

INSIDE TRACK

INTERVIEW RAINER GUT, CREDIT SUISSE

Swiss banker is far from retiring yet

William Hall finds the departing *Credit Suisse* chief is not content to fade into obscurity on the golf course. At 67, he has just become chairman

An audience with Rainer Gut, Switzerland's number-one banker, is an honour rarely accorded to him. He has news, courted the media, is quick to take offence when his record is questioned, and wants to make his mark behind boardroom doors, rather than in the glare of the media spotlight.

Mr Gut, who started his banking career more than 50 years ago, comes from a long line of Swiss bankers who subscribe to the old Swiss proverb that "Silence speaks louder." It helps maintain his aura as one of Europe's most successful bankers.

Mr Gut has done more than anybody to shake up Switzerland's conservative banking industry. In the process he has created *Credit Suisse First Boston* (CSFB), the top European challenger to the leading Wall Street firms of Morgan Stanley and Citicorp, Goldman Sachs and Merrill Lynch.

His retirement last week, after 23 years at the top of *Credit Suisse*, therefore, marks the end of a surprisingly colourful era in Swiss banking.

Mr Gut took over at *Credit Suisse* in 1977 before US President Ronald Reagan or Britain's Margaret Thatcher had come to power. He has been around longer than European banking veterans, such as Lloyds TSB's Sir Brian Pitman or Commerzbank's Martin Kohlhassan. And he has been behind many one of Europe's top five banks, which over the last decade has overtaken Germany's Deutsche Bank, Britain's Barclays Bank, and France's Paribas.

He can thus be forgiven for feeling a certain pride, as he has travelled his banking peers at this week's International Monetary Conference in Paris.

Nevertheless, Mr Gut has never been short of critics. Until recently, creating shareholder value was not his top priority. Overtaking UBS seemed more important.

Mr Gut has never been the retiring type and he is a great survivor, an age when most of his rivals have left the office for good - he will be 68 in September - he has just taken on the chairmanship of Nestlé, the world's biggest food company. Rainer Gut loves his golf, and his grandchildren. But that is not enough to satisfy him. He does not want to fade into obscurity on a sunny Spanish golf course. He leaves no one in

boardroom, where he has sat since 1981, is said to wield more influence than the Swiss cabinet.

When Switzerland was under attack in 1997-98 for the behaviour of its banks during the second world war, it was Mr Gut who successfully persuaded Mr Volcker, a fellow Nestlé director, to take on the thankless task of adjudicating between Switzerland and its Jewish critics.

But power is more than an impressive address book. Mr Gut also makes and breaks careers. Josef Ackermann, 52, who spent 19 years at *Credit Suisse*, is now at Deutsche Bank because Mr Gut did not want him as

its successor. James Amoroso, Switzerland's best Nestlé analyst, found himself reorganised out of a job at CSFB after Mr Gut, the Nestlé non-executive, disagreed with his criticisms of the company.

Mr Gut's greatest coup was restoring confidence in *Credit Suisse* after a small branch in Chiasso, on the Italian Swiss border ran up huge losses on the foreign exchange market without the Zurich head office noticing. The other was rescuing First Boston, a proud old Wall Street name, before it gobbled up all of *Credit Suisse's* capital.

Fortunately for Mr Gut, luck was on his side on both occasions. "If Chiasso had happened at a time like 1988 when there was great nervousness in the financial markets, it could have been a different story. But it was an isolated case in a boom-

ing organisation. In addition we were a very, very solid organisation. Our forebears had salted away plenty of reserves to tide us over. We maintained our dividend and showed higher profits despite taking a SF1.4bn write-off," says Mr Gut.

More than a decade later, *Credit Suisse* was forced to rescue First Boston, its US investment-banking affiliate, which had over-extended itself on junk bond lending. "Drexel Burnham had already gone down the chute and things did not look too good for First Boston. They could not get credit anywhere else and were dependent on us."

Credit Suisse's rescue violated US laws preventing commercial banks from owning investment banks. But the US Federal Reserve bowed to Mr Gut's arguments. "They did not want another Drexel problem on their hands, which would have happened without doubt if we had not stood behind First Boston. They allowed us to take control of First Boston with very minor restrictions."

The acquisition strained *Credit Suisse's* finances and led to problems with Swiss regulators. In 1991, the group cut its dividend and made contingency plans to raise extra capital by spinning off 20 per cent of its domestic Swiss bank. Luckily, group profits started to recover and talk of floating off the domestic bank was quietly abandoned. More than 20 years later, CSFB has blossomed into a strong global investment bank contributing more than a third of *Credit Suisse's* profits.

Not all of Mr Gut's gamblers have paid off. His decision, in the 1980s, to buy Swiss Volksbank and Bank Leu, two middle-ranking Swiss banks that were in trouble, has been attacked as

a waste of money. Mr Gut defends the purchases. "We had to grow through acquisitions to increase our market share. It was absolutely the right strategy and in the end not very expensive. We had to either get out of retail banking or make a quantum leap by taking over other banks."

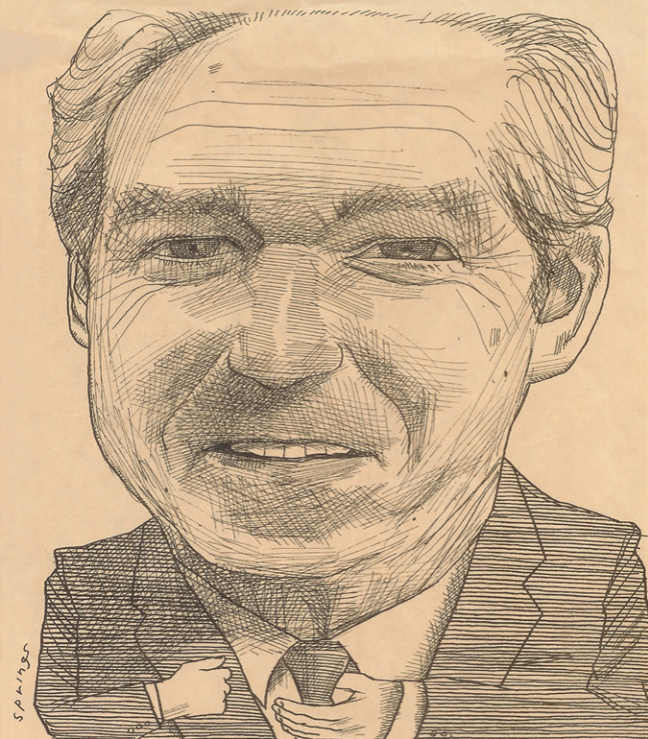
In 1966, Mr Gut placed his biggest bet - a merger with UBS, Switzerland's biggest bank. He was quickly rebuffed and his reputation took a nose dive.

Timing is everything. Little more than 18 months later, UBS merged with the smaller Swiss Bank Corporation - one view was that it feared *Credit Suisse* might pounce again.

By then, however, *Credit Suisse* had paid SF14bn for Winterthur, Switzerland's biggest insurer, and brought McKinsey management consultant, to lick the group into shape. The Winterthur deal "positioned us better" than if he had done the UBS merger, asserts Mr Gut.

Despite Mr Gut's defence of his strategy, his wheeling and dealing has taken time to bear fruit for shareholders. For most of his tenure, *Credit Suisse's* return on equity was in low single digits, the dividend was rarely raised, and the shares underperformed. It was not until Mr Mühlemann's arrival in 1997 that *Credit Suisse's* share price flourished.

"Rainer Gut was very good at the vision thing." He saw the need to build up a global investment bank and took control of First Boston for virtually nothing," says Jacques-Henri Gaulard of Lehman Brothers. "Sometimes he would call me a Stubborn Germanic Swiss. But never stupid," says Mr Gut.



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any doubt that Nestlé will be a full-time job.

Like most Swiss bankers, he has always enjoyed the power that comes with handling other people's money. Nevertheless, he differs from his predecessors in important respects. For a start, he is much more international than past Swiss bank chairmen. He learnt his trade in New York, first as UBS's North American representative, and later as a general partner at André Meyer's Lazard Frères, which was then at the height of its power on Wall Street.

He has an American wife, and a network of international contacts, stretching from Paul Volcker, the former US Federal Reserve chairman, to Helmut Kohl, the former German chancellor. Not much goes on in Switzerland, either, without Mr Gut's knowledge. Nestlé's

his successor, James Amoroso, Switzerland's best Nestlé analyst, found himself reorganised out of a job at CSFB after Mr Gut, the Nestlé non-executive, disagreed with his criticisms of the company.

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