Credit Suisse Profit More Than Doubles as Trading Rises

By Jeffrey Vogeli and Elena Logutenkova - Oct 23, 2014

Credit Suisse Group AG (CSGN), Switzerland’s second-biggest bank, reported third-quarter profit that beat analysts’ estimates as revenue from trading fixed-income products soared.

Net income more than doubled to 1.03 billion Swiss francs ($1.08 billion), the Zurich-based bank said today in a statement. That compares with 454 million francs a year ago and beat the 809 million-franc average estimate of five analysts surveyed by Bloomberg.

Chief Executive Officer Brady Dougan said earnings at the investment bank reflected “robust client activity” across businesses, while October has been “mixed.” Last week, he promoted two investment bankers in a revamp that boosts the influence of the securities unit within the executive board. Trading activity has benefited from price swings stemming from a stronger U.S. dollar and a slowdown in the European economy.

The third quarter “was characterized by a notable pick-up in volatility and volumes in September,” Citigroup Inc. (C) analysts Kinner Lakhani and Nicholas Herman wrote in a note earlier this week. Trading in debt, currencies and commodities has overcome “two-thirds of structural challenges,” they said.

Shares in Credit Suisse dropped 8.1 percent this year and stood at 25.05 francs yesterday, valuing the bank at 40.3 billion francs. This compares with a decline of 1.4 percent in the 49-member STOXX 600 Banks Index.

Amine, O’Hara

“We have seen a mixed start to October, with recent market volatility benefiting certain businesses across both divisions, while negatively impacting others,” Dougan said in the statement. “We have a strong advisory and underwriting pipeline but the pace of execution in the fourth quarter will depend on market conditions.”

Profit at the investment bank more than doubled to 516 million francs in the quarter as revenue from fixed-income trading rose 73 percent to 1.44 billion francs, helped by securitized products and emerging-markets businesses. Equities revenue was almost unchanged at 1.07 billion francs.

The five biggest U.S. securities firms saw their combined revenue from trading fixed income,
currencies and commodities rise 14 percent in the third quarter from a year earlier, data compiled by Bloomberg Intelligence show.

Credit Suisse on Oct. 17 named Jim Amine and Tim O’Hara co-heads of the investment banking division, joining Gael de Boissard in that role. Eric Varvel, who helped oversee the unit for five years, stepped down from the executive board and assumed the role of chairman for the Asia-Pacific and Middle East regions.

**Wealth Management**

Profit in the private-banking and [wealth-management](#) division, which includes all other businesses, fell 7.4 percent to 943 million francs as revenue fell. Credit Suisse’s wealth management unit, which added 5.1 billion francs in net new money in the quarter, posted a decrease in its gross margin, which measures how much revenue the bank makes on assets under management, to 97 basis points from 99 basis points in the second quarter. A basis point is one hundredth of a percentage point.

Credit Suisse still relies more on its investment bank than local competitor UBS AG. (UBSN) While UBS has shrunk its securities unit to focus on managing money for the wealthy, Credit Suisse plans to allocate an equal amount of capital to the investment bank and to the money managing businesses.

Analysts and investors have said Credit Suisse should step up efforts to focus more on wealth management. This could help boost returns and shore up capital, where the bank lags behind its main competitors after paying a fine of $2.6 billion in the second quarter for helping Americans evade taxes.

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