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International

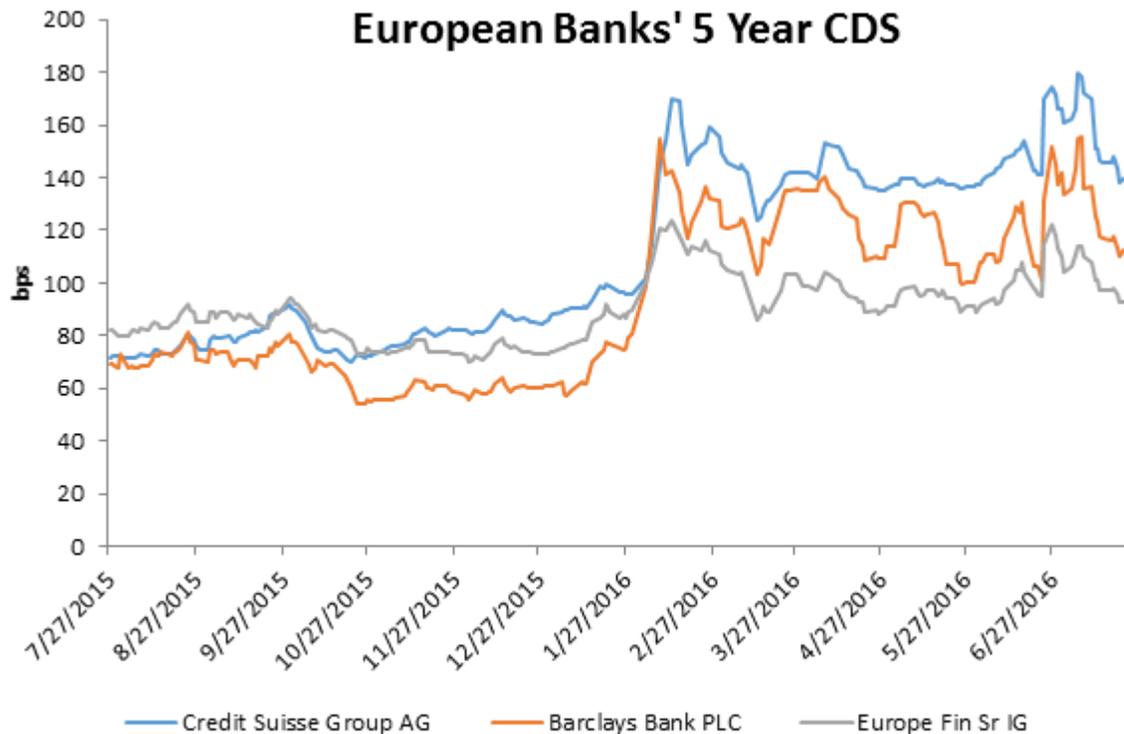
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Barclays & Credit Suisse Expected to Focus On More Cost Cutting Measures

- European banks like Barclays & Credit Suisse are expected to launch another round of cost-cutting as they brace for conditions to deteriorate this year, due to low interest rates, the UK vote to exit the EU and the latest stress test results.
- Despite these challenges, Barclays for one is expected to post better half-year figures for the quarter as it announces 2Q2016 results on Friday. This will be mainly due to the stronger dollar versus the pound, as it makes a substantial amount of investment banking revenues in dollars.
- Barclays saw profits fall by a quarter in the first three months of the year as it was hit by tough trading in its investment banking arm. The group is expected to have to make big changes to adapt post Brexit, having sold off most of its European operations since the financial crisis
- The UK bank aims to lower its headcount to 80,000 after selling its African operation, which employs 40,000 people. Barclays has dismissed 11,000 of its 130,000 staff since Jes Staley took over as chief executive in December through a hiring freeze and the closure of its operations in nine countries, mostly in Asia.
- The group posted first quarter pre-tax profits of £793m, down from £1.1bn a year earlier, as underlying profits in its corporate and investment banking business declined by 31%. Revenues overall are likely to remain under pressure, with the retail bank's shortcomings only set to increase if interest rates are cut, as many expect.
- Meanwhile, Credit Suisse also faces its own challenges, with the current CEO, Tidjane Thiam implementing severe cost cutting since assuming the role last year. The Swiss lender has exited several markets and has cut down on its investment banking lately.

- In March, the company announced an increase to its 2018 cost reduction target from 3.5 billion Swiss francs (\$3.59 billion) gross savings to at least 4.3 billion francs, with an aim of keeping its operating cost base below 18 billion francs by 2018. For 2016, the company hopes to achieve 1.7 billion francs in cost savings
- Credit Suisse posted \$311 million in loss for 1Q2016, which makes it the second consecutive quarterly loss. The company is set to present its 2Q2016 Financials this upcoming Thursday.
- Both European banks have had significant exposure to investment banking and consumers lending which have struggled to deliver this year.
- Conclusively, the future doesn't look too promising for these banks in the near-term as immense restructuring and cost cutting is expected to continue in the coming quarters from banks.



Source: Bloomberg



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