Credit Suisse

# Credit Suisse Strategy

## Investment Banking & Capital Markets

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October 21, 2015

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**The 3Q15 financial information is subject to further review**
We have not finalized our 3Q15 Financial Report and our independent registered public accounting firm has not completed its review of the condensed consolidated financial statements (unaudited) for the period. Accordingly, the 3Q15 financial information contained in this presentation is subject to completion of quarter-end procedures, which may result in changes to that information. Certain reclassifications have been made to prior periods to conform to the current presentation.

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**Statement regarding capital, liquidity and leverage**
As of January 1, 2013, Basel 3 was implemented in Switzerland along with the Swiss "Too Big to Fail" legislation and regulations thereunder (in each case, subject to certain phase-in periods). As of January 1, 2015, the Bank for International Settlements (BIS) leverage ratio framework, as issued by the Basel Committee on Banking Supervision (BCBS), was implemented in Switzerland by FINMA. Our related disclosures are in accordance with our interpretation of such requirements, including relevant assumptions. Changes in the interpretation of these requirements in Switzerland or in any of our assumptions or estimates could result in different numbers from those shown in this presentation. Capital and ratio numbers for periods prior to 2013 are based on estimates, which are calculated as if the Basel 3 framework had been in place in Switzerland during such periods.

Unless otherwise noted, leverage exposure is based on the BIS leverage ratio framework and consists of period-end balance sheet assets and prescribed regulatory adjustments. Leverage amounts for 4Q14, which are presented in order to show meaningful comparative information, are based on estimates which are calculated as if the BIS leverage ratio framework had been implemented in Switzerland at such time. Beginning in 2015, the Swiss leverage ratio is calculated as Swiss total capital, divided by period-end leverage exposure. The look-through BIS tier 1 leverage ratio and CET1 leverage ratio are calculated as look-through BIS tier 1 capital and CET1 capital, respectively, divided by end-period leverage exposure.

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# Investment Banking & Capital Markets – Key messages

**Profitable Model with Attractive Returns**

- Business model has been optimized around profitability and returns
- Instilling a disciplined capital approach has enhanced sustainability
- The business is profitable with attractive returns
- IBCM has significant connectivity with the UHNWI segment

**Positive Market Outlook**

- M&A has been very active with near record announcement levels; cycle is expected to continue
- Strong multiplier effect from M&A will drive more debt financing even if interest rates rise
- ECM backlog continues to grow and stabilization in the equity markets expected to increase issuance
- Regulatory headwinds remain low for advisory and capital markets businesses

**Ambition to Drive USD 750 mn of Growth**

- Strategy is tailored across each client segment: corporates (IG and Non-IG), Sponsors and UHNWI
- Selective investment in Managing Directors and capital where CS is well-positioned will expand our coverage footprint
- Product mix shift to M&A and ECM will mirror expected Street activity and re-balance our portfolio
- Investment plan is designed to continue delivering returns in excess of our cost of capital

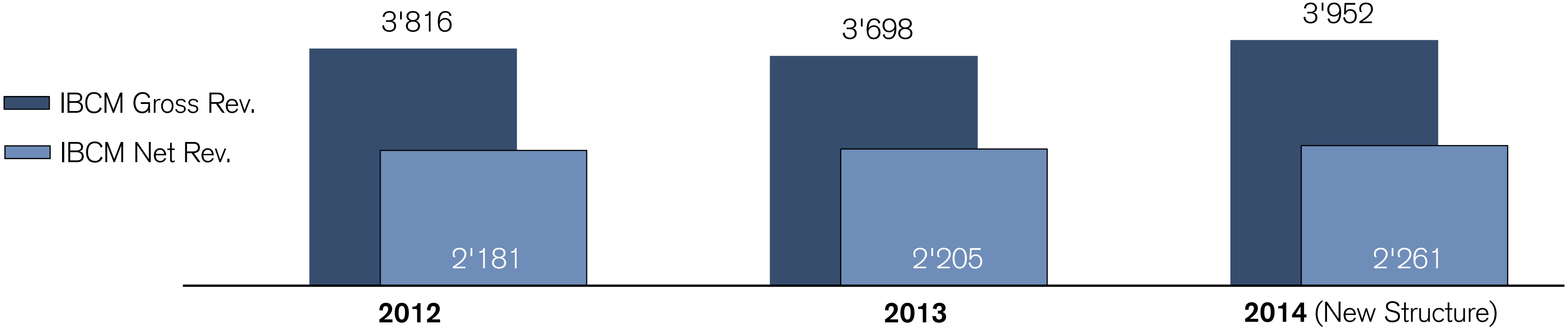
Note: IBCM = Investment Banking & Capital Markets (advisory, debt and equity underwriting); UHNWI = Ultra High Net Worth Individuals; IG = Investment Grade; and Non-IG = Non-Investment Grade for this slide and the rest of the presentation. IG clients identified based on the S&P rating per Dealogic or internal CS rating.

# Agenda

1. IBCM markets and positioning
2. Investing in IBCM
3. Our financial ambition and conclusion

# IBCM has built a business model that delivers sustainable profitable growth

## **IBCM snapshot (Americas and EMEA),** in USD millions



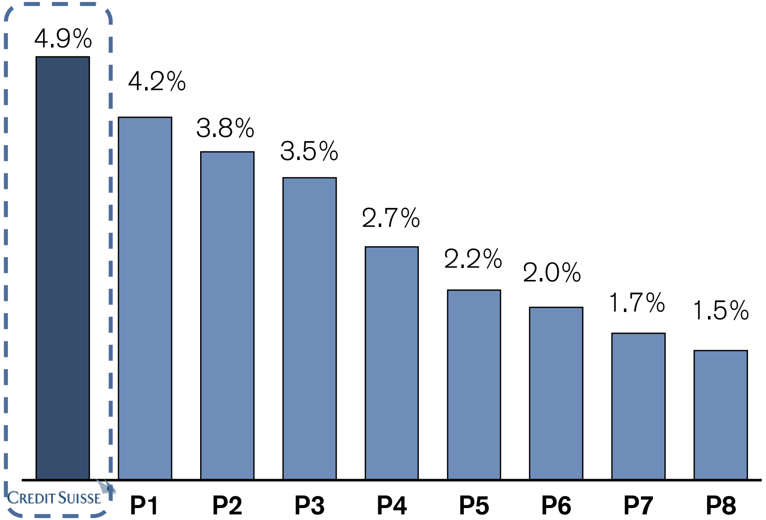

| | 2012 | 2013 | 2014 (New Structure) |
|---|---|---|---|
| **PTI** | 445 | 713 | 618 |
| **RoC (RWA)** | 22% | 26% | 27% |
| **RoC (Leverage)** | NA | 33% | 30% |
| **Share of Wallet** | 5.7% | 5.6% | 5.3% |

Source: Dealogic and CS internal reporting, where all numbers are shown pre- (Gross Revenues) and post- (Net Revenues and RoC) adjustments made for JV agreement with Securities for Americas and EMEA.
Note: All data above excludes Switzerland. 2014 excludes Corporate Center charges.
This slide presents financial information based on results under our current structure prior to our re-segmentation announcement on October 21, 2015.
RoC (return on regulatory capital) calculated using income after tax, assuming tax rate of 30%, and capital allocated using worst of 10% of year-end Basel 3 risk-weighted assets or 3.5% of year-end leverage exposure, respectively. 2013 and 2014 calculated based on Swiss Leverage.
Share of wallet = CS Dealogic fees / Street Dealogic fees for this slide and the rest of the presentation. Street fees and share of wallet based on IBCM addressable market in Americas and EMEA (ex. Swiss) only; excludes self-advised deals and non-core DCM products (investment grade loans, asset-backed and mortgage-backed securities, and govt. debt).

# IBCM has industry-leading capital efficiency and returns…

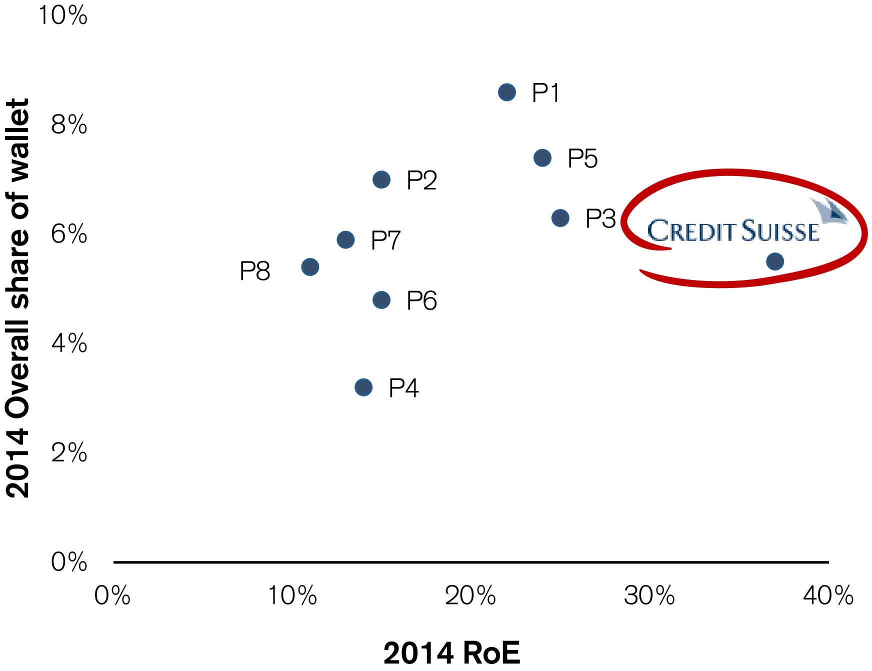
## IBCM Global Capital Efficiency

IBCM revenue/loan book - %




| | CREDIT SUISSE | P1 | P2 | P3 | P4 | P5 | P6 | P7 | P8 |
|---|---|---|---|---|---|---|---|---|---|
| 2014 Loan Book (USD bn) | 75 | 120 | 125 | 65 | 230 | 165 | 270 | 220 | 280 |

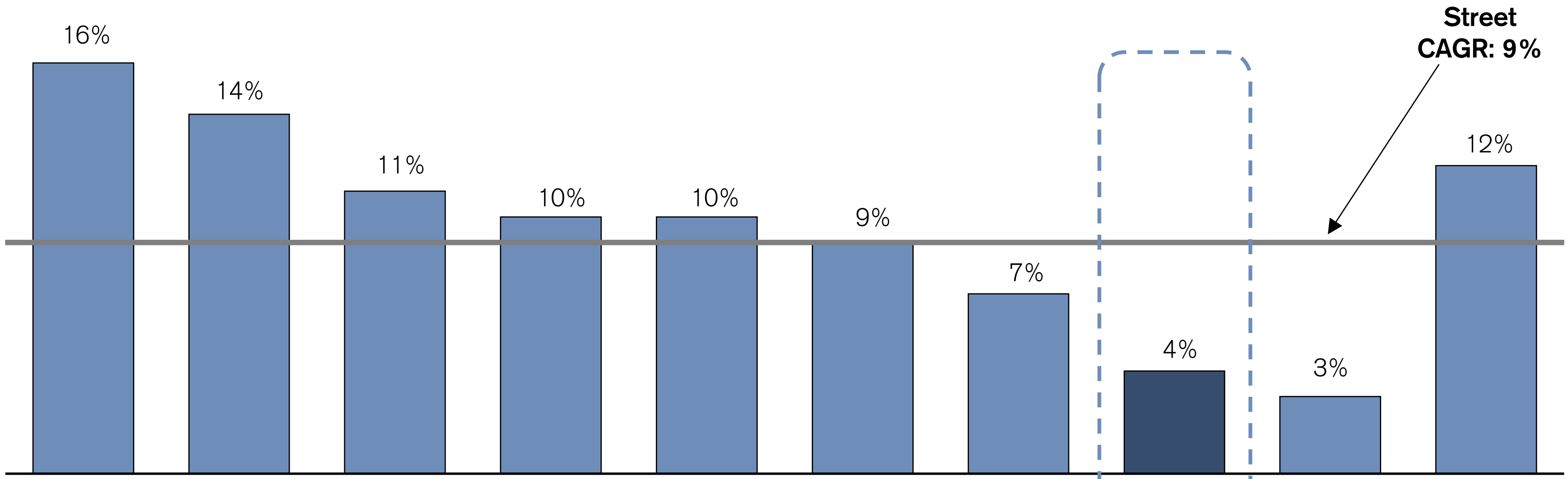
## Global RoE vs. peers




Source: BCG.
Note: Capital efficiency calculation assumes loan commitments are 3 years; revenue is calculated as an average of fees for last 3 years (2012–2014). RoE calculation based on "standard approach."

# …but revenue growth has lagged the market resulting in loss of share of wallet

## 2012–2014 Global IBCM Fee CAGR




| | P1 | P2 | P3 | P4 | P5 | P6 | P7 | CREDIT SUISSE | P8 | Boutiques |
|---|---|---|---|---|---|---|---|---|---|---|
| **2014 fees (USD mn)** | 4,808 | 4,080 | 5,575 | 3,794 | 3,496 | 3,140 | 4,547 | 3,567 | 2,075 | 4,670 |
| **2014 Share of Wallet** | 7.4% | 6.3% | 8.6% | 5.9% | 5.4% | 4.8% | 7.0% | 5.5% | 3.2% | 7.2% |

Source: BCG.
Note: Excludes asset-backed, mortgage-backed and undisclosed revenue for all peers.

# IBCM benefits from a favorable market outlook and limited regulatory headwinds

| | Market outlook | Regulatory impact |
|---|---|---|
| **Products** | | |
| **M&A** | ↑ | ● |
| **ECM** | ↑ | ● |
| **Leveraged Finance** | → * | ● |
| **Investment Grade** | → * | ● |
| **Regions** | | |
| **Americas** | ↑ | |
| **EMEA** | → | |

* M&A related financing expected to increase in Lev Fin and Investment Grade markets

**Favorable market conditions**

- Significant M&A activity expected to continue
- Higher ECM backlog expected to support increased issuance
- LBO activity expected to accelerate
- Investment grade outlook is stable
- EMEA benefits from positive fundamentals

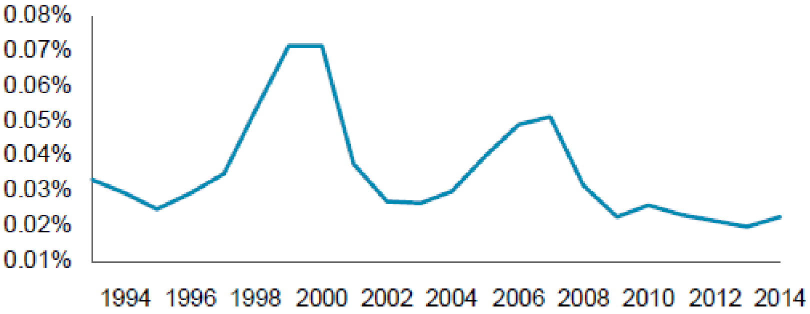
**Attractive business model driving high returns**

- High quality, consistent, fee-based revenue streams
- Disciplined capital usage with high returns
- Expect limited impact from evolving regulatory environment

# Strong fundamentals for M&A are expected to drive overall fee pool

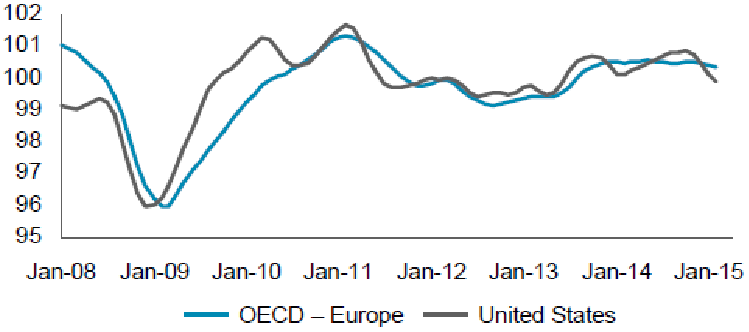
## M&A activity as a share of the world economy

**M&A revenue as a percentage of gross world product, 1993 - 2014**



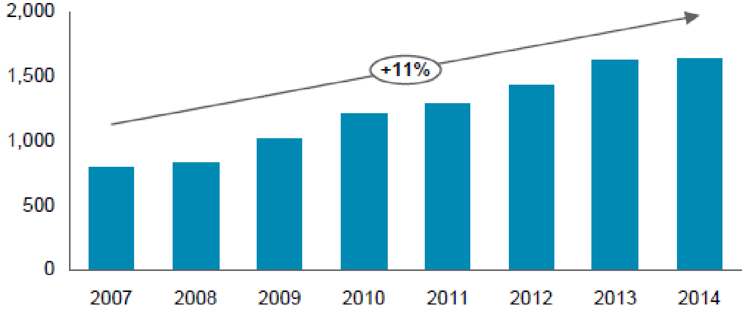

## Business confidence levels in the US and Europe

**OECD Business Confidence Index, Jan 2008 – Feb 2015, long run avg. = ~100**



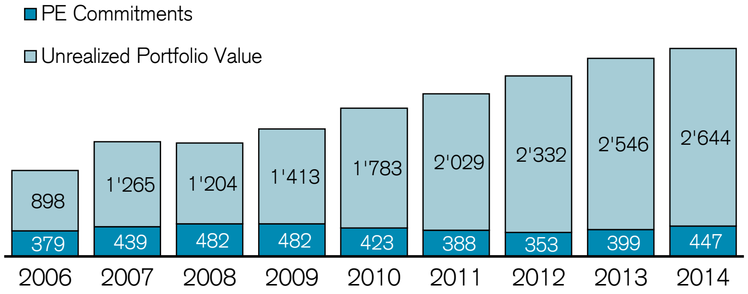

## US corporate cash holdings

**End of year corporate cash holdings (USD bn, 2007 – 2014E)**




## Undrawn PE commitments and unrealized portfolio values

**PE commitments and unrealized portfolio value (USD bn)**




Source: Oliver Wyman, Preqin.
Note: As of Sept 2015 PE commitments have reached USD 487 bn. Unrealized portfolio value is based on total portfolio, including buyout and non-buyout; data as of Jun 2014.

# Agenda

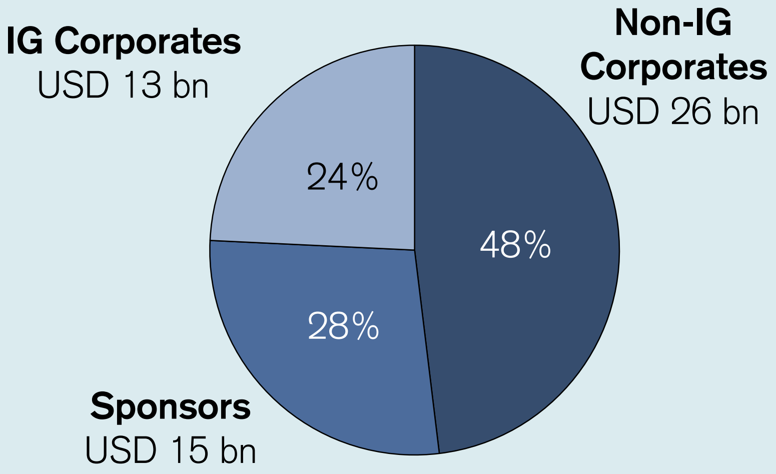
1 IBCM markets and positioning

2 Investing in IBCM

3 Our financial ambition and conclusion

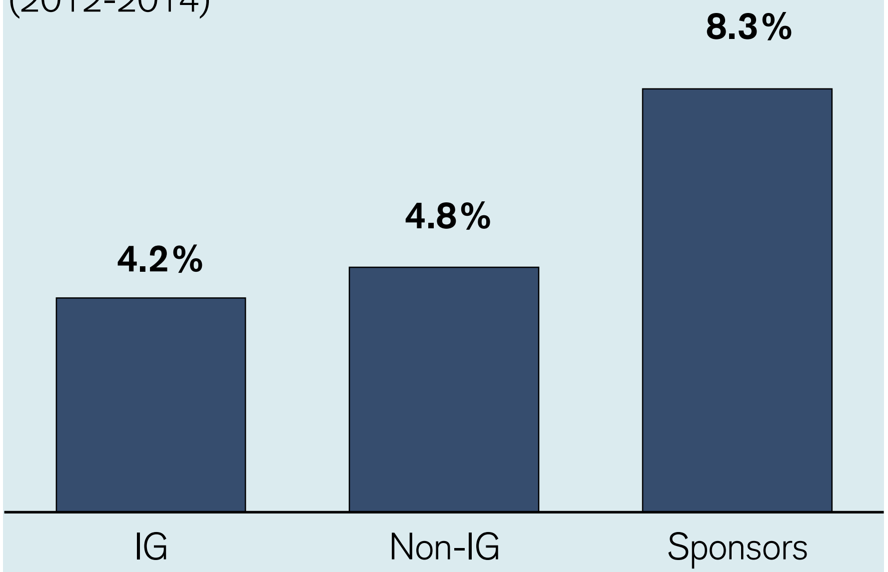
# Client strategy is tailored to the specific market opportunity and CS positioning in each segment

**Street fee mix by client segment**
(2012-2014 ann. avg.)




*Americas and EMEA only*

**IBCM share of wallet by client segment**
(2012-2014)



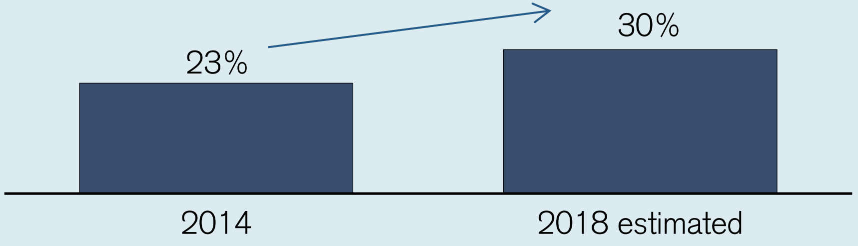

*Americas and EMEA only*

Source: Dealogic as of 7/1/15.
Note: Street fees and share of wallet based on IBCM addressable market in Americas and EMEA only; excludes self-advised deals and non-core DCM products (investment grade loans, asset-backed and mortgage-backed securities, and govt. debt). Sponsors segment includes fees generated by Financial Sponsors and Sponsor portfolio companies.

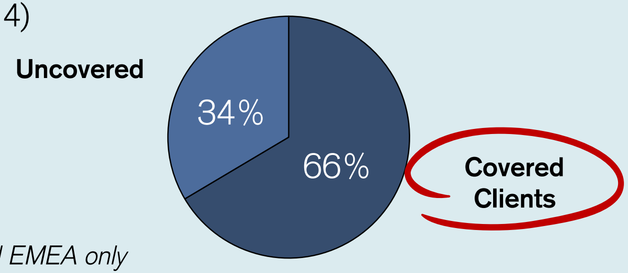
# Selectively deploying additional coverage resources against IG and Non-IG clients is expected to increase impact of corporate coverage

## Improve IG corporate coverage

**IG corporates as a % of Street fees**



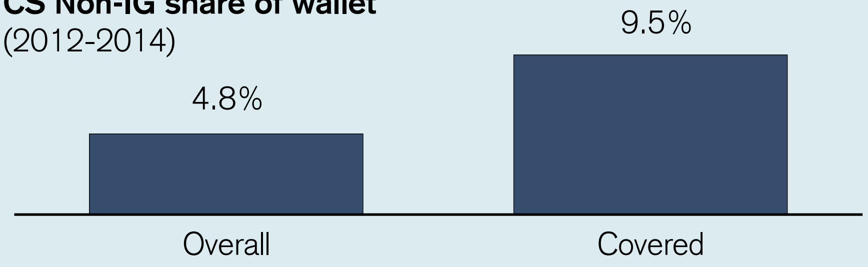

**IG fee pool**
(2012-2014)



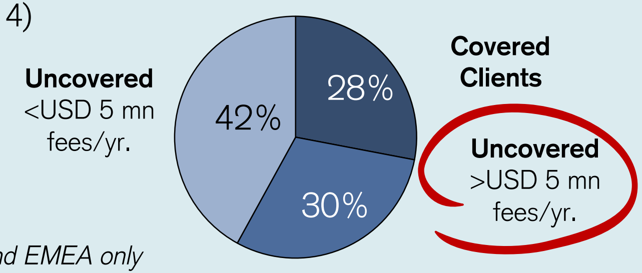

*Americas and EMEA only*

## Expand Non-IG corporate footprint

**CS Non-IG share of wallet**
(2012-2014)




**Non-IG fee pool**
(2012-2014)



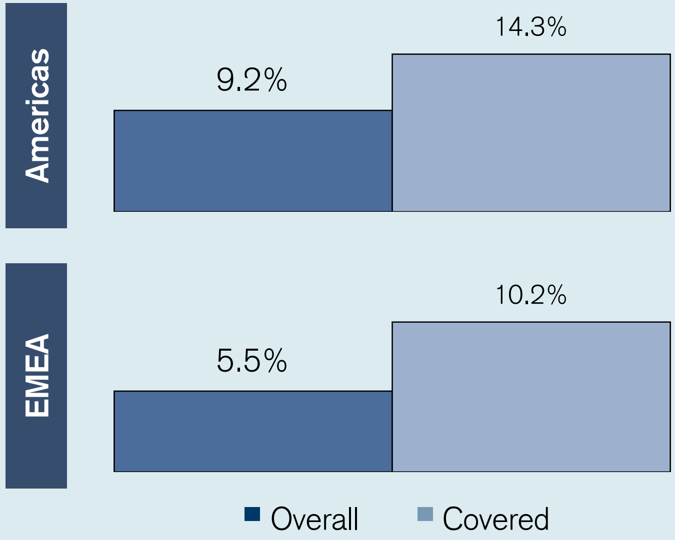

*Americas and EMEA only*

Source: Dealogic as of 7/1/15.
Note: Street fees and share of wallet based on IBCM addressable market in Americas and EMEA only; excludes self-advised deals and non-core DCM products (investment grade loans, asset-backed and mortgage-backed securities, and govt. debt). Sponsors segment includes fees generated by Financial Sponsors and Sponsor portfolio companies. Covered clients are defined as clients that IBCM actively pursues business with and that pay >USD 5 mn per year in fees to the Street.

# The plan leverages IBCM's strong Sponsors franchise across all regions and products…

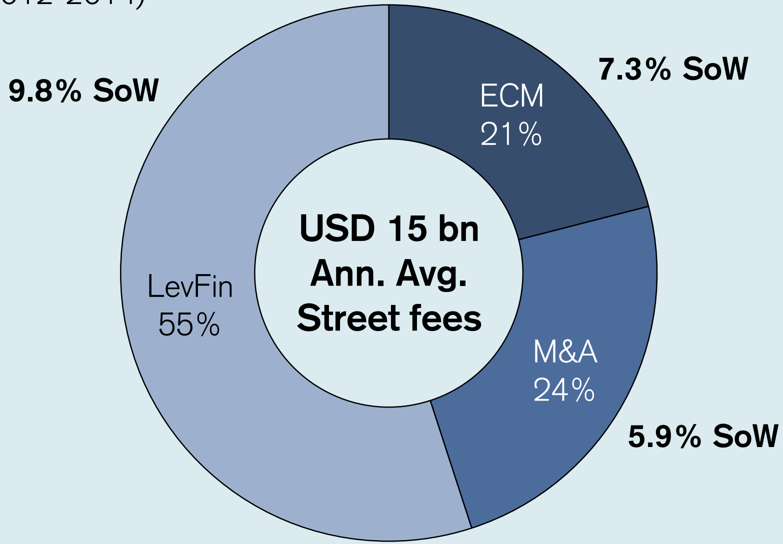
## Strong covered share of wallet with Sponsors

(2012-2014)




## IBCM Sponsor share of wallet by product

(2012-2014)




*Americas and EMEA only*

Source: Dealogic as of 7/1/15.

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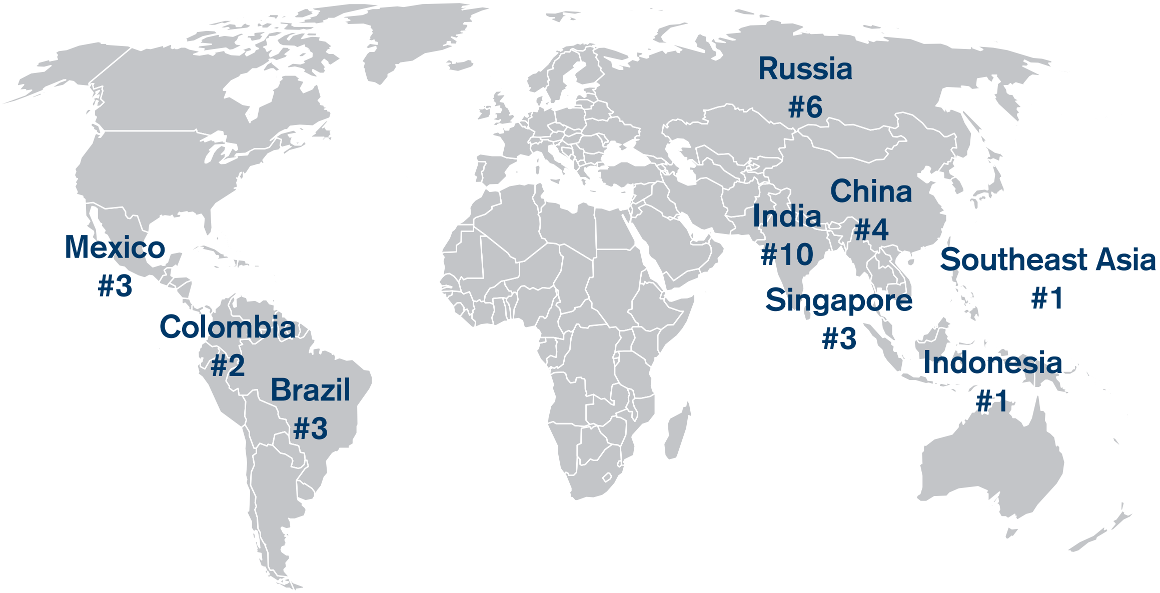
# …as well as our leadership position in Emerging Markets

- **Top 3** rank globally with leadership positions in the most attractive markets

- M&A activity in the emerging markets is projected to grow dramatically, potentially by **more than 50%** by 2018[1]

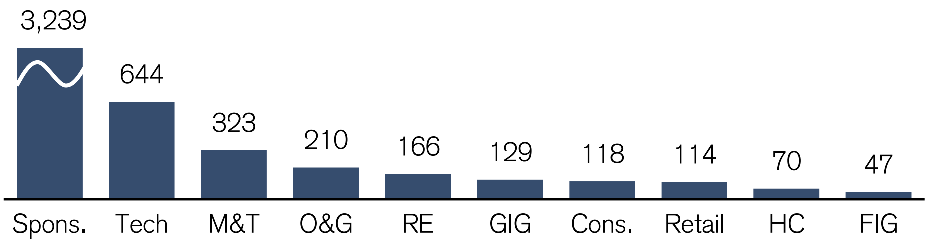



Source: Dealogic. Rankings and fee data based on **2012 - 2015YTD** as of 10/15/15.
Note: Street fees and Rank exclude China A-shares, domestic APAC debt issuance, self-advised fees and non-core DCM (e.g. IG loans and MBS/ABS).
1 Global M&A and IPO Activity to Accelerate Until 2017-18, Baker & McKenzie, June 2015.

# UHNWI as an additional IBCM client segment represents a meaningful untapped opportunity

## Companies affiliated with Forbes US billionaire list by industry[1]

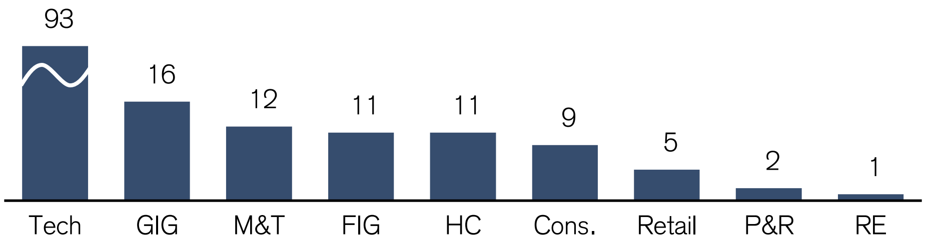
Average Annual Street fees (in USD millions)




| | Spons. | Tech | M&T | O&G | RE | GIG | Cons. | Retail | HC | FIG |
|---|---|---|---|---|---|---|---|---|---|---|
| **# Co.'s:** | **20** | **23** | **12** | **8** | **10** | **9** | **7** | **8** | **5** | **6** |

## Privately-held companies in the US with >USD 250 mn valuation

# of Companies




**US**

- The US has six times[2] the number of UHNWI than that of the next highest country, China
- Existing co-coverage pilot in Technology and Oil & Gas sectors has been successful
- New initiative will target early life cycle entrepreneurs and billionaires in growth sectors
- Coverage model leverages existing infrastructure:
  - ✓ Dedicated coverage team with seasoned bankers and Relationship Managers
  - ✓ IBCM, share-based lending and alternative investment products

**EMEA**

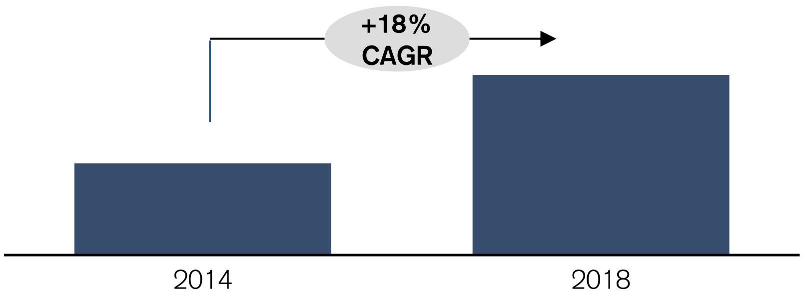
- Continue to capitalize on established collaboration, particularly in the Middle East, Switzerland and Russia

Source: Pitchbook, Forbes 2015 Billionaire list.
Note: Street fees based on IBCM addressable market which excludes self-advised deals and non-core DCM products (investment grade loans, asset-backed and mortgage-backed securities, and govt. debt).
1 Companies which meet IBCM size threshold of at least USD 5mn in annual average fees paid to the Street.
2 Global Wealth Report 2015, Credit Suisse Research Institute, October 2015. Report defines UHNWI as individuals with wealth greater than USD 50 mn.

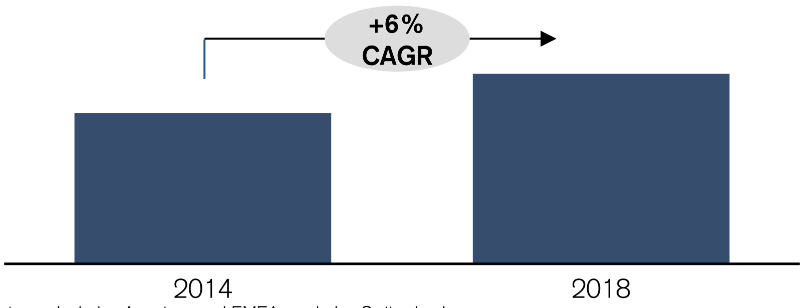
# IBCM strategy targets a product mix that is rebalanced towards M&A and ECM

## M&A and ECM expected to grow across regions

M&A Revenue Growth Ambition

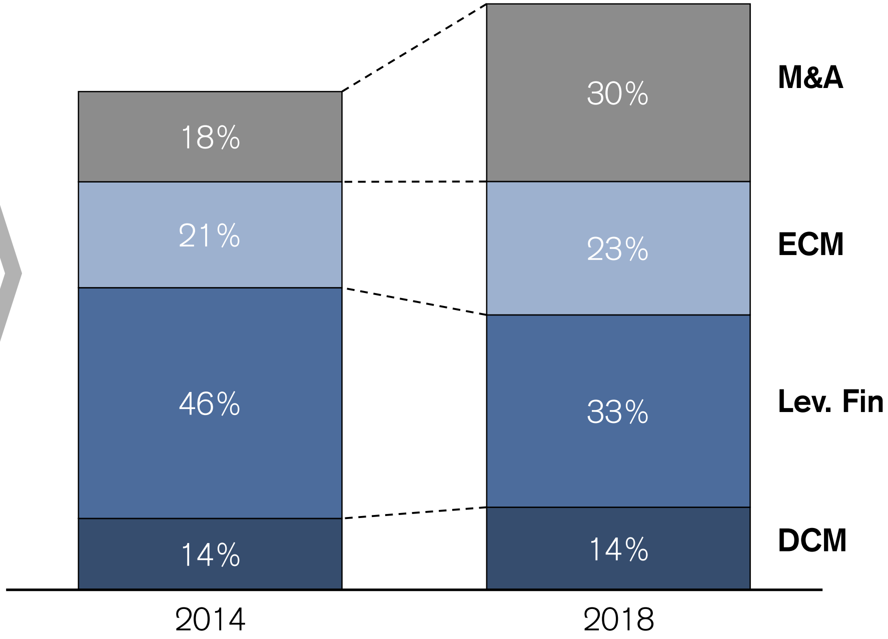



ECM Revenue Growth Ambition




## Ambition: M&A and ECM at >50% of revenue by 2018

Illustrative IBCM Revenue Mix[1]

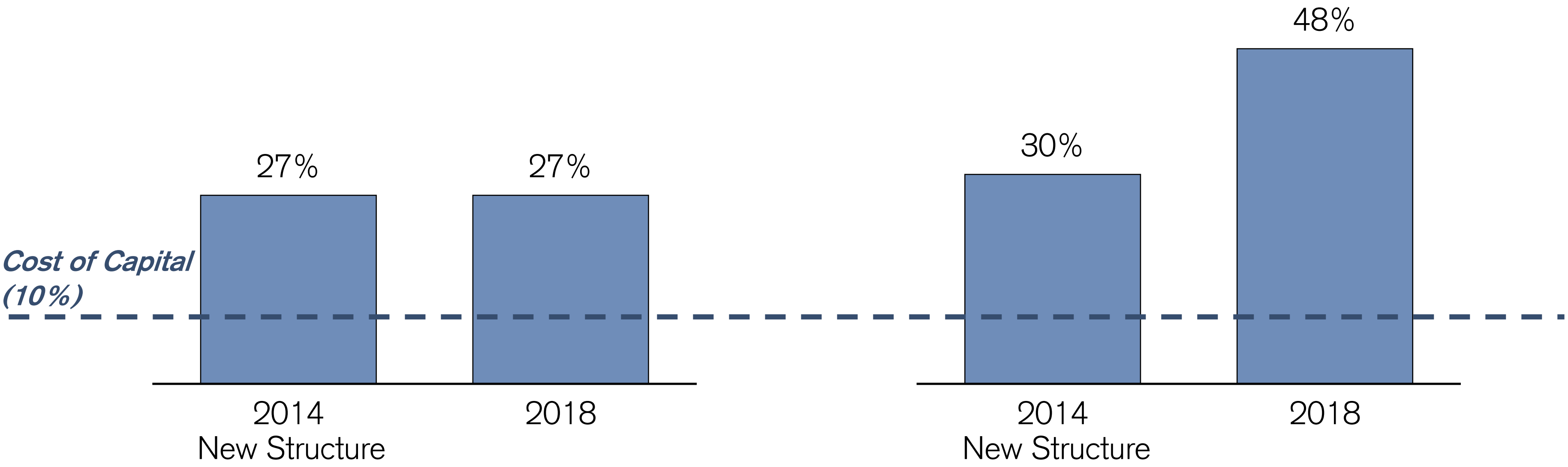



Note: Includes Americas and EMEA; excludes Switzerland.
1 Excludes structured products.

# IBCM is expected to continue to generate returns in excess of cost of capital

## IBCM RoC (RWA) Ambition

## IBCM RoC (Leverage) Ambition




Note: Includes Americas and EMEA; excludes Switzerland.
RoC (return on regulatory capital) calculated using income after tax, assuming tax rate of 30%, and capital allocated using worst of 10% of year-end Basel 3 risk-weighted assets or 3.5% of year-end leverage exposure, respectively. 2014 calculated based on Swiss Leverage.

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1 IBCM markets and positioning

2 Investing in IBCM

3 Our financial ambition and conclusion

# Investing in IBCM

**1 UHNWI Clients**

- High connectivity with the UHNWI segment in the Americas and EMEA
- Ability to deliver banking products and investment opportunities to this sophisticated client base

**2 Capital usage**

- Selectively use capital where CS is well positioned to benefit from the largest growth opportunities
- Continue to focus on capital efficiency and returns
- Limited regulatory headwinds expected to continue

**3 Profitability**

- Aim to deliver sustainable, profitable growth through a rebalanced product mix
- Seek to grow IG and Non-IG corporate coverage while building on strong track record in leveraged finance and sponsors
- Goal: Continue to deliver returns in excess of cost of capital

# Goal: Drive USD 750 mn of incremental revenues in the Americas and EMEA while maintaining returns in excess of cost of capital

**Action Items:**

- Align coverage strategy with the largest growth opportunities where CS is well-positioned
- Expand coverage footprint with Managing Director hires
- Selectively deploy additional capital against IG and Non-IG corporates
- Rebalance product mix towards M&A and ECM
- Launch new initiative for Ultra High Net Worth Individuals

**Objectives:**

- ☑ USD 750 million incremental revenue by 2018
- ☑ Returns in excess of our cost of capital
- ☑ Top 5 share of wallet
- ☑ Balanced product mix that drives sustainable, profitable growth
- ☑ Trusted partner to our largest clients
- ☑ Increased alignment and connectivity with UHNWI

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