

# Credit Suisse Investor Day 2018

## Leveraging capabilities for Wealth Management



December 12, 2018

# Disclaimer

This material does not purport to contain all of the information that you may wish to consider. This material is not to be relied upon as such or used in substitution for the exercise of independent judgment.

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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, 2017 and in the "Cautionary statement regarding forward-looking information" in our media release relating to Investor Day, published on December 12, 2018 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.

In particular, the terms "Estimate", "Illustrative", "Ambition", "Objective", "Outlook" and "Goal" are not intended to be viewed as targets or projections, nor are they considered to be Key Performance Indicators. All such estimates, illustrations, ambitions, objectives, outlooks and goals are subject to a large number of inherent risks, assumptions and uncertainties, many of which are completely outside of our control. These risks, assumptions and uncertainties include, but are not limited to, general market conditions, market volatility, interest rate volatility and levels, global and regional economic conditions, political uncertainty, changes in tax policies, regulatory changes, changes in levels of client activity as a result of any of the foregoing and other factors. Accordingly, this information should not be relied on for any purpose. We do not intend to update these estimates, illustrations, ambitions, objectives, outlooks or goals.

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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. Annualized numbers do not take account of variations in operating results, seasonality and other factors and may not be indicative of actual, full-year results. Figures throughout this presentation may also be subject to rounding adjustments. All opinions and views constitute judgments as of the date of writing without regard to the date on which the reader may receive or access the information. This information is subject to change at any time without notice and we do not intend to update this information.

## **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 can be found in the Appendix of the CEO and CFO Investor Day presentations, published on December 12, 2018. All Investor Day presentations are available on our website at [www.credit-suisse.com](http://www.credit-suisse.com).

Many of our references to estimates, ambitions, objectives and targets for revenues, operating expenses, operating cost base, pre-tax income and return on regulatory capital are on an adjusted basis as well. These adjusted numbers, return on tangible equity and tangible book value per share are non-GAAP financial measures. A reconciliation of the estimates, ambitions, objectives and targets to the nearest GAAP measure is unavailable without unreasonable efforts. Adjusted results exclude goodwill impairment, major litigation charges, real estate gains and other revenue and expense items included in our reported results, which are unavailable on a prospective basis. Tangible equity excludes goodwill and other intangible assets from shareholders' equity, all of which are unavailable on a prospective basis. Tangible book value per share excludes the impact of any dividends paid during the performance period, share buybacks, own credit movements, foreign exchange rate movements and pension-related impacts, all of which are unavailable on a prospective basis.

## **Statement regarding capital, liquidity and leverage**

As of January 1, 2013, Basel III 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.

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. The look-through tier 1 leverage ratio and CET1 leverage ratio are calculated as look-through BIS tier 1 capital and CET1 capital, respectively, divided by period-end leverage exposure. Swiss leverage ratios are measured on the same period-end basis as the leverage exposure for the BIS leverage ratio.

## **Sources**

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# Presenters

## Hosts



**Thomas P. Gottstein**  
CEO Swiss  
Universal Bank



**Iqbal Khan**  
CEO International Wealth  
Management



**Brian Chin**  
CEO Global Markets

## Speakers



**Eric Varvel**  
*International Wealth  
Management*  
Head of Global Asset  
Management



**Yves-Alain Sommerhalder**  
*Global Markets / ITS*  
Head of Fixed Income &  
Wealth Management Products



**Mike Stewart**  
*Global Markets / ITS*  
Head of Equities



**Jens Haas**  
*Swiss Universal Bank*  
Head of Investment Banking  
Switzerland

# Leveraging capabilities for Wealth Management Asset Management



Eric Varvel, Head of Global Asset Management

December 12, 2018

# Asset Management: Who We Are

## Market-leading specialist with global capabilities

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- ✓ **CHF >400 billion** in Assets under Management across both alternative and traditional products
- ✓ **>70%** of assets with **institutional investors**
- ✓ **>1,100 employees** with investment hubs in Hong Kong, London, New York, Singapore and Zurich
- ✓ **Strong distribution network** and close connectivity with the Private Bank
- ✓ **Regionally empowered operating model** leveraging strengths of Credit Suisse globally

Note: All data as of September 30, 2018.

# Complementary connected regional franchises

## Americas

Grow flagship high-margin alternatives businesses

Credit Investments Group



One of the largest, most experienced managers of senior secured bank loans<sup>1</sup>

Insurance-Linked Strategies



#2

Insurance-Linked Strategies manager globally<sup>2</sup>

Commodities



One of the largest US commodity fund managers by AuM<sup>3</sup>

## Switzerland/EMEA

Maintain growth through continued innovative product offerings

Real Estate



#1

Real Estate manager in Switzerland<sup>4</sup>

Fixed Income



Award-winning manager<sup>5</sup>

Equities



Innovative, strong growth and award-winning strategies<sup>5</sup>

## Asia Pacific

Leverage China presence and regional distribution engine

ICBCCS<sup>6</sup>



Partnership with leading bank in China

Distribution



Continued success from institutional and PB APAC channels

<sup>1</sup> September 2018 YTD, Creditflux <sup>2</sup> Trading Risk, January 2018 <sup>3</sup> AuM as of September 30, 2018 <sup>4</sup> Swiss Funds and Asset Management Association <sup>5</sup> Lipper Fund Award Winner 2018 <sup>6</sup> ICBC Credit Suisse Asset Management Co., Ltd. ("ICBCCS") is a fund management company established jointly by Industrial and Commercial Bank of China and Credit Suisse AG in June 2005

# Asset Management: Ambition and Strategy

## Ambition

- Be a **high-quality, high-returning** global asset manager fully leveraging capabilities across the Group
  - Provide **institutional-quality products and solutions** to sophisticated investors
  - Focus on products and markets where we have a **distinct competitive advantage**
- 

## Strategy

### Scale/ Efficiencies

- **Scale businesses** that generate **significant profitability** and focus on strong base of stable, recurring revenues
  - Maintain disciplined cost management to **self-fund growth** initiatives and proactively **restructure/exit** unprofitable businesses
- 

### Products

- **Launch adjacent and follow-on offerings** with limited incremental cost
  - Complement with select high-margin products
- 

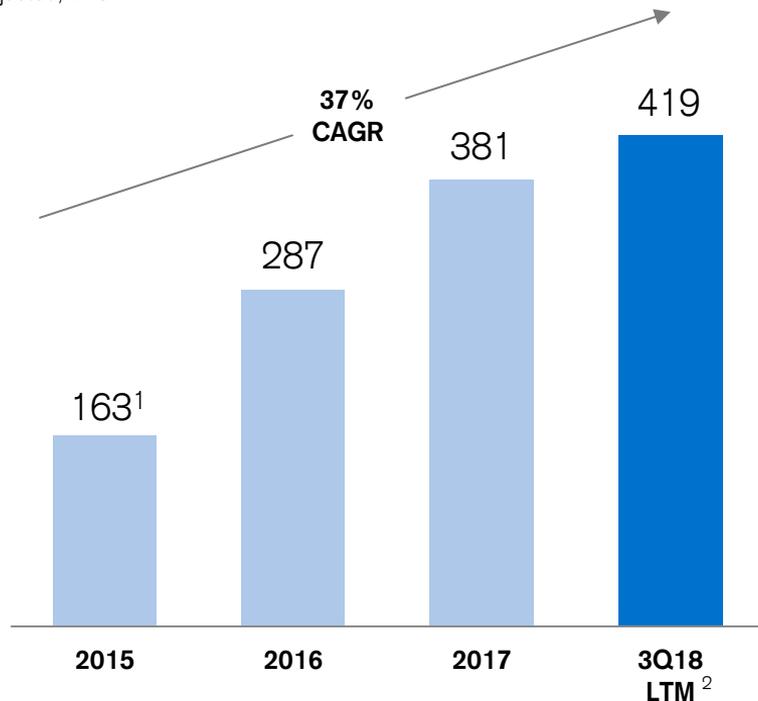
### Distribution

- Leverage AM and other distribution channels to **access investors globally**
- **Further strengthen distribution channels** within the bank

# Financial results reflect successful execution of our strategy

## Asset Management pre-tax income

adjusted, in CHF mn



<b>Adj. PTI</b> (in CHF mn)
<b>Adj. RoE</b> (After-tax)
<b>AuM</b> (in CHF bn)
<b>NNA</b> (in CHF bn)

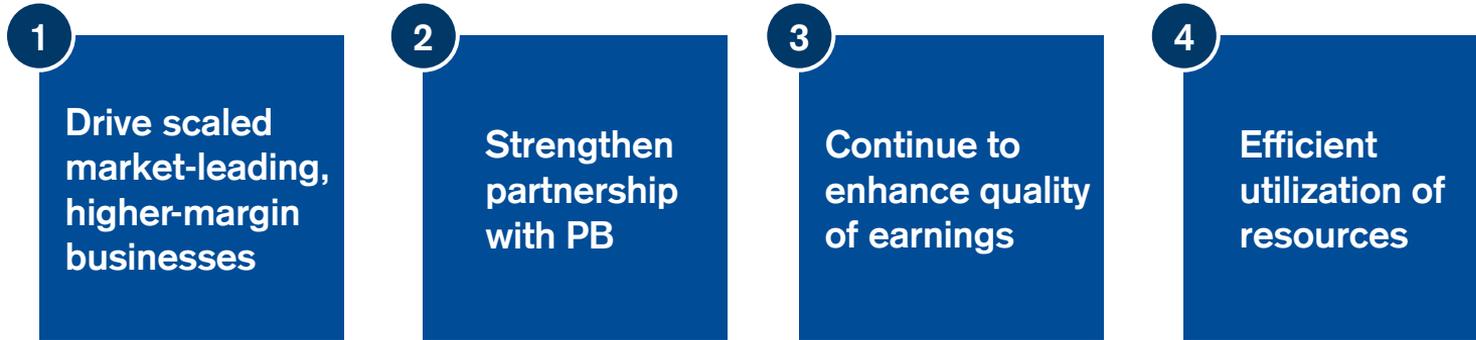
	2015	3Q18 LTM <sup>2</sup>	Δ
Adj. PTI (in CHF mn)	163 <sup>1</sup>	419	2.6x
Adj. RoE (After-tax)	10% <sup>1</sup>	30%	3.0x
AuM (in CHF bn)	321	404	+26%
NNA (in CHF bn)	27	23	n/a

Note: Adjusted results are non-GAAP financial measures. A reconciliation to reported results is included in the Appendix of the CEO and CFO Investor Day presentations

<sup>1</sup> Excludes AM's share of income from Sales & Trading Solutions business in 2015

<sup>2</sup> 3Q18 LTM defined as last twelve months from October 1, 2017 to September 30, 2018; AuM represents 3Q18 actual

# Strategic priorities drive resilience and value creation



# Drive scaled market-leading, higher-margin businesses

- Differentiated capabilities led by world-class franchises
- More resilient demand through the cycle and less threatened by secular shift to passive
- Resource commitment focused on product adjacencies with immediate positive pre-tax income impact

## High Growth Businesses

**AuM** (in CHF bn)<sup>1</sup>

➤ <b>Credit Investments Group</b>	<b>54.1</b>
➤ <b>Real Estate</b>	<b>47.0</b>
➤ <b>Fixed Income</b>	<b>42.9</b>
➤ <b>Equities</b>	<b>19.1</b>
➤ <b>Insurance-Linked Strategies</b>	<b>8.5</b>

<sup>1</sup> AuM as of September 30, 2018

# Strengthen partnership with PB

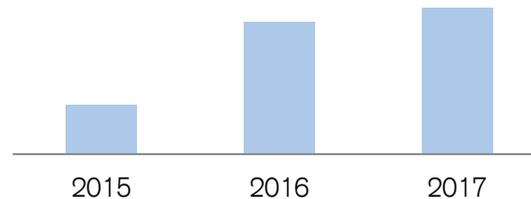
## Collaboration Initiatives

- Continue to **expand Product Specialist team** servicing our Wealth Management businesses
- Significantly enhance distribution through **APAC Private Banking**
- **Increase share of UHNW wallet** by leveraging differentiated array of **institutional-quality asset management products**

## Asset Management Net New Assets from Private Bank Channels

### Cumulative NNA Growth

Total 2015 to 2017  
NNA of ~CHF 14 bn



### Thematic Equity Funds<sup>1</sup>

Successful fund launches focused on key themes and trends

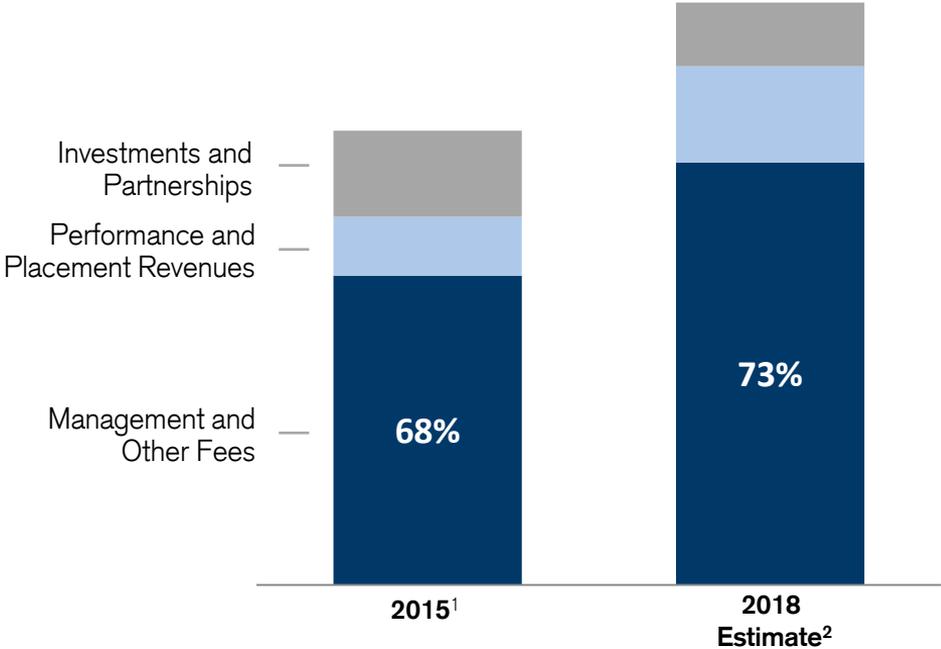
- **Robotics: CHF 2.8 bn AuM**
- **Digital Health: CHF 1.7 bn AuM**
- **Security: CHF 1.4 bn AuM**

<sup>1</sup> AuM as of September 30, 2018

# Continue to enhance quality of earnings

## Net revenue mix transformation

in CHF mn



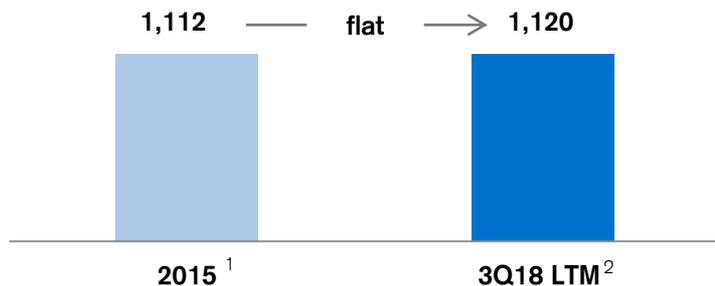
<sup>1</sup> Excludes AM's share of income from Sales & Trading Solutions business in 2015

<sup>2</sup> 2018 estimate based on currently available information and beliefs, expectations and opinions of management as of the date hereof. Actual results for 2018 may differ from any estimates

# Efficient utilization of resources – Continued focus on cost and RWA efficiency

## Disciplined expense management and restructuring/exiting of unprofitable businesses

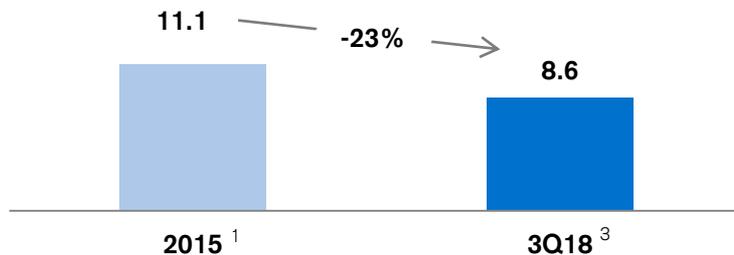
Adj. operating expenses  
in CHF mn



Pre-tax margin	
2015 <sup>1</sup>	3Q18 LTM <sup>2</sup>
13%	27%

## Effective capital management resulting in reduced Risk-Weighted Assets

Risk-Weighted Assets  
in CHF bn



Note: Adjusted results are non-GAAP financial measures. A reconciliation to reported results is included in the Appendix of the CEO and CFO Investor Day presentations

<sup>1</sup> Excludes AM's share from Sales & Trading Solutions business in 2015

<sup>2</sup> 3Q18 LTM defined as last twelve months from October 1, 2017 to September 30, 2018

<sup>3</sup> RWA represents 3Q18 actual

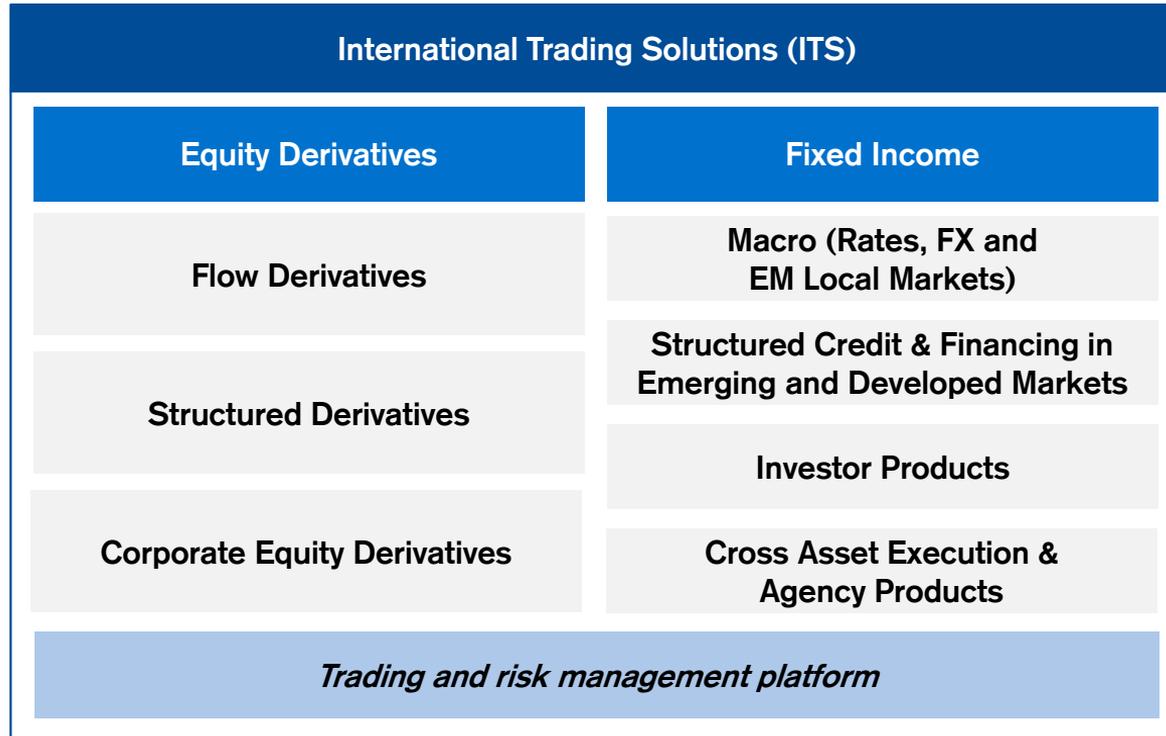
# Leveraging capabilities for Wealth Management International Trading Solutions



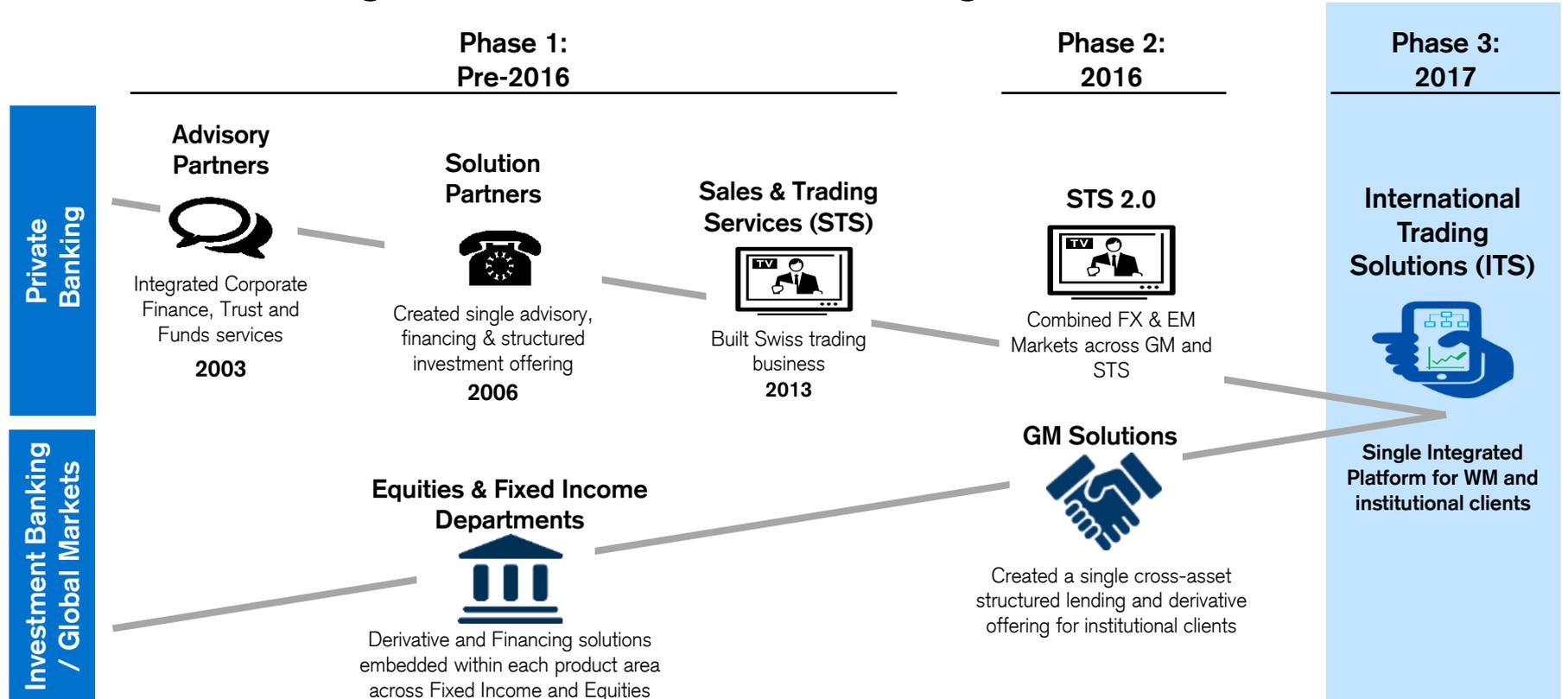
Yves-Alain Sommerhalder, Head of Fixed Income & Wealth Management Products

December 12, 2018

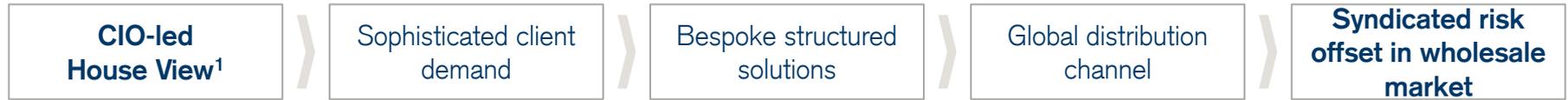
# ITS is a cross-divisional product manufacturing and distribution platform for Wealth Management and Institutional clients



# ITS is the result of a 15+ year evolution across Credit Suisse Private Banking and Investment Banking



# Untapped client demand met through creation of ITS, leveraging GM capabilities



## Illustrative client questions

**How can I protect my portfolio, while retaining upside?**



Structured investment solutions that also offer protection

**How can I better manage FX risk across my assets and liabilities?**



FX solutions for broad range currency pairs

**How can I diversify assets, while retaining strategic investments?**



Financing solutions vs. corporate and financial assets providing yield-enhancement and leverage

**How can Credit Suisse help me achieve my entrepreneurial goals?**

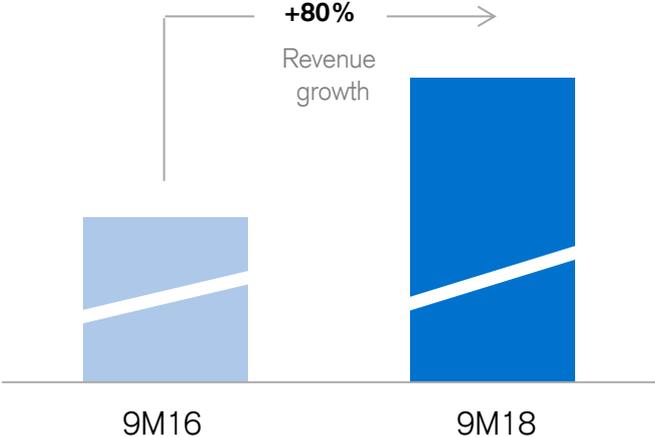


Entire universe of global institutional solutions

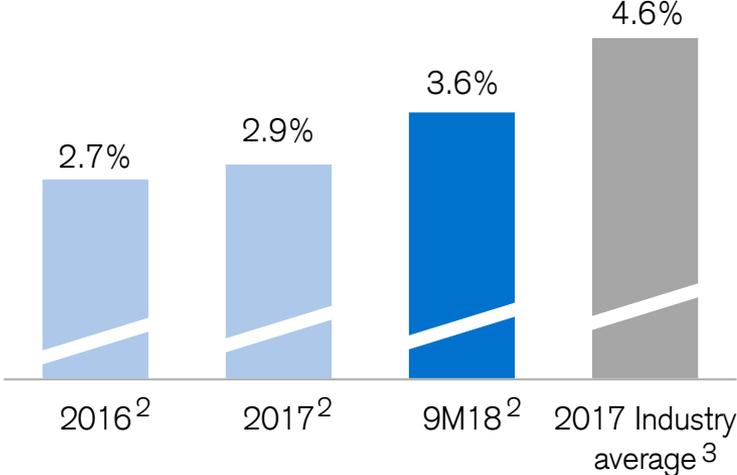
<sup>1</sup> Represents Chief Investment Officer led House View

# Significant progress on collaboration since the launch of ITS with substantial growth opportunity ahead

Increased ITS collaboration revenues<sup>1</sup>



Structured Products penetration of Private Banking clients  
in % of AuM



**2020E ITS revenue opportunity from collaboration: 10-15%<sup>4</sup>**

<sup>1</sup> Collaboration revenues include Structured Products, FX, Execution, Lending, Single Global Currency and Other    <sup>2</sup> Source: McKinsey private banking survey 2017. 2016 – 9M18 AuM represents UHNWI, HNWI and entry-HNWI. Reflects the share of structured products and retail products as percent of AuM across IWM and SUB. 9M18 represents CS internal view leveraging McKinsey methodology    <sup>3</sup> Source: McKinsey Private Banking survey 2017. Industry average AuM represents HNWI    <sup>4</sup> 2020 estimate based on currently available information and beliefs, expectations and opinions of management as of the date hereof. Actual results for 2020 may differ from any estimates. Represents estimated gross revenues growth from 2018 to 2020E

# ITS delivers innovative, cross-asset solutions for Wealth Management clients in 2018

## Bespoke structured solutions

### EUR 1.1 bn multi-source infrastructure financing in Emerging Markets

- **Public-private partnership** to build a toll road in an EM country
- **Levered existing relationships** – SUB with ECA<sup>1</sup> and ITS with the sovereign client

#### Key components:

- **Swiss ECA<sup>1</sup> backed financing** with small exposure
- **Sovereign guaranteed** tranche
- **Swap to hedge interest rate risk** due to indexation of toll road revenues
- Broad **distribution of risk**

### USD 500+ mn Fund-Linked Repack Investment

- Development of **attractive cash alternative** for large corporate client in EM country
- Capital protection while **reusing underlying product as collateral**

#### Key components:

- Concept of **ProNotes for capital protection and upside participation**
- Access to **proprietary CS investment strategies**
- **Leverage** of ProNote as **high quality collateral**
- **Interest rate swap to reduce volatility**

## Innovative flow products

### Execution Factory

- Deliver cross-asset electronic execution to WM clients leveraging cross-divisional technology
- Combined WM's product coverage with GM's e-Trading toolset

### Rollout of AES<sup>®</sup> FX

- Access diverse pool of aggregated liquidity with complete price transparency
- Reduce market impact and improve performance versus benchmarks for client

<sup>1</sup> Represents Export Credit Agency

# Leveraging capabilities for Wealth Management

## Global Markets product capabilities - Equities



Mike Stewart, Head of Equities

December 12, 2018

# GM Equities strategy: Deliver revenue growth by furthering collaboration and addressing core clients' needs

## Recap of ambition

- *Achieve top 5 market position in Equities and be the #1 non-U.S. Equities franchise*
- *Provide WM clients with differentiated investment products – supporting the House View and clients' risk appetite*
- *Increase share of wallet with core institutional investors and corporate clients*

## Key focus areas

### Cash Equities

- Modernize execution platform and leverage cloud native architectures
- Leverage liquidity flows and block trading expertise to grow High Touch trading
- Invest in Research and leverage HOLT® to monetize content post-MiFID II

### Prime Services

- Reallocate resources to strengthen commitment to our most strategic accounts
- Reorient Prime financing to a global business model, while optimizing collateral pool
- Drive an integrated Prime client strategy with Cash Equities and Equity Derivatives

### Equity Derivatives (ITS)

- Continue to strengthen collaboration with IWM and SUB
- Increase market share in Flow and close gaps with clients
- Grow financing businesses and accrual-based revenues AuM on quantitative strategies

# Execution is well underway with a mix of self-funded investments, structural changes and product launches

## Talent & Structural Changes

- ✓ Hired 50+ in Equity Derivatives
- ✓ Hired 10 senior research analysts
- ✓ Initiated research coverage on 13 sectors and 185 stocks
- ✓ Hired Global Head of Prime Financing
- ✓ Integrated sales functions across all products
- ✓ Established Global Execution Services

## Resource Optimization

- ✓ Established a Global Inventory Optimization team to source inventory and optimize funding
- ✓ Delayed organization and optimized external execution costs
- ✓ Exited non-core trading activities and rationalized EM footprint

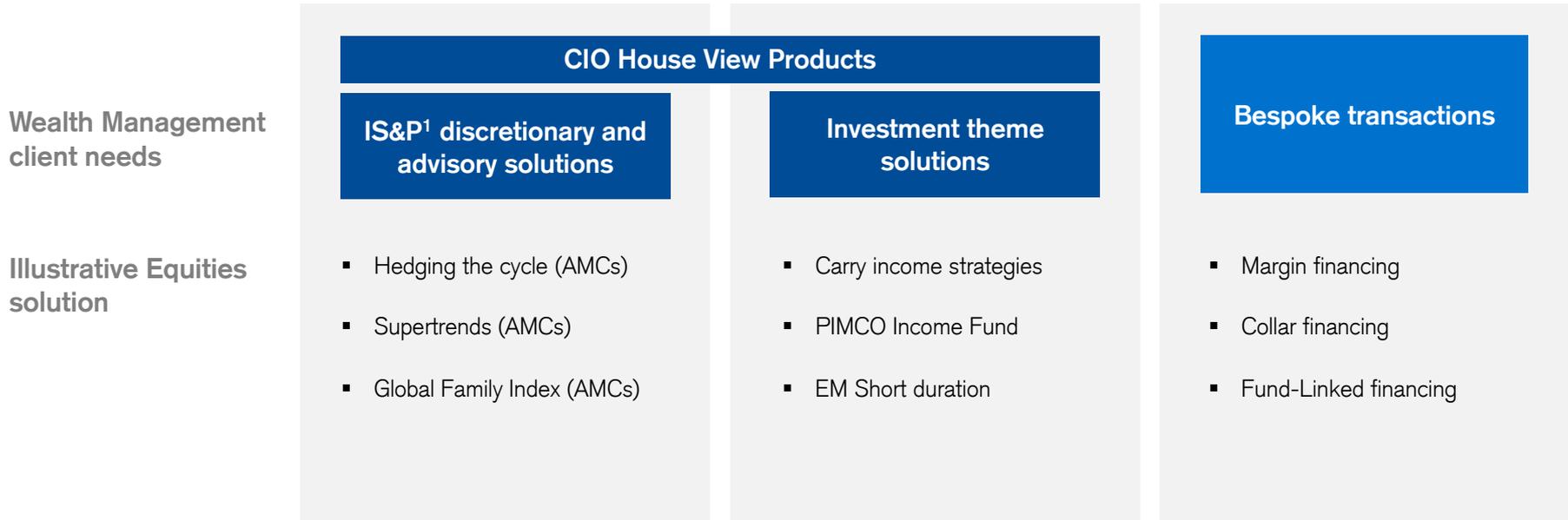
## Technology & Platform Investments

- ✓ Enhanced central risk book and launched benchmark crossing strategies
- ✓ Improved core algo strategies by leveraging new quantitative models and machine learning
- ✓ Integrated Structured Note WM flows into GM's infrastructure
- ✓ Released new version of HOLT's market leading equity valuation tool, HOLT Lens™

## Product Launches

- ✓ Developed a series of structured products aligned with CIO House View for WM
- ✓ Launched Actively Managed Certificates (AMCs) on CS Global Family 1000 Index
- ✓ Created QIS HOLT Equity Factor indices

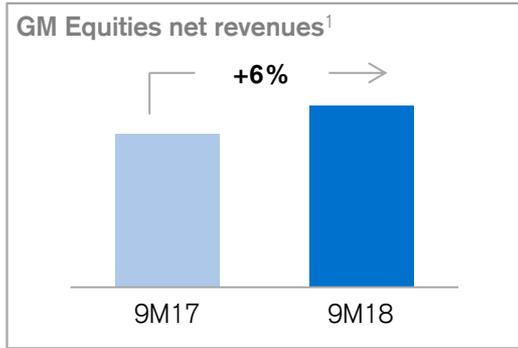
# Equities, IWM and SUB collaboration resulted in new, differentiated investment products for WM clients



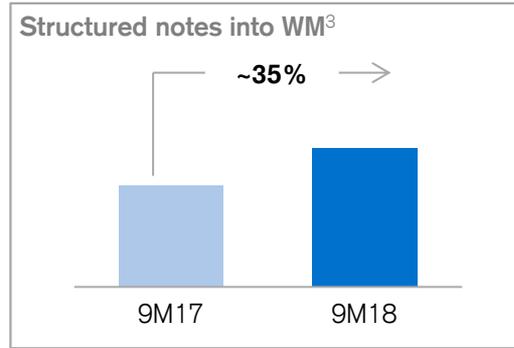
<sup>1</sup> Investment Solutions & Products

# The strategy is working...

## Improved profitability...

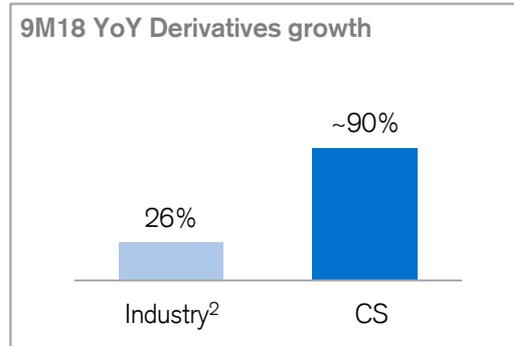
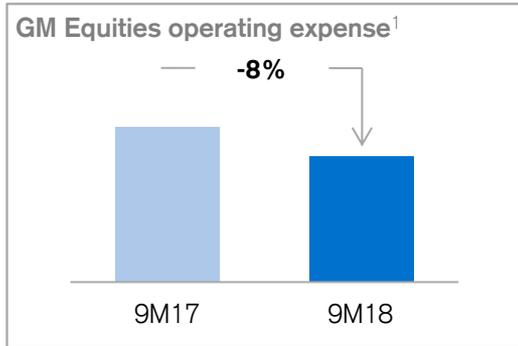


## ...enabled WM products...



## ...while maintaining franchise strength

- #1 European Prime Brokerage<sup>4</sup>
- #4 US Prime Brokerage<sup>5</sup>
- #5 US Cash Equities<sup>6</sup> (1H18)
- #5 Pan-Europe Cash / ETFs<sup>6</sup> (1H18)



Named 2018 Americas Derivatives House of the Year



Named 2018 Best House in the Americas / USA for Structured Products



Gained 4 positions in the 2018 All America Research team survey

<sup>1</sup> Includes sales and trading and underwriting. Excludes impact of business rationalizations in 9M18 <sup>2</sup> Industry growth based on Coalition report, November 2018

<sup>3</sup> Represents notional value for IWM and SUB <sup>4</sup> Source: EuroHedge as of May 2018. Based on total AuM <sup>5</sup> Source: Absolute Returns as of June 2018. Based on total AuM <sup>6</sup> Source: Third Party competitive analysis

# ...with further upside going forward

## Growth Levers

- I Realize full year of benefits from 2017 – 2018 strategic investments, structural changes and product launches
- II Increase collaboration with Wealth Management, IBCM and Asset Management to drive increased client penetration
- III Close gaps with top institutional clients via improved financing and execution offerings, access products and differentiated content
- IV Roll out of new intelligent high speed execution fabric to underpin AES<sup>®</sup> algo framework
- V Capture tailwinds from optimization of funding, collateral, capital and financial resources completed in 2018



2020E Equities  
revenue  
opportunity:  
**10%<sup>1</sup>**

<sup>1</sup> Represents gross revenues growth from 2018 to 2020E. Revenues includes sales, trading and underwriting. 2020 estimate based on currently available information and beliefs, expectations and opinions of management as of the date hereof. Actual results for 2020 may differ from any estimates

# Leveraging capabilities for Wealth Management

## Investment Banking capabilities

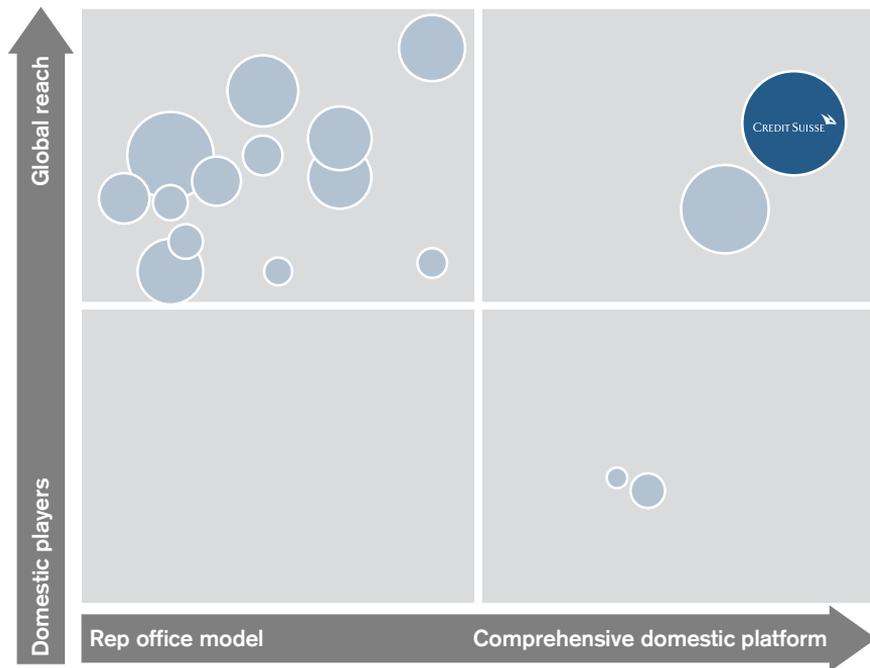


Jens Haas, Head of Investment Banking Switzerland

December 12, 2018

# Investment Banking Switzerland at a glance

Longstanding #1 franchise with fully fledged local execution platform <sup>1</sup>



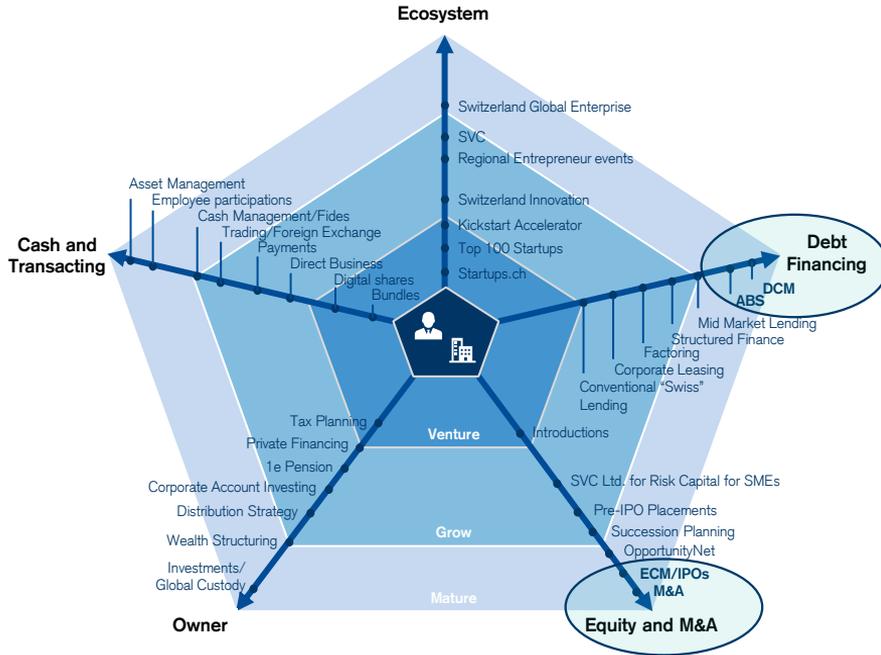
Seamless cooperation with IBCM and other divisions

	M&A			
	 USD 412,500,000 Acquisition of  Exclusive Financial Advisor Pending	 USD 2,335,670,000 Sale to  Financial Advisor Pending	 Undisclosed Terms Acquisition of a 24.99% stake in  Financial Advisor January 2018	 USD 2,800,000,000 Acquisition of US confectionary business from  Financial Advisor Pending
	ECM			
	 CHF 908,000,000 Rights issue Joint Global Coordinator and Joint Bookrunner November 2018	 CHF 1,708,000,000 Initial Public Offering Joint Global Coordinator September 2018	 CHF 318,000,000 Initial Public Offering Joint Global Coordinator March 2018	 A company of  USD 749,000,000 Initial Public Offering Joint Global Coordinator and Joint Bookrunner February 2018
	DCM			
	 CHF 500,000,000 0.250% Bonds due 2025 CHF 400,000,000 0.750% Bonds due 2030 Joint Bookrunner September 2018	 USD 4,750,000,000 Multi-tranche offering Joint Lead Manager & Bookrunner April 2018	 EUR1,300,000,000 5.875% Bonds due 2024 EUR 325,000,000 E+537.5bps Bonds due 2024 CHF 250,000,000 5.875% Bonds due 2024 Joint Lead Manager & Bookrunner March 2018	 CHF 335,000,000 3.000% Bonds due 2023 Sole Lead Manager & Bookrunner June 2017

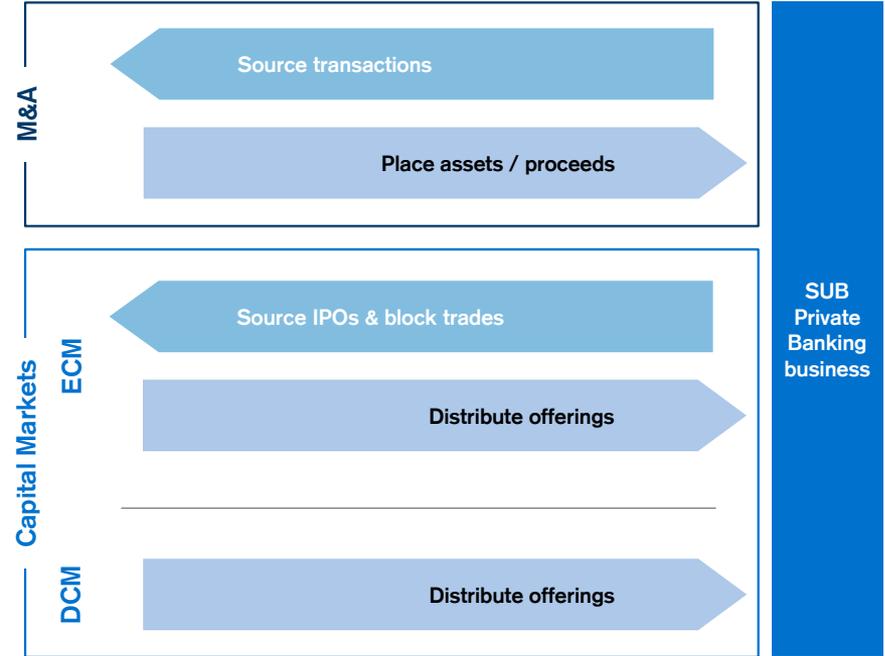
<sup>1</sup> Sourced from Dealogic; bubble size indicates total revenues in M&A, ECM, DCM, High Yield and Leveraged Loans products in Switzerland from 1 January 2013 to 30 September 2018

# Full integration into SUB created significant additional scope for collaboration opportunities

Bank for Entrepreneurs ecosystem a key driver of upside, in particular in mid-market



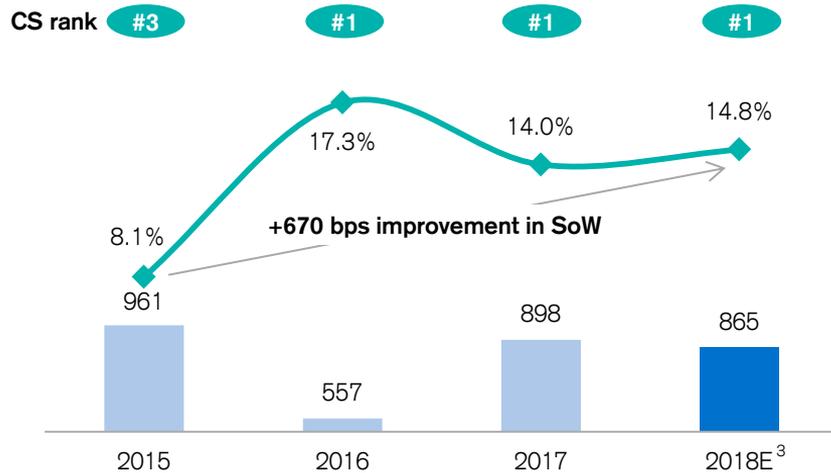
IB capabilities have significant relevance and interplay with SUB's Private Banking business



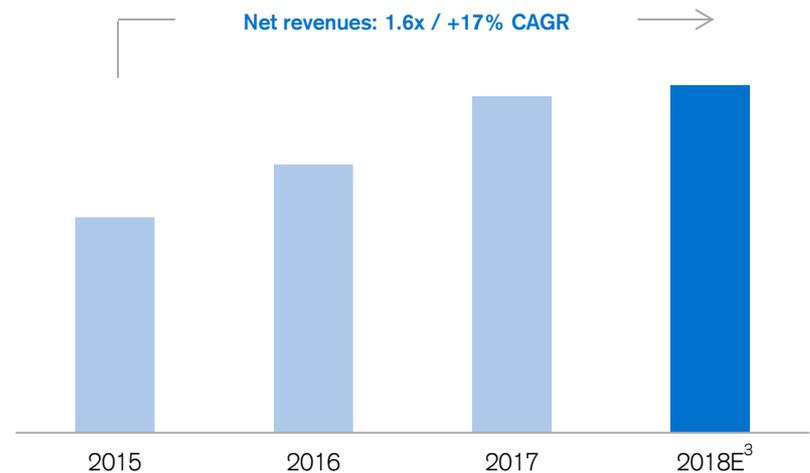
# Our integrated full service model is delivering strong results



Share and size of wallet in Switzerland (in USD mn)<sup>1,2</sup>



Net revenues of IB Switzerland<sup>2</sup>



- **Additional deal flow** has resulted in
  - **Significantly improved financial performance**, with profitability further enhanced by strong operating leverage
  - **Reduced volatility** in results, despite year-on-year variance in total wallet
- IB transactions create **significant additional business opportunities** across SUB and other divisions

<sup>1</sup> Sourced from Dealogic; indicates total revenues in M&A, ECM, DCM, High Yield and Leveraged Loans products in Switzerland <sup>2</sup> Net revenues of IB CH <sup>3</sup> 2018 estimate based on currently available information and beliefs, expectations and opinions of management as of the date hereof. Actual results for 2018 may differ from any estimates

# Case studies (1/2)

## Successful IPO leading to repeat business

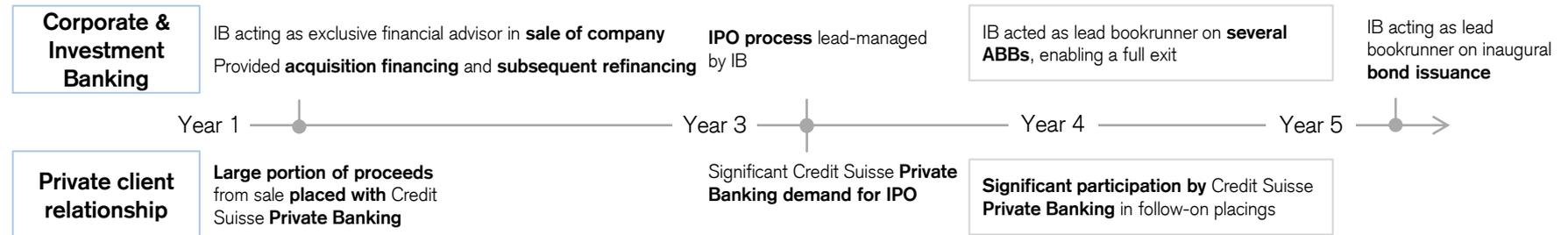
### The opportunity

- Client** Swiss-rooted global market leader, initially under family ownership
- Need** Transactional advice for succession planning and raising capital for growth

### Credit Suisse solutions

- ✓ Succession planning for initial family owners by way of trade sale
- ✓ Proceeds largely placed with private banking
- ✓ Acquisition financing and refinancing for new owner
- ✓ Capital market exit for new owner (IPO and follow-on offerings)
- ✓ Ongoing support of company's growth ambitions through debt capital market financing

### Offered solutions



# Case studies (2/2)

## M&A transaction as a product multiplier

### The opportunity

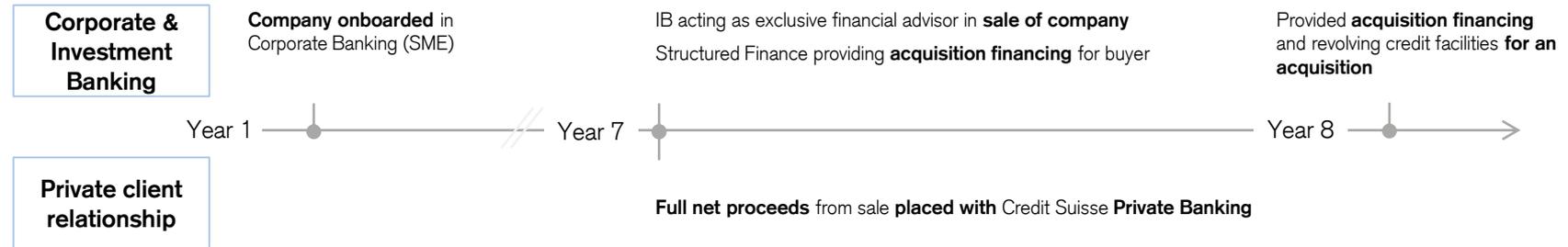
**Client** Independent market leader, held as an investment opportunity by an entrepreneur

**Need** Advice regarding realization of investment

### Credit Suisse solutions

- ✓ Guiding private shareholder through competitive auction process
- ✓ Net proceeds placed with private banking
- ✓ Providing acquisition financing and refinancing for new owner
- ✓ Financing of subsequent acquisition

### Offered solutions



# Appendix



# Notes (1/2)

## General notes

- For reconciliation of **adjusted to reported results**, refer to the Appendix of the CEO and CFO Investor Day presentations, published on December 12, 2018
- Throughout the presentation rounding differences may occur
- Unless otherwise noted, all **CET1 ratio**, **Tier 1 leverage ratio**, **risk-weighted assets** 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  
Gross margin = (adj.) net revenues annualized / average AuM; net margin = (adj.) pre-tax income annualized / average AuM
- **Mandate penetration** reflects advisory and discretionary mandate volumes as a percentage of AuM, excluding those from the external asset manager business

## Specific notes

\* Our cost savings program, until the end of 2018, is measured using an adjusted operating cost base at constant 2015 FX rates. "Adjusted operating cost base at constant FX rates" includes adjustments as made in all our disclosures for restructuring expenses, major litigation provisions, expenses related to business sales and a goodwill impairment taken in 4Q15 as well as adjustments for debit valuation adjustments (DVA) related volatility, FX and for certain accounting changes (which had not been in place at the launch of the cost savings program). Adjustments for certain accounting changes have been restated to reflect grossed up expenses in the Corporate Center and, starting in 1Q18, also include adjustments for changes from ASU 2014-09 "Revenue from Contracts with Customers", which is described further in our 1Q18, 2Q18 and 3Q18 financial reports. Adjustments for FX apply unweighted currency exchange rates, i.e., a straight line average of monthly rates, consistently for the periods under review. Starting from 1Q19, we intend to express our operating cost base at constant 2018 FX rates and to adjust for significant litigation costs, expenses related to business and real estate sales as well as DVA related volatility, but not for restructuring expenses and certain accounting changes. Adjustments for FX will continue to apply unweighted currency exchange rates.

† Regulatory capital is calculated as the worst of 10% of RWA and 3.5% of leverage exposure. Return on regulatory capital is calculated using (adjusted) income / (loss) after tax and assumes a tax rate of 30% and capital allocated based on the worst of 10% of average RWA and 3.5% of average leverage exposure. For the Markets business within the APAC division and for the Global Markets and Investment Banking & Capital Markets divisions, return on regulatory capital is based on US dollar denominated numbers. Adjusted return on regulatory capital is calculated using adjusted results, applying the same methodology to calculate return on regulatory capital.

‡ Return on tangible equity is based on tangible equity attributable to shareholders, a non-GAAP financial measure, which is calculated by deducting goodwill and other intangible assets from total equity attributable to shareholders as presented in our balance sheet. Management believes that the return on tangible equity attributable to shareholders is meaningful as it allows consistent measurement of the performance of businesses without regard to whether the businesses were acquired.

° Tangible book value is a non-GAAP financial measure and is equal to tangible equity attributable to shareholders. Tangible book value per share is a non-GAAP financial measure, which is calculated by dividing tangible equity attributable to shareholders, a non-GAAP financial measure, by total number of shares outstanding. Tangible equity attributable to shareholders, a non-GAAP financial measure, is calculated by deducting goodwill and other intangible assets from total equity attributable to shareholders as presented in our balance sheet. Management believes that tangible book value per share is meaningful as it allows consistent measurement of the performance of businesses without regard to whether the businesses were acquired. For end-3Q18, tangible equity excluded goodwill of CHF 4,736 mn and other intangible assets of CHF 214 mn from total shareholders' equity of CHF 42,734 mn as presented in our balance sheet. For end-2017, tangible equity excluded goodwill of CHF 4,742 mn and other intangible assets of CHF 223 mn from total shareholders' equity of CHF 41,902 mn as presented in our balance sheet. For end-2Q15, tangible equity excluded goodwill of CHF 8,238 mn and other intangible assets of CHF 205 mn from total shareholders' equity of CHF 42,642 mn as presented in our balance sheet. Shares outstanding were 2,552.4 mn at end-3Q18, 2,550.3 mn at end-2017 and 1,632.4 mn at end-2Q15.

# Notes (2/2)

## Abbreviations

Adj. = Adjusted; AI = Artificial Intelligence; AM = Asset Management; AML = Anti-Money Laundering; APAC = Asia Pacific; ARU = Asset Resolution Unit; AT1 = Additional Tier 1; AuM = Assets under Management; BCBS = Basel Committee on Banking Supervision; BEAT = Base Erosion and Anti-Abuse Tax; BIS = Bank for International Settlements; bps = basis points; CAGR = Compound Annual Growth Rate; CBG = Corporate Bank Group; CCAR = Comprehensive Capital Adequacy Review; CCRO = Chief Compliance and Regulatory Affairs Officer; CDX HY = High-yield credit default swap index; CET1 = Common Equity Tier 1; CIC = Corporate & Institutional Clients; CIF = Customer/Client Information File; CIO = Chief Investment Officer; Corp. Ctr. = Corporate Center; CtB = Change the Bank; CVA = Credit Valuation Adjustment; DCM = Debt Capital Markets; DoJ = Department of Justice; DTA = Deferred Tax Assets; DVA = Debit Valuation Adjustments; EAM = External Asset Manager; EBITDA = Earnings Before Interest Taxes Depreciation and Amortization; ECM = Equity Capital Markets; EM = Emerging Markets; EMEA = Europe, Middle East & Africa; EQ = Equities; ERP = Enterprise Resource Planning; Est. = Estimate; EU = European Union; FICC = Fixed Income, Currencies & Commodities; FINMA = Swiss Financial Market Supervisory Authority FINMA; FLP = Fund Linked Products; FRTB = Fundamental Review of the Trading Book; FTE = Full-time employee; FX = Foreign Exchange; GDP = Gross Domestic Product; GM = Global Markets; G10 = Group of Ten; HKEX = Hong Kong Exchange; IBCM = Investment Banking & Capital Markets; IBD = Investment Banking Department; IC = Investment Consultant; ICBC = Industrial and Commercial Bank of China; ICBCS = ICBC Credit Suisse Asset Management Co. Ltd; IG = Investment Grade; IMF = International Monetary Fund; IMM = Internal Model Method; IP = Investor Products; IPO = Initial Public Offering; IPRE = Interest Producing Real Estate; IRB = Internal Ratings Based; IS&P = Investment Solutions and Products; IT = Information Technology; ITS = International Trading Solutions; IWM = International Wealth Management; JV = Joint Venture; LBO = Leveraged Buyout; LE = Leverage Exposure; LSC = Large Swiss Corporates; LTM = Last Twelve Months; M&A = Mergers & Acquisitions; MD(R) = Managing Director; Mgmt. = Management; MI = Management Information; Mifid II = Markets in Financial Instruments Directive II; Mkts = Markets; NNA = Net new assets; OCC = Office of the Comptroller of the Currency; Op Risk = Operational Risk; PB = Private Banking; PB&WM = Private Banking & Wealth Management; PC = Private Clients; PEP = Politically Exposed Person; pp = percentage points; PTI = Pre-tax income; PVMC = Private & Wealth Management Clients; RM = Relationship Manager(s); RMBS = Residential Mortgage Backed Securities; RoRC = Return on Regulatory Capital; RoTE = Return on Tangible Equity; RPA = Robotic Process Automation; RtB = Run the Bank; RWA = Risk-weighted assets; SA-CCR = Standardized Approach to Counterparty Credit Risk; SME = Small and Medium-Sized Enterprises; SMG = Systematic Market-Making Group; SoW = Share of Wallet; SRU = Strategic Resolution Unit; SUB = Swiss Universal Bank; TBTF = Too Big To Fail; TBV(PS) = Tangible Book Value (per Share); (U)HNW(I) = (Ultra) High Net Worth (Individuals); US GAAP = United States Generally Accepted Accounting Principles; U/W = Underwriting; VaR = Value-at-Risk; VIX = Volatility Index; WM = Wealth Management; WM&C = Wealth Management & Connected; YoY = Year over year; YTD = Year to Date

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