

# Credit Suisse Investor Day 2016

Strategic Resolution Unit

David Mathers

December 7, 2016

# Disclaimer (1/2)

**The data presented in this presentation relating to the Swiss Universal Bank refers to the division of Credit Suisse Group as the same is currently managed within Credit Suisse Group. The scope, revenues and expenses of the Swiss Universal Bank vary from the planned scope of Credit Suisse (Schweiz) AG and its subsidiaries, planned to be subject to a partial IPO, market conditions permitting. Any such IPO would involve the sale of a minority stake and would be subject to, among other things, all necessary approvals. It is therefore not possible to make a like-for-like comparison of the Swiss Universal Bank as a division of Credit Suisse Group on the one hand and Credit Suisse (Schweiz) AG as a potential IPO vehicle on the other hand.**

## **Cautionary statement regarding forward-looking statements**

This presentation contains forward-looking statements that involve inherent risks and uncertainties, and we might not be able to achieve the predictions, forecasts, projections and other outcomes we describe or imply in forward-looking statements. A number of important factors could cause results to differ materially from the plans, objectives, expectations, estimates and intentions we express in these forward-looking statements, including those we identify in "Risk Factors" in our Annual Report on Form 20-F for the fiscal year ended December 31, 2015 and in "Cautionary statement regarding forward-looking information" in our media release relating to Investor Day, published on December 7, 2016 and filed with the US Securities and Exchange Commission, and in other public filings and press releases. We do not intend to update these forward-looking statements except as may be required by applicable law.

In particular, the terms "Illustrative", "Ambition", "Outlook" and "Goal" are not intended to be viewed as targets or projections, nor are they considered to be Key Performance Indicators. All such illustrations, ambitions and goals are subject to a large number of inherent risks, assumptions and uncertainties, many of which are completely outside of our control. Accordingly, this information should not be relied on for any purpose. We do not intend to update these illustrations, ambitions or goals.

## **We may not achieve the benefits of our strategic initiatives**

We may not achieve all of the expected benefits of our strategic initiatives. Factors beyond our control, including but not limited to the market and economic conditions, changes in laws, rules or regulations and other challenges discussed in our public filings, could limit our ability to achieve some or all of the expected benefits of these initiatives.

## **Estimates and assumptions**

In preparing this presentation, management has made estimates and assumptions that affect the numbers presented. Actual results may differ. Figures throughout presentation may also be subject to rounding adjustments.

## **Cautionary Statements Relating to Interim Financial Information**

This presentation contains certain unaudited interim financial information as of or for periods after September 30, 2016, the date of our last published quarterly financial statements. This information has been derived from management accounts, is preliminary in nature, does not reflect the complete results of the fourth quarter of 2016 and is subject to change, including as a result of any normal quarterly adjustments in relation to the financial statements for the fourth quarter of 2016. This information has not been subject to any review by our independent registered public accounting firm. There can be no assurance that the final results for these periods will not differ from these preliminary results, and any such differences could be material. Quarterly financial results for the fourth quarter of 2016 will be included in our 4Q16 Earnings Release, and audited consolidated financial statements for full-year 2016 will be included in our Annual Report on Form 20-F for the year ended December 31, 2016, when they are published. These interim results of operations are not necessarily indicative of the results to be achieved for the remainder of the fourth quarter or the full year 2016.

# Disclaimer (2/2)

## Statement regarding non-GAAP financial measures

This presentation also contains non-GAAP financial measures, including adjusted results. Information needed to reconcile such non-GAAP financial measures to the most directly comparable measures under US GAAP or a reference thereto can be found in this presentation in the Appendix, which is available on our website at [credit-suisse.com](http://credit-suisse.com).

## 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.

## Selling restrictions

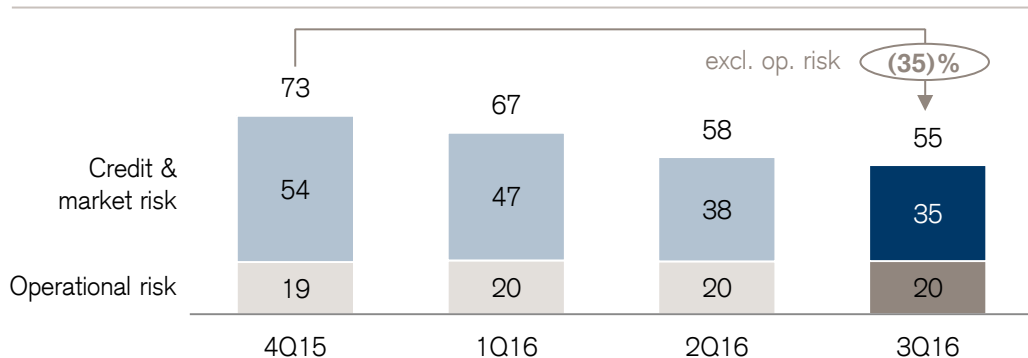
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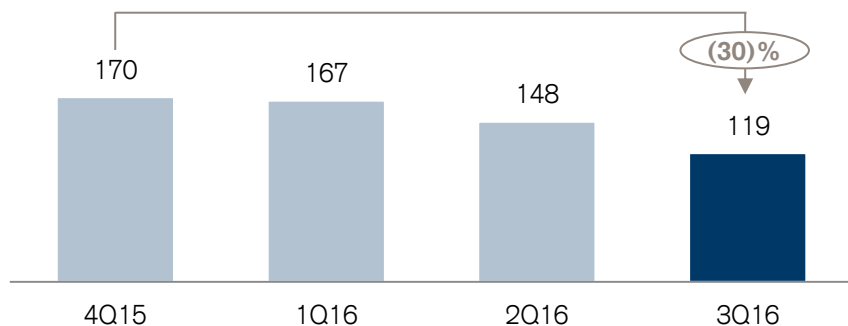
# SRU RWA and leverage exposure progress

RWA and leverage exposure reduced by USD 19 bn and USD 51 bn vs. end-2015, respectively

**RWA** in USD bn



**Leverage exposure** in USD bn

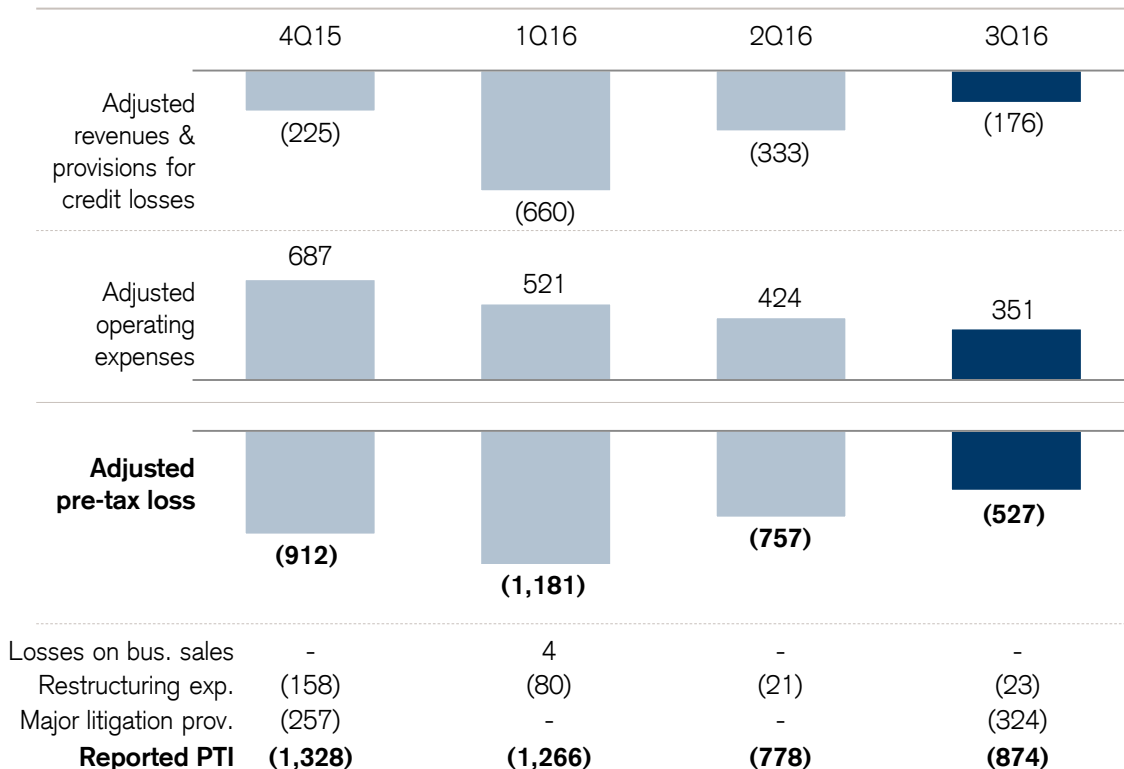


- RWA and leverage exposure reduced by USD 19 bn excl. operational risk and USD 51 bn, respectively vs. end-4Q15; achieved across a wide range of transactions:
  - Executed purchase and sale agreement of the entire credit derivatives portfolio
  - Sold or restructured ~40% of loans and financing facilities
  - External derivative trade count reduced by 160,000, or 50% vs. end-4Q15
  - Sale of Credit Suisse (Gibraltar) to J. Safra Sarasin completed
  - Sale of CS Park View BDC, Inc. completed

# Continued reduction of operating expenses and portfolio valuation risk

Adjusted pre-tax loss improved by USD 385 mn vs. 4Q15, primarily due to reduction in expense

## Pre-tax income progression in USD mn



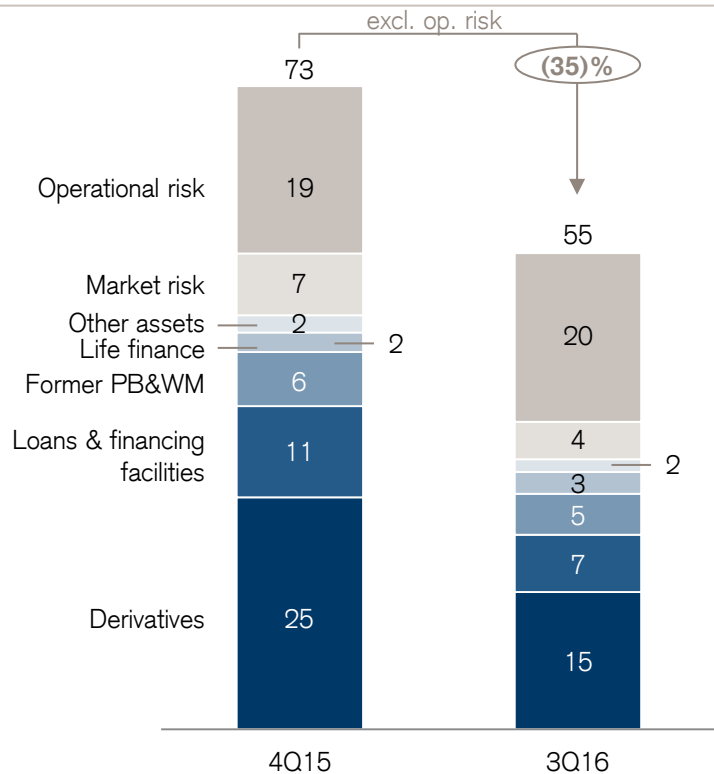
- Reduced revenue losses in 3Q16 compared to prior quarters, driven by a recovery from adverse credit markets, partially offset by losses on life insurance and a credit provision on ship finance portfolios. Fee based revenues continue to decline following the exit of legacy private banking businesses
- 3Q16 adjusted operating expenses improved by USD 336 mn compared to 4Q15, or 49%:
  - US private banking business exit substantially completed by end-2Q16
  - Additional reductions from the reduced legacy Investment Banking portfolio footprint
- 4Q15 and 1Q16 restructuring expenses predominantly related to US platform

Note: Adjusted results are non-GAAP financial measures. A reference to the reconciliation to reported results is included in the Appendix.

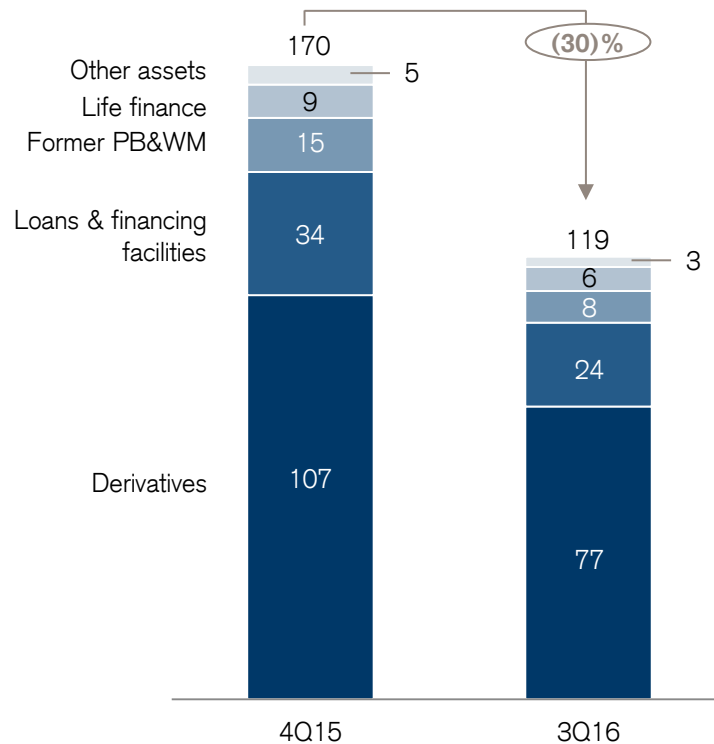
# SRU portfolio overview

Progress has been made reducing RWA and leverage exposure across the SRU portfolio

**RWA** in USD bn



**Leverage exposure** in USD bn

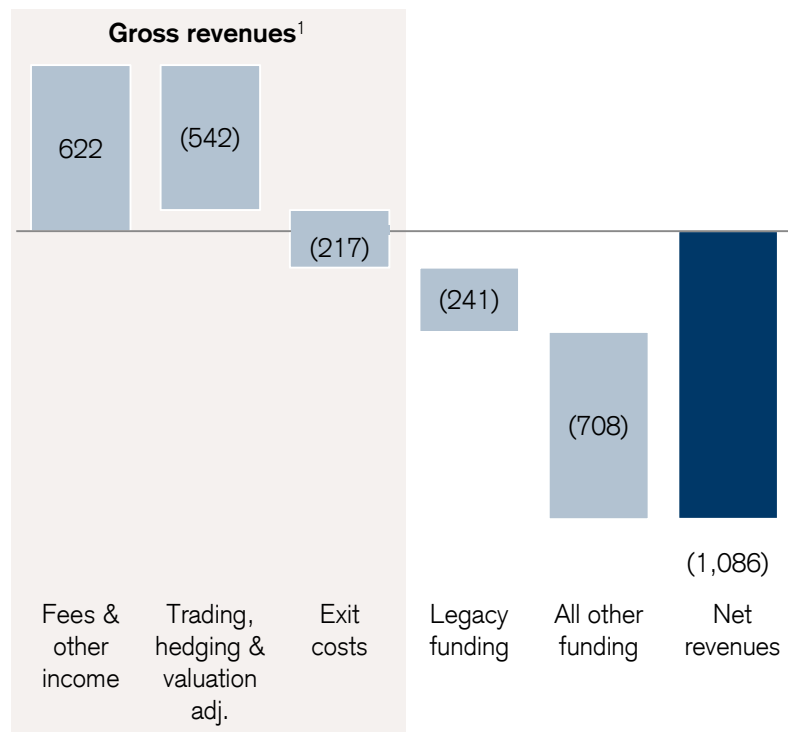


Note: Numbers represent market risk RWA allocation for total SRU portfolio; capital breakout based on internal categorization; for illustrative purposes only

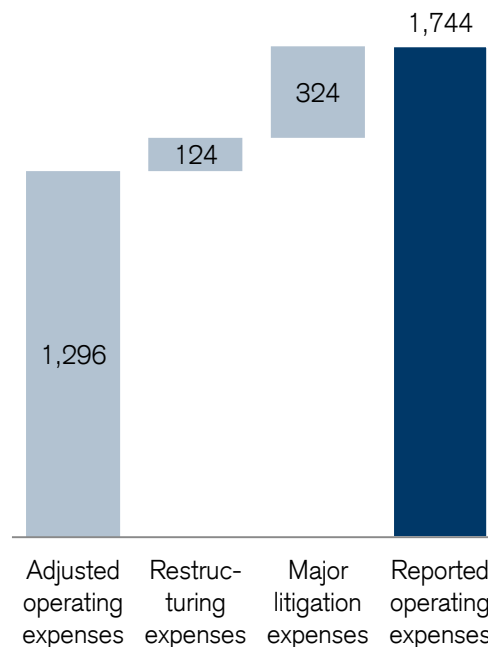
# Overview of revenues and operating expenses

Pre-tax income drag from operating expenses, funding costs and valuation adjustments

9M16 Revenues in USD mn



9M16 Operating expenses in USD mn



- Fee based revenue from US platform, credit financing and other PB&WM businesses
- 9M16 exit costs of have averaged ~1% of RWA; lower than the long term guidance of 2-5% of RWA
- Legacy funding costs relating to non-Basel III compliant debt instruments
- 'All other funding' relate to the balance of the SRU position funding requirements across our legal entities

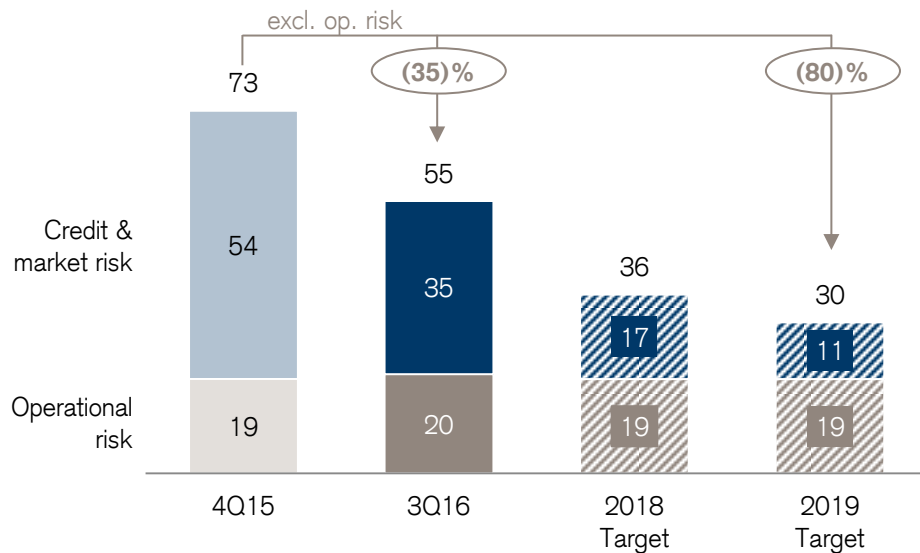
Note: Adjusted results are non-GAAP financial measures. A reference to the reconciliation to reported results is included in the Appendix.

<sup>1</sup> Gross revenue breakout based on internal categorization

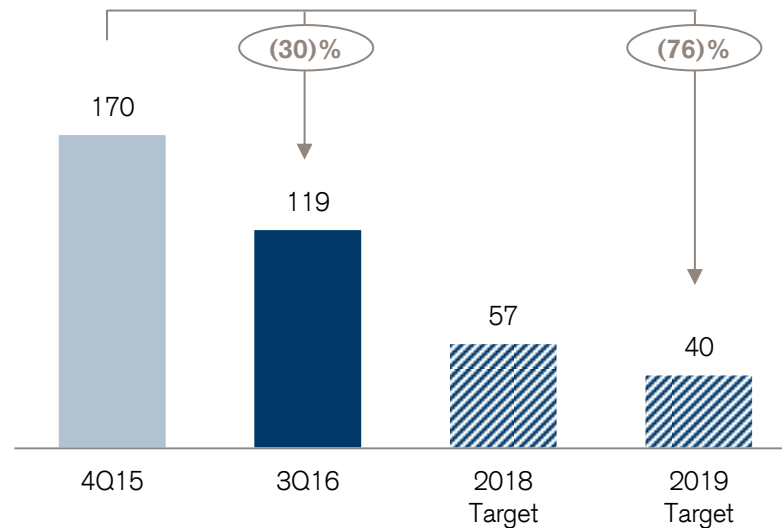
# SRU RWA and leverage exposure outlook

On track to reduce RWA and leverage exposure by ~80% by end-2019

RWA<sup>1</sup> in USD bn



Leverage exposure in USD bn



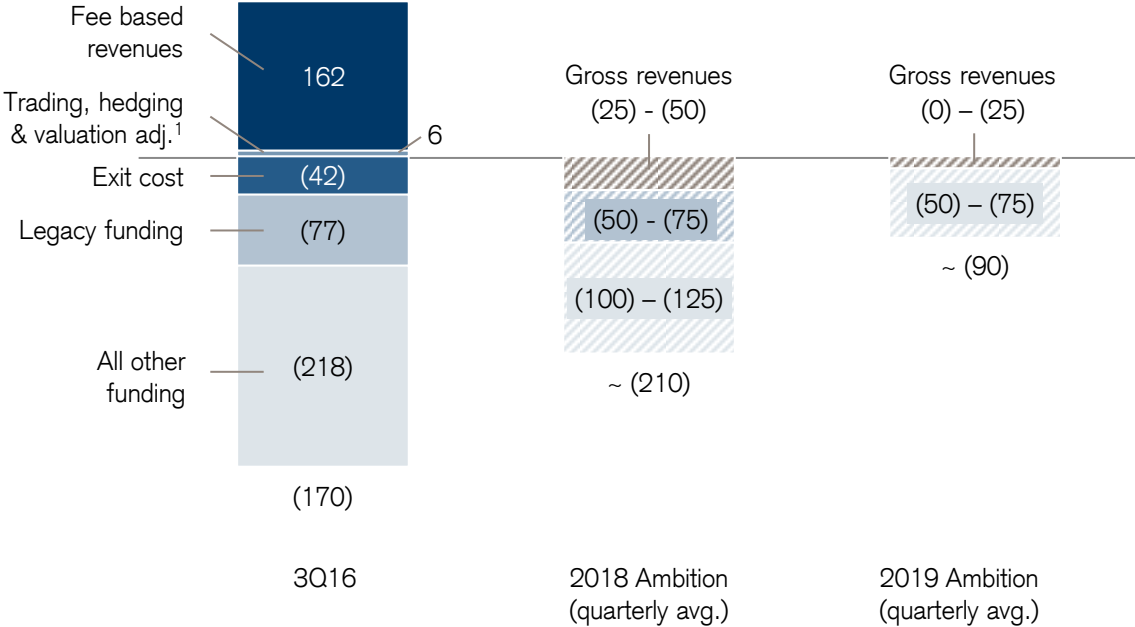
<sup>1</sup> RWA shown excludes projected inflation from future regulatory uplifts (e.g., fundamental review of trading book). Regulatory (FINMA) approval required for any operational risk reduction



# Revenue progression

Continued de-risking and legacy funding expected to drive improved revenue loss in 2019

**Illustrative  
adjusted  
revenue  
progression**  
in USD mn



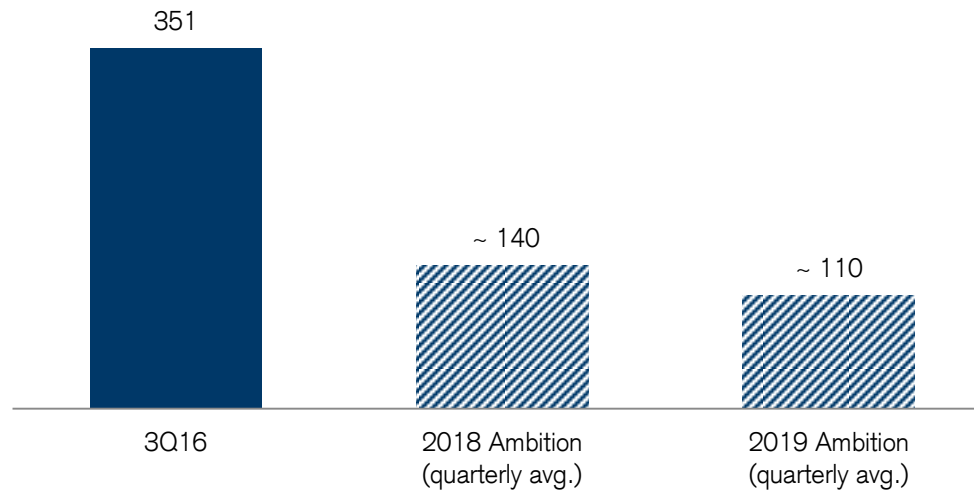
Note: Adjusted results are non-GAAP financial measures. A reference to the reconciliation to reported results is included in the Appendix.

<sup>1</sup> Includes provision for credit losses

# Continued reduction of operating expenses

On track to reduce quarterly expenses to ~USD 110 mn by 4Q19

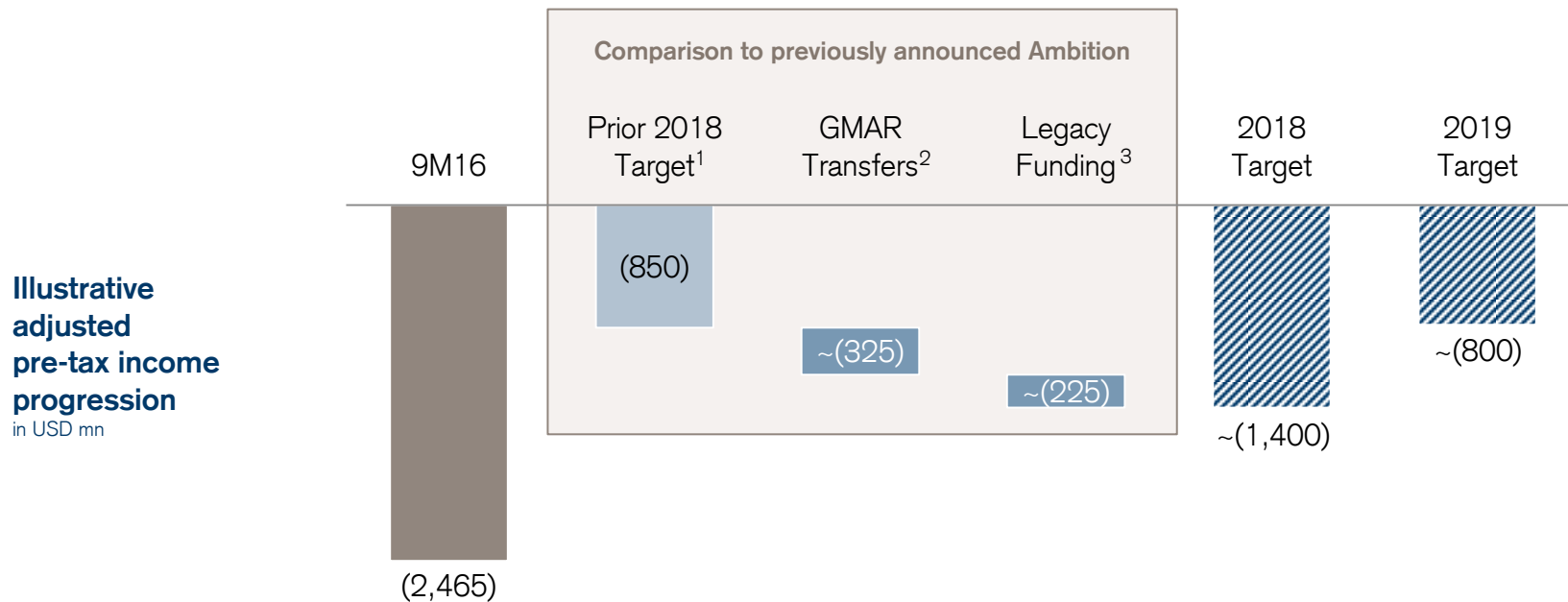
**Illustrative adjusted  
operating expenses  
progression**  
in USD mn



Note: Adjusted results are non-GAAP financial measures. A reference to the reconciliation to reported results is included in the Appendix.

# SRU pre-tax loss outlook

Pre-tax loss projected to reduce to ~USD 800 mn by year-end 2019



Note: Adjusted results are non-GAAP financial measures. A reference to the reconciliation to reported results is included in the Appendix.

1 As announced with 4Q15 earnings release to be CHF 850 mn ~ USD 850 mn

2 Includes impact from the recalibration of funding cost allocations effective January 1, 2016

3 2018 target no longer projects the early redemption of legacy funding instruments

# Key SRU takeaways

On track towards 2019 target, medium term pressure on PTI from exits and portfolio risk

- 1** Good progress to date, on track to reach end-2019 target
  - Progress ahead of plan, with 3Q16 RWA and leverage exposure down USD 19 bn or 35% excl. operational risk and USD 51 bn or 30% vs. end-4Q15; direct expenses down 49% YoY
  - Key targets for 2019:
    - RWA end-2019 target of USD 30 bn (incl. operational risk)
    - Leverage exposure end-2019 target of USD 40 bn
    - Adj. pre-tax loss target of ~USD 800 mn by 2019

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- 2** Exit costs long term guidance of 2-5% of RWA
  - YTD exits achieved at approximately 1% of RWA; this compares to our long term guidance of 2-5% of RWA

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- 3** Diverse legacy portfolio with idiosyncratic risks
  - Significant focus on de-risking the portfolio has enabled SRU to navigate through challenging market conditions
  - However, adverse market or credit specific conditions have potential to cause significant revenue volatility
  - Potential headwinds to capital mitigation from future regulatory changes

# Notes

## General notes

- For **reconciliation of adjusted to reported results**, refer to the appendix of either the CEO or CFO Investor Day 2016 presentation. All reconciliations are available in the respective appendix
- Throughout the presentation rounding differences may occur
- All **risk-weighted assets (RWA)** and **leverage exposure** figures shown in this presentation are as of the end of the respective period and on a "look-through" basis
- **Gross and net margins** are shown in basis points (bps)  
Gross margin = adj. net revenues annualized / average AuM; net margin = adj. pre-tax income annualized / average AuM
- **Mandates penetration** reflects advisory and discretionary mandates as percentage of total AuM, excluding AuM from the external asset manager (EAM) business

## Specific notes

\* "Adjusted operating expenses at constant FX rates" include adjustments as made in all our disclosures for restructuring expenses, major litigation expenses and a goodwill impairment taken in 4Q15 as well as adjustments for FX, applying the following main currency exchange rates for 1Q15: USD/CHF 0.9465, EUR/CHF 1.0482, GBP/CHF 1.4296, 2Q15: USD/CHF 0.9383, EUR/CHF 1.0418, GBP/CHF 1.4497, 3Q15: USD/CHF 0.9684, EUR/CHF 1.0787, GBP/CHF 1.4891, 4Q15: USD/CHF 1.0000, EUR/CHF 1.0851, GBP/CHF 1.5123, 1Q16: USD/CHF 0.9928, EUR/CHF 1.0941, GBP/CHF 1.4060, 2Q16: USD/CHF 0.9756, EUR/CHF 1.0956, GBP/CHF 1.3845, 3Q16: USD/CHF 0.9728, EUR/CHF 1.0882, GBP/CHF 1.2764. These currency exchange rates are unweighted, i.e. a straight line average of monthly rates. We apply this calculation consistently for the periods under review

† Regulatory capital reflects the worst of 10% of RWA and 3.5% of leverage exposure. Return on regulatory capital is based on (adjusted) returns after tax assuming a tax rate of 30% for all periods and capital allocated based on the worst of 10% of average RWA and 3.5% of average leverage exposure. For Global Markets and Investment Banking & Capital Markets, return on regulatory capital is based on US dollar denominated numbers

## Abbreviations

Adj. = Adjusted; AT1 = Additional Tier 1; AM = Asset Management; ann. = annualized; APAC = Asia Pacific; AuM = Assets under Management; BCBS = Basel Committee on Banking Supervision; BIS = Bank for International Settlements; bps = basis points; BRRD = Bank Recovery and Resolution Directive; CAO = Capital Adequacy Ordinance; CET1 = Common Equity Tier 1; Corp. Ctr. = Corporate Center; C&IB = Corporate & Institutional Banking; CRO = Chief Risk Officer; CCRO = Compliance and Regulatory Affairs; CVA = Credit Valuation Adjustment; ECM = Equity Capital Markets; EM = Emerging Markets; EMEA=Europe, Middle East & Africa; FINMA = Swiss Financial Market Supervisory Authority; FRTB = Fundamental review of the trading book; FSB = Financial Stability Board; FTE = Full time equivalents; FVoD = Fair Value of Own Debt; FX = Foreign Exchange; GM = Global Markets; GMAR = Global Markets Accelerated Restructuring; HoldCo = Holding Company; HQ = Headquarters; HQLA = High Quality Liquid Assets; IB = Investment Banking; IBCM = Investment Banking & Capital Markets; ID = Investor Day; IHC = Intermediate Holding Company; IOSCO = The International Organization of Securities Commissions; IPO = Initial Public Offer; IRB = Internal Ratings-Based; IWM = International Wealth Management; KPI = Key Performance Indicator; LATAM =Latin America; LCR = Liquidity Coverage ratio; M&A = Mergers & Acquisitions; NCWOL = No Creditor Worse Off than in Liquidation; NNA = Net new assets; NSFR = Net Stable Funding Ratio; OpCo = Operating Company; OpRisk = Operational Risk PB = Private Banking; PB&WM = (Former) Private Banking & Wealth Management (division) pp. = percentage points; PTI = Pre-tax income; PONV = Point of Non-Viability; QoQ = Quarter-on-quarter; RM(s) = Relationship Manager(s); RoRC = Return on regulatory capital; RWA = Risk Weighted Assets; SA-CCR = Standardized Approach - Counterparty Credit Risk; SME = Small and Medium Enterprises; SMG = Systematic Market-Making Group; SoW = Share of Wallet; SRU = Strategic Resolution Unit; STS = Sales and Trading Services; SUB = Swiss Universal Bank; T1 = Tier 1 capital; TBTF = Too Big to Fail; TLAC = Total loss absorbing capacity; (U)HNW(I) = (Ultra) High Net Worth (Individuals); WM = Wealth Management; YoY = Year-on-Year; YTD = Year To Date

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