



DOW JONES NEWSWIRES

Europe's Top Investment Banks Look to Tackle Decline with New Leadership

Nov. 15, 2019 8:48 am ET

By Pietro Lombardi

The appointment of new top brass at Credit Suisse Group AG's (CS) investment banking-and-capital markets division this week is the latest in a series of high-level changes at Europe's leading investment banks.

The reshuffles have come as regional lenders lose ground to U.S. competitors and are hit by falling revenue, while facing the challenges of new technology, regulation and geopolitical tensions.

"Investment banks face structural headwinds that they cannot avoid," Berenberg analysts said in a recent report on the industry. "Many cling to the hope that higher volatility will be a silver bullet, but recent experience suggests otherwise."

The leadership change at Credit Suisse--where veteran banker David Miller replaced James Amine as head of investment banking and capital markets--follows similar moves at some of the region's financial powerhouses.

Deutsche Bank AG's (DBK.XE) investment bank chief Garth Ritchie left in July, with Chief Executive Christian Sewing assuming oversight of the unit. In March, Barclays PLC (BARC.LN) announced the departure of its investment bank head, while Andrea Orcel left UBS Group AG's (UBS) investment banking arm in late 2018.

Revenue at the 12 biggest investment banks in Europe and the U.S. fell 11% on year in the first half of 2019 to \$76.8 billion, hitting a 13-year low, and headcount continued to fall across the industry, according to Coalition, an industry data provider.

In this environment, European players continue to lose market share to U.S. peers.

Since 2009, U.S. banks' share of global investment banking revenue rose roughly 10 percentage points and now stands at about 53%, according to data provider Dealogic. In the same period, the share of European banks declined more than 10 percentage points to 25%.

Investment banking operations in Europe compare poorly in terms of costs and revenue with U.S. counterparts and generate an operating profit before provisions that is 70% lower, according to Berenberg.

The brokerage mentions several reasons, including a more concentrated U.S. market that gives banks more pricing power and U.S. banks' quicker reaction to the financial crisis.

"We believe that one of the key reasons that European banks still underperform U.S. banks is that they never adequately dealt with

LET'S SOLVE IT* ETFs by J.P.Morgan Asset Management

Have you put cash in its place?

The low (or negative) yield environment, coupled with many banks backing away from liquidity products following the introduction of Basel III, is forcing cash investors to sharpen their focus on cash management. However, with cash on balance sheets still at all-time highs, it looks like many cash investors are continuing to choose a very conservative approach--at the expense of yield.

[Read more](#)

LET'S SOLVE IT* ETFs by J.P.Morgan Asset Management

RECOMMENDED VIDEOS

1. The Gender Gap: How the Economic Experience Shapes Politics



9. Opinion: Hits and



their balance sheet issues," it said.

In recent years, several European banks have restructured their investment banking operations. Deutsche Bank is exiting its global-equities sales and trading business and eliminating 18,000 jobs. In April, France's Societe Generale SA (GLE.FR) said it would cut nearly 1,600 jobs after a slump in investment-banking revenue, with the unit including fixed income and equity trading and securities services bearing the brunt of the cuts. Credit Suisse started a sweeping restructuring in 2015 to streamline its investment-banking operations. Rival UBS launched a similar overhaul years earlier.

Recent results highlight the challenges facing the restructured banks.

Credit Suisse's investment banking-and-capital markets division swung to a pretax loss in the third quarter, as fewer mergers and acquisitions and IPOs contributed to a 21% decline in revenue. The Swiss bank's global investment banking operations ranked seventh in the first nine months of the year, down one rung from a year earlier, according to Dealogic.

In the same quarter, Deutsche Bank posted a loss partly due to restructuring costs and lower revenue at its fixed-income operations. In comparison, Morgan Stanley, Barclays PLC and JPMorgan Chase & Co. achieved double-digit growth in fixed-income trading revenue in the period.

Troubles in Europe likely mean gains for U.S. competitors, according to Berenberg.

"As European IBs continue to restructure their operations in search of better returns, we believe U.S. IBs will continue to take market share."

Write to Pietro Lombardi at pietro.lombardi@dowjones.com

4. Misses of the Week



3. In the Elevator With YouTuber and Former NASA Engineer Mark Rober



4. How a Trump Tweet Scrambled the Republican Hearing Strategy



5. Election 2020: Amy Klobuchar Proposes Big Infrastructure Investment



MOST POPULAR ARTICLES

1. Arizona Development Bans Residents From Bringing Cars



2. Epstein's Jail Guards Charged With Conspiracy, Records Falsification



3. Former U.K. Consulate Worker Says Chinese Secret Police Tortured Him



4. Opinion: Chick-fil-A Concedes



5. 10 Places to Travel in 2020—Before Everyone Else Does



WSJ MEMBER MESSAGE

Shoppers Can't Shoulder the Economy

Sluggish retail-sales growth indicates consumers can't be the economy's only engine

[READ NOW](#)



Have you put cash in its place?

The low (or negative) yield environment, coupled with many banks backing away from liquidity products following the introduction of Basel III, is forcing cash investors to sharpen their focus on cash management. However, with cash on balance sheets still at all-time highs, it looks like many cash investors are continuing to choose a very conservative approach—at the expense of yield.

[Read more](#)

LET'S SOLVE IT.* ETFs by

J.P.Morgan
Asset Management

WSJ opens select articles to reader conversation to promote thoughtful dialogue. See the 'Join the Conversation' area to the right.

AA
TEXT

AA
TEXT

thoughtful dialogue. See the [Join the Conversation](#) area to the right for stories open to conversation. For more information, please reference our community guidelines. Email feedback and questions to moderator@wsj.com.

JOIN THE CONVERSATION

Former U.K. Consulate Employee Says Chinese Secret Police Tortured Him



Are Your Jeans Red or Blue? Shopping America's Partisan Divide



Impeachment Hearing: Sondland Lays Out Efforts to Press Ukraine on Investigations



Tackle Box for the Modern Fisherman: Rod, Reel, Drone



WSJ News Exclusive | Carl Icahn Placing a Big Bet Against Mall Owners



What to Watch in November Democratic Presidential Debate



Hospitals Push Back on Price-Disclosure Rule



Political Giving Fueled Gordon Sondland's Rise to Ambassadorship



Senate Unanimously Approves Measure Backing Hong Kong Protesters



What Would Happen if the U.S. Banned Fracking?



WHAT TO READ NEXT...



MARKETS

Lucky Eights Power Alibaba's Blockbuster Share Sale



HEARD ON THE STREET

It Is Time for African Countries to Shed Monetary Colonialism



JOURNAL REPORTS: ENERGY

Are Oil-and-Gas Companies a Good Investment?



STREETWISE

Why Cheap Money Hasn't Led to a Corporate Spending Boom



MARKETS

Aon Pushes Into Online Insurance for Small Business



Independent of The Wall Street Journal newsroom

PERSONAL FINANCE

'I'm by no means a gold digger, but I feel jerked around' — he lived with his elderly friend for 16 years and suspects he's broke

MarketWatch

MANSSION GLOBAL ARTICLE

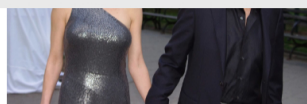
Mansion Global Daily: Celebs in the New York Suburbs, the Affordability Crisis and More

BACK TO TOP



Independent of The Wall Street Journal newsroom

PERSONAL FINANCE



MANSSION GLOBAL ARTICLE

Mansion Global Daily: Celebs in

Corporate Subscriptions
Professor Journal

RSS Feeds
Video Center

Sell Your Business
Sell Your Home

Corrections
Jobs at WSJ
Markethead

Student Journal
WSJ High School Program
WSJ Amenity Program

Watchlist
Podcasts

Recruitment & Career Ads

News Archive
Register for Free
Reprints
Buy Issues



Dow Jones Products | Barron's | BigCharts | Dow Jones DNA | Dow Jones Newswires | Factiva | Financial News | Mansion Global | MarketWatch
Private Markets | realtor.com | Risk & Compliance | Venturesource | WSJ Conference | WSJ Pro Central Banking | WSJ Video | WSJ Wine

Privacy Policy | Cookie Policy | Copyright Policy | Data Policy | Subscriber Agreement & Terms of
Copyright ©2019 Dow Jones & Company, Inc. All Rights Reserved.



MORE FROM WSJ

Gordon Sondland Testifies in Impeachment Hearing -- Live Coverage