Credit Suisse to increase cost cuts in wake of latest profit warning

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REDIT Suisse issued its third profit warning this year today, blaming volatile markets and caution from clients who are trading less in the wake of the Ukraine war.

The scandal torn bank, which employs thousands of people at Canary Wharf in London, has been in something close to crisis for several years.

It has been hit by fines for money laundering, was embroiled in the high-profile collapses of Archegos Capital and Greensill, and saw an internal corporate espionage scandal lead to the departure of CEO Tidjane Thiam.

An outsider in the staid world of Swiss banking, Thiam was seen by many as the best chance for Credit Suisse to reform itself.

Today new CEO Thomas Gottstein said market conditions "have remained challenging".

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He added: “The combination of the current geopolitical situation following Russia’s invasion of Ukraine, significant monetary tightening by major central banks in response to the substantial increase in inflation and the unwind of COVID-related stimulus measures have resulted in continued heightened market volatility, weak customer flows and ongoing client deleveraging.”

Cost cuts will be accelerated.

Vontobel analyst Andreas Venditti said: “The consequence is likely to be further erosion in staff morale.”

The investment banking arm in particular is struggling and is likely to fall to its fourth quarterly loss in the last six.

This year will “remain one of transition” said the bank. “Given the economic and market environment, we are accelerating our cost initiatives across the group.”

Just yesterday David Miller, the global head of investment banking, said in an interview with Bloomberg that he has been “running around seeing clients and telling them we are back”.

While Credit Suisse has its own particular woes, the wider picture for the investment banking sector is poor. Last year bankers enjoyed strong bonuses as work flooded in from clients looking to bounce back from Covid.

This year has been much more sluggish, with company floats being pulled due to nerves about stock markets.

City banks saw a severe slowdown in the first six months of the year. That could mean job cuts and much lower bonuses if that continues.