THE WALL STREET JOURNAL.

Credit Suisse CEO Calls Talk of Deal With Bank 'Stupid'

By Margot Patrick
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Credit Suisse Group AG Chief Executive Thomas Gottstein said a report that the bank could be taken over by State Street Corp. was "really stupid" and that the lender can repair itself.

The CEO is under pressure from investors to show that the bank has a credible strategy after a spate of scandals and financial losses. On Wednesday, Credit Suisse warned it is likely to report its third consecutive quarterly loss because of a sharp fall in investment-banking deals such as companies raising new stock and bonds. It said it would speed up cost-cutting plans.

Mr. Gottstein dismissed a report on a Swiss finance blog on Wednesday about a deal with State Street. "My father once gave me advice: For really stupid questions, you better don't comment at all," he told investors at a Goldman Sachs Group Inc. conference Thursday.

On Thursday, State Street also denied the news report. "State Street is not pursuing an acquisition of, or any other business combination with, Credit Suisse," a spokesman said. "There is no basis to the continuing market rumors."

The talk of a deal initially sent Credit Suisse's share price up nearly 10%, but it has since retreated and traded close to all-time lows.

Mr. Gottstein also said the bank isn't considering a joint venture to spin off its asset-management arm or any other strategic upheaval to its four core divisions: wealth management, investment banking, asset management and its Swiss universal bank.

The bank's asset-management arm, a mix of Credit Suisse funds and partnerships with other fund managers, is seen as an acquisition target for rivals.

Analysts say a sale would be a way to raise capital to put into wealth management and for Credit Suisse to shore up its balance sheet but would mean more lost revenue after closing other businesses in recent months.

Mr. Gottstein said the bank has the firepower to fix its situation in part by cutting jobs and slowing investments. He said positions that could go were in front-line trading and banking and in **technology** and other back office roles.

Mr. Gottstein said the bank would give more details on its cost-cutting plans at an investor day on June 28.

He said the bank is still hiring in some areas but is slowing down some investment plans, such as hiring more relationship managers in China.

Credit Suisse's future form has been uncertain since the bank lost more than $5 billion last year from the collapse of family office Archegos Capital Management.

It shuffled its executive team and board and updated its strategy in November, with plans to cut up to $1.5 billion in annual costs and shift capital from investment banking to wealth management.

Some investors are skeptical the plans are enough, though, and want to see more sweeping changes.

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Credit Suisse Warns On Loss, Capital

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Credit Suisse Group AG warned its capital position is eroding and that it expects another quarterly loss from weak market conditions and lower earnings in its investment bank.

The Swiss bank said investment banking has been hit by companies opting not to sell new stock or bonds in volatile conditions, wiping out a main source of revenue. It said the poor performance will push the division and the bank overall to a loss in the second quarter, for its third consecutive quarterly loss.

The warning of a loss this quarter is an early sign that the disruption in financial markets since Russia invaded Ukraine is hitting activity among big international banks.

Credit Suisse stock slid as much as 7%. It later recovered and was up for the day after a Swiss website, Inside Paradeplatz, reported that State Street Corp. was considering a bid for Credit Suisse.

A Credit Suisse spokesman declined to comment on the report. A State Street spokesperson said the firm wouldn't comment on the report and that it is focused on its pending acquisition of Brown Brothers Harriman's Investors Services business.

Credit Suisse lowered its target capital ratio to 13.5% in the near term from 14%. The ratio slipped to 13.8% at March 31 from 14.4% at the end of December. Executives previously said the bank doesn't need to raise fresh capital and that the ratio would rise back over 14% later this year.

Without generating profit, the bank will struggle to generate fresh capital, which acts as a buffer, protecting the bank when loans turn sour. Investors worry it will need to raise more capital despite a depressed stock price and valuation. That would be a painful move for those betting on the bank's turnaround.

It said it would speed up cost cutting plans and give more details at an investor day on June 28. The bank has said it would shave up to around $1.5 billion from costs by 2024 by centralizing **technology** and removing layers of managers.

More cost cuts could come from reducing teams in some of the hardest-hit areas of Credit Suisse, people familiar with the matter said, in what could be a part of a broader cull across Wall Street if deals don't pick up.

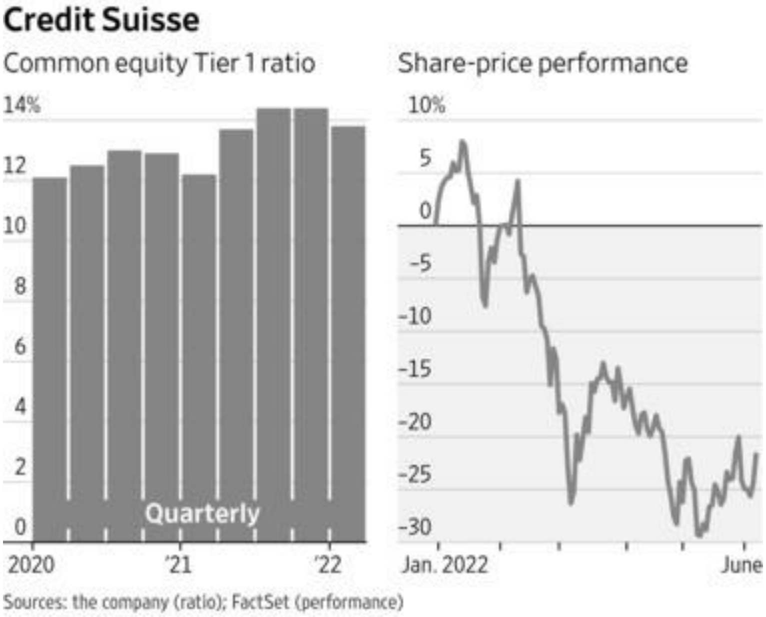
Credit Suisse is a leading player when it comes to helping companies raise funds from stock and bond markets. Its revenue is more volatile than some peers because it specializes in the riskier ends of corporate finance, such as making loans for leveraged buyouts.

The business of arranging those loans, as well as that for initial public offerings and blank-check companies, or SPACs, have all but dried up during the selloff in stock markets. Debt financing generally has also slowed as companies navigate rising interest rates and punishing levels of inflation.

The lender, which combines a global private bank catering to the rich with a Wall Street investment presence, has been in on-and-off restructuring mode since the financial crisis a decade ago but has remained encumbered by litigation and regulatory probes stemming from that period.

Its turnaround was hammered by a more than $5 billion cash loss last year from exiting stock positions of family office Archegos Capital Management. In addition to the financial loss, Switzerland's financial regulator imposed additional capital requirements and heightened its supervision of the bank.

Justin Baer contributed to this article.



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