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Veteran bank i-banker on his move to Silver Lane

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Jeff Brand, who spent more than 10 years at KBW LLC and specialized in covering banks and thrifts, said he was not expecting to land at Silver Lane Advisors LLC, a firm known mostly for its work in the asset and wealth management space.

"Totally off the radar screen," Brand said about Silver Lane.

Brand's joining Silver Lane to become a managing director and head of bank M&A was surprising because he seemed to be on the radar screens of many other investment banks focused on the bank and thrift industry. In interviews with SNL, i-bankers in the West, Midwest and East all expressed their belief that Brand would make a good addition to a firm looking to beef up its bank and thrift coverage.

"I had opportunities to go with global or international investment banks or small boutiques," Brand said.

Silver Lane was able to land Brand partly because the firm had an inside connection. One of Silver Lane's principals, Erika Cramer, was a longtime family friend. Brand, who lives in Chicago, had let Cramer know he was taking a trip to New York, and she suggested stopping by Silver Lane, which is based in New York.

"I don't think either of us thought it would lead to anything," he said.

But it did, and now Brand is in the process of helping to open an office in Chicago for the company. Brand said part of the reason he joined Silver Lane was because the firm's high-caliber employees and culture impressed him. "The people here like to have fun while they are doing their work," he said.

Brand's new employer is much smaller than his previous one. Silver Lane reported having $2.6 million in total assets at the end of 2012 while KBW, which was a standalone publicly traded company before selling to Stifel Financial Corp., reported having $489.2 million in total assets as of Sept. 30, 2012. Investment bankers moving to smaller shops almost always have access to fewer resources, a less diverse product suite and a lack of underwriting offerings. But Brand said he was excited about being at a firm of Silver Lane's size.

"We can be flexible and involved in all levels of decision-making," he said. "There's a lot more clarity as it relates to responsibilities [and] compensation."

But the firms do have similarities; KBW and Silver Lane are both focused on financial institutions, for one. Of course, KBW is best known for its work with banks and thrifts, and Silver Lane is building a reputation in the asset and wealth management space.

Even though Silver Lane has worked mostly on asset and wealth management deals since its formation in 2007, some of its clients have been large financial institutions. For instance, the company is advising Prudential Financial Inc. on its pending sale of Wealth Management Solutions, and it also advised the investment bank Evercore Partners Inc. on its 2012 acquisition of Mt. Eden Investment Advisors LLC.

Silver Lane, which before Brand did not have an investment banker primarily focused on banks and thrifts, has also landed some deals in the bank space. In 2012, Silver Lane advised First Republic Bank when its unit First Republic Investment Management Inc. purchased Luminous Capital Holdings LLC, an investment adviser. Given the firm's history and Brand's background, he sees opportunities to work on deals involving banks and asset managers. With Silver Lane's contacts and expertise, Brand believes he can show his clients more opportunities in the asset management space.

"I think banks are going to get scale in asset management or get out of asset management," he said.

Brand said some banks could choose to build an asset management business in an effort to offset some of the losses of other fee business that have been curtailed through regulation, such as the Durbin Amendment's impact on interchange fees. Given the revenue pressure and increased capital requirements required of banks, Brand said consolidation in the industry will eventually occur, and he sees it remaining more a buyers' market.

"I think there are going to be more sellers than buyers, and prices aren't going to meet seller expectations in the near term," he said.

Buyers don't want to pay up because growing returns on equity is not easy with the challenging loan growth environment. With asset generation difficult, he said loan competition is fierce, and that's driving down rates, putting pressure on banks' margins. Brand noted that some banks are trying to get more yield by extending loan duration, but he noted the dangers of doing that because eventually rates will rise.

One way to protect against interest rate risk is by gathering core deposits. Depending on a bank's capital situation, Brand said it could make sense to try and increase core deposits; however, that would likely put further pressure on margins because, along with loan growth being challenging, yields coming out of securities' portfolios are low. But Brand believes having sticky deposits can eventually prove valuable.

"When interest rates rise, money will move out of the bank sector, and it's going to happen faster than people anticipate," Brand said.

In a rising rate environment, banks with the strongest deposit franchises will likely become more sought-after targets, since that funding base helps lenders better price loans and maintain margins. That sort of deal catalyst is something that many investment banks, including Silver Lane, are awaiting. *i*

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