

## MARKETS

# Credit Suisse's Revamp Powers Profit

Shares in the Swiss lender rise after profit beats expectations



Credit Suisse CEO Tidjane Thiam has steered the bank back to growth after a long restructuring process. PHOTO: STEFAN WERMUTH/BLOOMBERG NEWS

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Credit Suisse Group AG's profit growth accelerated in the second quarter, bolstered by its global markets businesses and domestic operations despite a challenging environment for Europe's lenders.

The Swiss bank's performance is a further endorsement of the sweeping restructuring efforts that it started in 2015 to streamline its investment-banking operations and sharpen its focus on wealth management.

Shares in Credit Suisse CS 1.04% ▲ settled 2.4% higher Wednesday.

The bank said Wednesday that its second-quarter net profit rose 45% to 937 million Swiss francs (\$946.3 million) from 647 million francs a year earlier, after a smaller rise in the prior quarter. Revenue was flat from a year earlier at 5.58 billion francs.

Analysts had expected the bank to post a second-quarter net profit of 806 million francs on revenue of 5.32 billion francs, according to a consensus forecast provided by the bank.

“If you had asked me a year and a half ago, I would have been negative on Credit Suisse and said [Chief Executive Tidjane Thiam ] was a dead man walking,” said Octavio Marenzi, CEO of Opimas, a consulting firm to banks. “He has pulled a rabbit out of the hat. He has been able to manage costs in a very disciplined way without sacrificing revenues too much.”

Earnings at its domestic bank were up 18% at 654 million francs. Revenue from bond and currency trading world-wide was up 6% in dollar terms, though fees from advising on deals and underwriting bond deals were down.

Credit Suisse posted three consecutive annual losses from 2015 through 2017—due to restructuring costs, legal settlements and U.S. corporate tax changes—but earned a profit of 2.06 billion Swiss francs last year.

The bank said the latter part of the second quarter led to a “more supportive revenue environment” amid expectations of a U.S.-China trade agreement and dovish central bank statements.

Earnings at the bank’s Asia-Pacific division, where it has been investing resources over the past few years, rose 9%.

Credit Suisse’s key international wealth-management division, whose head, Iqbal Khan, quit this month, undershot expectations with a 3% increase in pretax income. The bank attracted 9.5 billion francs of net new assets in wealth management in the quarter.

“We view these as strong results,” analysts at Citigroup wrote. “Global markets has been the main cause of consensus earnings downgrades over the past 18 months, but has now shown signs of recovery for a second consecutive quarter.”

Credit Suisse said it has “experienced healthy levels of client engagement” so far in the third quarter, but said whether that would translate into activity is dependent on market conditions.

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