



## Credit Suisse: Cost Cuts Are a Must

Monday, 5 December 2016 10:27 | Written by Claude Baumann

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Tidjane Thiam at the One-Year Mark CS: From Millions in Write-Downs to C-Suite Thomas Gottstein: « Die Konkurrenten werden nervös »

Credit Suisse delayed implementing tough, but necessary measures for long. The bank on Wednesday will just have to finally come clean, and to name and then implement the cuts needed to achieve its targets.

Experts had expected Credit Suisse (CS) to use the publication of its third-quarter results a month ago to say how it planned to cut costs, how the Swiss business was developing and what exactly its strategy in future will look like. Nothing of which materialized .

And thus, the pressure on the management to come up with the goods at the investors ' day in London on Wednesday has mounted. Switzerland ' s second - biggest bank will definitely have to announce a number of cost - cutting measures, otherwise its targets for the period through 2018 will not be attainable.

Lull in Asian Growth

The bank didn ' t necessarily get its figures wrong when it said how much it wanted to earn in those years. But the economic environment since has worsened slightly, even as stock prices edged up following the election of Donald Trump . The difficulties concern three areas in particular.

First: Business in Asia for long was the growth engine at CS. CEO Tidjane Thiam a year ago had said he



would hire more personnel for the region and visited several times, gleaning first-hand information about the progress. However, for the past six months, the region has witnessed a slowdown of the usually vibrant development, which showed in the development of assets under management in the third quarter of 2016.

Customers in their majority refrain from making major investments. Chinese clients in particular have become more cautious, not least because of recent anti-corruption measures implemented by the authorities. Tax amnesties, the introduction of the automatic exchange of information and the ever-increasing flood of regulatory measures, which has reached Asia, have taken their toll. Add to that the likelihood of rising interest rates in the foreseeable future, which weigh on growth in emerging markets in particular.

Competition for the most talented relationship managers has also increased, driving up costs – and CS has added a substantial number of such client advisers this year. The bank will likely have to pare its expectations for private banking in Asia and in other regions as well. Some markets may even face job cuts.

#### All Eyes on Switzerland

Second: The trading business, part of the Global Markets division at CS, also has to be evaluated carefully with respect to costs. Administrative costs may have been cut this year, but personnel expenditure is way too high. The new management with Brian Chin in charge will hardly be able to achieve the targets set. The bank will have to adjust the figures to the circumstances – analysts agree that there is no realistic alternative available.

Third: All eyes are on the Swiss unit, which started operating as a new legal entity two weeks ago. The profit target will probably be kept unchanged, not least because of the initial public offering planned for the second half of 2017. But the target won't be reached without further cost cuts.

The reason for this is the flat development of earnings in the industry. Juerg Zeltner, the UBS head of wealth management recently admitted as much and Peter Wuffli, the former UBS CEO, last weekend said there were hardly any growth opportunities in banking left.

#### Swiss Cuts a Must

On this background, CS Switzerland boss Thomas Gottstein will be forced to cut costs and he has announced that information would be forthcoming at the investors' day.

CS presumably would need some more time to reach the expectations. But the pressure from investors to perform is making this nigh on impossible, not least because they want to see results every quarter.

#### Unloved Quarterly Reporting Duty

No surprise then that a great number of board members would love to get rid of the quarterly reporting as showed a recent survey by Knight Gianella. tweet share share share share share mail

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Date: 05.12.2016



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Argus ref.: 63620385  
Clipping Page: 3/4

Date: 05.12.2016



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