Go West, Investment Banker

Hello Cleveland! Regional Lenders Grab Veteran Talent in Push for Business

Crossing Over | Bankers consider life beyond Wall Street

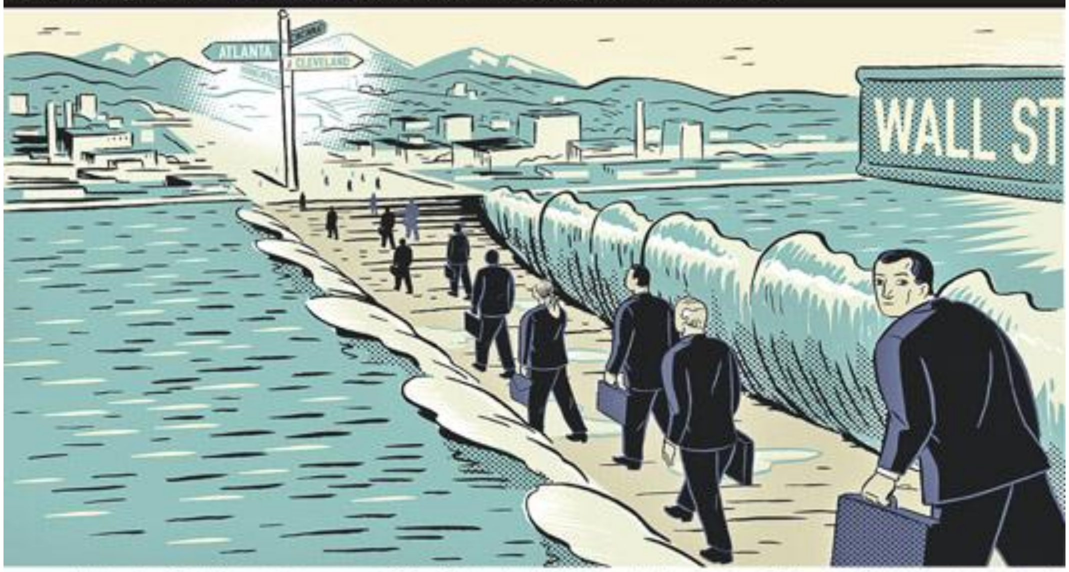

Illustration: Carl Wiens; data sources: Office of New York State Comptroller, KeyCorp, Trulia.com (for median home prices)

22,000	150	$971,500
Securities-industry job losses in New York City since Jan. 2008	Investment-banking hires by KeyCorp since start of 2010	Home-price gap between Greenwich, Conn., and Shaker Heights, Ohio

As an investment banker at Bank of America Corp. for 10 years, Jef Fowler believed he had it made.

He was part of a team arranging financing for big leveraged buyouts, shuttling between London, New York and the bank's headquarters in Charlotte, N.C. It was the life he had envisioned as a teenager growing up in Chicago and watching the iconic 1987 movie "Wall Street."

In July, though, the 42-year-old Mr. Fowler left the second-largest U.S. bank by assets, where he was a director covering private equity, and moved to Cleveland. He joined KeyCorp, a regional bank with a loan portfolio a tenth the size of Bank of America's, to do a similar job.

The deals at KeyCorp are smaller—and so is the paycheck—but becoming a big fish in the relatively small pond of regional banking has its advantages. In his new role, he can take on a larger role in the bank, while enjoying the benefits of living in the Midwest.

"It's very entrepreneurial," says Mr. Fowler. At Bank of America, he says he was one among legions of bankers focused on "elephant hunting" for billion-dollar deals that have become increasingly scarce. By contrast, at KeyCorp, "there's a real energy and excitement here," he says.

Wall Street has long been a young person's game—a sink-or-swim culture with a high burnout rate. It is not uncommon for traders and bankers to spend a couple of decades at a large bank and then bolt for a hedge fund, a second career or even early retirement. Now, with layoffs increasing, some are also taking the option of going to smaller banks.

The New York state comptroller's office predicted this month that Wall Street would cut 10,000 jobs by the end of 2012, bringing the total losses since January 2008 to 32,000. Bank of America last month announced global staff cuts of 30,000, or 10% of the firm's workforce.

KeyCorp's Jef Fowler, standing, speaks with trader Kevin Kruszenski at Cleveland headquarters last month.

Meanwhile, regional banks like KeyCorp, Fifth Third Bancorp in Cincinnati, SunTrust Banks Inc. in Atlanta and U.S. Bancorp in Minneapolis, have been adding bankers for stock, bond and loan offerings, as well as mergers and acquisitions. KeyCorp, for example, has increased its investment banking unit by 36% since the beginning of 2010 and Fifth Third has 20 investment bankers, up from zero a year ago.

Investment-banking generates hefty fees that could help the smaller banks offset declining interest income from their core business of lending. "It's a great opportunity for the KeyCorps of the world to lift talent," says Michael Karp, a managing partner at executive search firm Options Group.

Skeptics say they have seen this before: a wave of Wall Street hiring by regional banks, often through acquisitions, followed by disappointment. In the 1990s and early 2000s, regional banks spent more than $3 billion to buy brokerage firms but barely dented the dominant big banks. "The (regional) banks have tried to do this through many cycles," says David Konrad, a banking analyst at Keefe, Bruyette & Woods Inc. "They get in, then they pull back out."

KeyCorp, which ranks 24th in assets among the nation's banks, got into investment banking in 1998 with the purchase of McDonald & Co. But this is its biggest push yet, says Randy Paine, who co-heads the business and joined KeyCorp with the McDonald purchase. Since the beginning of 2010, KeyCorp has added 150 people to its capital market and investment banking unit, taking the ranks there to around 565, Mr. Paine says.

The regional banks' strategy is to use their relationships with thousands of mid-sized companies—those with revenue of up to $2.5 billion—to sell them investment-banking services. For those borrowers, regional banks typically face less competition from their larger rivals. Still, they have a long way to go. None are among the top 30 banks for mergers and acquisitions involving mid-sized companies this year, according to Dealogic, a research firm.

Bob Marcus, a former capital markets banker at Citigroup Inc., joined Fifth Third's office in Atlanta in early 2010 to build a team of investment bankers. He has hired 20 people, many of whom previously worked for large banks.

"It's very difficult for (top Wall Street banks) to focus on a $500 million company, but these are our core clients, really," Mr. Marcus says. With larger banks cutting staff, "it's been very easy for me to find bankers," he says.

That is even though pay can be much lower. Bankers moving from New York to a regional bank can expect a salary cut of 50% to 75%, but they can make some of that back if they generate enough revenue at their new firms, says **Gustavo Dolfino**, president of New York recruiting firm WhiteRock Group.

Fifth Third recently landed Turkington Industries Ltd. as a client. This month, it provided the U.K.-based maker of baking equipment with financing of $15 million, beating out Bank of America and Royal Bank of Canada, says Turkington Chief Executive Stuart Ashman.

Mr. Ashman says he initially favored the bigger banks with international reach because Turkington, whose main operations are in North Carolina, exports to Asia and the Middle East. But he chose Fifth Third because it offered better services such as foreign-exchange hedging and management of retirement savings plans. "They spent a lot of time getting to know us as a customer, and their relationship managers were wonderful," Mr. Ashman says.

One risk for the regional banks: A flood of Wall Street investment bankers can cause culture clashes at financial firms dominated for decades by less-flashy loan officers. And if the U.S. economy slips into a double-dip recession, new deal activity could drop dramatically, prompting banks to dump recent hires to cut costs.

The third quarter exposed some of those risks: Several banks, including KeyCorp, reported investment-banking income declines in the period ended Sept. 30 compared with a year earlier. Still, the gambit paid off in the first half for KeyCorp, which saw investment banking and capital markets income more than double to $85 million.

For Mr. Fowler, the choice was not just about the lifestyle and lower housing costs but the prospect of having a long career at the bank. "This could be my next 20 years," he says.