

# Global Assault on Banks Intensifies

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by Nicholas Comfort

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Europe's banks rebounded Friday, led by Commerzbank AG, after Germany's second-largest lender reported a higher capital ratio than some analysts had anticipated and said it would wind down bad loans quicker than planned. Even after the bounce, the Stoxx Europe 600 Banks index remains down 26 percent this year.

"Many producers of oil and commodities invested part of their high profits in stock markets," and may now face pressure to sell holdings because they need money to finance their budgets, Commerzbank Chief Executive Officer Martin Blessing told reporters in Frankfurt on Friday. "You just have to keep your nerve."

## 'Challenging Environment'

Shares of Zurich-based Credit Suisse have lost almost half their value since October, when CEO Tidjane Thiam embarked on an overhaul to focus on wealth management, especially in Asia, just as economic growth in China slowed. The cost of insuring the bank's subordinated securities against default for five years rose Thursday to the highest level since 2012, even as the stock sank to a 27-year low.

"It's not a great time to be a bank," Thiam said in a presentation to investors Wednesday. "So I'm using the current challenging environment to accelerate the transformation that I'm driving."

## 'Rock Solid'

European banks have pushed back by pointing to stronger capital ratios. Deutsche Bank co-CEO John Cryan told staff in a memo on Tuesday that the Frankfurt-based company's financial strength is "rock solid." Societe Generale Deputy CEO Severin Cabannes called recent turbulence "disconnected from market reality" in an interview with Bloomberg TV on Thursday.

Still, global investment banking and trading revenue will probably fall 8.7 percent to \$168 billion this year, analysts at Morgan Stanley said in a note to clients Wednesday.

"Banks are always going to suffer during periods of market volatility given transactions don't take place," said [Martin Wilhelm](#), founder of [IfK GmbH](#), which manages 500 million euros of fixed-income securities in Kiel, Germany. "They get hit across advisory, origination, trading and asset management. It is a bad start, but the banks can turn things around this year just like a soccer team can climb the league tables."