

ANALYSIS: WILMINGTON ACQUISITION IS COUP FOR M&T

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M&T Bank Corp. emerged as a major player in the wealth management business this week following the Buffalo-based bank's agreement to buy Wilmington Trust Corporation for \$351 million in stock.

"This is a huge coup for M&T," said investment banker Elizabeth Nesvold, managing partner for New York-based Silver Lane Advisors, "It gives them instant credibility in the wealth management business."

"It's a great deal for M&T," said Wallace Blankenbaker, senior director for the VIP Forum, who covers wealth management for the Arlington, Va.-based research firm. "This jump starts their pursuit of the ultra-high net worth market and solidifies their presence in the New York to Washington, D.C. mid-Atlantic corridor."

Founded in 1903 by the DuPont family, Wilmington Trust fell on hard times this year, culminating in nonperforming assets that reached nearly \$1 billion, and \$145 million in bad commercial loans which were written off in the third quarter.

The company reported a third-quarter loss of \$365.3 million and wound up being sold for just \$3.84 a share on Monday, nearly half of its market value last week.

The bank's crown jewel was unquestionably its Wealth Advisory Services division, with \$26.5 billion in assets and a sterling reputation as one of the wealth management industry's premier units serving the ultra-high net worth market with a high touch service model.

But even Wilmington's wealth managers were impacted by the troubled loan portfolio, as potential clients became skittish, and competitors tried to pry away existing customers.

"I didn't see clients leaving," said one senior wealth management executive who left the company several months ago, "but signing new clients became problematic. They would say 'Hmmm, I'll get back to you...' and never would."

With over \$68 billion in assets, the fast-growing, well-respected and deep-pocketed M&T will stabilize Wilmington and also be able to provide scale by leveraging its own wealth platform, industry observers said.

And M&T has already won applause for announcing it will keep the Wilmington Trust brand name.

Despite its new lease on life, Wilmington's wealth business still faces a host of questions and challenges, including integration and client and advisor retention issues.

"Paradoxically, they now face the opposite problem of what they just they had," said the former Wilmington executive. "New clients won't be scared off anymore but existing clients might say, "Hey, this isn't what I signed up for."

"Client loyalty will be a major issue," agreed Steve Levitt, managing director for Park Sutton Advisors, a New York-based investment banking firm. "I imagine Wilmington's competitors will be all over their clients following this announcement."

M&T also faces the potential loss of long-time Wilmington advisors, noted Norm Jones, chief executive of WealthTouch Inc., the Denver-based wealth management platform provider.

"They have to hope they can hold on to their best people," Jones said. "If the advisor leaves, the client usually leaves."

"Any change in this environment is cause for concern when it comes to client and advisor retention," Blankenbaker added.

M&T will confront difficult integration issues, he noted.

"Wilmington is an old established brand with very high end clients, while M&T is much less established," he pointed out. "M&T faces tough decision when it comes to the people side of the business."

In fact, M&T would do well to defer to Wilmington, said one industry veteran.

"All these deals require very careful integration. If M&T can put aside its acquirer status and defer to Wilmington to deliver what they do best this could be a fine opportunity for both sides," said Jamie McLaughlin, former chief executive of Geller Family Office Services and a sought after speaker on the industry conference circuit.

"This solves Wilmington's capital issue and puts them in a position to regain their equilibrium in existing new geographic markets," McLaughlin said. "M&T gets a true wealth management platform to deliver to their clients that can take them up-market