended June 30, from \$80.8 billion for the year-earlier period.

SIGNIFICANT IMPACT



Daniel Seivert: *Regional banks' and trust companies' valuations are down.*

The impact of a Credit Suisse purchase would be significant, industry observers said.

"If they bought a meaningful property, it would turn heads," Mr. Seivert said. "It would strengthen their position and increase competition in the industry."

ABOUT ECHELON PARTNERS

ECHELON Partners (ECHELON) was formed in 2001 to offer investment banking and consulting to a subset of the financial services industry known as "investment product developers and distributors" (IPDADs). Since that time, ECHELON's professionals have helped hundreds of senior executives envision, initiate, and execute a multitude of complex business strategies and transactions. ECHELON's business is making companies more valuable through delivering advice and orchestrating transactions. Accordingly, ECHELON measures its success in the enterprise value it creates for its clients. Companies that strive to outperform their peers choose to work with ECHELON because we are as passionate about their results as they are.

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