Credit Suisse Names Thiam Chief Executive to Replace Dougan

Credit Suisse Group AG named Prudential Plc’s Tidjane Thiam to replace Brady Dougan as chief executive officer as the bank grapples with declining profitability at the securities unit and weakened capital.

Shares rose as much as 9.1 percent, the most in a month, and were 7.4 percent higher at 11:08 a.m. in Zurich trading after Credit Suisse said Tuesday that Dougan will step down at the end of June. In a separate statement, Prudential said a successor to Thiam has been found and will be named once the regulatory approval process has been completed.

Dougan, 55, an American who has led Credit Suisse since 2007, has contended with pressure to shift strategy away from investment banking as the company’s stock posted one of the worst performances among European banks this year. The switch puts an Ivory Coast-born French national, who has spent the past decade running insurance businesses, atop Switzerland’s second-biggest lender.

“Thiam will bring some fresh air to Credit Suisse, albeit without the banking background,” said Andreas Venditti, a banking analyst at Vontobel in Zurich. “Maybe cutting the investment bank will become easier.”

Thiam Successor

Thiam, 52, has run Britain’s largest insurer by market value since 2009, almost tripling its stock price while successfully focusing on Asia to boost profit. Prudential’s Mike Wells, the head of its U.S. Jackson National Life unit, will succeed Thiam this year, Sky News said.

Thiam’s “extensive international experience, including in wealth and asset management and in the successful development of new markets, provides a firm foundation for leading Credit Suisse,” Chairman Urs Rohner said in the statement. “As CEO, he led Prudential to great success in challenging times.”
Thiam is experienced in Asia, a key market for Credit Suisse, said Alevizos Alevizakos, a London-based analyst at Keefe, Bruyette & Woods Inc.

Thiam joined Prudential from U.K. insurer Aviva Plc, where he led the European unit. In 2012, he turned down an offer to become head of the World Bank’s private investment arm, despite a personal request from U.S. President Barack Obama’s then-chief of staff, Jacob Lew, the Telegraph reported at the time. Lew is now Treasury secretary.

Loyalties Questioned

Thiam worked for management consultant McKinsey & Co. from 1986 to 1994, focusing on insurers and banks. From 1994 to 1998, he was head of the National Bureau for Technical Studies and Development in the Ivory Coast. He was appointed minister of planning and development before leaving the country after the December 1999 military coup.

Dougan, a 25-year veteran of Credit Suisse and the first American to serve as its sole CEO, was one of the few leaders of a global bank to survive the financial crisis and the scandals that followed. On Feb. 26, Standard Chartered Plc named Bill Winters to replace Peter Sands, who led the U.K. firm through the turmoil.

While Dougan’s down-to-earth manner and knowledge of markets won him the trust of some shareholders, some Swiss media and retail investors repeatedly questioned his loyalties as an American and criticized his pay packages and the fact that he doesn’t speak German. Still, Dougan kept his post while UBS Group AG, Switzerland’s biggest bank, had four CEOs in the same period and needed a state bailout. Sergio Ermotti has led Zurich-based UBS since September 2011.

Book Value

While calls for Dougan to resign died down following Credit Suisse’s settlement with U.S. authorities last year on allegations it aided tax evaders, questions remained over the lender’s objectives and capital.

Dougan, who headed Credit Suisse’s investment bank before becoming CEO, resisted calls for a radical downsizing of the securities unit following UBS’s decision to do so. He instead focused on incremental cuts to the business and costs to improve earnings. The strategy hasn’t paid off for shareholders, with Credit Suisse shares trading at about 1.1 times the bank’s tangible book value, compared with 1.4 times for UBS, as of Monday’s close.

Cutting back the investment bank more should boost the firm’s profitability as measured by its return on equity, Goldman Sachs Group Inc. analysts wrote in a
note to clients. Any strategic change at Credit Suisse could be as powerful as that of UBS, they wrote.

Rebuilding Capital

Credit Suisse shares had slumped 7.5 percent this year through Monday, compared with a gain of 10 percent for the Bloomberg Europe 500 Banks & Financial Services Index.

Dougan has been trying to rebuild Credit Suisse’s capital ratios, which were battered last year by U.S. fines for helping American clients evade taxes. After reporting a common equity ratio of 10.2 percent for the end of December, the bank two weeks later restated earnings because of higher provisions for mortgage-related litigation, pushing that ratio to 10.1 percent, barely above Credit Suisse’s minimum target.

While connections to Treasury’s Lew and the Obama administration could help Thiam deal with some of Credit Suisse’s most powerful overseers, he has stumbled with watchdogs. The U.K.’s Financial Services Authority publicly censured him in 2013 after the insurer was fined 30 million pounds ($45 million) for not telling the regulator soon enough that it planned to buy American International Group Inc.’s Asia unit, AIA Group Ltd., for about $35.5 billion.

Failed Bid

The planned deal collapsed after Prudential’s investors questioned the price he had agreed to pay. AIG instead exited the business through stock sales. AIA’s shares trade for more than twice the price of its initial public offering in 2010.

Prudential’s Jackson National Life is the largest seller of U.S. variable annuities, according to third-quarter data from trade group Limra, a rank held in previous years by companies such as MetLife Inc.

“Tidjane has been one of the most exceptional leaders in Prudential’s long and illustrious history,” said Paul Manduca, Prudential’s chairman.

Dougan, an Illinois railway dispatcher’s son, started his career at Banker’s Trust Corp. He moved to Credit Suisse in 1990 as part of a team led by Allen Wheat, where they set up a derivatives unit called Credit Suisse Financial Products.

When asked about his extravagances by Bloomberg News in 2007, after succeeding Oswald Gruebel as CEO, Dougan listed his focus on work and a fondness for exercise. He was described in news stories at the time as a quiet man who jogs, prefers diet sodas and cuts costs by discouraging color copying.
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