Attachment VIII.A.8.c.-4

Summary of current equity research

Broker	Analyst	Research Date	Rating
Societe Generale	Lim, A	13 Jun '14	Hold
Citi	Lakhani, K	12 Jun '14	Buy
Goldman Sachs & Co.	Omahen, J	04 Jun '14	Buy
UBS	Brupbacher, D	03 Jun '14	Buy
BofA Merrill Lynch	Helsby, M	29 May '14	Hold
Deutsche Bank Research	Spick, M	25 May '14	Buy
Barclays	Sigee, J	12 May '14	Buy
Nomura	Peace, J	02 May '14	Buy
Commerzbank Corporates & Mkts	Dunst, M	23 Apr '14	Hold
RBC Capital Markets	Swaffield, F	17 Apr '14	Buy
Jefferies & Co.	Fall, O	17 Apr '14	Buy
Exane BNP Paribas	Davies / Tibergh	16 Apr '14	Buy
Santander GBM	Faure, A	14 Apr '14	Buy
HSBC Global Research	Murphy, R	14 Apr '14	Hold
Macquarie Research	Brown, P	20 Mar '14	Hold
JPMorgan	Abouhossein, K	18 Mar '14	Sell
Morgan Stanley	Van Steenis, H	21 May '14	Hold

Ratings category	% of total
Buy	58.8%
Hold	35.3%
Sell	5.9%

Note: Represents selected brokers.

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EQUITY RESEARCH

RBC Capital Markets

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April 17, 2014

Credit Suisse Group AG

Wealth Management the attraction

Our view: While Q1 14 results were somewhat mixed, we view the long term drivers of the investment case as intact. Growth in WMC should be driven by cost reduction and lending growth. We expect capital generation to give scope for dividend growth in 2014-16. The valuation screens attractive at current levels.

Key points:

Investment Bank weakness - some one off issues

While the IB was the key reason for the Q1 14 miss there were some one-off factors, including a change in compensation accruals. We have revised our pre-tax forecasts down for the IB some 8-9% over 2014-16 given the difficult revenue environment. The debate remains on the ROE - while CS has reported a 21% ROTE in Q1 14 in the Strategic IB this would fall to 10% on a 5% leverage ratio highlighting the continuing debate about capital and returns in the IB.

WMC - some bright spots

We see the PB&WM division as the key attraction of the shares relative to the sector. Q1 14 saw WMC come in slightly above consensus for the first time in some quarters. The positive were strong net new money and very good cost control so that the pre-tax return on invested assets rose from 23bp to 29bp Q1/Q1. While there was disappointment in NII we would note that gross margin ex NII was stable Q1/Q1. We have left our forecast unchanged and expect some improvement in revenues in H2 given the first evidence of the success of its increased lending focus as well as progress on cost reduction. We forecast pre-tax CAGR of 15% over 2014-16.

Capital - still expect DPS growth

We expect the increase in RWAs seen in Q1 to be offset by reduction in legacy assets, seasonal factors and methodology changes so that we continue to see scope for a significant rise in DPS in 2014 and a 11% B3 CET1 ratio. Litigation charges remain a risk although total provisions are CHF2.3bn as of end 2013. In addition CS appears to have lower risk than peers in LIBOR and FX investigations in our view.

Valuation

Our forecasts move down 5-6% for 2014E-16E EPS. This is driven by downgrades in the Investment Bank with our forecasts for the more highly rated PB&WM unchanged. We have kept our price target at CHF33ps as we have already valued the IB conservatively in our model. This uses a sum of the parts valuation and also a group based valuation using 2015E, discounted back one year. The price target assumes 1x TBV for the Investment Bank and 12x for the PB&WM divisions.

Outperform

VX: CSGN; CHF 27.42

Price Target CHF 33.00

WHAT'S INSIDE	
☐ Rating/Risk Change	☐ Price Target Change
☐ In-Depth Report	☑ Est. Change
☐ Preview	☑ News Analysis

Scenario Analysis*

Downside Scenario	Current Price	Price Target	Upside Scenario
25.00	27.42	33.00	38.00
↓ 5%		↑ 24%	↑ 42%

*Implied Total Returns

Key Statistics

Shares O/S (MM):	1,587.2	Market Cap (MM):	43,521
Dividend:	1.00	Yield:	3.6%

RBC Estimates

FY Dec	2013A	2014E	2015E	2016E
EPS, Adj Diluted	2.12	2.46	3.25	3.86
Prev.		2.53	3.44	4.08
P/AEPS	12.9x	11.1x	8.4x	7.1x
TBVPS	20.64	21.90	23.50	26.00
P/TBVPS	1.3x	1.3x	1.2x	1.1x
ROE, Adj	8.0%	11.6%	14.4%	15.7%
Prev.	10.2%	11.7%	14.9%	16.1%
DPS	0.70	1.00	1.30	1.50
Div Yield	2.6%	3.6%	4.7%	5.5%

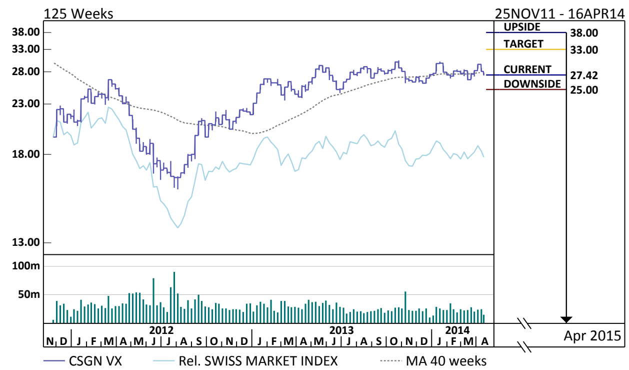
EPS, Adj Diluted: Excludes DVA and restructuring costs from EPS, adj ROE
All values in CHF unless otherwise noted.

Priced as of prior trading day's market close, EST (unless otherwise noted).

For Required Non-U.S. Analyst and Conflicts Disclosures, see page 11

Target/Upside/Downside Scenarios

Exhibit 1: Credit Suisse Group AG



Source: Bloomberg and RBC Capital Markets estimates for Upside/Downside/Target

Target price/ base case

Our price target of CHF33 is based on 2015 forecasts discounted back one year at 9.7%. We use a sum of the parts model as well as an ROE, price to book model.

Upside scenario

For our upside scenario, we consider a share buyback of excess capital above a 11% B3 CET1 ratio and do not adjust for regulation, arriving at a value of CHF38.

Downside scenario

For our downside scenario, we assume a price to TBV of the investment bank of 0.5x and a PE of 10 for wealth management and this equates to a value of CHF25, if we discount back one year at 9.7%.

Investment summary

CS screens good value if we consider the strategic units (PE 8.5x 2014) and the key issue over 2014-15 is for this drag of the Non Strategic Units to be reduced, which should underwrite earnings growth. At the same time we expect growth in Wealth Management to be driven by cost savings combined with some improvement in revenue growth (15% CAGR 2013-16E). While fixed income is some 20% of group revenues, so is equities so there is some offset to current difficult trends in fixed income. While the Investment Bank at CS remains 42% of TBV by end 2015E this is not valued highly and our price target of CHF33ps is 1x TBV on the Investment Bank and a PE of 12x on the Non Investment Bank using 2015E. With a return to a decent cash dividend in 2013 (yielding 2.6%), we expect dividend growth and a yield of 4.7% in 2015.

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Forecasts and Valuation

While there were some issues in the Q1 14 results on costs and revenues in the Investment Bank on closer inspection there are some offsets that limit the overall downgrades. Overall the downgrades are driven by the Investment Bank, which we would argue is more lowly rated and the changes in the higher rated PB&WM combined division are minimal in 2014/15. In the Strategic Investment Bank we have moved down our pre-tax forecasts by 8-9% over 2014-16. As a result overall EPS forecasts (ex realignment costs and DVA) moves down by 5-6% for 2014-16. Another way to present this is the EPS of the Strategic Units, which moves down by 4.5% in 2014, 6.8% for 2015 and 6.9% for 2016 driven by the reductions assumed in the Investment Bank.

Exhibit 2: CS – New and Old estimates

CHFm	**Old 2014E**	**Old 2015E**	**Old 2016E**	**New 2014E**	**New 2015E**	**New 2016E**	**% ch 2014E**	**% ch 2015E**	**% ch 2016E**
Pre-tax strategic	7,396	8,395	9,225	7,047	7,981	8,753	(4.7)	(4.9)	(5.1)
Pre-tax non strategic unit	(2,140)	(1,405)	(180)	(2,082)	(1,405)	(180)	(2.7)	0.0	0.0
Pre-tax NSU ex realigment & DVA	(1,530)	(705)	(180)	(1,390)	(705)	(180)			
Group Cost base ex realignment	19,773	19,125	19,215	18,759	18,555	18,855	(5.1)	(3.0)	(1.9)
Group Revenues ex DVA	25,894	26,965	28,395	24,655	25,981	27,563	(4.8)	(3.6)	(2.9)
Per share Metrics (CHF)									
EPS Continuing Operations (Diluted)	2.20	3.11	4.08	2.09	2.92	3.86	(5.0)	(6.1)	(5.4)
EPS ex DVA and Realignment costs	2.53	3.44	4.08	2.46	3.25	3.86	(2.8)	(5.5)	(5.4)
EPS strategic unit	3.33	3.84	4.23	3.18	3.58	3.94	(4.5)	(6.8)	(6.9)
EPS Non strategic unit Cont ops	(1.06)	(0.66)	(0.08)	(1.09)	(0.66)	(0.08)	2.8	0.0	0.0
Strategic Unit Pre-tax (CHFm)									
Wealth Management Clients	2,338	2,770	3,215	2,338	2,706	3,108	0.0	(2.3)	(3.3)
Corporate and Institutional Clients	993	1,070	1,120	934	1,070	1,120	(5.9)	0.0	0.0
Asset Management	538	585	630	606	625	655	12.6	6.8	4.0
PB&WM Strategic	**3,869**	**4,425**	**4,965**	**3,878**	**4,401**	**4,883**	**0.2**	**(0.5)**	**(1.7)**
Investment Bank Strategic	3,880	4,315	4,605	3,574	3,925	4,215	(7.9)	(9.0)	(8.5)
Corporate Centre Strategic	(353)	(345)	(345)	(405)	(345)	(345)	14.7	0.0	0.0
Core Results - Strategic	7,396	8,395	9,225	7,047	7,981	8,753	(4.7)	(4.9)	(5.1)

Source: RBC Capital Markets estimates

Price Target unchanged at CHF33ps

We have left our price target unchanged however in spite of our reduction in forecasts at CHF33ps. This is due to the fact that on a sum of the parts basis we have been relatively conservative especially with respect to the drag of the Non Strategic Units where we had previously assumed the drag in perpetuity on the 2015 basis including realignment costs. Certainly on our current revised forecasts a simple price to book model (for the group ex realignment costs) as well a sum of the parts points to a CHF33ps valuation using 2015 forecasts, discounted back one year. We would also note that we have allocated capital at a relatively high CET1 ratio across the divisions and assume a close to 12% CET1 ratio which means we do not value a significant amount of excess capital in 2015 relative to the 12.1% B3 CET1 forecast by that year. While this is higher than the 11% B3 CET1 target assumed by the company in absolute terms this is CHF2.2bn. This is not far from the contingent liability for potential future litigation provisions so while this is a cautious capital allocation given continued litigation risk we see it to be appropriate.

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Exhibit 3: CS sum of the parts 2015E

(CHF)	Pre-tax ex rest charges (m)	Tax (%)	Net Income (m)	Avg. RWA's (m)	Allocated Capital [1] (m)	Alloc Cap on CoreT1 Basis of (%)	Return on Alloc Cap (%)	Cost of Equity [2] (%)	Implied Value [3] (m)	Implied PER (x)	Per Share (CHF)
Wealth Management	2,706	27.6	1,959								
Asset Management	625	27.6	453								
Corporate and Institutional Client	1,070	27.6	775								
PB&WM	4,401	27.6	3,186	99,000	14,850	15.0	21.5	9.0	39,946	12.5	25
Investment Bank	3,925	27.6	2,842	140,000	14,000	10.0	20.3	11.0	25,836	9.1	16
Corporate Centre	-345	27.6	-250	14,000	1,400	10.0	-17.9	10.0	-2,500	10.0	-2
Total Strategic	7,981	27.6	5,778	253,000	30,250	12.0	19.1		63,282	11.0	39
Non Strategic result ex realignment costs	-705		-530	10,000	1,000	10.0		10.0	-5,300	10.0	-3
Sum of Strategic and Non Strategic	7,276		5,248	263,000	31,250	11.9	16.8	9.7	57,982	11.0	36
Excess Capital					604				604		-
Group (ex realignment costs)	**7,276**	**28.1**	**5,248**	**263,000**	**31,854**	**12.1**	**16.5**		**58,586**		**36**
Discounted back one year											**33**

1. Allocated on our assumptions
2. Divisional cost of equity
3. Based on a price to book ROE model
Source: RBC Capital Markets estimates

Traditionally we have looked at the Swiss banks in terms of price to book on the Investment Bank and PE for the Non Investment Bank. With the creation of the Non Strategic Units this has become a bit more complicated, as illustrated in the exhibit below, showing the EPS of the sub divisions. We also need to allocate the NSUs to the divisions and have split them 50/50 between the PB&WM and IB/CC for some time. We calculate the TBV of the Strategic Investment Bank to be CHF10 ps (CHF140bn of RWAs at 11% B3 CET1 ratio). This is some 42% of 2015E group TBV. We also see the EPS of PB&WM to be CHF1.90ps 2015E allocating 50% of the NSU to it. On this basis we would think that there is a discount in the current share price for the sum of the parts. For example, if we were to strip the IB out of the IB at TBV it would imply that the rest of the bank traded at 9x 2015E earnings, which is low given the high PE nature of the PB&WM division. Alternatively at 0.5x TBV for the Investment Bank the PE of PB&WM is 12x 201E. Our share price target of CHF33ps implies a Price to TBV on the IB of 1x and a PE of 12x on PB&WM for 2015E, which we believe is fair. On a group basis it implies a P/TBV of 1.4x 2015E for an ROTE of 14.4% relative to a cost of equity of 9.7%. As a result we can see value in the shares at current levels. The issue of course is that the market seems reluctant to give CS the credit for returns in the Investment Bank given the structural issues facing fixed income in general and uncertainty regarding final leverage ratio rules in our view.

Exhibit 4: CS EPS split by Divisions and SOP scenario

CHF	2014E	2015E	2016E
EPS Strategic Units	3.18	3.58	3.94
EPS PB&WM	1.75	2.07	2.20
EPS IB and CC	1.43	1.51	1.74
EPS NSU ex realignment costs	-0.73	-0.33	-0.08
EPS ex realigment	2.45	3.25	3.86
TBV Strategic IB (CHF ps)	10	10	10
EPS PB/WM post NSU adjustment (CHFps)	1.38	1.90	2.16
PB&WM at 12x PE	17	23	26
Implied IB ps in share price (CHF27.3 share price)	11	4	1
Implied P/TBV IB	1.1	0.5	0.1

Source: RBC Capital Markets estimates

Key Issues

1. Investment Bank in spotlight

Investment Bank source of miss

The main driver of the Q1 14 pre-tax profit miss in the Strategic Units of 9% relative to consensus was the Strategic Investment Bank at 12% below consensus expectations. Revenues were disappointing and 4% below consensus. The mix was different to our expectations with equities being the most disappointing down 8% Q1/Q1 driven by difficult trading conditions in Latin America in cash equities. Fixed income fell 21%, which was below consensus was not far off our expectations with emerging markets and global macro being the issues. Also key for the division was that while revenues fell 8% in USD Q1/Q1, costs rose 3% in USD terms. This is explained to some extent by a change in compensation accrual policy and higher deferrals including for eligible early retirements. If we were to adjust for this the results would be closer to our expectations in our view although with a different mix.

IB ROE discussion continues

In Q1 14 CS has changed its methodology somewhat to allocate equity based on a leverage ratio as well as a B3 CET1 basis. For the Strategic Investment Bank the ROE was 21% on this basis in Q1 14 (down from 27% in Q1 13). CS obviously point to this as a decent return. However, we would point out that the use of leverage does not make that much difference as it assumes a 2.4% leverage ratio and the gap between that and 10% B3 is only about EUR1bn of equity so this new method dilutes ROE by some 100bp on our calculations. For example, if we instead allocated equity as a % of total exposure at a 5% leverage ratio then the ROE would fall to 10.4% for the quarter in the Strategic IB. While it is harsh to assume that there is no contingent capital in the leverage ratio it does illustrate the point that higher leverage requirements would pressure returns. The updated bubble charts on the product returns in the Investment Bank in Q1 14 do also highlight that Prime Services and Global Macro see the most drag from the leverage ratio lens even if only 2.4% is being used and are as a result not especially high return. The other take-away from the bubble charts on product returns is that in Q1 14 the ROE in the fixed income products is higher than in equity products (although for the last 12 months that is not the case). This highlights the fact that a further downsizing of fixed income (asides from Global Macro) would hurt the pre-tax profit and goes a long way to explain why CS has not announced any further cuts at this stage.

2. Wealth Management Trends – some bright spots

Net margin is the key

A key issue at CS has been disappointment in WMC in recent quarters with limited revenue growth and relatively slow progress on cost reductions. In Q1 14 the sluggish revenue growth theme continued but more progress on costs meant that the pre-tax return on invested assets (net margin according to CS) improved from a low 23bp in Q1 13 to 29bp for Q1 14. As a result pre-tax was some 3% above consensus expectations. This is positive in our view although the trends in revenues are a concern this is more driven by the low interest rate environment than anything else and should reverse in H2 14. In addition there were early signs of traction on the push to drive higher lending with CHF3.4bn of lending in WMC in the quarter, of which CHF2.2bn was to UHNWI. CS has stated that this is high margin business at 100bp so over time this should boost the margins especially UHNW which is some 50bp gross margin vs the 104bp overall gross margin. Cost progress was encouraging down 8% Q1/Q1 with cumulative savings in the whole PB&WMC division of CHF630m up from CHF400m at the 2013 stage, with CHF320m to go. Lastly net new money at 5.4% growth annualised was much better than our expectations driven by strong flows in Asia (+17% annualised) and Switzerland.

Gross margin – all about NII

While we see pre-tax margin as the dominant driver gross margin is still relevant. While the focus is on the 3bp Q1/Q1 decline in GM we would also point out that excluding NII, it was flat with flat recurring fee and transaction margin. We are factoring in 4bp of decline now in 2014 so a little more than the indication but this has been offset by expected lower costs.

Exhibit 5: CS – WMC Gross margin

Bp	2011	2012	2013	2014E	Q1 13	Q2 13	Q3 13	Q4 13	Q1 14
Recurring fee margin	43	38	38	37	37	38	38	37	37
Net interest margin	46	44	39	35	38	39	39	38	35
Transaction fee margin	33	32	31	30	32	36	28	28	32
Gross margin (Bp) US GAAP	**122**	**114**	**107**	**103**	**107**	**112**	**106**	**104**	**104**
Gross margin ex NII	**76**	**70**	**68**	**67**	**69**	**73**	**66**	**65**	**69**
Pre-tax Return on Invested assets	**24**	**26**	**26**	**29**	**23**	**31**	**26**	**23**	**29**

Source: RBC Capital Markets estimates

Net new money

One of the bright spots of the Q1 14 results was much higher than expected net new money. As the exhibit below shows the regional drivers were Asia (17% annualised growth in Q1 14 versus 11% for the full year 2013) and Switzerland where this was the strongest quarter for some time. Outflows continued in EMEA although the offshore outflows at CHF1.6bn were somewhat lower than in previous quarters. Given the new lending strategy and CHF2.2bn of net loans to UHNWI in the quarter and CHF3.4bn overall we would see this as having been a driver although this would still not explain all of the outperformance even if we were to assume that all loans were in the Invested asset figure (which would not be the case). As a result net new money at 5.4% annualised is running above the 3-4% short term target (6% longer term) although we have not changed our forecasts significantly and assume growth of 3.5% over 2014-16.

Exhibit 6: CS – Net new money development

Growth in Net new assets (annualized) (%)	**1Q13**	**2Q13**	**3Q13**	**4Q13**	**1Q14**
Net new assets	3.0	3.9	1.9	0.9	5.4
Other effects	16.2	-10	-1.6	3.1	1.8
Growth in assets under management (annualized)	19.2	-6.1	0.3	4.0	7.2
Regional Growth in Net new assets (annualised) (%)	**1Q13**	**2Q13**	**3Q13**	**4Q13**	**1Q14**
Switzerland	0.5	4.1	-1.1	-2.1	6.8
EMEA	2.0	3.4	-1.4	-1.2	-0.7
Americas	3.9	0	4.6	2.6	3.5
Asia Pacific	9.7	10.3	11.9	9.6	17.0

Source: Company Data

Limited change in WMC forecasts

While NII has come in below expectations, comments from CS that the pre-tax margin on invested assets should be stable to up over the balance of the year are encouraging and suggest that the Q1 14 cost base run rate is sustainable in our view. As a result while we have rebased revenues somewhat this has been largely offset by lower costs and our assumptions of double digit pre-tax growth remain unchanged. We assume a pre-tax return on invested assets of 29bp in 2014, rising to 31bp in 2015 and 33bp in 2015 versus 26bp reported for 2013.

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3. Costs – compensation accrual masks progress

While there was evidence of cost reduction in PB&WMC this was offset by limited flexibility in the IB. CS gives a very detailed reconciliation of costs relative to its cost reduction target. On this basis it puts cumulative savings at CHF3.4bn as at end Q1 14, up from CHF3.1bn as at end 2013. This is relative to a target of greater than CHF4.5bn by end 2015. This is driven by higher infrastructure savings and PB&WM savings offset by some drag in the Investment Bank due to deferred compensation increasing (some CHF150m). Given the number of moving parts we have also looked at group costs excluding litigation and realignment costs relative to revenues ex DVA. As shown in the exhibit below this shows that revenues fell 7% Q1/Q1 but costs underlying only fell 3%. However, it is clear from the disclosure on cash variable bonus that the accrual rose Q1/Q1 due to a change in the way the accrual was calculated to be higher in Q1 whereas in 2013 it was evenly spread over the quarters. If we adjust for this then cost reduction was far more in line with revenues at down 6%. This also does not adjust for deferred compensation which has risen Q1/Q1 although we do not have the figures until the full release. We have also not adjusted for exchange rates which would have flattered costs but also hurt revenues. This does mean that cost progress is encouraging in our view.

Exhibit 7: CS – Group cost progress

Group Costs - core results (CHFm)	Q4 12	Q1 13	Q4 13	Q1 14	% ch Q4/Q4	% ch Q1/Q1
Reported costs	5,172	5,191	6,396	5,035	24	-3
of which realignment costs	285	92	200	123	-30	34
of which litigation	227	90	1,365	65	501	-28
Costs underlying	**4,660**	**5,009**	**4,831**	**4,847**	**4**	**-3**
Cash bonus accrual	95	447	446	538	369	20
Costs underlying ex cash bonus	**4,565**	**4,562**	**4,385**	**4,309**	**-4**	**-6**
of which underlying compensation [1]	2,443	2,990	2,735	2,927	12	-2
of which compensation ex cash bonus	2,348	2,543	2,289	2,389	-3	-6
of which underlying other costs	2,217	2,019	2,096	1,920	-5	-5
Group Revenues ex FVOD	**6,003**	**7,098**	**6,123**	**6,589**	**2**	**-7**
Underlying Cost income ratio	78%	71%	79%	74%		
Underlying Cost income ratio ex cash bonus	**76%**	**64%**	**72%**	**65%**		

1. Assumed for Q1 14 that majority of realignment costs were staff cost related
Source: RBC Capital Markets estimates

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4. Capital generation and DPS prospects

Surprise was 5% B3 RWA growth

One of the key issues in the results was that the Basel III CET1 ratio was flat in the quarter at 10%, some 20bp lower than our expectations. This is the first quarter for some time that the ratio has not improved (excluding the litigation charges in Q4 taken post the original Q4 release). The issue has been CHF14bn of RWA inflation, which took some 50bp off the ratio other things being equal. The rise was largely due to methodological changes. Of the changes, CHF13.5bn was due to methodology changes. Within this operational risk weighted assets increased by CHF5.3bn following an increase of CHF6.9bn in Q4 13. The other methodological changes were on trading book securitisation (largely in NSU), private equity positions and the mortgage multiplier. Another factor was that falling RWAs in the Non Strategic Units (CHF3.7bn) have been offset by CHF3.8bn of RWA growth in the Strategic business, some of which was seasonal.

CHF250bn longer term target unchanged – our forecasts broadly unchanged

CS reiterated its CHF250bn long term RWAs target. Obviously relative to the CHF280bn Q1 14 level this looks relatively aggressive given the assumption of growth in the non Investment Bank (CHF15-20bn RWAs last given in Q3 13 slide pack). There are a number of moving parts however. Firstly the NSU RWAs are CHF24bn as some of the methodology changes hit here too. These are targeted to fall to CHF10bn by end 2015 so a CHF14bn reduction. Secondly CS is targeting the Strategic Investment Bank to reduce RWAs back to 2013 level by 2014 helped by some model approvals in H2 14. This is an implied reduction of CHF10bn. The combination of these two factors should bring RWAs back to CHF256bn by end 2015 other things equal. In terms of organic growth assumed in RWAs in the Private Bank is would also appear that CHF15-20bn is too high a figure. CS remains committed to growing loans in WMC but the risk weighting of this is lower than we expected. For example, in Q1 loans grew CHF3.4bn but this only led to CHF0.5bn of RWAs so a 15% risk weighting. As a result our assumption of CHF7bn RWA growth to 2015 in the PB&WM from here is relatively conservative. This gives room for significant growth in loans as well as some drag from the mortgage methodology change. As a result we have left our 2015/16 RWA forecasts largely unchanged at CHF263bn in 2016 vs CHF262bn previously. Obviously this is slightly above the figure the company is targeting but we had been of the view that model changes could happen.

Dividend – subtle change in wording but leave DPS forecast unchanged

While the RWA inflation was higher than expected in Q1 14 we expect this to come down in the course of H2 14. On our calculations CET1 should grow to 11% in 2014E while also leaving room for an increase in the DPS for 2014. This also means that we expect CS to be in line with its long term target by 2014. CS raised its B3 CET1 target to 11% with the Q1 14 results. However, it had been talking of running with a 100bp buffer to the 10% so it is not much of a surprise.

As a result we have left our 2014 DPS assumption unchanged at CHF1ps, up 42% vs 2013. There was some discussion on the conference call re the subtleties of the changed wording on the DPS. For example, in the Annual Report the wording on the dividend was ' This (the 2013 DPS) is intended to provide a basis for future progression in our dividend payments as we continue to execute our strategy and resolve legacy issues'. The wording has now changed in the Q1 14 report to 'our intention remains to deliver cash returns to our shareholders at or above 2013 levels'. What is unknown, however, is the extent of further litigation charges going forward given that the Group's estimate of the aggregate range of reasonably possible losses not covered by existing provisions was zero to CHF2.4bn as at end

2013 vs CHF2.2bn in Q3 in spite of taking significant litigation provisions in Q4 13 of close to CHF1bn. We have factored in some CHF300m of additional litigation for the rest of the year and the same for 2015. We would note that CS has not found anything on the FX internal investigations so it would continue to suggest that this is not a material issue relative to peers. The remaining litigation risk remains the US DOJ-related cross-border tax matter where it has taken some CHF700m of provisions to date as well as mortgage related litigation although settling with FHFA has removed a substantial proportion of this in our view. We do not see the wording on the DPS as impacting our current forecast although large further litigation charges over CHF1bn would potentially push the increase out a year. We still see CS achieving good capital generation due to the PB&WM division over time so this does leave room for rising dividends.

Leverage ratio progress

Also while the CET1 ratio did not move in Q1 14, the Basel leverage ratio and the Swiss leverage ratio improved by 20bp as total leverage exposure was broadly stable in contrast to RWAs and there was some growth in absolute capital due to retained profits and other factors. Also CS reiterated that there should be some benefit from the Basel rules in January which it has not included in its number or in its new updated target to reduce total exposure to CHF1trn longer term some 7% below its previous target. We expect the Swiss leverage ratio to be 4.6% by end 2015 and 5.2% by end 2016 and this is pre taking into account any potential benefit to total exposure for definitional changes, which could add 20bp.

Exhibit 8: CS - Leverage ratio forecasts

CHF Bn	**2013**	**Q1 2014**	**2014E**	**2015E**	**2016E**
Basel III CET1	26.5	27.9	29.2	31.9	35.7
High trigger Co-Cos	8.0	8.0	8.0	8.0	8.0
Low trigger Co-Cos	6.0	6.3	8.3	8.3	8.3
Total Co-Cos	14.0	14.3	16.3	16.3	16.3
of which T1	7.0	8.0	8.0	8.0	8.0
of which T2	7.0	6.3	8.3	8.3	8.3
Total exposure end period	1,130	1,140	1,105	1,038	1,013
Total exposure average look through	1,137	1,124	1,112	1,045	1,020
CET1 leverage ratio	2.3%	2.4%	2.6%	3.1%	3.5%
Tier 1 leverage ratio	2.9%	3.2%	3.3%	3.8%	4.3%
Swiss leverage ratio	**3.6%**	**3.8%**	**4.1%**	**4.6%**	**5.1%**

Source: RBC Capital Markets, Company data

5.Drag of the non strategic units

One of the key future drivers at CS has been the expectation of a reduced drag from the Non Strategic Units. While in Q1 14 there was evidence of a 50% reduction in legacy funding costs this was offset by larger losses on legacy wind down and rates. This wasn't so much due to losses from asset reduction but more due to the fact that the previous periods included some positive offsets. CS has reiterated that the cost of exiting the legacy Rates and wind down positions in the IB (CHF16bn of RWAs could be some 2-3% of RWAs, this is some CHF300-500m). Having said that, this does mean that the drag from the NSUs on an underlying basis (ex litigation) is likely to be closer to CHF1bn for the year versus a previous CHF850m loss expectation. This does, however, not change the longer term expectation that this drag should fall to a relatively low figure as the legacy Rates and wind down portfolios are reduced.

Valuation

We value CS on a range of methodologies including a sum of the parts model and a ROE price to book model. Our price target of CHF33ps is in line with the sum of the parts model and our group based valuation. We use 2015E forecasts and discount back one year at a cost of equity of 9.7%.

Price target impediments

Our price target would not be realised in the event of a significant fall in the equity market given that equity-sensitive revenues are estimated to be one-third of revenue. Also, CS is sensitive to moves in the Swiss franc versus the USD, as a larger proportion of revenue are denominated in USD than costs. A 10% strengthening in the Swiss franc versus the USD would reduce our forecasts by some 7–10%. CS also faces continued litigation risk, the outcome of which could impact our price target it is greater than included in our forecasts.

Company description

CS is a leading wealth manager and investment bank. It has a private bank has assets under management of CHF791Bn end 2013. Its investment bank employs some 20k people globally and generated approximately $14 billion of revenues in 2013. It also has a high market share in Switzerland in retail and commercial banking with a number two position. Investment banking made up close to 40% of pre-tax profit in 2013 with the remaining being from wealth management, corporate and institutional banking and asset management.

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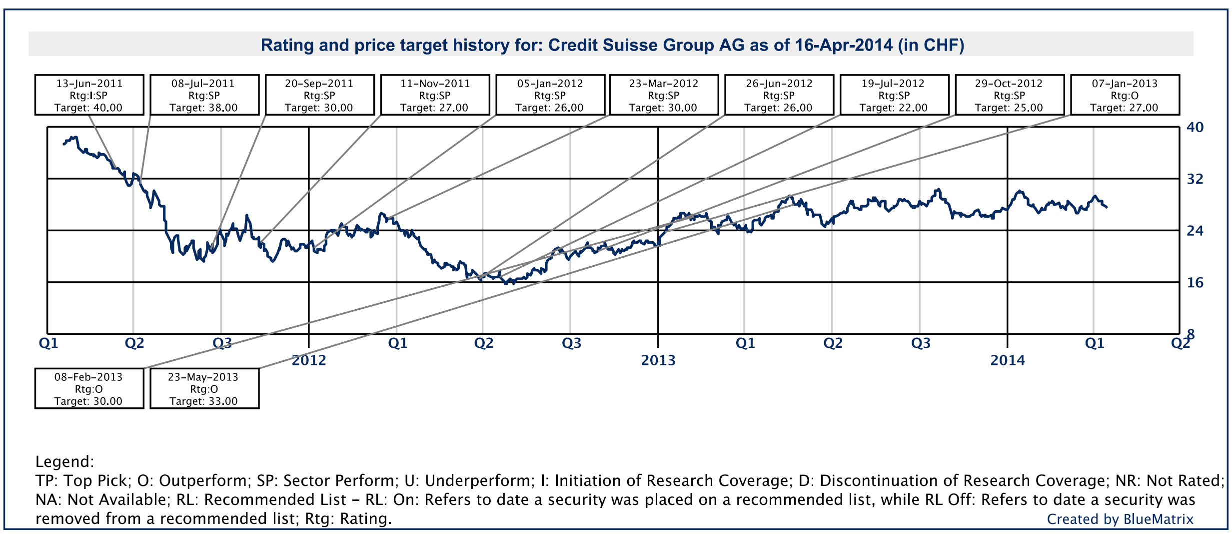

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April 17, 2014

Stock Rating
Equal-weight

Industry View
In-Line

Credit Suisse Group

Deleveraging to constrain divis; Non-core run-off and i-bank the key debate

What's Changed

Price Target	**SFr31.00 to SFr30.00**

CS's deleveraging plans should reduce risks over time, but we think the market shouldn't get ahead of itself on divis. Upside is dependent on delivering on the new i-bank model, ambitious cost targets, shedding non-core, plus client activity (esp. in WM). On ~1.3x TNAV 14e for ~14% ROTE, stay EW.

CS's deleveraging plans show growing recognition that further deleveraging is required before divis can grow materially. CS now wishes to shrink its leverage exposure by a further 7% and RWAs by a further 5% (as a result of operational risk and other increases of Sfr13bn). This is consistent with our thesis in our Blue Paper (*Mis-allocated resources: why banks need to optimise now*, March 2014). On top of this, there is still uncertainty on final leverage ratios – both the Swiss ratio (which could drift up to 5%) and GLAC (loss-absorbing capital ratio). Together we think this should constrain market optimism on divis.

Core/non-core split is encouraging in the i-bank: However, we believe the market will want to see more consistency on revenues, delivery on disappointing FICC strategy so far, clarity on CS risk to HFT market structure changes, cost of non-core run-down and lower litigation before pricing in higher returns.

Wealth management performance is key to material upside but trends are mixed. CS net new money and cost control showed good trends, but client activity and the ongoing drag from low rates means WM profit trends remain adequate rather than solid.

Remain EW, prefer UBS, LLOY, ING, Bankia, ISP, UCG, LSE. We reduce our EPS by 4-6% for 2014-16.

Key Ratios and Statistics

Reuters: CSGN.VX Bloomberg: CSGN VX
Banks / Switzerland

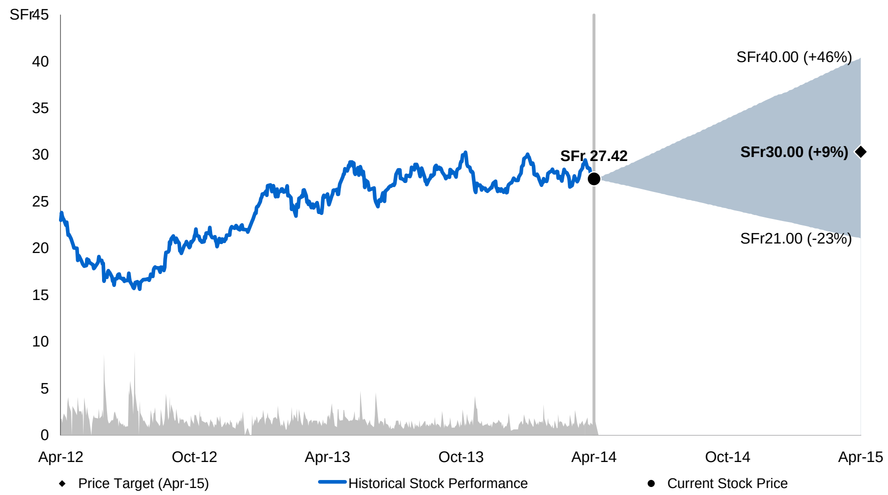
Price target	**SFr 30.00**
Shr price, close (Apr 16, 2014)	SFr 27.42
52-Week Range	SFr 30.54-24.24
Mkt cap, curr (mn)	SFr 43,765

Fiscal Year ending	**12/13**	**12/14e**	**12/15e**	**12/16e**
Revenue (SFr mn)**	25,508	24,972	26,821	28,221
EBITDA (SFr mn)**	6,039	5,969	7,406	8,356
ModelWare EPS (SFr)#	**2.33**	**2.45**	**3.06**	**3.46**
Prior EPS (SFr)**	-	2.59	3.25	3.59
Consensus EPS (SFr)§	**2.20**	**2.58**	**3.16**	**3.43**
P/E**	11.7	11.2	8.9	7.9
Div per shr (SFr)	0.70	0.85	1.15	1.50
Div yld (%)	2.6	3.1	4.2	5.5
ROE (%)	11.3	10.0	11.8	12.4
Return on avg tang eqty (%)	13.2	12.0	13.8	14.3
Core tier 1 capital ratio, Basel 3 (%)	9.9	11.0	12.2	13.7

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework (please see explanation later in this note).
**** =** Based on consensus methodology
 # = Our pension accounting has changed in ModelWare, which will affect ModelWare EPS figures for some stocks under coverage. Visit www.ms.com/mw.pdf for details
§ = Consensus data is provided by Thomson Reuters Estimates.
e = Morgan Stanley Research estimates

Credit Suisse (CSGN.VX, Equal-weight, PT SFr 30)

We believe WM, operational leverage & non-core key to upside



Source: Thomson Reuters (historical share price data), Morgan Stanley Research estimates

Weighted price target: SFr 30		We apply a 70% weight to our base case, 15% to our bull case and 15% to our bear case to reflect our view of the skew of risks.
Bull Case SFr 40	1.9x bull TNAV 2014e	**Stronger returns from revenue recovery and greater cost-saving delivery** Wealth Management sees continued strength in net new money at 5-6% in 2014-16e, with good market performance levels and margins of 107-109bp. Asset Management sees a good market performance. Cost of equity is 11% with a long-term growth rate of 3.5%, a sustainable ROTE of 17% and a theoretical P/TBV of 1.8x.
Base Case SFr 30	1.4x base TNAV 2014e	**Weaker revenues in the i-bank and subdued improvement in WM but offset by cost saves** Wealth Management sees net new money growth at 4-5% in 2014-16e, with margins at 105-107bp. IB sees reported revenues in 2014 down ~5% YoY. To reach our valuation we use a P/BV multiple based on an adjusted Gordon growth model (which is our primary method, and looks at longer-term earnings power of the franchise). Cost of equity is 11.3% with a long-term growth rate of 2.5%, a sustainable ROTE of 14.8% and a theoretical P/TBV of 1.4x.
Bear Case SFr 21	1.0x bear TNAV 2014e	**Recovery does not last and IB revenues are weaker.** Wealth Management sees flattish flows in 2014-16e, margins at 100-103bp with limited performance and a higher comp ratio. Asset Management sees a fall in margins and weaker net new money with weaker i-bank revenues. Cost of equity is 11.5% with a long-term growth rate of 1%, a sustainable ROTE of 13% and a theoretical P/TBV of 1.1x.

Why Equal-weight?

- We believe CS has several levers to improve returns via private banking strength and i-banking gearing, as well as an aggressive cost-saving plan. But, we are below the street on 2014-15 EPS.
- CS has de-levered decisively, improving its group leverage ratio to 3.7% and we expect it to improve further, potentially able to meet higher minimum requirements if needed or issue further cocos.
- The performance of the private bank remains an important source of earnings strength. However, CS continues to underperform UBS on gathering new money, while WM margins are subdued due to high levels of cash. An increase in risk appetite could leverage returns.
- We see strength in the investment bank through underwriting, advisory and equities, but questions remain in FICC, especially post Basel 3 and given lower for longer rates, migration of OTC, etc. Also, we think the operational leverage of the mid-sized FICC franchise is a challenge, we feel.
- Valuation on ~1.3x TNAV 2014e is undemanding for ~14% ROTE, but we prefer UBS instead on stronger capital and focus on A&WM.

Key Risks to Our Price Target

- Market developments and changes in risk aversion could lead to higher or lower i-banking revenues, gross margins in WM and AUM, as reflected in our bull and bear case earnings and multiple.

Catalysts

- 2Q14 results due July 17, 2014
- News on litigation

Valuation methodology and risks

We reduce our price target to SFr30 from SFr31 as we reduce our 2014-16e EPS by 4-6% on lower i-bank revenues and WM gross margins, offset somewhat by stronger net new money and costs.

We value CS on 2014e TNAV and use a sustainable ROTE of 14.8% in our base case. Our bull case assumes greater ROTE from hitting CS's ROE target of 15% and stronger market recovery, while our bear case assumes lower returns if revenues deteriorate. Our base case fair value is SFr 30, our bull case is SFr 40 and bear case SFr 21. Our valuation is driven mostly by 2014e TNAV, which is SFr 21.4. Our base case sustainable ROTE is 14.8%, CoE 11.3%, and long-term growth of 2.5%.

Exhibit 1
EPS changes

CS EPS (SFr)	New	Old	% Change
2014e	2.45	2.59	-5.5%
2015e	3.06	3.25	-5.8%
2016e	3.46	3.59	-3.7%

Source: Company Data, Morgan Stanley Research

To reach our valuation, we first use a P/BV multiple based on an adjusted Gordon growth model (which is our primary method (65% weighting, and looks to the longer-term earnings power of the franchise). Second, we test with a SoP (using market multiples), although this is not the primary driver (5% weighting). Third, we check with a one-year forward P/E (30% weighting) based on peers and historical trading ranges. To reach our price target, we apply weightings to the resulting bull (15%), base (70%), and bear values (15%) to reflect our view on the relative probability of risks.

Key risks to our price target: We see upside and downside risks from credit markets, equity market levels and volumes, FX, the macro and regulatory environment, as well as execution risk and risk management.

Exhibit 2
CS: deriving our SFr 31 price target

	Base Case	Bull Case	Bear Case
MW EPS			
2007	4.58	4.58	4.58
2008	-11.44	-11.44	-11.44
2009	6.12	6.12	6.12
2010	4.42	4.42	4.42
2011	1.89	1.89	1.89
2012	2.19	2.19	2.19
2013	2.33	2.33	2.33
2014e	2.45	2.82	1.63
2015e	3.06	3.61	1.76
2016e	3.46	4.08	1.91
08 Tang BV	15.9	15.9	15.9
09 Tang BV	21.4	21.4	21.4
10 Tang BV	19.6	19.6	19.6
11 Tang BV	17.8	17.8	17.8
12 Tang BV	18.1	18.1	18.1
13 Tang BV	19.7	19.7	19.7
14e Tang BV	21.4	21.8	20.6
15e Tang BV	23.4	24.3	21.3
16e Tang Bv	25.9	27.4	22.2
Valuation			
SOP PT	**29**	**39**	**20**
Sustainable ROTE	14.8%	17.0%	13.0%
Cost of Equity	11.3%	11.0%	11.5%
Growth	2.5%	3.5%	1.0%
Theoretical P/B	1.4	1.8	1.1
Implied PT on P/14e TBV	**30**	**39**	**24**
P/E multiple on 15e	10.0	12.0	9.0
Implied value per share on P/E	**31**	**43**	**16**
Implied Price	**30**	**40**	**21**
Up/(Down)Side	**12%**	**51%**	**-22%**
Implied 15e P/E	9.8	11.2	12.0
Implied 14e P/TB	1.4	1.9	1.0
Weight	70%	15%	15%
Price target (weighted)	30		

Source: Morgan Stanley Research estimates

Exhibit 3
Credit Suisse P&L Forecasts

Credit Suisse Group											% Change			
	1Q14	2Q14e	3Q14e	4Q14e	FY12	FY13	FY14e	FY15e	FY16e	FY12	FY13	FY14e	FY15e	FY16e
Stated P&L (SFr mn)														
TOTAL REVENUES	**6,469**	**6,240**	**6,005**	**6,156**	**23,310**	**25,217**	**24,871**	**26,581**	**27,981**	**(7)**	**8**	**(1)**	**7**	**5**
Total Expenses	5,035	4,883	4,763	4,892	21,314	21,547	19,573	20,026	19,731	(4)	1	(9)	2	(1)
Compensation and Benefits	3,042	3,039	2,905	3,014	12,741	11,525	12,000	12,490	11,982	(5)	(10)	4	4	(4)
G&A	1,993	1,844	1,858	1,878	8,507	9,988	7,573	7,536	7,749	(4)	17	(24)	(0)	3
GROSS OPERATING PROFIT	**1,434**	**1,357**	**1,242**	**1,264**	**1,996**	**3,670**	**5,298**	**6,555**	**8,250**	**(31)**	**84**	**44**	**24**	**26**
Loan Loss Provisions	34	34	34	34	170	166	136	139	134	(9)	(2)	(18)	2	(4)
PRETAX PROFIT	**1,400**	**1,323**	**1,208**	**1,230**	**1,826**	**3,504**	**5,162**	**6,416**	**8,116**	**(33)**	**92**	**47**	**24**	**26**
Tax	543	367	335	341	464	1,276	1,585	1,782	2,258	(28)	175	24	12	27
Minority Interest	13	13	13	13	34	47	52	52	52	(73)	38			
NET PROFIT	**859**	**943**	**861**	**877**	**1,349**	**2,338**	**3,539**	**4,597**	**5,821**	**(31)**	**73**	**51**	**30**	**27**
Underlying P&L (SFr mn)														
one off gains (losses)	(79)	60	60	60	1,909	291	101	240	240	(308)	(85)	(65)	138	0
Underl. Revenues	**6,390**	**6,300**	**6,065**	**6,216**	**25,219**	**25,508**	**24,972**	**26,821**	**28,221**	**4**	**1**	**(2)**	**7**	**5**
other one-offs	181	175	175	175	1,243	2,244	706	750	0	(6)	81	(69)	6	(100)
Underl. Expenses	4,854	4,708	4,588	4,717	20,005	19,303	18,867	19,276	19,731	(4)	(4)	(2)	2	2
Underl. Pre-Prov. Op. Pft	**1,536**	**1,592**	**1,477**	**1,499**	**5,214**	**6,205**	**6,105**	**7,545**	**8,490**	**56**	**19**	**(2)**	**24**	**13**
Provisions	34	34	34	34	170	166	136	139	134	(9)	(2)	(18)	2	(4)
Underl. Pretax	1,502	1,558	1,443	1,465	5,044	6,039	5,969	7,406	8,356	59	20	(1)	24	13
Underl. Tax	421	436	404	410	1,531	1,734	1,671	2,074	2,340	145	13	(4)	24	13
Underl. Net Profit	**1,068**	**1,109**	**1,026**	**1,042**	**3,479**	**4,258**	**4,245**	**5,280**	**5,964**	**44**	**22**	**(0)**	**24**	**13**
Key Per Share Data (SFr mn)														
Diluted Stated EPS	0.48	0.55	0.50	0.51	0.87	1.37	2.04	2.67	3.38	(32)	57	49	31	27
ModelWare EPS (Diluted & Underl.)	**0.60**	**0.64**	**0.60**	**0.60**	**2.19**	**2.33**	**2.45**	**3.06**	**3.46**	**16**	**6**	**5**	**25**	**13**
Stated BV/S	27.1	27.0	27.5	28.1	27.0	26.4	28.1	30.1	32.6	(2)	(2)	6	7	8
Tangible BV/S (diluted, ex gdwill & FV gains)	20.4	20.4	20.9	21.4	18.1	19.7	21.4	23.4	25.9	2	9	9	9	10
DPS	0.21	0.21	0.21	0.21	0.75	0.70	0.85	1.15	1.50	0	(7)	21	35	30
EOP shares for MW EPS and TBVPS(m)	1,723	1,723	1,723	1,723	1,481	1,724	1,723	1,723	1,723	16	16	(0)	0	0
Key Ratios (%)														
Return on Common Equity	8.0	8.7	7.9	7.9	3.9	6.0	8.1	9.9	11.6					
Underl. Return on Common Equity	10.0	10.3	9.4	9.4	10.0	10.9	9.8	11.4	11.9					
Underl. Return on Tang. Equity	12.4	12.7	11.6	11.5	13.4	14.0	12.0	13.8	14.3					
Cost of risk	1.4	1.3	1.3	1.3	7.1	6.8	5.4	5.3	5.0					
Basel 3 CET1 (look-through)	10.0	10.4	10.7	11.0	6.6	10.0	11.0	12.2	13.7					
Swiss Lev Ratio (look-through, core +co-cos)	3.7	3.8	4.0	4.2	2.4	3.7	4.2	4.7	5.2					
B3 Risk-Weighted Assets (SFr mn)	279,694	278,063	277,373	276,692	344,110	266,103	276,692	275,023	275,953					

Source: Company Data, Morgan Stanley Research estimates (e)

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Industry Coverage:Banks

Company (Ticker)	Rating (as of)	Price* (04/16/2014)
Hubert Lam		
Commerzbank AG (CBKG.DE)	O (03/21/2014)	€12.83
Julius Baer (BAER.VX)	E (02/17/2014)	SFr40.7
Chris Manners, ACA		
Barclays Bank (BARC.L)	E (10/16/2013)	238p
HSBC (HSBA.L)	E (02/18/2013)	616p
Lloyds Banking Group (LLOY.L)	O (08/08/2013)	73p
Royal Bank of Scotland (RBS.L)	E (05/14/2012)	300p
Standard Chartered Bank (STAN.L)	U (02/28/2014)	1,325p
Sara Minelli		
BNP Paribas (BNPP.PA)	O (05/16/2011)	€54.27
Credit Agricole S.A. (CAGR.PA)	E (03/11/2013)	€11.16
KBC Group NV (KBC.BR)	O (12/11/2012)	€42.88
Natixis (CNAT.PA)	E (12/05/2013)	€5.13
Societe Generale (SOGN.PA)	E (02/14/2013)	€42.66
Morgan Stanley Research Europe		
National Bank of Greece (NBGr.AT)	++	€2.97
Alvaro Serrano		
BBVA (BBVA.MC)	O (02/12/2013)	€8.88
Banco Popular (ES) (POP.MC)	U (02/12/2013)	€5.46
Banco Sabadell (SABE.MC)	U (08/31/2011)	€2.26
Bankia SA (BKIA.MC)	O (02/05/2014)	€1.47
Bankinter (BKT.MC)	E (02/12/2013)	€5.59
CaixaBank SA (CABK.MC)	E (07/02/2013)	€4.56
DNB (DNB.OL)	O (01/16/2013)	NKr99.9
Danske Bank (DANSKE.CO)	E (08/19/2011)	DKr149.5
Nordea (NDA.ST)	E (03/28/2011)	SKr90.15
SEB (SEBa.ST)	E (09/02/2010)	SKr86.75
Santander (SAN.MC)	E (11/13/2013)	€7.05
Svenska Handelsbanken (SHBa.ST)	U (04/17/2013)	SKr324.6
Swedbank (SWEDa.ST)	O (12/05/2013)	SKr167.9
Francesca Tondi		
Banca Monte dei Paschi di Siena S.p.A. (BMPS.MI)	U (11/08/2010)	€.23
Banca Popolare di Milano S.c.a.r.l. (PMII.MI)	U (11/08/2010)	€.66
Banco Popolare (BAPO.MI)	U (11/08/2010)	€15.72
Erste Bank (ERST.VI)	E (03/06/2014)	€24.52
Intesa SanPaolo S.p.A. (ISP.MI)	O (01/22/2014)	€2.4
Mediobanca Banca Di Credito Finanziario (MDBI.MI)	E (12/05/2013)	€7.82
Raiffeisen Bank International (RBIV.VI)	E (08/29/2012)	€23.1
UniCredit S.p.A. (CRDI.MI)	O (01/22/2013)	€6.49
Unione di Banche Italiane SCPA (UBI.MI)	E (01/22/2014)	€6.96
Huw Van Steenis		
Credit Suisse Group (CSGN.VX)	E (11/04/2013)	SFr27.42
Deutsche Bank (DBKGn.DE)	E (10/11/2010)	€31.38
UBS (UBSN.VX)	O (01/18/2012)	SFr17.5

Stock Ratings are subject to change. Please see latest research for each company.
* Historical prices are not split adjusted.

Credit Suisse Group
Q1 2014: Headline miss, strong PB&WM

Buy reiterated despite EPS cuts
The stated Q1 net profit of CHF859m was -5% below UBSe and -20% below consensus mainly due to a high tax rate. We cut our 2014 and 2015 adj. EPS by 7% and 2% on the back of higher taxes and slightly lower revenues. Our pretax profit forecasts go down 4% for 2014 and 2% for 2015. Our estimates for the investment bank (both strategic and non-strategic) as well as the strategic non-investment banking businesses (Wealth Management, Asset Management and Corporate & Institutional Clients) remain unchanged. Our 2014 EPS is 11% below the pre-results consensus, in-line for 2015 and 6% higher for 2016. Our price target remains the same and we reiterate our Buy rating.

The negatives outweigh the positives on the results day
A clear headline net profit miss, higher than expected RWA (and thus lower capital ratios) and press reports (Financial Times 16 April 204) on investigations by the NY regulator more than compensated very strong net new money trends, good progress on cost cutting and the lending initiative showing good results. Q1 2014 results do not change our positive investment case

From capital rebuild/deleveraging over non-core cuts to growth/cash returns
Our bullish view is centred on an inflection point. The capital rebuild (CET1 and leverage ratio) and deleveraging phase (RWA, leverage exposure) is largely over. Capital and leverage ratios are close to 2019 requirements. High cash generation from here should result in attractive investment opportunities and/or high cash return.

Valuation: Based on a one-stage Gordon growth model
A P/TNAV 2014E of 1.2x for a ROTE 2014E of c11.4% and 14% in 2015E offers an attractive risk/reward profile, in our view. CS's stated ROE target is >15%, which we think implies a ROTE target of c18% – our number remains more than 20% lower (ROTE 2015E of 14%)

Equities

Switzerland
Banks, Ex-S&L

12-month rating	**Buy**
12m price target	**CHF33.50**
Price	**CHF27.42**

RIC: CSGN.VX **BBG:** CSGN VX

Trading data and key metrics

52-wk range	CHF30.29-24.46
Market cap.	CHF43.8bn/US$49.8bn
Shares o/s	1,596m (REG)
Free float	95%
Avg. daily volume ('000)	5,351
Avg. daily value (m)	CHF149.5
Common s/h equity (12/14E)	CHF45.1bn
P/BV (12/14E)	1.0x
Tier 1 ratio	16%

EPS (UBS, diluted) (CHF)

	From	To	% ch	Cons.
12/14E	2.50	2.32	-7.46	2.58
12/15E	3.20	3.13	-2.35	3.16
12/16E	3.60	3.61	0.20	3.44

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Highlights (CHFm)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Revenues	25,095	23,251	25,217	25,677	26,469	27,735	28,706	29,710
Profit before tax	2,759	1,888	3,504	5,830	7,564	8,714	8,895	9,217
Net earnings (local GAAP)	1,953	1,349	2,326	4,004	5,406	6,234	6,364	6,596
Net earnings (UBS)	1,978	1,389	2,181	4,004	5,406	6,234	6,364	6,596
Tier 1 ratio %	15.2	19.5	17.1	16.4	16.7	16.4	15.9	15.7
EPS (UBS, diluted) (CHF)	1.55	0.84	1.26	2.32	3.13	3.61	3.68	3.82

Profitability/valuation	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
ROE (UBS) %	5.9	4.0	5.6	9.2	11.5	12.2	11.6	11.2
P/PPOP (diluted)	13.6	17.1	12.7	8.0	6.2	5.3	5.2	5.0
P/BV x	1.1	0.8	1.0	1.0	0.9	0.8	0.8	0.7
P/BV (UBS) x	1.5	1.0	1.3	1.2	1.1	1.0	0.9	0.8
P/E (UBS, diluted)	20.3	25.3	21.4	11.8	8.8	7.6	7.4	7.2
Net dividend yield %	2.4	3.5	2.6	3.6	4.6	5.5	7.3	9.1

Source: Company accounts, Thomson Reuters, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of CHF27.42 on 16 Apr 2014 18:03 BST

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Investment Thesis

CS Group

12-month rating	**Buy**
12m price target	**CHF33.50**

Investment case

Credit Suisse is, in our view, well advanced in its multi-year transition programme. It is one of the first large banks that operate under a Basel 3-compliant business model. Credit Suisse started to accrue a meaningful cash dividend and the share count is set to stabilise.

Upside scenario

A clean 10bp higher gross margin (on the current business mix) could translate into a 22% higher pre-tax profit for 2014E in Wealth Management, we think, based on an assumed 33% marginal CI ratio. This translates into a 8% higher pre-tax profit for the whole group.

Downside scenario

A clean 10bp lower gross margin (on the current business mix) could translate into a 22% lower pre-tax profit for 2014E in Wealth Management, we think, based on an assumed 33% marginal CI ratio. This translates into a 8% lower pre-tax profit for the whole group.

Upcoming catalysts

The next scheduled newsflow is the release of Credit Suisse’s Q2 results on 17 July 2014.

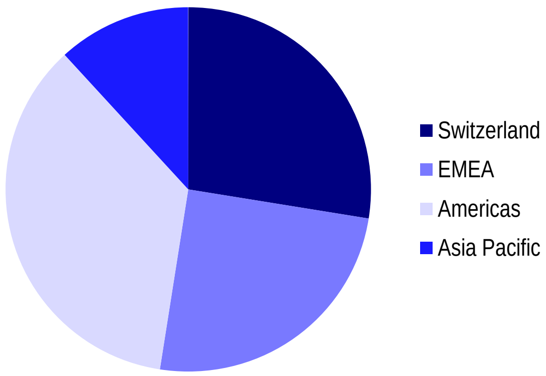
Business description

Credit Suisse is one of the two Swiss 'big banks'. Its Wealth Management business is among the global leaders in terms of assets under management, profitability and growth. Its global Investment Bank ranks among the largest in fixed income as well as equities globally. Other operations include Asset Management, which has recently narrowed its product and geographical focus. In its home market, Switzerland, CS caters to retail, private banking as well as corporate and institutional clients, offering a range of universal banking services. Credit Suisse targets a through-the-cycle after-tax ROE of at least 15%.

Industry outlook

The Swiss private banking industry and Credit Suisse Wealth Management are going through a fundamental, multi-year transition period. There are manifold unpredictable headwinds. Nevertheless, we think private banking remains an attractive business, more than ever in a Basel 3 world, where the capital usage of many (FIRC) businesses has increased dramatically. In our view, Credit Suisse's investment bank should be regarded as a potential Global Product specialist, competing in certain high-ROE products and services.

Revenues by region (%)



Source: Company data, UBS

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Headline miss but strategic results are in-line with UBSe

The Q1 net profit of CHF859m was -5% below UBSe and -20% below consensus mainly due to a high tax rate. The pre-tax profit, however, was 5% above UBSe and 'only' -8% below consensus (driven by non-core corporate centre and a below expectation Investment Banking result). The group core strategic result was in-line with UBSe and -9% below consensus.

Strong wealth management inflows and progress on costs

The Wealth Management profit was 14% (versus UBSe) better mainly due to costs. Net new money was almost twice the expected level at CHF10.6 billion (annualised 5.4%; strong inflows in Asia and Switzerland). The lending initiative showed first good results. The Investment Bank was 4% above UBSe but -15% below consensus. Equities and FICC trading were broadly in-line with UBSe and the primary businesses a bit better.

Balance sheet disappointing due to methodology changes and seasonality

The CET 1 ratio was 10% (UBSe 10.15%) as RWA increased CHF14 billion to CHF280 billion (due to methodology changes). The fully loaded leverage ratio was 3.7% (4% is the requirement in 2019) and already above 4% using the target leverage exposure.

Snippets from the confcall

- CEO Brady Dougan expects no major additional **structural changes in the core investment banking businesses**. Most of the remaining, upcoming structural headwinds will be relevant for the Rates, FX and commodities businesses (Global Macro Products) but Credit Suisse believes it can reposition this unit into a capital-light, flow-driven business model with a ROE of more than 15%.

- The **private banking gross margin** 2014 should be broadly flat versus 2013 (107bp) – we factor in 105bp. The net interest income in Private banking will come down in H1 and should then recover in H2 2014.

- CEO Dougan made reassuring comments on CS' exposure to HFT (**High Frequency Trading**): "responsible, pure agency business, good market share".

- The RWA increase from **methodology changes** mainly impacted Q1. There could be further small increase in Q2 but management then expects a drop in Q3.

- Management made positive comments on the re-allocation of resources/capital into high ROE businesses, e.g. **Lombard lending** (from CHF0.5 billion in Q1 2013 to CHF2.2billion in Q1 2014) offering a >100bp lending spread. The Lombard lending penetration overall is below 5% and c8% in the UHNW segment. Doubling this penetration could results in an up to 14bp gross margin increase, *ceteris paribus*. On the divisional level however we think this increase would be at least partly eaten away by a mix shift to the lower gross margin UHNW business.

Figure 1: Illustrative example of gross margin impact from Lombard lending penetration increase from 8% to 16% (CHF million)

	t0	t1	t2
AUM	100	100	100
Gross margin (bp)	50 bp	50 bp	50 bp
Revenues	0.5	0.5	0.5
Lending	0	8	16
Lending penetration	0%	8%	16%
Spread (bp)	100 bp	100 bp	100 bp
Revenues lending	0	0.08	0.16
Total AUM	100	108	116
Gross margin excl. lending (bp)	50 bp	50 bp	50 bp
Revenues excl. lending	0.5	0.5	0.6
Revenues incl. lending	0.5	0.6	0.7
Gross margin (bp)	**50 bp**	**57 bp**	**64 bp**

Source: UBS estimates

Our positive investment case

Our bullish view is centred on an inflection point. The capital rebuild (CET1 and leverage ratio) and deleveraging phase (RWA, leverage exposure) is largely over. Capital and leverage ratios are close to 2019 requirements. High cash generation from here should result in attractive investment opportunities and/or high cash return.

High dividend or attractive investment opportunities

Decent retained profits and further non-core loss reductions should allow for (further) capital redeployment into high-ROE businesses in PB&WM, bringing the capital allocation closer to 50/50 between the investment bank and the non-investment bank businesses.

Key focus areas for growth are the UHNW business and private banking emerging markets. For example, some CHF3 billion retained earnings (50% payout ratio on CHF6 billion net profit) would allow for cCHF30 billion RWA growth. With CHF94 billion RWA in PB&WM, it could be a stretch, in our view, to reinvest retained earnings – another reason why dividend payout ratios could go up markedly.

We like the investment case, but 2014 will be burdened by more extra costs

Credit Suisse is geared into strong equity markets as well as some (still) well-performing fixed income businesses. We like the investment case because:

(1) CS is, in our view, well advanced in its multi-year transition programme;

(2) CS has already reduced non-core positions and strengthened its balance sheet, and is reducing costs aggressively;

(3) its business mix remains highly free cash flow generative, also in a Basel 3 world;

(4) CS's private bank remains an attractive business;

(5) CS pays a cash dividend again; and

(6) it has decent capital and leverage ratio levels.

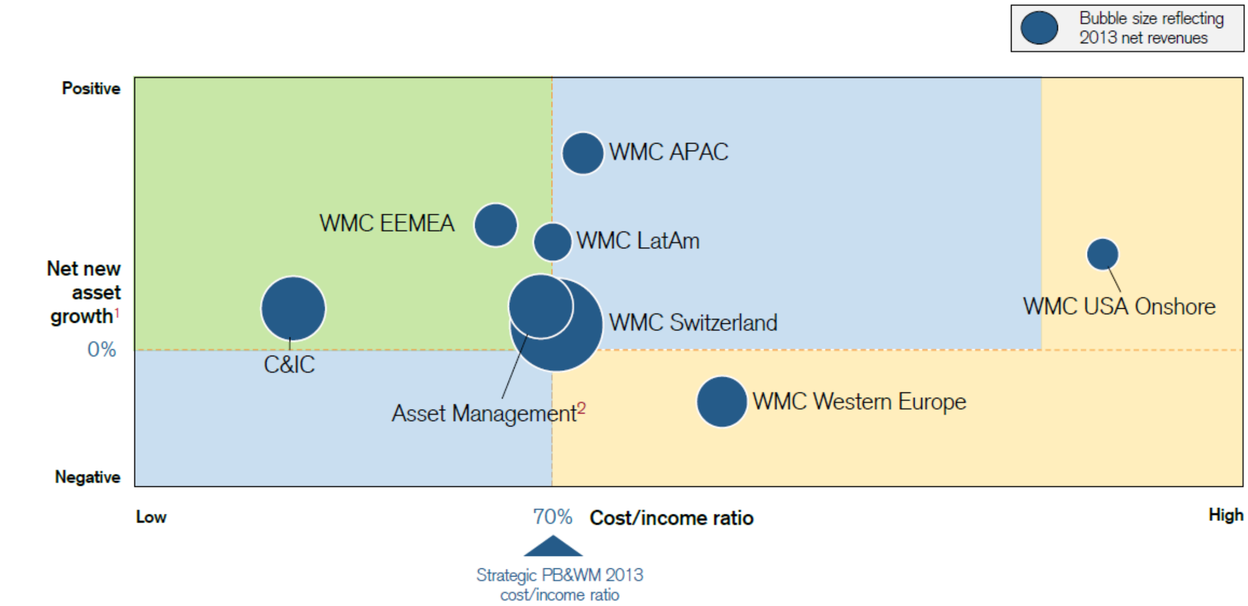
Valuation

In our Gordon growth valuation model, we are using a 10% cost of equity. In order to derive our price target of CHF33.5, we are using a ROTE of 14% (2015E) which we then discount back to 2014. CS' stated ROE target is >15% which we think implies a ROTE target of c18% - we therefore remain more than 20% below company target.

For a more detailed update on our investment case, please refer to our 6 February 2014 Credit Suisse note *A soft Q4 can't derail the positive investment case* or 18 March 2014 Credit Suisse *The inflection point*.

Key charts

Figure 2: Portfolio of PB&WM (excluding non-strategic unit) in 2013



PB&WM = Private Banking & Wealth Management. CIC = Corporate & Institutional Clients. WMC = Wealth Management Clients. EEMEA = Easter Europe, Middle East and Africa. APAC = Asia Pacific
Note: Full-year 2013. Strategic unit excluding 2013 one-off expenses of CHF 16 mn. 1 Average 2011, 2012 and 2013. 2 NNA 2012 excluding large single outflow in Core Investments.

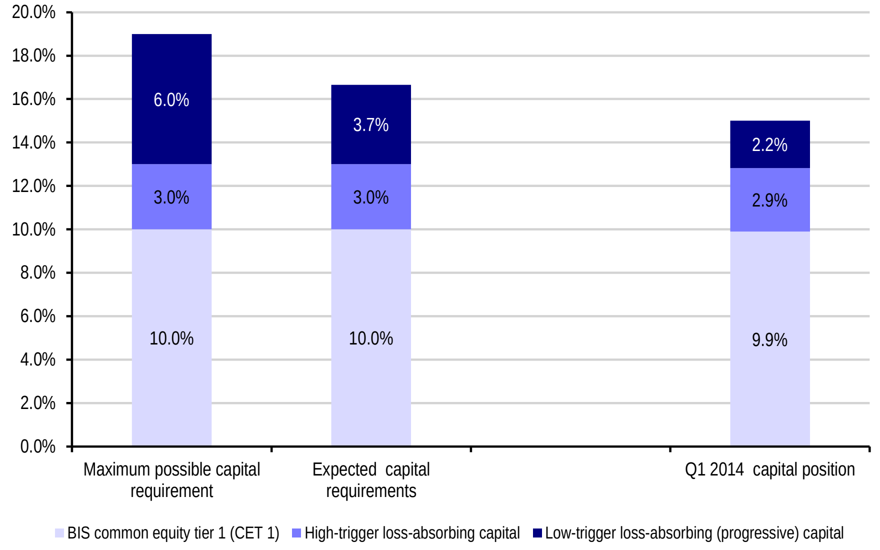
Source: Credit Suisse

Figure 3: Key performance indicators of various regions (UBS estimates, CHF million)

2013 excluding non-strategic unit	Avg. AUM 2013	*As % of total PBWM AUM*	*As % of total WM AUM*	Revenues	*As % of total PBWM revenues*	*As % of total WM revenues*	Gross margin	Costs	CI Ratio	Pretax profit 2013	*As % of total PBWM profits*	*As % of total WM profits*
Total PBWM	1,291	*100%*		12,443	*100%*		96bp	-8,909	72%	3,534	*100%*	
Total WMC	773		*100%*	8,453		*100%*	109bp	-6,228	74%	2,225		*100%*
C&IC	237	*18%*		1,996	*16%*		84bp	-1,028	52%	968	*27%*	
Asset Management	339	*26%*		1,994	*16%*		59bp	-1,375	69%	619	*18%*	
Switzerland	257	*20%*	*33%*	4,363	*35%*	*52%*	170bp	-3,054	70%	1,309	*37%*	*59%*
EEMEA	117	*9%*	*15%*	868	*7%*	*10%*	74bp	-571	66%	297	*8%*	*13%*
APAC	109	*8%*	*14%*	899	*7%*	*11%*	82bp	-649	72%	249	*7%*	*11%*
LatAm	90	*7%*	*12%*	645	*5%*	*8%*	72bp	-449	70%	197	*6%*	*9%*
Western Europe (on- & offshore)	120	*9%*	*16%*	1,265	*10%*	*15%*	105bp	-1,043	82%	222	*6%*	*10%*
USA onshore	80	*6%*	*10%*	413	*3%*	*5%*	52bp	-463	112%	-50	*-1%*	*-2%*

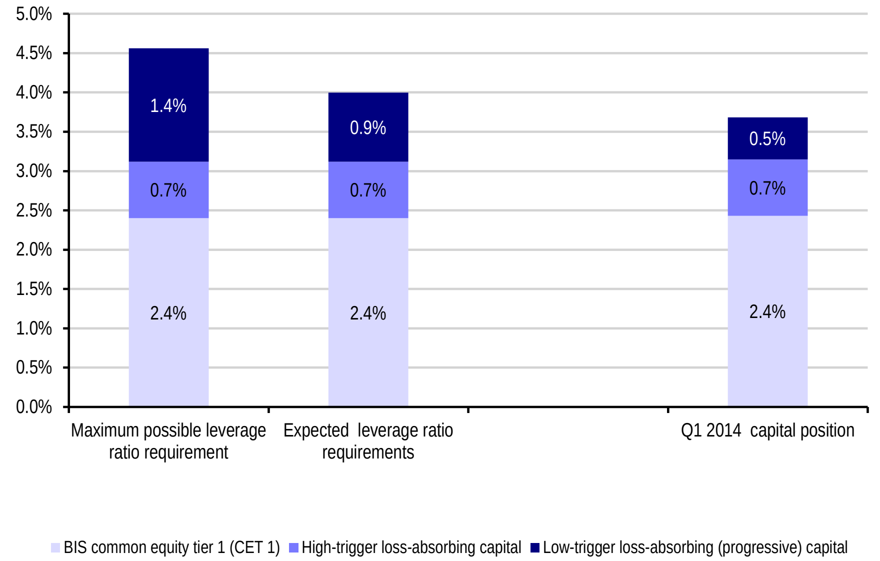
Source: UBS estimates

Figure 4: Potential capital requirements and Credit Suisse capital ratios



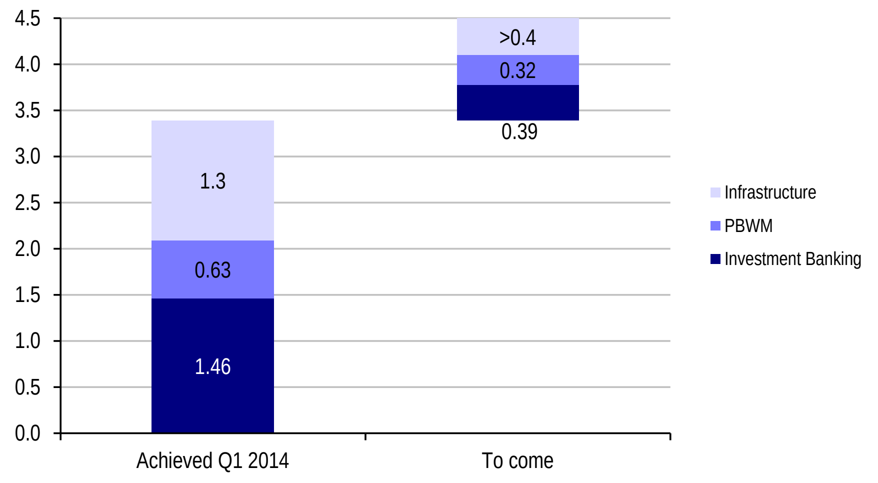
Source: Credit Suisse. Note: The progressive component requirement is dependent on CS' size (leverage ratio exposure) and the market share of CS' domestic systemically relevant business and is subject to potential capital rebates that may be granted by FINMA.

Figure 5: Potential capital requirements and Credit Suisse leverage ratios



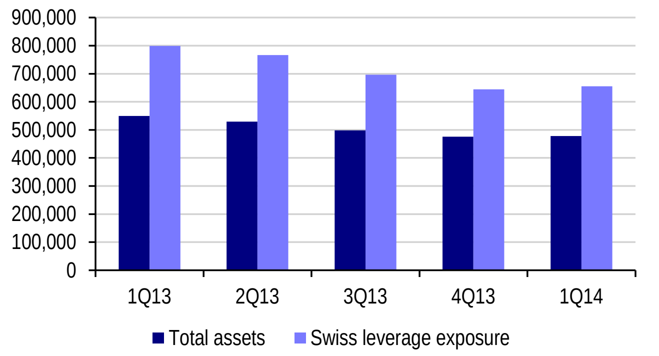
Source: Credit Suisse. Note: The progressive component requirement is dependent on CS' size (leverage ratio exposure) and the market share of CS' domestic systemically relevant business and is subject to potential capital rebates that may be granted by FINMA.

Figure 6: CHF>4.5 billion cost savings by end-2015



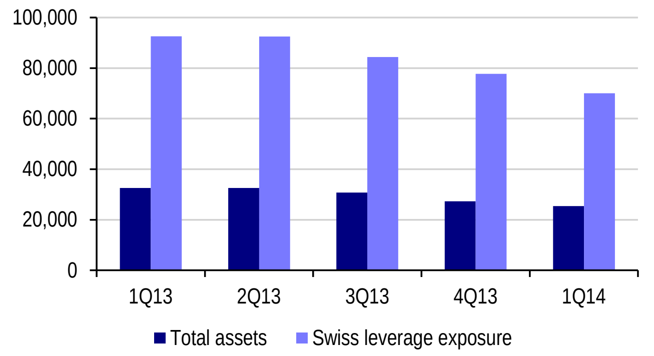
Source: Credit Suisse

Figure 7: Strategic IB deleveraging (CHF bn)



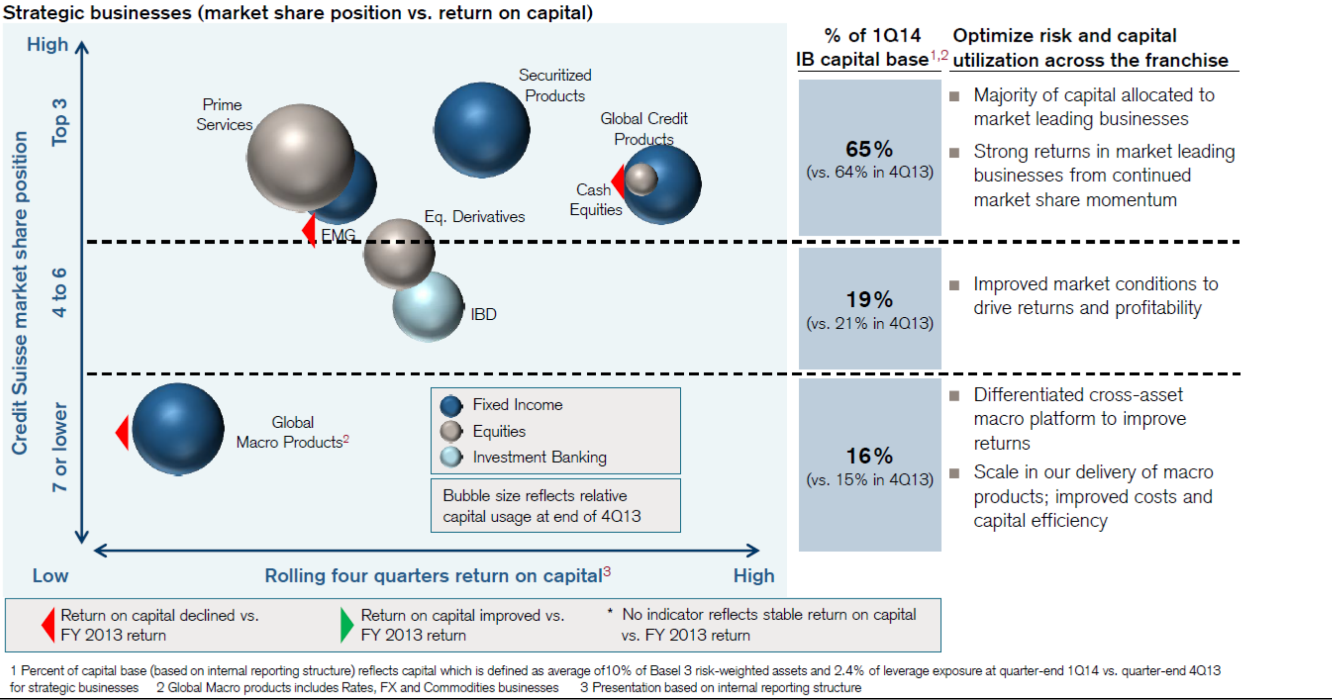
Source: Credit Suisse

Figure 8: Non-Strategic IB deleveraging (CHF bn)



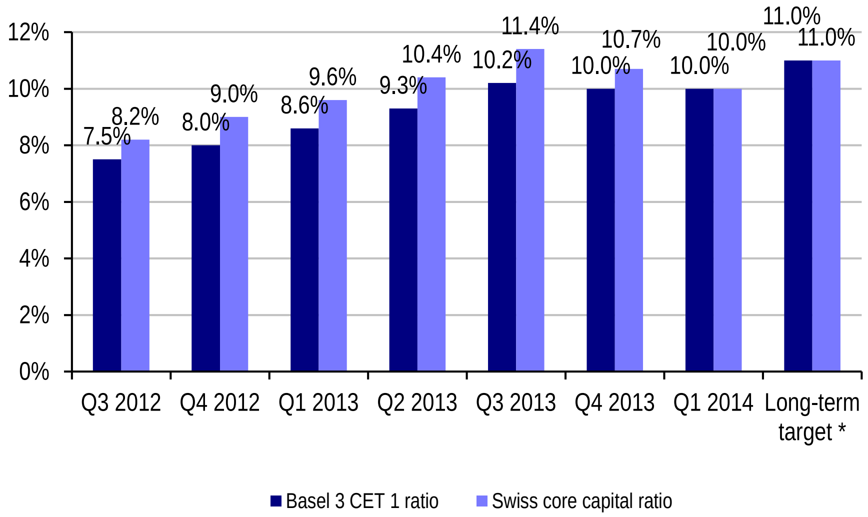
Source: Credit Suisse

Figure 9: Basel 3 ROE, capital consumption and market position



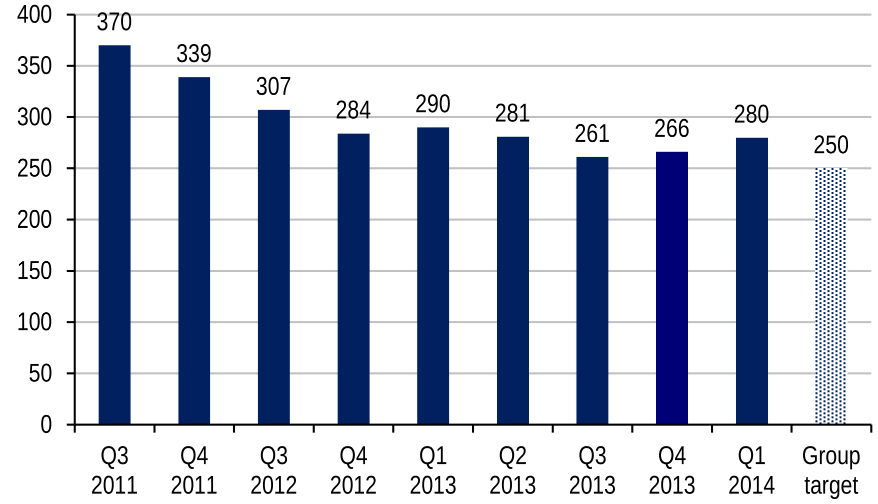
Source: Credit Suisse

Figure 10: Fully loaded CET 1 capital ratio



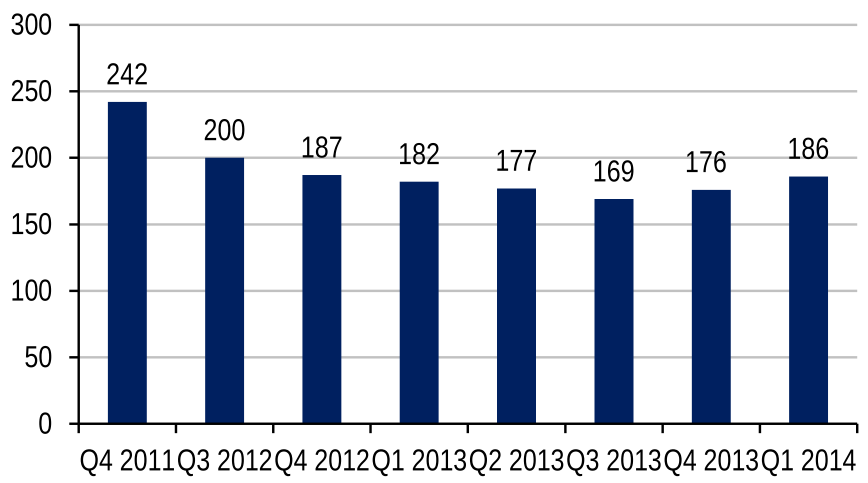
Source: Credit Suisse

Figure 11: RWA CS group (CHF billion)



Source: Credit Suisse

Figure 12: RWA Investment Banking ($ billion)



Source: Credit Suisse

Credit Suisse Group (CSGN.VX)

Profit & Loss (CHFm)	12/11	12/12	12/13	12/14E	% ch	12/15E	% ch	12/16E	12/17E	12/18E
Net income interest	6,398	7,126	8,100	6,908	-14.7	6,666	-3.5	7,099	7,348	7,605
Total non interest income	18,697	16,125	17,117	18,769	9.7	19,803	5.5	20,635	21,358	22,105
Total income	**25,095**	**23,251**	**25,217**	**25,677**	1.8	**26,469**	3.1	**27,735**	**28,706**	**29,710**
Total cash expenses	(22,149)	(21,193)	(21,546)	(19,748)	8.3	(18,776)	4.9	(18,851)	(19,511)	(20,194)
Pre-depreciation operating profit	**2,946**	**2,058**	**3,671**	**5,929**	61.5	**7,694**	29.8	**8,884**	**9,195**	**9,517**
Depreciation & amort (excl. goodwill)	0	0	0	0	-	0	-	0	0	0
Operating profit pre provisions	**2,946**	**2,058**	**3,671**	**5,929**	61.5	**7,694**	29.8	**8,884**	**9,195**	**9,517**
Total provisions	(187)	(170)	(167)	(99)	40.7	(130)	-31.3	(170)	(300)	(300)
Operating profit post provisions	**2,759**	**1,888**	**3,504**	**5,830**	66.4	**7,564**	29.7	**8,714**	**8,895**	**9,217**
Income from associates & JVs (pre-tax)	0	0	0	0	-	0	-	0	0	0
Other pre-tax items	0	0	0	0	-	0	-	0	0	0
Profit before tax (UBS)	**2,759**	**1,888**	**3,504**	**5,830**	66.4	**7,564**	29.7	**8,714**	**8,895**	**9,217**
Exceptionals (incl goodwill)	0	0	0	0	-	0	-	0	0	0
Profit before tax	**2,759**	**1,888**	**3,504**	**5,830**	66.4	**7,564**	29.7	**8,714**	**8,895**	**9,217**
Tax	(656)	(465)	(1,276)	(1,786)	-40.0	(2,118)	-18.6	(2,440)	(2,491)	(2,581)
Profit after tax	**2,103**	**1,423**	**2,228**	**4,044**	81.5	**5,446**	34.7	**6,274**	**6,404**	**6,636**
Other post-tax items	(25)	(40)	145	0	-	0	-	0	0	0
Preference dividends	0	0	0	0	-	0	-	0	0	0
Minorities	(125)	(34)	(47)	(40)	14.9	(40)	0.0	(40)	(40)	(40)
Net earnings (local GAAP)	**1,953**	**1,349**	**2,326**	**4,004**	72.2	**5,406**	35.0	**6,234**	**6,364**	**6,596**
Net earnings (before pref divs)	**1,953**	**1,349**	**2,326**	**4,004**	72.2	**5,406**	35.0	**6,234**	**6,364**	**6,596**
Net earnings (UBS)	**1,978**	**1,389**	**2,181**	**4,004**	83.6	**5,406**	35.0	**6,234**	**6,364**	**6,596**

Per share (CHF)	12/11	12/12	12/13	12/14E	% ch	12/15E	% ch	12/16E	12/17E	12/18E
EPS (local GAAP, basic)	1.60	1.02	1.46	2.51	72.2	3.39	35.0	3.91	3.99	4.13
EPS (UBS, diluted)	1.55	0.84	1.26	2.32	83.6	3.13	35.0	3.61	3.68	3.82
PPOP (diluted)	2.31	1.24	2.12	3.43	61.5	4.45	29.8	5.14	5.32	5.51
Net DPS	0.75	0.75	0.70	1.00	42.9	1.25	25.0	1.50	2.00	2.50
BVPS	27.50	26.87	26.42	28.23	6.8	30.61	8.5	33.27	35.76	37.89
BVPS (UBS)	20.25	20.34	21.27	23.08	8.5	25.47	10.3	28.13	30.61	32.75

Balance sheet (CHFm)	12/11	12/12	12/13	12/14E	% ch	12/15E	% ch	12/16E	12/17E	12/18E
Banking assets (year end)	1,049,165	924,280	872,602	898,780	3.0	925,743	3.0	953,516	953,516	953,516
Banking assets (average)	1,040,585	986,723	898,441	885,691	-1.4	912,262	3.0	939,630	953,516	953,516
Total assets (year end)	1,049,165	924,280	872,602	898,780	3.0	925,743	3.0	953,516	953,516	953,516
Risk weighted assets (RWA) (year end)	241,753	224,296	273,846	280,944	2.6	277,856	-1.1	288,147	298,438	298,438
Risk weighted assets (RWA) (average)	230,228	233,025	249,071	277,395	11.4	279,400	0.7	283,002	293,293	298,438
Customer loans	233,413	242,223	247,065	256,948	4.0	267,226	4.0	277,915	277,915	277,915
Customer loans (average)	226,128	237,818	244,644	252,006	3.0	262,087	4.0	272,570	277,915	277,915
Interest earning assets (average)	904,679	851,351	767,087	754,904	-1.6	778,613	3.1	802,218	814,195	814,195
Customer deposits	313,401	308,312	333,089	343,082	3.0	353,374	3.0	363,975	363,975	363,975
Common s/h equity (year end)	33,674	35,498	42,164	45,051	6.8	48,861	8.5	53,100	57,070	60,473
Common s/h equity (average)	33,478	34,586	38,831	43,608	12.3	46,956	7.7	50,980	55,085	58,771
Total SHF (equity, pref & MI) (year end)	41,085	42,284	47,166	50,053	6.1	53,863	7.6	58,102	62,072	65,475
Total SHF (equity, pref & MI) (average)	42,050	41,685	44,725	48,610	8.7	51,958	6.9	55,982	60,087	63,773
Net tangible assets	32,206	33,652	38,957	41,844	7.4	45,654	9.1	49,893	53,863	57,266

Balance sheet structure (%)	12/11	12/12	12/13	12/14E	% ch	12/15E	% ch	12/16E	12/17E	12/18E
Loans / banking assets (year end)	22.2	26.2	28.3	28.6	1.0	28.9	1.0	29.1	29.1	29.1
Deposits / banking assets (year end)	29.9	33.4	38.2	38.2	0.0	38.2	0.0	38.2	38.2	38.2
Loans / deposits	74.5	78.6	74.2	74.9	1.0	75.6	1.0	76.4	76.4	76.4
Total SHF / banking assets (year end)	3.9	4.6	5.4	5.6	3.0	5.8	4.5	6.1	6.5	6.9

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

Credit Suisse Group (CSGN.VX)

Capital adequacy (CHFm)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Tier 1 capital	36,844	43,681	46,804	46,130	46,459	47,217	47,307	46,831
Total capital	48,654	50,070	57,031	56,357	56,686	57,444	57,534	57,058
Risk weighted assets (RWA) (year end)	241,753	224,296	273,846	280,944	277,856	288,147	298,438	298,438
Core tier 1 ratio %	-	-	13.0	-	-	-	-	12.0
Tier 1 ratio %	15.2	19.5	17.1	16.4	16.7	16.4	15.9	15.7
Total capital ratio %	20.1	22.3	20.8	20.1	20.4	19.9	19.3	19.1
Tangible equity	24,795	26,866	33,955	36,842	40,652	44,891	48,861	52,264
Equity / assets %	3.2	3.8	4.8	5.0	5.3	5.6	6.0	6.3
Tangible equity to tangible assets %	2.4	2.9	3.9	4.1	4.4	4.7	5.2	5.5

Asset quality (CHFm)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Non performing assets	1,718	1,729	1,461	1,900	2,050	2,350	2,350	2,350
Total risk reserves	910	922	858	707	562	432	432	432
NPLs / loans %	0.4	0.5	0.5	0.5	0.5	0.6	0.6	0.6
NPL coverage %	89.2	78.7	75.1	54.4	41.6	27.0	27.0	27.0
Provision charge / average loans %	0.1	0.1	0.1	0.0	0.0	0.1	0.1	0.1
Net NPAs / shareholders funds %	2.0	1.9	1.3	2.4	2.8	3.3	3.1	2.9

Profitability (%)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Net interest margin (avg assets)	0.61	0.72	0.90	0.78	0.73	0.76	0.77	0.80
Provisions / operating profit	6.3	8.3	4.5	1.7	1.7	1.9	3.3	3.2
ROE (UBS earnings)	5.9	4.0	5.6	9.2	11.5	12.2	11.6	11.2
RoAdjE (UBS earnings & equity)	8.0	5.4	7.2	11.3	14.0	14.6	13.6	13.0
RoRWA (UBS)	0.91	0.61	0.89	1.46	1.95	2.22	2.18	2.22
RoA (UBS earnings)	0.20	0.14	0.25	0.46	0.60	0.67	0.67	0.70

Productivity (%)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Cost income ratio	88.3	91.1	85.4	76.9	70.9	68.0	68.0	68.0
Cost / average assets	2.13	2.15	2.40	2.23	2.06	2.01	2.05	2.12
Compensation expense ratio	81.5	85.6	75.3	65.2	59.1	55.7	55.7	55.7

Growth (%)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Revenue	-18.1	-7.3	8.5	1.8	3.1	4.8	3.5	3.5
Operating profit pre provisions	-56.2	-30.1	78.4	61.5	29.8	15.5	3.5	3.5
Net earnings (UBS)	-61.3	-29.8	57.0	83.6	35.0	15.3	2.1	3.6
Net DPS	-42.3	0.0	-6.7	42.9	25.0	20.0	33.3	25.0
Total assets (year end)	1.7	-11.9	-5.6	3.0	3.0	3.0	0.0	0.0
Customer loans	6.7	3.8	2.0	4.0	4.0	4.0	0.0	0.0
Customer deposits	9.0	-1.6	8.0	3.0	3.0	3.0	0.0	0.0

Value (x)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Market cap/revenues	1.5	1.1	1.6	1.7	1.7	1.6	1.5	1.5
Market cap/deposits	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
P/PPOP (diluted)	13.6	17.1	12.7	8.0	6.2	5.3	5.2	5.0
P/E (local GAAP, basic)	19.7	20.8	18.5	10.9	8.1	7.0	6.9	6.6
P/E (UBS, diluted)	20.3	25.3	21.4	11.8	8.8	7.6	7.4	7.2
Net dividend yield %	2.4	3.5	2.6	3.6	4.6	5.5	7.3	9.1
P/BV x	1.1	0.8	1.0	1.0	0.9	0.8	0.8	0.7
P/BV (UBS) x	1.5	1.0	1.3	1.2	1.1	1.0	0.9	0.8

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

Forecast returns

Forecast price appreciation	+22.2%
Forecast dividend yield	4.6%
Forecast stock return	+26.8%
Market return assumption	5.1%
Forecast excess return	+21.7%

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Source: UBS. Rating allocations are as of 31 March 2014.
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Company Disclosures

Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
Credit Suisse Group[5, 16]	CSGN.VX	Buy	N/A	CHF27.83	15 Apr 2014

Source: UBS. All prices as of local market close.
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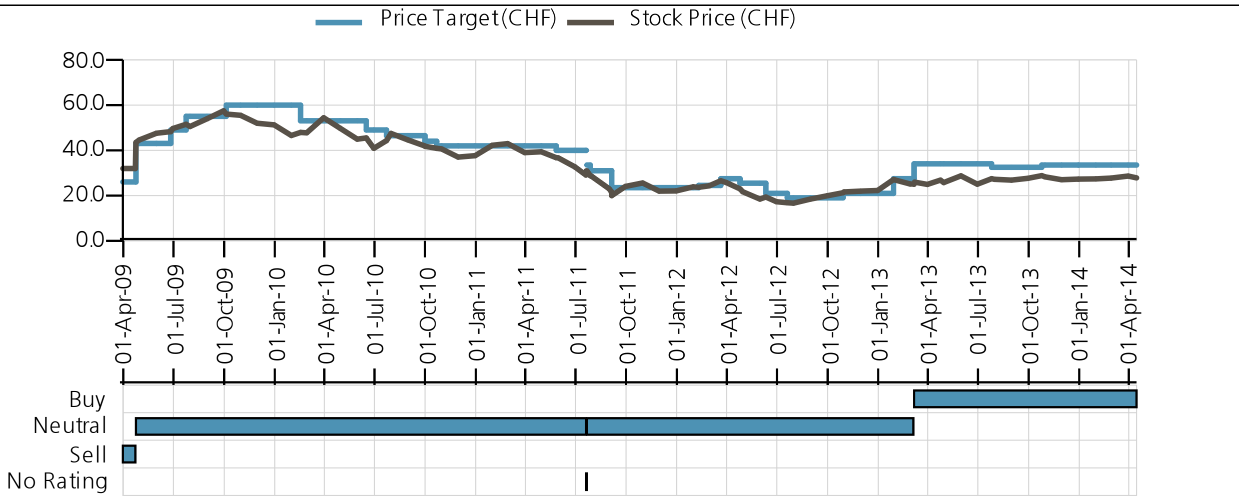
Credit Suisse Group (CHF)



Source: UBS; as of 15 Apr 2014

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Reuters	Bloomberg	Exchange	Ticker
CSGN.VX	CSGN VX	VTX	CSGN
ADR Ticker	ISIN		
CS	US2254011081		

Date
16 April 2014

Results

Price at 15 Apr 2014 (CHF)	27.83
Price Target (CHF)	30.00
52-week range (CHF)	30.29 - 24.46

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Q1 results review: it could have been much worse, TP unchanged

Revenues miss, but good cost control compensates

CS reported Q1 results today, with underlying revenues that fell short of our estimates by CHF 0.3bn. Private banking gross revenue margins of 104bp were weaker than we had expected, and sales and trading revenues in the investment bank also missed. But Credit Suisse partially compensated with strong cost control, and on balance, we think CS is showing more resilience to tough markets than implied by the valuation. Our 2015E adjusted EPS forecasts are revised down, but only slightly (2%) and our target price of CHF 30 is unchanged. Maintain Hold.

Wealth, Asset Management have strong inflows

The best parts of the Q1 results were cost control and net new money inflows, both visible in the wealth management and asset management divisions. This was important, as gross wealth management revenues were just 104bp of AuM (flat on Q4) and CS guided that FY margins could possibly be down to 105bp to 106bp (versus previous guidance of 107bp). Overall, though, CS saw rising net profit relative to AuM, and gave an upbeat view of new business initiatives, which we think will lead to higher margins as 2014 progresses.

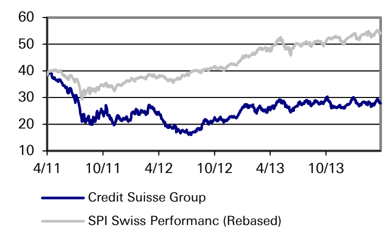
Investment banking: revenues slightly weak, costs good

Both FICC and Equities sales and trading revenues misses our forecasts by CHF 0.1bn, albeit advisory and underwriting revenues beat. Costs in the investment bank were in line, but this included a larger accrual for variable comp than the previous year. Although Credit Suisse's overall result was towards the bottom of the pack reporting so far, given the narrow focus on more cyclical / risk-on businesses (EM, HY, Equities, Securitisation), we think the Q1 i-bank result was solid.

2015E adjusted EPS down by 2%

Overall, we have downgraded our 2014E and 2015E adjusted EPS forecasts by 5% and 2% respectively. These are small changes given the revenue miss and still tough outlook (macro uncertainties), but we find the cost discipline convincing. We stay with our HOLD recommendation and SOTP-derived target price of CHF 30 (see Figure 10). CS trades cheap versus peers (on 8.7x 2015E earnings), partly due to lower capital levels, and partly due to perceptions of a more volatile business mix. Trading well in tough quarters should, over time, close that gap. Key downside risks would include worse capital markets, more macro uncertainty, and especially any slippage on cost control. Upside risks include more stable emerging markets and rallying asset prices, driving higher AuM and revenues.

Price/price relative



Performance (%)	1m	3m	12m
Absolute	4.8	-7.5	6.0
SPI Swiss Performance IX	2.9	0.7	11.6

Source: Deutsche Bank

Forecasts And Ratios

Year End Dec 31	2012A	2013A	2014E	2015E
EPS Stated (CHF)	1.13	1.51	2.29	2.97
EPS Adjusted (CHF)	3.04	2.65	2.72	3.22
P/E Adjusted (x)	7.3	10.3	10.2	8.7
DPS(CHF)	0.75	0.70	0.80	0.90
Dividend Yield (%)	3.5	2.6	2.9	3.2

Source: Deutsche Bank estimates, company data

Model updated:16 April 2014

Running the numbers

Europe

Switzerland

Banks

Credit Suisse Group

Reuters: CSGN.VX Bloomberg: CSGN VX

Hold

Price (15 Apr 14)	CHF 27.83
Target Price	CHF 30.00
52 Week range	CHF 24.46 - 30.29
Market Cap (m)	CHFm 44,230
	USDm 50,302

Company Profile

Credit Suisse Group provides universal banking services including investment, trust and management services, and insurance in Switzerland and internationally. The Company has a network of offices in Switzerland and around the world.

Fiscal year end 31-Dec	2011	2012	2013	2014E	2015E	2016E
Data Per Share						
EPS (stated)(CHF)	1.62	1.13	1.51	2.29	2.97	3.41
EPS (DB) (CHF)	1.62	3.04	2.65	2.72	3.22	3.45
Growth Rate - EPS (DB) (%)	-61.2	88.0	-12.8	2.4	18.4	7.2
DPS (CHF)	0.75	0.75	0.70	0.80	0.90	1.00
BVPS (stated) (CHF)	27.47	27.76	26.50	28.01	30.55	33.14
Tang. NAV p. sh. (CHF)	20.22	21.04	21.48	22.58	25.17	27.81
Market Capitalisation	27,058	28,568	43,384	44,230	44,230	44,230
Shares in issue	1,206	1,255	1,514	1,588	1,597	1,612
Valuation Ratios & Profitability Measures						
P/E (stated)	13.6	19.6	18.1	12.2	9.4	8.2
P/E (DB)	13.7	7.3	10.3	10.2	8.7	8.1
P/B (stated)	0.8	0.8	1.0	1.0	0.9	0.8
P/Tangible equity (DB)	1.1	1.1	1.3	1.2	1.1	1.0
ROE(stated)(%)	5.8	4.1	5.9	8.4	10.1	10.7
ROTE (tangible equity) (%)	7.9	14.7	13.1	12.3	13.5	13.0
ROIC (invested capital) (%)	5.8	11.0	10.3	10.0	11.0	10.8
Dividend yield(%)	2.4	3.5	2.6	2.9	3.2	3.6
Dividend cover(x)	2.2	1.5	2.2	2.9	3.3	3.4
Profit & Loss (CHFm)						
Net interest revenue	6,606	7,150	8,252	8,582	8,668	8,755
Non interest income	19,364	16,594	17,673	17,039	18,134	19,528
Commissions	14,782	13,728	13,513	13,916	14,612	15,342
Trading Revenue	3,081	2,806	846	2,552	2,923	3,556
Other revenue	1,500	60	3,314	571	599	629
Total revenue	25,970	23,744	25,925	25,621	26,802	28,282
Total Operating Costs	22,349	21,372	20,772	19,488	19,436	19,830
Employee Costs	12,163	10,983	10,175	8,679	8,411	8,584
Other costs	10,186	10,389	10,597	10,809	11,025	11,246
Pre-Provision profit/(loss)	3,621	2,372	5,153	6,133	7,366	8,452
Bad debt expense	187	170	153	265	464	504
Operating Profit	3,434	2,202	5,000	5,868	6,902	7,948
Pre-tax associates	0	0	0	0	0	0
Pre-tax profit	3,434	2,202	5,000	5,868	6,902	7,948
Tax	645	464	1,486	1,698	1,963	2,267
Other post tax items	-836	-315	-1,227	-532	-192	-192
Stated net profit	1,953	1,423	2,287	3,638	4,746	5,490
Goodwill	0	0	0	0	0	0
Extraordinary & Other items	1,341	367	1,171	525	391	71
Bad Debt Provisioning	0	0	0	0	0	0
Investment reval, cap gains / losses	-1,345	2,024	557	151	0	0
DB adj. core earnings	1,950	3,814	4,015	4,314	5,137	5,561
Key Balance Sheet Items (CHFm) & Capital Ratios						
Risk-weighted assets	241,753	224,296	273,846	275,000	270,000	270,000
Interest-earning assets	954,797	837,118	794,868	810,719	822,429	824,360
Customer Loans	233,413	242,223	247,065	242,223	254,334	259,421
Total Deposits	313,401	308,312	333,089	308,312	323,728	339,914
Stated Shareholder Equity	33,674	35,632	42,164	44,516	49,014	53,668
Equals: Tangible Equity	24,795	27,000	34,165	35,884	40,382	45,036
Tier 1 capital	38,455	43,681	46,804	47,523	51,022	54,676
Tier 1 ratio (%)	16	19	17	17	19	20
o/w core tier 1 capital ratio (%)	11.3	15.6	9.7	10.5	12.9	15.1
Credit Quality						
Gross NPLs/Total Loans(%)	0.74	0.71	0.70	0.69	0.74	0.80
Risk Provisions/NPLs(%)	53	53	53	66	77	87
Bad debt / Avg loans (%)	0.08	0.07	0.06	0.11	0.19	0.20
Bad debt/Pre-Provision Profit(%)	5.2	7.2	3.0	4.3	6.3	6.0
Growth Rates & Key Ratios						
Growth in revenues (%)	-17	-9	9	-1	5	6
Growth in costs (%)	-7	-4	-3	-6	0	2
Growth in bad debts (%)	-337	-9	-10	73	75	9
Growth in RWA (%)	11	-7	22	0	-2	0
Net int. margin (%)	0.70	0.80	1.01	1.07	1.06	1.06
Cap.-market rev. / Total revs (%)	83	100	91	91	93	93
Total loans / Total deposits (%)	74	79	74	79	79	76
ROTE Decomposition						
Revenue % ARWAs	11.28	10.19	10.41	9.34	9.84	10.47
Net interest revenue % ARWA	2.87	3.07	3.31	3.13	3.18	3.24
Non interest revenue % ARWA	8.41	7.12	7.10	6.21	6.65	7.23
Costs/income ratio (%)	86.1	90.0	80.1	76.1	72.5	70.1
Bad debts % ARWAs	0.08	0.07	0.06	0.10	0.17	0.19
Tax rate (%)	18.8	21.1	29.7	28.9	28.4	28.5
Adj. Attr. earnings % ARWA	0.85	1.64	1.61	1.57	1.89	2.06
Capital leverage (ARWA/Equity)	9.4	9.0	8.1	7.8	7.1	6.3
ROTE (Adj. earnings/Ave. equity)	7.9	14.7	13.1	12.3	13.5	13.0

Source: Company data, Deutsche Bank estimates

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Q1 results review

Key points

- Credit Suisse reported Q1 net profit today of CHF 859m, a miss versus our forecast. Pre-tax profit (for the core bank, i.e. excluding private equity consolidations) was CHF 1,400m, roughly in line with our forecast but a miss versus consensus of CHF 1,515m.
- Within these results, core revenues in the wealth management division and also the investment bank were the weakest spot, offset by good cost control. The gross revenue margin in **Wealth Management** of 104bp was a particular disappointment (flat QoQ), albeit strong cost performance compensated. On the call, CS management stressed mitigating efforts, especially repricing, winning UHNW clients (low revenue margin but also very low cost), and driving new lending business. In the main, we found these initiatives convincing, especially given excellent inflows of 6% annualized (5% net of Western Europe tax declarations).
- In the **investment bank**, FICC revenues were down 21% YoY and Equities revenues down 8% YoY. This is towards the low end of the pack reporting so far, but RoTE was still above 20% in the division. Cost control was solid, in spite of more aggressive variable comp accruals. Management have also moved to measuring and disclosing capital allocated based on leverage ratios as well as Basel III CET1. Given what could have been a tough quarter, we were reassured that management seem to have a strong grip on the business.
- **Capital build** was also an issue, with the fully-loaded Basel III CET1 ratio of 10.0% a miss versus our forecast of 10.6%. Additional RWAs on FX, securitization weights and operational risk all hurt during the quarter. Management commented that up-coming model changes would see relief in Q3, and ultimately, as long as CS is making money, retentions will follow. Our confidence was boosted by the reiterated commitment to flat or growing cash dividends in 2014.
- Our **sum-of-the-parts target price** is unchanged at CHF 30. Although CS' Q1 results were a miss versus our forecasts, the miss was not large, and it was a difficult quarter. CS trades cheap versus peers, partly due to lower capital levels, and partly due to perceptions of a more volatile business mix. Trading well in tough quarters should, over time, help to close that gap.
- Our **earnings revisions** are set out below. Overall, our 2014E adjusted EPS forecast falls 5%, and our 2015E adjusted EPS forecast falls 2%.

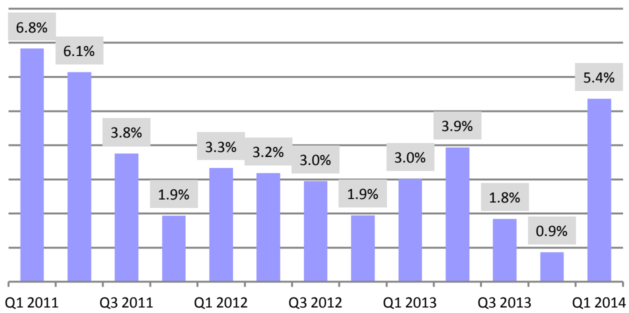
Figure 1: Credit Suisse earnings revisions

CHF m	2014E old	2014E new	% chge	2015E old	2015E new	% chge
Revenues	26,269	25,621	-2%	27,165	26,802	-1%
Stated net profit	3,937	3,638	-8%	4,923	4,746	-4%
Adjusted net profit	4,582	4,314	-6%	5,314	5,137	-3%
Adjusted EPS	**2.86**	**2.72**	**-5%**	**3.28**	**3.22**	**-2%**

Source: Deutsche Bank

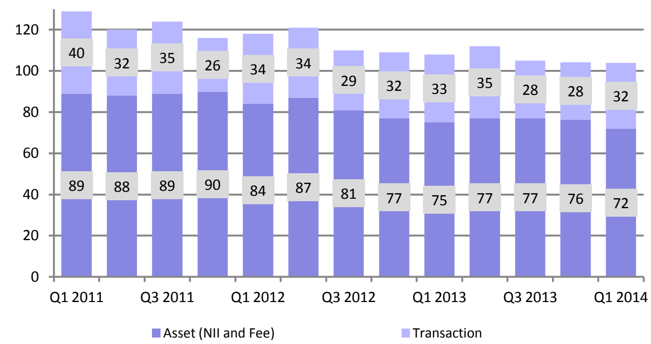
Credit Suisse Q1 results in charts

Figure 2: Private banking inflows (%, annualized)



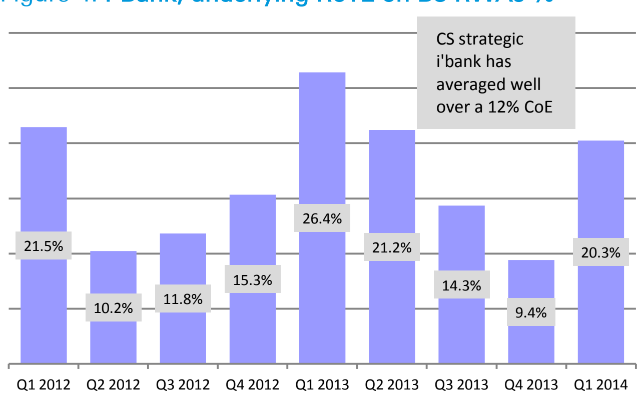
Source: Deutsche Bank estimates and Company Data

Figure 3: Private banking margins (bp)



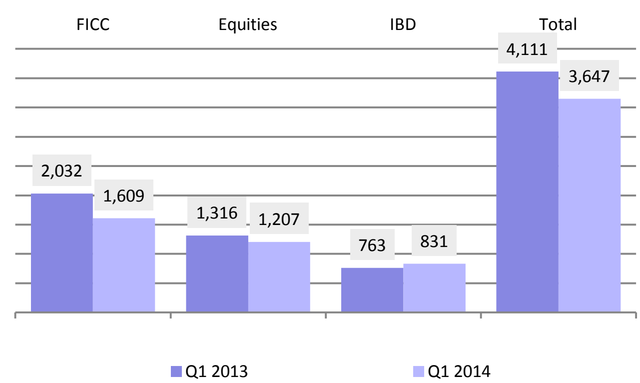
Source: Deutsche Bank estimates and Company Data

Figure 4: I-Bank, underlying RoTE on B3 RWAs %



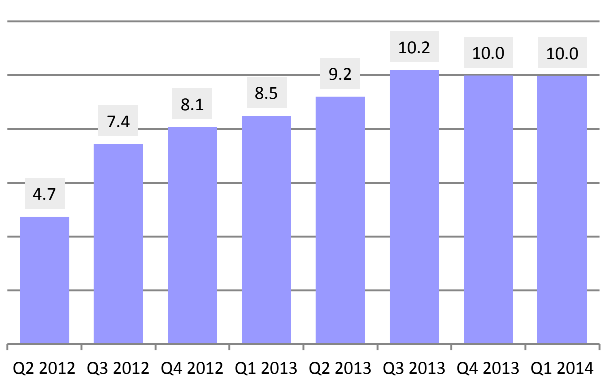
Source: Deutsche Bank estimates and Company Data

Figure 5: Sales and trading revenues, absolute CHF m



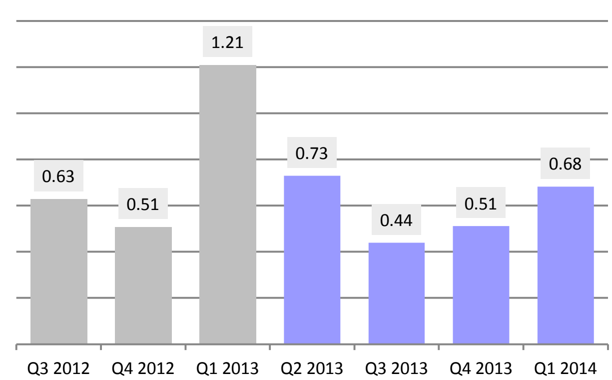
Source: Deutsche Bank estimates and Company Data

Figure 6: Basel III fully-loaded CET1 ratio (%)
NB 2013 revised down 30bp pro-forma due to charges



Source: Deutsche Bank estimates and Company Data

Figure 7: Quarterly adjusted EPS progression (CHF)
Pre-Q2 2013 is not pro-forma for MCN conversion



Source: Deutsche Bank estimates and Company Data

Credit Suisse Q1 results in numbers

Below we show Credit Suisse's consolidated and divisional PBT results versus DB forecasts.

In calculating underlying net profit, we add back own debt (FVOD) losses of CHF 120m and restructuring and realignment costs of CHF 123m. We then deduct assorted disposal gains of CHF 141m. Net of tax and deconsolidating the contribution from FIN46R minorities, we arrive at clean net profit of CHF 1,085m, a miss versus our Q1 forecast.

Figure 8: **Divisional result versus forecast**

in CHF m	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014 ACTUAL	Q1 2014 DB EST
Private Banking	881	917	1,019	890	1,012	905
o/w Wealth Management	*463*	*620*	*508*	*475*	*578*	*500*
o/w Swiss retail	*247*	*262*	*251*	*213*	*246*	*240*
o/w Asset Management	*63*	*131*	*48*	*389*	*141*	*101*
o/w Non-strategic PB&WM	*108*	*-96*	*212*	*-187*	*47*	*63*
Investment Banking	1,300	754	229	-60	827	996
o/w Strategic I-Banking	*1,547*	*1,167*	*671*	*485*	*1,124*	*1,216*
o/w Non-Strategic I-Banking	*-247*	*-413*	*-442*	*-545*	*-297*	*-220*
Banking corporate centre	-380	-139	-562	-401	-439	-494
o/w Strategic Corporate Centre	*-96*	*-94*	*-89*	*-81*	*-149*	*-84*
o/w Run-Off Corporate Centre	*-284*	*-45*	*-473*	*-321*	*-290*	*-410*
Core Credit Suisse	**1,801**	**1,532**	**686**	**429**	**1,400**	**1,407**
o/w Strategic	***2,224***	***2,086***	***1,389***	***1,482***	***1,940***	***1,974***
o/w Run-Off or non-strategic	***-423***	***-554***	***-703***	***-1,053***	***-540***	***-567***
Non-owned minorities	69	105	222	196	343	37
Total pre-tax income	**1,870**	**1,637**	**908**	**625**	**1,743**	**1,444**

Source: Deutsche Bank estimates and company data

Figure 9: **Consolidated result versus forecast**

(CHF m)	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014 ACTUAL	Q1 2014 DB EST
Net revenues	7,105	6,965	5,689	6,205	6,829	6,772
Total operating expenses	-5,213	-5,278	-4,741	-5,540	-5,052	-5,249
Income (operations)	1,870	1,637	908	624	1,743	1,444
Income tax expense/(benefit)	-498	-472	-365	-151	-543	-390
Dividends on prefs (cons)	0	0	0	0	0	0
Minority interests, net of tax	-78	-119	-238	-204	-358	-52
Net attributable income (operations)	1,294	1,046	305	269	842	1,002
Income/(loss) from discon ops	9	0	150	-2	15	0
Extraordinary items, net of tax	0	0	0	-745	0	0
Cumulative effect of acing chges	0	0	0	0	0	0
Net income/(loss)	1,303	1,046	455	-478	859	1,002
Underlying net profit	1,506	1,035	699	814	1,085	1,197
Stated EPS	**1.05**	**0.74**	**0.29**	**-0.30**	**0.54**	**0.63**
Adjusted EPS ex discontinued ops	**1.21**	**0.73**	**0.44**	**0.51**	**0.68**	**0.75**

Source: Deutsche Bank estimates and company data

Valuation and risks

Valuation

We have a target price for Credit Suisse of CHF 30. We use a weighted average valuation approach, with divisional valuations benchmarked against pure play competitors where available. The detailed breakdown of our assumed returns, profits and capital is set out in the figure below.

Figure 10: **SOTP valuation: Credit Suisse**

CHF m except where stated	Net profit	Equity	RoE (%)	P/E (x)	P/BV (x)	P/AuM (%)	Value (bn)	Val PS (CHF)
Wealth Management Clients	2,426	na	na	14.0	na	3.5%	33,970	21.0
Corp & Inst Clients	697	na	na	10.0	na	na	6,972	4.3
Asset Management	511	na	na	12.0	na	1.5%	6,131	3.8
Total: Private Banking	3,635	10,061	36.1%	13.0	4.7	na	47,073	29.1
Investment Banking	2,878	24,192	11.9%	8.0	1.0	na	23,022	14.2
Non-strategic PB&WM	0	na	na	na	na	na	0	0.0
Non-strategic IB	-215	na	na	na	na	na	-1,075	-0.7
Non-strategic CC	-171	na	na	na	na	na	-857	-0.5
Total unallocated plus litigation	-565	6,795	na	5.7	-0.5	na	-3,211	-2.0
Total fair value at end-2015	5,561	41,047	13.5%	11.7	1.6	na	64,951.8	40.1
Less conglomerate 10%								-4.0
Discounted to 12 month target								30.0

Source: Deutsche Bank

We apply a 10% discount to Credit Suisse. This is to reflect the penalty that we believe the market applies, for inter alia lesser transparency, lower focus from management on each business, and reinvestment risk. We apply the conglomerate discount for banks that operate across very different geographies or business lines, as opposed to applying it on scale grounds.

Key risks

As regards risks, Credit Suisse faces the usual banking sector risks, such as credit risk on loan and counterparty exposures, liquidity risk, market risk, operational risk and reputation risk. Credit Suisse is exposed to market risk to a greater extent than its peers, thanks to its capital markets heavy mix of investment banking and private banking. While the latter is not capital intensive, the former is, and we expect that Credit Suisse's strategy of moving to a lower RWA investment banking model will lead to lost market share and revenues. In private banking, we see Credit Suisse as exposed to tax amnesties and investigations, especially in the US, that may lead to lost AuM and / or fines and settlements. Credit Suisse is also negatively exposed to CHF strength; increases in the CHF reduce dollar revenues and also reduce shareholders equity through AOCI.

Appendix 1

Important Disclosures

Additional information available upon request

Disclosure checklist			
Company	Ticker	Recent price*	Disclosure
Credit Suisse Group	CSGN.VX	27.83 (CHF) 15 Apr 14	1,7,14,15

*Prices are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is sourced from Deutsche Bank and subject companies

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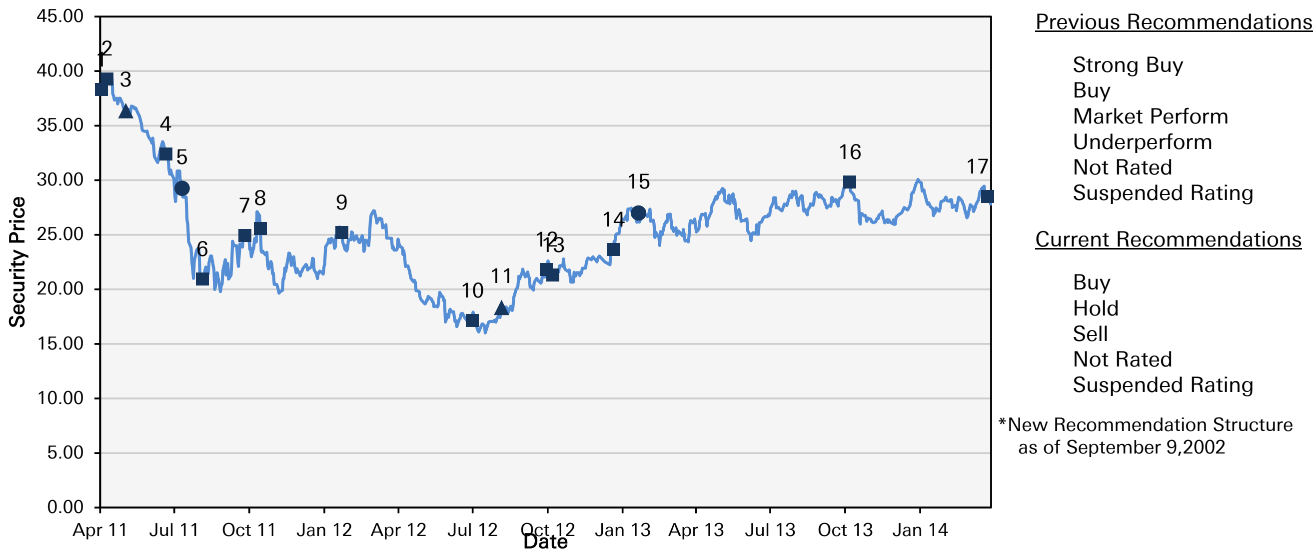
Historical recommendations and target price: Credit Suisse Group (CSGN.VX)

(as of 4/15/2014)



1.	20/04/2011:	Hold, Target Price Change CHF47.00	10.	18/07/2012:	Hold, Target Price Change CHF23.00
2.	27/04/2011:	Hold, Target Price Change CHF48.00	11.	23/08/2012:	Upgrade to Buy, CHF23.00
3.	20/05/2011:	Upgrade to Buy, CHF48.00	12.	17/10/2012:	Buy, Target Price Change CHF25.00
4.	08/07/2011:	Buy, Target Price Change CHF41.00	13.	25/10/2012:	Buy, Target Price Change CHF26.00
5.	28/07/2011:	Downgrade to Hold, Target Price Change CHF36.00	14.	07/01/2013:	Buy, Target Price Change CHF27.00
6.	22/08/2011:	Hold, Target Price Change CHF32.00	15.	07/02/2013:	Downgrade to Hold, Target Price Change CHF29.00
7.	13/10/2011:	Hold, Target Price Change CHF31.00	16.	24/10/2013:	Hold, Target Price Change CHF31.00
8.	01/11/2011:	Hold, Target Price Change CHF28.00	17.	11/04/2014:	Hold, Target Price Change CHF30.00
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Buy: Based on a current 12- month view of total share-holder return (TSR = percentage change in share price from current price to projected target price plus pro-jected dividend yield) , we recommend that investors buy the stock.
Sell: Based on a current 12-month view of total share-holder return, we recommend that investors sell the stock
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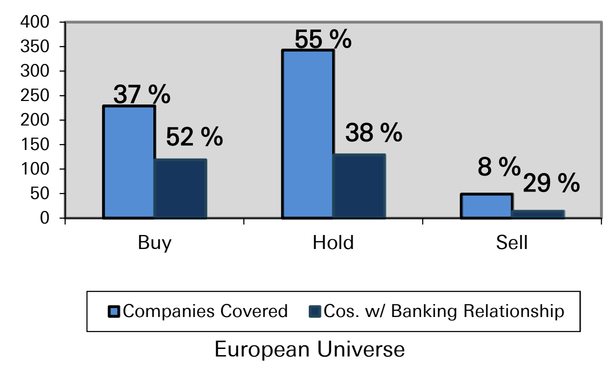
Equity rating dispersion and banking relationships



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Credit Suisse Group

Disappointing IB revenues vs. consensus: remain UW - ALERT

Underweight

CSGN.VX, CSGN VX

Price: SF27.95

15 April 2014

European Banks

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Conclusion: CSG should be underperforming today. The results are disappointing in the core divisions against consensus. We were below consensus going into Q1 results. The disappointment is mainly related to weak revenues in WM and IB, partially offset by good cost management. However we would not read too much into 1Q cost management as 4Q cost could see a "true-up" as we witnessed in IB 4Q13. **CSG reported pretax SF1.4bn, after one-off adjustments we get to clean SF1.5bn compared to company sourced clean consensus SF1.7bn i.e. a miss of SF214m (-12% below consensus and SF79m below JPMe).** Within the strategic divisions the clean PBT was -9% below consensus SF2.1bn, a miss of -SF198m. The miss is mainly related to the IB making clean pretax SF1,124m a miss of SF155m against consensus driven by weaker revenues in FICC (EM revenues weak), and Equities (cash equities) missing by c.SF100m in each business line. IB C/I ratio came in at 68%, vs. consensus 66%. WM was slightly better than consensus on a pretax basis at SF578m (SF16m better), due to good cost management whereas top line margins disappointed at 104bps in line with 4Q normally the weakest of the year so should have been up - consensus expected 107bps in Q1 14. Generally revenues were weaker in the two key divisions WM and IB. Basel 3 CET1 fully-loaded ratio was 10% (consensus 10.6%) flat vs. 4Q, due to higher RWAs operational risk add-on/methodology changes. Overall this is not a good read across for European IBs or for WM. We would expect UBS to do better on top line margins as well as IB revenues. Basel 3 was 10.0% vs. our estimate of 10.3% and consensus 10.6%. **CSG trades at 9.1x P/E and 1.2x P/NAV for RoNAV 13.2% in 2015E. The results today are disappointing against consensus. However we are more concerned about the L-T IB strategy of CSG**. As we outlined in our report "Credit Suisse Group: CEO for a Day: FICC strategy unsustainable - Downgrade to UW" published 9th April 2014, the value of the private bank cannot be unlocked and the implied CoE should stay high as long as CSG does not restructure its FICC business further, we estimate it will consume 34% of group and 58% IB capital in 2015.

Results in Strategic units by division vs. consensus– disappointing in the IB, inline WMC and CIC but AM strong

Strategic IB PBT SF155mn below consensus due to lower revenues - Weak revenues in Equities and FICC vs. consensus partly offset by lower costs. Clean pre-tax profit of SF1,124mn vs. clean consensus SF1,279mn - so SF155mn lower than consensus.

- FICC clean revenues of SF1,609mn, (down -21% YoY) vs. consensus SF1,688mn with strong securitized product and Credit performance YoY offset by difficult conditions in Emerging Market and Macro.

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- Equities clean revenues at SF1,207mn, down -8% YoY vs. consensus SF1,311mn.
- Investment Banking clean revenues of SF831mn, up 9% YoY vs. consensus SF776mn with strong Advisory and Equity underwriting revenues.
- Clean cost/Income ratio of 68% in Q1 14 vs. consensus 66%.
- Basel III RWAs in strategic IB increased to $167bn from $156bn in Q4 13 mostly due to $8bn in methodology uplifts, including operational risk add-on.
- **Wealth Management Clients – Clean pretax of SF578mn**, SF16mn higher than clean consensus at SF562mn mainly driven by lower costs. Clean revenues were SF2,074mn vs. consensus of SF2,131mn. Margins at 104bps in 1Q 14 were flat QoQ and lower YoY (consensus 107bps, 107bps Q1 13). Net interest margin was down at 35bps (38bps in Q413 and Q113), recurring fees margin at 37bps (vs. 38bps in Q413 and 37 bps in Q1 13) and transaction and performance based margins were up at 32bps (vs. 28bps in Q413 and 32bps in Q113). Operating costs at SF1,480mn were higher leading to clean cost/income ratio of 71% vs. consensus c.73%. Net new money inflows were SF10.6bn primarily in higher wealth-bands (5.4% annualized) vs. consensus SF5.8bn. Assets under management increased to SF805bn from SF791bn in Q4 13. We are reluctant to give CSG credit for its good cost management in 1Q in WM, as it could be a "hockey stick" event as we witnessed in the 4Q13.
- **CIC – Q1 14 pretax of SF246mn** vs. consensus at SF245mn, with higher QoQ and YoY recurring commissions fees and transaction and performance based revenues. C/I ratio was at 50% vs. consensus c.52%. Net new flows were SF0.4bn.
- **Asset Management**: **Q1 14 clean strong pretax of SF141mn** was slightly above consensus at SF134mn. Cost/Income ratio was 70% clean inline with consensus at 70%. AUM increased to SF363bn with SF6.9bn inflows in net new assets. Fee based margins were strong at 49bps from 87bps in Q4 13 and 46bps in Q113.
- **Non-strategic units**: Clean pre-tax loss of SF438mn vs. consensus pre-tax loss of SF422mn. Basel 3 RWAs were flat at SF24bn RWA reductions in Q1 14 offset by the impact of methodology changes. Excluding adjustments for methodology changes, risk-weighted asset were reduced by SF4bn, while leverage exposure was down SF11bn from SF99bn to SF99bn. CSG has a target to reduce Basel 3 RWAs to SF10bn by 2015 and leverage exposure to SF26bn by 2015.
- **Corporate Center:** Stated Q1 14 pretax loss of SF149mn in the Strategic unit vs. consensus pre-tax loss of SF82mn. Non-strategic unit stated pre-tax loss of SF290mn vs. consensus SF261mn pre-tax loss.

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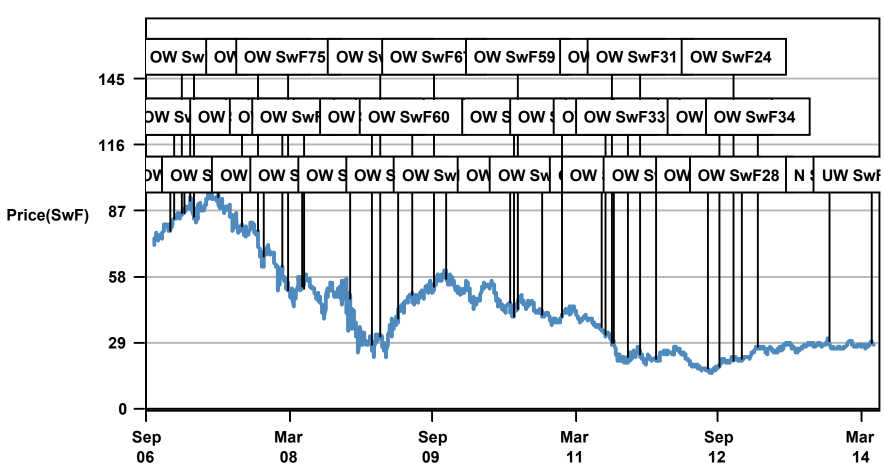
Credit Suisse Group (CSGN.VX, CSGN VX) Price Chart



Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Nov 28, 2006.

Date	Rating	Share Price (SwF)	Price Target (SwF)
28-Nov-06	OW	77.85	88.00
18-Dec-06	OW	83.67	90.00
15-Jan-07	OW	85.86	92.00
22-Jan-07	OW	85.61	93.00
15-Feb-07	OW	91.33	100.00
07-Mar-07	OW	83.92	99.00
04-Jun-07	OW	93.12	100.00
05-Sep-07	OW	79.70	97.00
01-Nov-07	OW	77.90	92.00
29-Nov-07	OW	66.40	91.00
04-Feb-08	OW	62.25	78.00
22-Feb-08	OW	51.60	75.00
22-Apr-08	OW	53.90	68.00
24-Apr-08	OW	52.55	64.00
17-Oct-08	OW	48.50	56.00
14-Jan-09	OW	28.12	46.00
12-Feb-09	OW	31.32	42.00
23-Apr-09	OW	39.70	50.00

09-Jun-09	OW	49.60	60.00
09-Sep-09	OW	53.85	67.00
23-Oct-09	OW	56.75	70.00
21-Jun-10	OW	46.32	66.00
06-Jul-10	OW	40.60	61.00
23-Jul-10	OW	44.25	59.00
22-Oct-10	OW	41.41	53.00
06-Jan-11	OW	40.20	50.00
07-Jun-11	OW	35.81	47.00
24-Jun-11	OW	32.16	46.00
19-Jul-11	OW	28.72	40.00
29-Jul-11	OW	28.80	37.00
20-Sep-11	OW	22.72	33.00
02-Nov-11	OW	23.50	31.00
06-Jan-12	OW	21.80	28.00
19-Jul-12	OW	17.91	24.00
04-Sep-12	OW	18.37	22.00
26-Oct-12	OW	21.33	24.00
27-Nov-12	OW	21.54	28.00
23-Jan-13	OW	26.77	34.00
25-Oct-13	N	29.84	32.00
09-Apr-14	UW	28.62	32.00

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FLASH NOTE

Company Update

CHE | Financials | Banks

16 April 2014

Jefferies

EQUITY RESEARCH EUROPE

Credit Suisse (CSGN VX)

Miss, But Better Mix

BUY

Price target CHF34.10

Price CHF27.83

Key Takeaway

Credit Suisse delivered 1Q14 results below consensus, driven by soft revenues. Wealth Management however showed very strong net inflows and improved cost control. CET1 capital, at 10.0%, was light driven by methodological RWA increases. These results don't move the debate forward, but with expectations so low and the quality bias towards Private Banking, there should be some support in our view.

Soft revenues drive PTP miss. Credit Suisse reported headline net income of CHF 859m vs consensus CHF 1,073m. Cleaner PTP for the 'strategic' businesses was CHF 1,940m, 9% below consensus of CHF 2,138m. The drivers of the miss were revenue-driven across the board (-4% vs cons. for the strategic businesses).

Very strong Wealth Management inflows. Wealth management PTP was 3% ahead driven by strong cost control which offset a weaker revenue margin (104bp vs cons. 107bp) on account of lower interest income. The big positive surprise was very strong net new money inflows of CHF 10.6bn vs consensus CHF 5.8bn. This was attributed to strength in Asia Pacific and Emerging Markets. Asset Management PTP was 5% ahead of consensus while Corporate & Institutional was in-line.

FICC in line with peers, but Equities disappoint. Strategic Investment Banking PTP was 12% below consensus driven by a 4% revenue miss. FICC revenues were down 21% YoY, in-line with peers who have reported thus far. Weakness was as expected driven by EM and rates, offset by strength in credit and securitised products. The disappointment was equities revenues which were down 8% YoY driven by LatAm cash trading.

Absence of capital build. Capital was light. B3 CET1 was flat QoQ at 10.0% (vs consensus of 10.6%) due to methodological RWA increases of CHF 14bn. CS now targets a "long-term" capital ratio of 11%. The Swiss Leverage ratio was also flat QoQ at 3.7% (vs cons. 3.9%) due to the March repurchase of Claudius hybrid capital notes.

Valuation. Price Target CHF 34.1. TNAV per share was CHF 22.1, +3% QoQ. Valuation based on a 1 stage GGM model (RoTE 15%, CoE 11%). Credit Suisse trades on 1.2x 2014E TBV.

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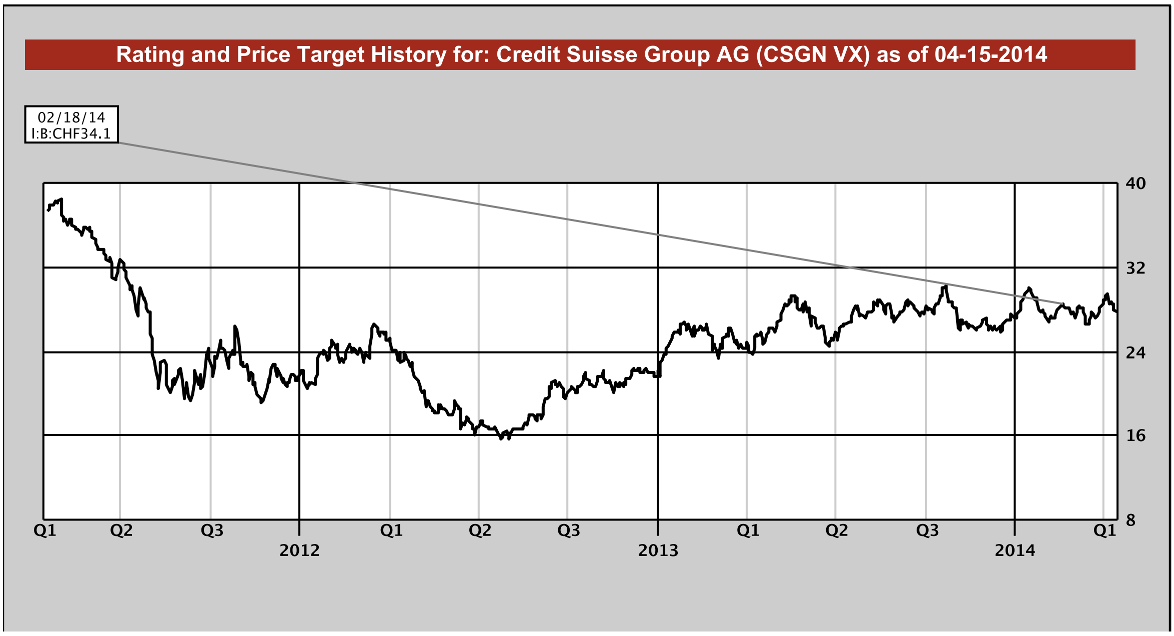

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April 14, 2014

Flashnote

CREDIT SUISSE

BUY

1Q14E Preview

CURRENT PRICE: CHF28.04
TARGET PRICE: CHF33.00

Credit Suisse (CS) is scheduled to be the first wholesale bank to report 1Q14 results on April 16. We expect it to show net income of CHF1,056mn, including CHF229mn of negative one-offs (restructuring charges and litigation), or CHF1,285mn of underlying earnings. Our 1Q14E pre-tax income of CHF1,462mn reflects a 19% contraction vs last year on a reported basis, driven mainly by lower revenues in the investment bank and a higher cost-income ratio in that division as well as continued restructuring and litigation expenses. We have accounted for the Department of Justice tax evasion assistance related fine in 3Q14E.

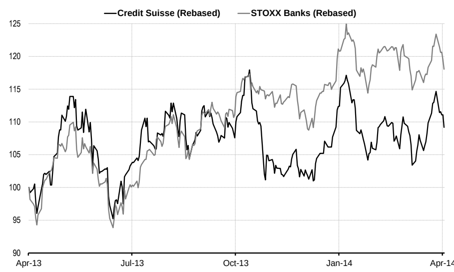
Most of the revenue decline is driven by the contraction in fixed income, which we think will continue through 1H14E. We expect revenues to be down 30% YoY at CS's FICC division, mainly driven by the decline in rates. This is partly offset by a better performance in cash equities, ECM and advisory, where we expect a double digit rebound YoY. Overall, we expect equities up 4% YoY. Overall, our total investment banking revenue forecast is 12% lower than 1Q13. We expect the cost to income ratio to deteriorate to 69% from 64% in 1Q13.

In Private Banking & Wealth Management we expect revenues to be down 2% YoY and 1% lower QoQ, due to lower transaction revenues and the impact of the ongoing shift to ultra-high net worth individuals and from offshore to onshore, which should impact revenue margins. Furthermore, we expect CS to continue to see outflows in European offshore. We think the cost-income ratio in Wealth Management should improve slightly YoY and should be on a similar level to 4Q13.

We have a Buy rating on Credit Suisse. It offers one of the highest RoTE and dividend yields for 2015E of the banks we cover. CS trades at 8.0x 2015E EPS and 1.2x 2014E TBV vs sector averages of 10.5x 2015E EPS and 1.1x 2014E TBV.

The Extel Survey is now available for voting. We appreciate your votes.

Relative Performance (12 Months)



Source: FactSet.

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Company Data, April 11, 2014

Reuters/Bloomberg code	CSGN.VX / CSGN VX		
Market cap (CHF mn)	44,864		
Outst shares (mn)	1,600		
Free float (%)	92.9		
Avg daily vol (CHF mn)	146.9		
12-month range (CHF)	24.46 - 30.29		
Historical volatility (%)	19.5		
Implied volatility (%)	23.7		
Performance (%)	**-1M**	**-3M**	**-12M**
Absolute	0.6	-5.3	9.2
Relative to STOXX Banks	2.0	-3.0	-7.5

Source: FactSet.

(CHF mn)	2011	2012	2013	2014E	2015E
Total revenues	25,891	23,611	25,922	26,619	27,926
Pre-provision profit	3,658	2,360	5,208	5,244	7,309
Loan loss Provisions	187	170	155	220	220
Attributable profit	1,953	1,349	3,069	3,147	4,918
Adj. EPS (CHF)	1.11	3.09	3.00	2.82	3.57
DPS (CHF)	0.75	0.75	0.70	0.75	1.50
tNAVPS (CHF)	20.55	20.24	22.59	24.32	28.05
Fully Loaded CET1 (%)	10.7	8.0	10.3	10.6	10.8
P/tNAVPS	1.5	1.0	1.2	1.2	1.0
Adj. P/E (x)	28.1	6.5	8.9	10.0	7.8
RotNAV (%)	5.4	15.3	13.3	11.6	12.7

Source: Company data and Santander Investment Bolsa estimates.

1Q14E EARNINGS PREVIEW

We expect CS to report net income of CHF1,056mn in 1Q14E, including a CHF229mn negative one-off, ie, CHF1,285mn of underlying earnings. On a pre-tax basis, we forecast income of CHF1,462mn or CHF1,767mn of underlying income.

Our estimates are 2% below the market consensus at the reported net income level. In terms of extraordinary items, we have accounted for CHF180mn in litigation provisions in the Investment Banking division and for CHF175mn of restructuring expenses in the corporate centre.

Figure 1. Credit Suisse – Earnings Forecasts, (SAN) vs Consensus, 1Q14E

(CHF mn)	1Q13	1Q14 Consensus	1Q14E SAN	One-offs	SAN1Q14E Underlying	Estimates vs Cons.	YoY Change
Group P&L							
Revenues	**7,018**	**6,872**	**6,573**	**–**	**6,573**	**-4%**	**-6%**
Provisions	**22**	**–**	**55**	**–**	**55**	**NA**	**150%**
Staff costs	2,990	–	2,869	–	2,869	NA	-4%
Admin costs	1,731	–	1,717	–	1,717	NA	-1%
Commission expenses	470	–	469	–	469	NA	0%
Total other expenses	2,201	–	2,187	–	2,187	NA	-1%
Total expenses	**5,191**	–	**5,056**	**305**	**4,751**	**NA**	**-3%**
Pre-tax profit	**1,805**	**1,515**	**1,462**	**-305**	**1,767**	**-3%**	**-19%**
Tax	499	389	393	-76	469	1%	-21%
Post tax pre extraordinary	**1,306**	**1,126**	**1,070**	**-229**	**1,298**	**-5%**	**-18%**
Discontinued operations	6	4	0	–	0	NA	NA
Extraordinary items	0	–	0	–	0	NA	NA
Minorities	9	–	14	–	14	NA	53%
Net income	**1,303**	**1,073**	**1,056**	**-229**	**1,285**	**-2%**	**-19%**
Pre-tax income split							
Group ex non-controlling	**1,805**	**1,515**	**1,462**	**-305**	**1,767**	**-3%**	**-19%**
PB&WM	881	888	927	–	927	4%	5%
Investment Bank	1,300	970	949	-130	1,079	-2%	-27%
Corporate centre	-376	-343	-414	-175	-239	21%	10%
Pre-tax income (strategic)							
Core result	**2,207**	**2,138**	**1,882**	**0**	**1,882**	**-12%**	**-15%**
Corporate & Institutional	239	245	253	–	253	3%	6%
Wealth Management	454	562	471	–	471	-16%	4%
Investment Bank	1,547	1,279	1,179	–	1,179	-8%	-24%
Asset Management	63	134	76	–	76	-43%	21%
Corporate center	-96	-82	-98	–	-98	20%	2%

Source: Company data and Santander Investment Bolsa estimates.

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Key to Investment Codes*

		% of Companies	
Rating	**Definition**	**Covered with This Rating**	**Provided with Investment Banking Services in the Past 12 Months**
Buy	Upside of more than 15%.	40.60	20.30
Hold	Upside of 10%-15%.	37.59	12.78
Underweight	Upside of less than 10%.	21.05	7.52
Under Review		0.75	0.75

NOTE: Given the recent volatility seen in the financial markets, the recommendation definitions are only indicative until further notice.
(*) Target prices set from January to June are for December 31 of the current year. Target prices set from July to December are for December 31 of the following year.

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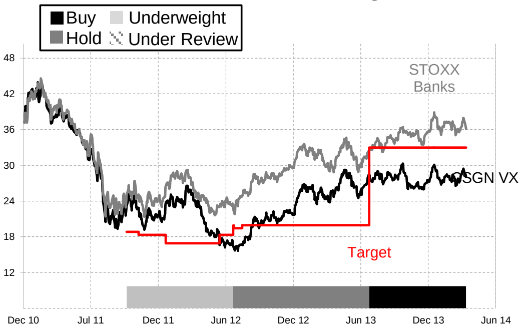
3Y Stock Performance vs Rating



Source: FactSet and Santander Investment Bolsa.

HSBC Global Research

Credit Suisse (CSGN VX)

N: Rebound still some way off

- **We believe a recovery in private banking margins is still some way off**
- **Costs have come down a lot but with the unamortised deferral portion increasing, the downside protection in an environment of weaker revenues has reduced**
- **We remain Neutral but increase our target price to CHF30 (from CHF28.5) as we roll forward to 2016**

Neutral

Target price (CHF)	**30.00**
Share price (CHF)	**28.53**
Potential return (%)	**5.2**

Note: Potential return equals the percentage difference between the current share price and the target price

Dec	2013 a	2014 e	2015 e
HSBC EPS	1.42	2.23	2.50
HSBC PE	20.1	12.8	11.4

Performance	1M	3M	12M
Absolute (%)	1.6	-3.6	12.5
Relative^ (%)	1.0	-4.2	3.8

Note: (V) = volatile (please see disclosure appendix)

Private Banking rebound is distant: We realise that part of the buy case for Credit Suisse relies on improving NIM in the private bank business as the interest rate cycle starts to turn. Credit Suisse should benefit but it is worth noting that its US operations are significantly smaller than those of UBS (which is in regions where rates are likely to turn first). We also highlight that in 2013 it benefited from significantly higher performance fees and carried interest. The fee-based margin on the asset management business jumped by 6bps in 2013, mainly due to higher performance fees. Given that 2013 was a very strong year of investment returns for financial markets, and in the year-to-date most of the asset classes are struggling, we think performance fees are likely to decline and hence act as headwinds in the improvement in the performance of the overall private banking division.

Investment Banking performance is mixed: Credit Suisse has a very strong equities franchise. During 2013, equity sales and trading revenues were up due to very a strong performance in equity derivatives and increasing market shares in cash equities in US and Europe. However, fixed income suffered due to weak performance in rates, securitisation and EM products. On the debt underwriting side, it lost market share in high yield market. Within equities underwriting, although Credit Suisse reported a 39% y-o-y increase in revenues, it lost market share in both IPOs and follow-on issues.

Costs will be stickier now: Compensation expenses fell by CHF3.3bn in the last four years. This is a function of (a) a reduction in fixed compensation of CHF1.5bn; and (b) a reduction in variable bonuses of CHF1.8bn. However, now the business has reached a stage where the unamortised portion of variable compensation has started to increase again (unamortised deferrals at the end of year (CHF): 2010; 5.8bn; 2011: 3.8bn; 2012: 3.2bn; 2013: 3.4bn). The increase in unamortised deferrals implies that in future variable compensations costs are likely to remain high in the event of weakness in revenues.

Valuation: We increase our target price to CHF30.0 (from CHF28.5) as we roll forward to 2016. We retain our Neutral rating.

Index^	SMI
Index level	8,421
RIC	CSGN.VX
Bloomberg	CSGN VX

Source: HSBC

Free float (%)	100
Market cap (USDm)	51,916
Market cap (CHFm)	45,537

Source: HSBC

14 April 2014

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Financials & valuation

Financial statements

Year to	12/2013a	12/2014e	12/2015e	12/2016e
P&L summary (CHFm)				
Net interest income	8,115	8,028	8,359	8,887
Net fees/commissions	13,226	13,605	14,169	14,735
Trading profits	2,739	2,500	2,550	2,760
Other income	1,776	1,794	1,800	1,700
Total income	25,856	25,927	26,878	28,082
Operating expense	-19,251	-18,932	-19,432	-20,307
Bad debt charge	-167	-189	-240	-299
Other	-2,027	-1,300	-900	-300
HSBC PBT	4,411	5,506	6,305	7,176
Exceptionals	-377	-1,300	-900	-300
PBT	6,061	5,506	6,305	7,176
Taxation	-1,276	-1,377	-1,576	-1,743
Minorities + preferences	-1,081	-503	-545	-594
Attributable profit	3,704	3,627	4,184	4,839
HSBC attributable profit	2,351	3,925	4,499	5,203
Balance sheet summary (CHFm)				
Ordinary equity	42,907	45,507	48,582	52,233
HSBC ordinary equity	42,907	45,507	48,582	52,233
Customer loans	247,065	254,477	262,111	269,975
Debt securities holdings	0	0	0	0
Customer deposits	333,089	333,089	343,082	353,374
Interest earning assets	795,350	776,524	788,172	811,817
Total assets	872,602	872,602	898,780	925,743
Capital (%)				
RWA (CHFm)	273,846	275,000	280,000	285,000
Core tier 1	10.8	11.9	12.9	14.0
Total tier 1	17.1	18.0	18.6	19.4
Total capital	20.8	21.7	22.3	23.0

Ratio, growth & per share analysis

Year to	12/2013a	12/2014e	12/2015e	12/2016e
Year-on-year % change				
Total income	7.9	0.3	3.7	4.5
Operating expense	-5.6	-1.7	2.6	4.5
Pre-provision profit	85.3	5.9	6.4	4.4
EPS	113.5	-7.8	12.7	12.5
HSBC EPS	-14.0	57.2	12.0	12.5
DPS	-6.7	14.3	6.2	5.9
NAV (including goodwill)	-5.1	6.5	3.8	4.6
Ratios (%)				
Cost/income ratio	74.5	73.0	72.3	72.3
Bad debt charge	0.1	0.1	0.1	0.1
Customer loans/deposits	74.2	76.4	76.4	76.4
NPL/loan	0.7	0.7	0.6	0.6
NPL/RWA	0.6	0.6	0.6	0.6
Provision to risk assets/RWA	0.3	0.3	0.3	0.3
Net write-off/RWA	0.0	0.0	0.0	0.0
Coverage	51.2	53.7	53.7	53.7
ROE (including goodwill)	5.7	8.9	9.6	10.3
Per share data (CHF)				
EPS reported (fully diluted)	2.24	2.06	2.32	2.62
HSBC EPS (fully diluted)	1.42	2.23	2.50	2.81
DPS	0.70	0.80	0.85	0.90
NAV	19.53	21.09	22.20	23.55
NAV (including goodwill)	24.08	25.64	26.62	27.86

Core profitability (% RWAs) and leverage

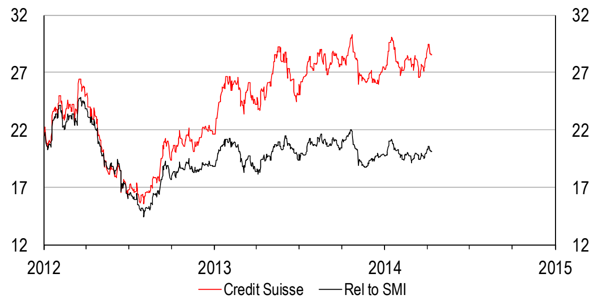
Year to	12/2013a	12/2014e	12/2015e	12/2016e
Net interest income	2.9	2.9	3.0	3.1
Trading profits	1.0	0.9	0.9	1.0
Other income	0.6	0.7	0.6	0.6
Operating expense	-6.8	-6.9	-7.0	-7.2
Pre-provision profit	2.3	2.5	2.7	2.8
Bad debt charge	-0.1	-0.1	-0.1	-0.1
HSBC attributable profit	0.8	1.4	1.6	1.8
Leverage (x)	6.9	6.2	5.9	5.6
Return on average tier 1	5.0	7.9	8.6	9.4

Valuation data

Year to	12/2013a	12/2014e	12/2015e	12/2016e
PE*	20.1	12.8	11.4	10.1
Pre-provision multiple	7.1	7.2	6.9	6.8
P/NAV	1.5	1.4	1.3	1.2
Equity cash flow yield (%)	8.0	8.4	9.1	10.7
Dividend yield (%)	2.5	2.8	3.0	3.2

Note: * = Based on HSBC EPS (fully diluted)

Price relative



Source: HSBC

Note: price at close of 10 Apr 2014

HSBC

Valuation and risks

We value CS shares using a hybrid sum-of-the-parts (SOTP) and price/book versus ROTE model. We allocated capital by division and compute a fair price/book assuming a minimum capital ratio of 12%, a cost of capital of 10% and a 3% long-term growth rate.

We project Credit Suisse will earn an implied return on Basel III capital of over 13%, above our cost of capital assumption. Our model indicates a fair value of CHF29.9 for CS shares (from CHF28.5) as we roll forward to 2016 from 2015. We round this to CHF30. Under our research model, for stocks without a volatility indicator, the Neutral band is 5ppts above and below the hurdle rate for Swiss stocks of 7.5%.

Our target price implies a potential return of 5.2%, within the Neutral band; therefore, we rate Credit Suisse shares Neutral. Potential return equals the percentage difference between the current share price and the target price, including the forecast dividend yield when indicated.

The main risks to our Neutral rating are: a weaker/stronger-than-expected capital markets environment; delivering better/worse than forecast RWA, de-leveraging and cost reductions; unexpected changes in regulation and potentially significant litigation costs such as those related to Libor, FX manipulation, tax settlements, etc; or a dramatically stronger/weaker macro environment in Switzerland.

CS valuation 2016e

CHFm	Pre-tax	Net est	RWA	RoRWA	Impl ROE	Fair P/B	P/E	Value	Value PS	% Total
Private Banking & Wealth	5,308	4,160	117,000	3.6%	29.6%	3.5	11.7	48,492	26.2	74%
WM	3,377	2,702	75,000	3.6%	30.0%	3.5	11.7	31,523	17.0	48%
CIC	1,068	854	22,000	3.9%	32.4%	3.8	11.7	10,020	5.4	15%
AM	713	499	15,000	3.3%	27.7%	3.2	11.6	5,787	3.1	9%
Non-Strategic	150	105	5,000	2.1%	17.5%	1.9	11.1	1,163	0.6	2%
IB	2,368	1,658	160,000	1.0%	8.6%	0.8	9.6	15,920	8.6	24%
Total Other	-730	-605	8,000	-7.6%	-63.0%	-8.1	12.9	-7,803	-4.2	-12%
Centre	-500	-375	8,000	-4.7%	-39.1%					
Minority	-230	-230								
Core	6,946	5,213	285,000	1.8%	15.2%	1.7	10.9	56,610	30.6	87%
Excess capital								5,559	3.0	9%
Dividend								3,119	1.7	5%
Total	6,946	5,213	285,000	1.8%	15.2%	1.7	12.5	65,287	35.3	100%
12-month fair value									30.0	
Current price									28.5	
Potential return									5.2%	

Source: HSBC estimates

HSBC

Key summary data (all figures in CHFm unless stated otherwise)

Consolidated P&L	2013a	2014e	2015e	2016e
Net interest income	8,115	8,028	8,359	8,887
Fee income	13,226	13,605	14,169	14,735
Trading profit	2,739	2,500	2,550	2,760
Other	1,776	1,794	1,800	1,700
Total revenue	**25,856**	**25,927**	**26,878**	**28,082**
Total expenses	19,251	18,932	19,432	20,307
Provisions	167	189	240	299
Operating profit pre-litigation and restructuring	**6,438**	**6,806**	**7,205**	**7,476**
Extraordinary items	-522	-800	-600	0
Litigation charges	-1,820	-500	-300	-300
Pre-tax profit	**4,096**	**5,506**	**6,305**	**7,176**
Net profit	2,090	3,900	4,499	5,203
HSBC net attributable profit	2,351	3,925	4,499	5,203
EPS(CHF)	1.26	2.22	2.50	2.81
HSBC EPS (CHF)	**1.42**	**2.23**	**2.50**	**2.81**
Assets				
Net loans	247,065	254,477	262,111	269,975
Intangibles	7,999	7,974	7,974	7,974
Other	617,538	610,151	628,695	647,795
Total assets	872,602	872,602	898,780	925,743
Liabilities				
Shareholders' equity	42,907	45,507	48,582	52,233
Minorities	5,002	5,002	5,002	5,002
Total liabilities	872,602	872,602	898,780	925,743
Private banking & Wealth				
Revenues	13,269	14,027	15,028	16,032
Costs	9,390	9,425	9,925	10,500
Provisions	158	164	190	224
Pre-tax	3,721	4,439	4,913	5,308
Wealth Management				
Revenues	8,950	8,999	9,785	10,776
Costs	6,750	6,400	6,800	7,300
Provisions	93	80	83	99
Pre-tax	2,107	2,519	2,902	3,377
Gross margin	1.10%	1.04%	1.06%	1.08%
Avg AUM (CHFbn)	817	863	926	1,000
NNM (CHFbn)	21	24	36	38
Corporate & Institutional				
Revenues	2,070	2,094	2,220	2,343
Costs	1,025	1,075	1,125	1,200
Provisions	65	34	58	75
Pre-tax	980	986	1,037	1,068
Avg AUM (CHFbn)	233	251	271	293
NNM (CHFbn)	11	10	10	11
Asset Management				
Revenues	2,249	1,934	2,098	2,213
Costs	1,615	1,350	1,450	1,500
Pre-tax	634	584	648	713
Avg AUM (CHFbn)	388	368	400	434
NNM (CHFbn)	19	16	15	21
Investment Bank				
Revenues	12,565	11,900	11,850	12,050
IBD	3,326	3,200	3,150	3,250
Equities	4,750	5,000	5,200	5,400
FICC	4,823	4,500	4,300	4,100
Other	-334	0	0	0
Costs	10,833	9,807	9,607	9,607
Provisions	13	25	50	75
Pre-tax	1,719	2,068	2,193	2,368
Centre				
Revenues	-790	0	0	0
Costs	663	1,000	800	500
Provisions	2	0	0	0
Pre-tax	-1,455	-1,000	-800	-500

Source: Company data, HSBC estimates

Disclosure appendix

Analyst Certification

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Rating definitions for long-term investment opportunities

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For each stock we set a required rate of return calculated from the cost of equity for that stock's domestic or, as appropriate, regional market established by our strategy team. The price target for a stock represents the value the analyst expects the stock to reach over our performance horizon. The performance horizon is 12 months. For a stock to be classified as Overweight, the potential return, which equals the percentage difference between the current share price and the target price, including the forecast dividend yield when indicated, must exceed the required return by at least 5 percentage points over the next 12 months (or 10 percentage points for a stock classified as Volatile*). For a stock to be classified as Underweight, the stock must be expected to underperform its required return by at least 5 percentage points over the next 12 months (or 10 percentage points for a stock classified as Volatile*). Stocks between these bands are classified as Neutral.

Our ratings are re-calibrated against these bands at the time of any 'material change' (initiation of coverage, change of volatility status or change in price target). Notwithstanding this, and although ratings are subject to ongoing management review, expected returns will be permitted to move outside the bands as a result of normal share price fluctuations without necessarily triggering a rating change.

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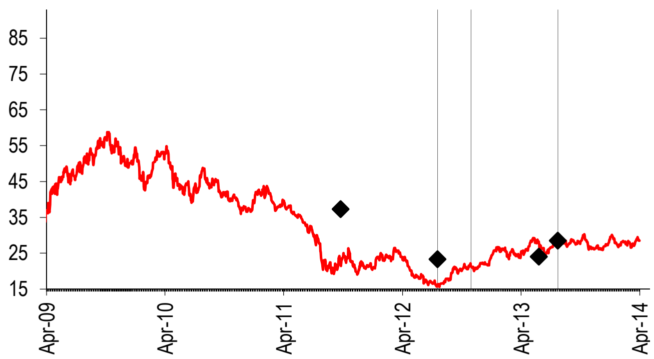
Rating distribution for long-term investment opportunities

As of 11 April 2014, the distribution of all ratings published is as follows:

Overweight (Buy)	45%	(33% of these provided with Investment Banking Services)
Neutral (Hold)	37%	(29% of these provided with Investment Banking Services)
Underweight (Sell)	18%	(29% of these provided with Investment Banking Services)

Share price and rating changes for long-term investment opportunities

Credit Suisse (CSGN.VX) Share Price performance CHF Vs HSBC rating history



Source: HSBC

Recommendation & price target history

From	To	Date
Overweight	Overweight (V)	27 July 2012
Overweight (V)	Neutral (V)	07 November 2012
Neutral (V)	Neutral	01 August 2013
Target Price	**Value**	**Date**
Price 1	37.30	03 October 2011
Price 2	23.34	27 July 2012
Price 3	24.00	04 June 2013
Price 4	28.50	01 August 2013

Source: HSBC

HSBC & Analyst disclosures

Disclosure checklist

Company	Ticker	Recent price	Price Date	Disclosure
CREDIT SUISSE	CSGN.VX	28.53	10-Apr-2014	2, 6, 7, 11

Source: HSBC

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VALIDEA.COM

Guru **Stock Report**

CREDIT SUISSE GROUP AG (ADR) (NYSE: CS)

Based on 6/5/2014 Close Price of $30.30

INDUSTRY: Investment Services | **SECTOR: Financial**

Current Rating: Hold

Reiterate C on 6/6/2014.

VALIDEA RATING (OVERALL STRENGTH GRADE): : A : B : C : D : F :

OVERVIEW

- This stock receives a fundamental grade of "C" based on Validea's Guru Analysis system. "C" rated stocks pass most of the fundamental tests of at least one of our guru strategies, although they typically do not meet all the criteria. Stocks that receive this grade typically have some favorable fundamental attributes, but also have some significant flaws. For further details on our scoring system, please see the FAQ section at the end of this report.
- Validea's Guru System classifies this stock as neither a growth or value stock given its low historical EPS growth rate of -17.3% and its above market PE ratio of 36.6.

ANALYSIS SUMMARY

Strategy Name	Based On Book By/About	Score
Contrarian Investor	David Dreman	50%
Book/Market Investor	Joseph Piotroski	60%
Growth Investor	Martin Zweig	46%
Growth/Value Investor	James O'Shaughnessy	60%
Low PE Investor	John Neff	40%
P/E Growth Investor	Peter Lynch	0%
Value Investor	Benjamin Graham	14%
Price/Sales Investor	Kenneth Fisher	48%
Patient Investor	Warren Buffett	0%
Momentum Investor	Validea	0%

* Overall fundamental grade is based on a w eighted scoring system in w hich the strategies at the top of the table are more significant than those at the bottom (the strategies used to determine our "A" rated stocks are above the dividing line in the table and the strategies used to determine the "B" rated stocks are below). Although all the strategies used in this report have exhibited market outperformance on a risk-adjusted basis, strategies at the top of the table have displayed superior historical risk-adjusted performance in our testing to those at the bottom.

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RATING HISTORY

Date	Action	Old Rating	New Rating
2/18/2011	Upgrade	D	C
3/4/2011	Upgrade	C	A
9/16/2011	Downgrade	A	C
9/30/2011	Downgrade	C	D
10/14/2011	Upgrade	D	C

METHODOLOGY

This report provides a detailed analysis of CS based on the publicly disclosed methodologies of Wall Street legends. Validea is a premier online independent research provider. The firm's Guru Stock Report unites the quantitative strategies of the world's most successful investors, including names like Peter Lynch, Warren Buffett, Ben Graham, Martin Zweig and many others. Rooted in fundamental analysis and built on core investing principles, each report contains an in-depth description of the guru methodologies, as interpreted by Validea, and examines the stock using multiple approaches (i.e. value, growth, momentum).

Using these strategies, Validea has created a ratings scale that is dynamic and weights more heavily the best performing approaches as identified and tracked by Validea. Each stock is scored using a five point rating system that assesses the security's investment prospects. Ratings range from A to F (correlates to Strong Buy to Sell), with A and B stocks having the best potential for long-term market outperformance. Stocks that score highly based on the best performing risk-adjusted guru strategies or are favored by multiple top performing guru strategies are given a higher rating versus their counterparts. Validea's ratings are limited to companies that exhibit profitability. Reports are updated every two weeks, or sooner in the event of an earnings report, other significant news, or a major stock price change, in an effort to provide timely and valuable analysis and coverage.

GURU ANALYSIS OF: CREDIT SUISSE GROUP AG (ADR) (CS)

BOOK/MARKET INVESTOR

SCORE: **60%**

BASED ON: Joseph Piotroski

STYLE: Value

Strategy Overview

Detailed Analysis

BOOK/MARKET RATIO: [PASS]

The first criteria of this strategy requires that a company be in the top 20% of the market based on the Book/Market ratio (which is the inverse of the Price/Book ratio). **CS**, which has a book to market ratio of **1.01**, meets this criterion and thus this strategy will use the following rules to determine if it is a financially distressed firm or is unfairly trading at a discount to its book value.

The study conducted by Piotroski found that excess returns can be earned by holding a portfolio of high Book/Market stocks. He also found, however, that it is very important to separate companies that trade at a discount because they are financially distressed from companies that are unfairly trading at a discount. The following criteria are used to help provide this distinction.

RETURN ON ASSETS: [PASS]

As a first step to determining whether a firm is not financially distressed, this methodology requires that the return on assets for the most recent fiscal year be positive. **CS**'s return on assets was **0.20%** in the most recent year, therefore it passes this test.

CHANGE IN RETURN ON ASSETS: [PASS]

The next requirement is that the return on assets for the most recent fiscal year must be greater than the return on assets for the previous fiscal year. **CS**'s return on assets was **0.20%** in the most recent year and **0.12%** in the previous year, therefore it passes this test.

CASH FLOW FROM OPERATIONS: [PASS]

In addition to the return on assets, the cash flow from operations for the most recent fiscal year must also be positive. This eliminates companies that are burning cash and therefore are more likely to be financially distressed. **CS**'s cash flow from operations was **$23,976.99** million in the most recent year, therefore it passes this test.

CASH COMPARED TO NET INCOME: [PASS]

This methodology requires that cash from operations for the most current fiscal year must be greater than net income for the most current fiscal year. **CS**'s cash from operations was **$23,976.99 million** in the most recent year, while its net income was **$2,036.40 million**, therefore it passes this test.

CHANGE IN LONG TERM DEBT/ASSETS: [PASS]

The long term debt to assets ratio for the most recent fiscal year must be less than or equal to the previous fiscal year. **CS**'s LTD/Assets was **0.15** in the most recent year and **0.16** in the previous year, therefore it passes this test.

CHANGE IN CURRENT RATIO: [FAIL]

As an additional test of firm solvency, the current ratio for the most recent fiscal year must be greater than the current ratio for the previous fiscal year. **CS**'s current ratio cannot be calculated, therefore it fails this criterion.

CHANGE IN SHARES OUTSTANDING: [FAIL]

The issuance of new stock is considered by this methodology to be a sign that a company is not able to generate enough internal cash to fund its business. Therefore, shares outstanding for the most recent fiscal year must be less than or equal to shares outstanding for the previous fiscal year. **CS**'s shares outstanding was **1,590.9 million** in the most recent year and **1,325.4 million** in the previous year, therefore it fails this test.

CHANGE IN GROSS MARGIN: [FAIL]

As a sign that a company is expanding its profitability, this strategy requires that gross margin for the most recent fiscal year be greater than gross margin for the previous fiscal year. **CS**'s gross margin is not available, therefore it fails this criterion.

CHANGE IN ASSET TURNOVER: [FAIL]

The final criterion of this strategy requires that asset turnover for the most recent fiscal year be greater than asset turnover for the previous fiscal year. **CS**'s asset turnover was **0.02** in the most recent year and **0.02** in the previous year, therefore it fails this test.

GROWTH/VALUE INVESTOR

SCORE: **60%**

BASED ON: James P. O'Shaughnessy | **STYLE: Growth/Value**

Strategy Overview

The Growth/Value Investor strategy is based on the book "What Works on Wall Street" by James P. O'Shaughnessy. In the book, O'Shaughnessy back-tested 44 years of stock market data from the comprehensive Standard & Poor's Compustat database to find out which strategies work and which don't. To the surprise of many, he concluded that price-to-earnings ratios aren't the best indicator of a stock's value, and that small-company stocks, contrary to popular wisdom, don't as a group have an edge on large-company stocks. Based on his research, O'Shaughnessy developed two key investment strategies: "Cornerstone Growth" and "Cornerstone Value", both of which are combined to form this strategy.

Detailed Analysis

MARKET CAP: [PASS]

The Cornerstone Value Strategy looks for large, well known companies whose market cap is greater than $1 billion. These companies exhibit solid and stable earnings. **CS's** market cap of **$48,127** million passes this test.

CASH FLOW PER SHARE: [PASS]

The second criterion requires that the company exhibit strong cash flows. Companies with strong cash flow are typically the value oriented investments that this strategy looks for. The company's cash flow per share must be greater than the mean of the market cash flow per share **($1.74)**. **CS's** cash flow per share of **$3.09** passes this test.

SHARES OUTSTANDING: [PASS]

This particular strategy looks for companies whose total number of outstanding shares are in excess of the market average **(615 million shares)**. These are the more well known and highly traded companies. **CS**, who has **1,628 million** shares outstanding, passes this test.

TRAILING 12 MONTH SALES: [FAIL]

A company's trailing 12 month sales **($21,518 million)** are required to be 1.5 times greater than the mean of the market's trailing 12 month sales **($21,123 million)**. **CS** fails this test.

DIVIDEND: [FAIL]

The final step in the Cornerstone Value strategy is to select the 50 companies from the market leaders group (those that have passed the previous four criteria) that have the highest dividend yield. **CS's** dividend yield of **2.59%** fails this final criterion, and therefore the stock would fail the overall methodology.

Strategy Overview

The Contrarian Investor strategy is based on the book "Contrarian Investment Strategies" by David Dreman. If you relish going against the crowd, David Dreman's contrarian investment style should suit you well. Dreman is manager of the Kemper-Dreman High-Return Equity Fund and an investment columnist for Forbes magazine. This strategy passes large, fundamentally sound companies (good earnings growth, good return on equity, low debt-to-equity ratio) that are out of favor due to public apathy, delirium or naivete. Such companies can be recognized by their low price relative to their earnings, cash flow, book value or dividends.

Detailed Analysis

MARKET CAP: [PASS]

Medium to large-sized companies (the largest 1500 companies) should be chosen, because they are more in the public eye. Furthermore, the investor is exposed to less risk of "accounting gimmickry", and companies of this size have more staying power. **CS** has a market cap of **$48,127** million, therefore passing the test.

EARNINGS TREND: [FAIL]

A company should show a rising trend in the reported earnings for the most recent quarters. **CS's** EPS for the latest quarter is not greater than the prior quarter, (from earliest to most recent quarter) **0.54, 0.53**. Hence the stock fails this test, but the investor should evaluate this company qualitatively to see if it qualifies under this methodology's "exception rule".

EPS GROWTH RATE IN THE IMMEDIATE PAST AND FUTURE: [FAIL]

This methodology likes to see companies with an EPS growth rate higher than the S&P in the immediate past and a likelihood that this trend will continue in the near future. Unfortunately, we do not have sufficient data available on **CS** at this time.

This methodology would utilize four separate criteria to determine if CS is a contrarian stock. In order to eliminate weak companies we have stipulated that the stock should pass at least two of the following four major criteria in order to receive "Some Interest".

P/E RATIO: [FAIL]

The P/E of a company should be in the bottom 20% of the overall market. **CS's** P/E of **36.57**, based on trailing 12 month earnings, is higher than the bottom 20% criterion (below 12.30), and therefore fails this test.

PRICE/CASH FLOW (P/CF) RATIO: [FAIL]

The P/CF of a company should be in the bottom 20% of the overall market. **CS's** P/CF of **9.81** does not meet the bottom 20% criterion (below 7.29), and therefore fails this test.

PRICE/BOOK (P/B) VALUE: [PASS]

The P/B value of a company should be in the bottom 20% of the overall market. **CS's** P/B is currently **0.99**, which meets the bottom 20% criterion (below 1.04), and it therefore passes this test.

PRICE/DIVIDEND (P/D) RATIO: [FAIL]

The P/D ratio for a company should be in the bottom 20% of the overall market (that is the yield should be in the top 20%). **CS's** P/D of **38.61** does not meet the bottom 20% criterion (below 21.46), and it therefore fails this test.

This methodology maintains that investors should look for as many healthy financial ratios as possible to ascertain the financial strength of the company. These criteria are detailed below.

PAYOUT RATIO: [FAIL]

A good indicator that a company has the ability to raise its dividend is a low payout ratio. The payout ratio for **CS** is not available, and hence no opinion can be rendered on this variable.

RETURN ON EQUITY: [FAIL]

The company should have a high ROE, as this helps to ensure that there are no structural flaws in the company. This methodology feels that the ROE should be greater than the top one third of ROE from among the top 1500 largest cap stocks, which is **16.51%**, and would consider anything over 27% to be staggering. The ROE for **CS** of **2.95%** is not high enough to pass this criterion.

PRE-TAX PROFIT MARGINS: [PASS]

This methodology looks for pre-tax profit margins of at least 8%, and considers anything over 22% to be phenomenal. **CS's** pre-tax profit margin is **15.48%**, thus passing this criterion.

YIELD: [FAIL]

The company in question should have a yield that is high and that can be maintained or increased. **CS's** current yield is **2.59%**, while the market yield is **2.59%**. **CS** fails this test.

PRICE/SALES INVESTOR

SCORE: **48%**

BASED ON: Kenneth Fisher | STYLE: Growth/Value

Strategy Overview

The Price/Sales Investor strategy is based on the book "Super Stocks" written by Kenneth Fisher. Fisher is a money manager, best-selling author and long-time Forbes columnist who wowed Wall Street in the early 1980s when his book first popularized the idea of analyzing price-to-sales ratios (PSR) as a means of identifying attractive stocks. The strategy looks for stocks whose low price-to-sales ratios are accompanied by strong earnings growth, little debt, and positive free cash flow.

Detailed Analysis

PRICE/SALES RATIO: [FAIL]

The prospective company should have a low Price/Sales ratio. Non-cyclical companies with Price/Sales ratios greater than 1.5 and less than 3 should not be purchased. **CS's** P/S ratio of **1.68** based on trailing 12 month sales, is above 1.5. If you are currently holding this stock, the P/S ratio is O.K., but if you are thinking about purchasing it, the stock would fail this methodology's first criterion.

PRICE/RESEARCH RATIO: [PASS]

This methodology considers companies in the Technology and Medical sectors to be attractive if they have low Price/Research ratios. **CS** is neither a Technology nor Medical company. Therefore the Price/Research ratio is not available and, hence, not much emphasis should be placed on this particular variable.

PRELIMINARY GRADE: No Interest in CS At this Point

Is CS a "Super Stock"? NO

Price/Sales Ratio: [FAIL]

The Price/Sales ratio is the most important variable according to this methodology. The prospective company should have a low Price/Sales ratio. **CS's** Price/Sales ratio of **1.68** does not pass this criterion.

LONG-TERM EPS GROWTH RATE: [FAIL]

This methodology looks for companies that have an inflation adjusted EPS growth rate greater than 15%. **CS's** inflation adjusted EPS growth rate of **-19.62%** does not pass this test.

FREE CASH PER SHARE: [PASS]

This methodology looks for companies that have a positive free cash per share. Companies should have enough free cash available to sustain three years of losses. This is based on the premise that companies without cash will soon be out of business. **CS's** free cash per share of **2.04** passes this criterion.

THREE YEAR AVERAGE NET PROFIT MARGIN: [PASS]

This methodology looks for companies that have an average net profit margin of 5% or greater over a three year period. **CS's** three year net profit margin, which averages **8.83%**, passes this criterion.

Strategy Overview

The Growth Investor strategy is based on the book "Winning on Wall Street", by Martin Zweig. Zweig is a renowned money manager, newsletter writer and frequent guest on the PBS television series "Wall Street Week." The strategy searches for stocks that meet a long host of earnings criteria. Quarterly earnings, for example, should be positive and growing faster than they were (a) a year ago, (b) in the preceding three quarters, and (c) over the preceding three years. Annual earnings should be up for at least the past five years. And sales should be growing as fast as or faster than earnings, since cost-cutting and other non-revenue-producing measures alone can't support earnings growth forever.

Detailed Analysis

P/E RATIO: [PASS]

The P/E of a company must be greater than 5 to eliminate weak companies, but not more than 3 times the current Market P/E because the situation is much too risky, and never greater than 43. **CS's** P/E is **36.57**, based on trailing 12 month earnings, while the current market PE is **17.00**. Therefore, it passes the first test.

REVENUE GROWTH IN RELATION TO EPS GROWTH: [PASS]

Revenue Growth must not be substantially less than earnings growth. For earnings to continue to grow over time they must be supported by a comparable or better sales growth rate and not just by cost cutting or other non-sales measures. **CS's** revenue growth is **-6.21%**, while it's earnings growth rate is **-17.30%**, based on the average of the 3 and 4 year historical eps growth rates. Therefore, **CS** passes this criterion.

SALES GROWTH RATE: [FAIL]

Another important issue regarding sales growth is that the rate of quarterly sales growth is rising. To evaluate this, the change from this quarter last year to the present quarter (**-29.6**%) must be examined, and then compared to the previous quarter last year compared to the previous quarter (**-7.9**%) of the current year. Sales growth for the prior must be greater than the latter. For **CS** this criterion has not been met and fails this test.

The earnings numbers of a company should be examined from various different angles. Three of these angles are stability in the trend of earnings, earnings persistence, and earnings acceleration. To evaluate stability, the stock has to pass the following four criteria.

CURRENT QUARTER EARNINGS: [PASS]

The first of these criteria is that the current EPS be positive. **CS's** EPS (**$0.53**) pass this test.

QUARTERLY EARNINGS ONE YEAR AGO: [PASS]

The EPS for the quarter one year ago must be positive. **CS's** EPS for this quarter last year (**$0.65**) pass this test.

POSITIVE EARNINGS GROWTH RATE FOR CURRENT QUARTER: [FAIL]

The growth rate of the current quarter's earnings compared to the same quarter a year ago must also be positive. **CS's** growth rate of **-18.46%** fails this test.

EARNINGS GROWTH RATE FOR THE PAST SEVERAL QUARTERS: [FAIL]

Compare the earnings growth rate of the past four quarters with long-term EPS growth rate. Earnings growth in the past 4 quarters should be at least half of the long-term EPS growth rate. A stock should not be considered if it posted several quarters of skimpy earnings. **CS** had **3** quarters of skimpy growth in the last 2 years.

This strategy looks at the rate which earnings grow and evaluates this rate of growth from different angles. The 4 tests immediately following are detailed below.

EPS GROWTH FOR CURRENT QUARTER MUST BE GREATER THAN PRIOR 3 QUARTERS: [PASS]

If the growth rate of the prior three quarter's earnings, **-85.92%**, (versus the same three quarters a year earlier) is less than the growth rate of the current quarter earnings, **-18.46%**, (versus the same quarter one year ago) then the stock passes.

EPS GROWTH FOR CURRENT QUARTER MUST BE GREATER THAN THE HISTORICAL GROWTH RATE: [FAIL]

The EPS growth rate for the current quarter, **-18.46%** must be greater than or equal to the historical growth which is **-17.30%**. Since this is not the case **CS** would therefore fail this test.

EARNINGS PERSISTENCE: [FAIL]

Companies must show persistent yearly earnings growth. To fulfill this requirement a company's earnings must increase each year for a five year period. **CS**, whose annual EPS growth before extraordinary items for the previous 5 years (from the earliest to the most recent fiscal year) were **5.56, 4.34, 1.51, 0.93, and 1.28**, fails this test.

LONG-TERM EPS GROWTH: [FAIL]

The final important criterion in this approach is that Earnings Growth be at least 15% per year. **CS's** long-term growth rate of **-17.30%**, based on the average of the 3 and 4 year historical eps growth rates, fails the minimum required.

Frequently Asked Questions

What is Validea's Guru Analysis?

Guru Analysis provides an in depth analysis of any stock using Validea's interpretation of published writings by or about 10 of history's best investors including Peter Lynch, Benjamin Graham, Warren Buffett, James P. O'Shaughnessy, the Motley Fool, David Dreman, John Neff, Kenneth Fisher and Martin Zweig. With Guru Analysis you can analyze any stock step by step using any one of these strategies and can see exactly why the stock passes or fails each methodology.

What type of investors can use Validea's Guru Stock Reports?

Validea's Guru Stock reports are geared toward long and medium-term investors. The vast majority of the investors that our guru strategies are based upon were long term investors. The reports can be utilized by both value and growth investors because there are multiple methodologies within the report that appeal to each investment style and several that combine both.

What does the Validea Rating overall letter grade indicate?

The Validea Rating indicates how well the stock meets the investment criteria of the 10 strategies in this report. The strategies with the best historical risk-adjusted performance are weighted more heavily in determining the letter grade. The letter grades are determined as follows.

A - "A" rated stocks receive a score of 90% from at least one of our top tier guru strategies. Our top tier strategies are based on our interpretation of the published writings of David Dreman, Joseph Piotroski, James P. O'Shaughnessy, John Neff and Martin Zweig. Stocks in this category exhibit the fundamental criteria that have proven most predictive of future stock performance in our historical testing.

B - "B" rated stocks receive a score of 90% from at least one of our second tier guru strategies. Our second tier strategies are based on our interpretation of the published writings of Peter Lynch, Warren Buffett, Kenneth Fisher and Benjamin Graham. Stocks in this category exhibit the fundamental criteria that is sought by these strategies. These strategies have all exhibited strong risk-adjusted performance in our historical testing.

C - "C" rated stocks have an average score from all of our strategies of at least 25%. Stocks in this category typically exhibit elements of fundamental strength, but also have some noticeable weaknesses.

D - "D" rated stocks have an average score from all of our strategies between 20% and 25%. Stocks in this grouping typically have several major fundamental weaknesses that would not be looked upon favorably by both value and growth investors.

F - "F" rated stocks have an average guru score from all of our strategies below 20%. Stocks in this grouping typically have many major fundamental weaknesses that would eliminate them from any consideration by our guru strategies.

What do the individual guru scores mean?

The scores for each strategy represent a weighted percentage of how well a particular stock meets a guru's criteria. Not all criteria are weighted equally and some of our strategies have criteria that are important enough to automatically result in a 0% score if they are failed. For example, in the Patient Investor strategy based on Warren Buffett, a stock will automatically fail if it does not meet the requirement of consistent earnings over the past 10 years.

Is there any affiliation between Validea and the gurus that the strategies are based on?

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Fundamental data provided by Reuters

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A Wright Investors' Service Research Report:

Credit Suisse Group AG

440 Wheelers Farms Road
Milford, CT 06461 U.S.A.

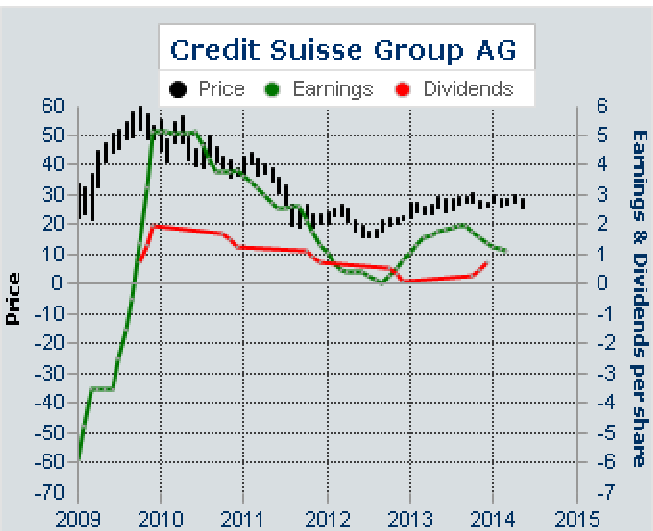
COMPANY PROFILE

Figures in Swiss Francs

Wright Quality Rating: ACC2

Credit Suisse Group AG is a Switzerland-based holding company engaged in private banking, investment banking and asset management areas. It operates through four divisions: Private Banking, which consists of the Wealth Management Clients and Corporate & Institutional Clients business; Investment Banking, provides a range of financial products and services, with a focus on client-driven, flow-based and capital-efficient businesses; Asset Management, offers a range of asset class products, including alternative investments, and multi-asset class solutions, including equities and fixed income products, and Shared Services, which provides centralized corporate services and business support for the Company's divisions.

Stock Chart



Stock Price (5/30/2014): 26.62

Recent stock performance

1 Week	0.0%
4 Weeks	-5.1%
13 Weeks	-3.9%
52 Weeks	-7.4%

Officers

Non Executive Chairman
Rainer E. Gut

Non Executive Chairman
Urs Rohner

Non Executive Vice Chairman
Peter Brabeck-Letmathe

Chief Executive Officer
Brady W. Dougan

Chief Financial Officer
David R. Mathers

Earnings / Dividends (as of 3/31/2014)

	Earnings	Dividends
Most Recent Qtr	0.48	0.70
Last 12 Months	0.93	0.70

Ratio Analysis

Price / Earnings Ratio	28.62	Dividend Yield	2.63%
Price / Sales Ratio	1.14	Payout Ratio	75.27%
Price / Book Ratio	1.00	% Held by Insiders	0.08%

Key Data

Ticker:
CSGN

2013 Sales:
37,046,000,000

Major Industry:
Financial

Sub Industry:
Other Financial Services

Country:
Switzerland

Currency:
Swiss Francs

Fiscal Year Ends:
December

Employees
46,000

Exchanges:
FRA GVA OTH ZHR

Share Type:
Namenaktie

Market Capitalization:
42,251,264,000

Total Shares Outstanding:
1,587,200,000

Closely Held Shares:
1,326,869

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Comparative Business Analysis: Credit Suisse Group AG

Report Date: June 03, 2014

Company Description

Credit Suisse Group AG is a Switzerland-based holding company engaged in private banking, investment banking and asset management areas. It operates through four divisions: Private Banking, which consists of the Wealth Management Clients and Corporate & Institutional Clients business; Investment Banking, provides a range of financial products and services, with a focus on client-driven, flow-based and capital-efficient businesses; Asset Management, offers a range of asset class products, including alternative investments, and multi-asset class solutions, including equities and fixed income products, and Shared Services, which provides centralized corporate services and business support for the Company's divisions.

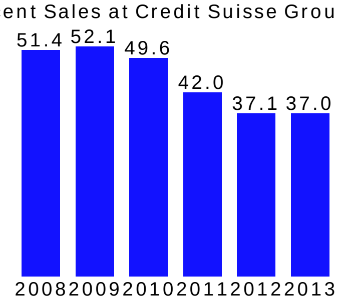
Competitor Analysis

Credit Suisse Group AG operates in the Security brokers and dealers sector. This analysis compares Credit Suisse Group AG with three other companies: Goldman Sachs Group Inc of the United States (2013 sales of $40.87 billion of which 38% was Institutional Client Services), Is Yatirim Menkul Degerler A.S. of Turkey (68.47 billion Turkish Liras [US$32.61 billion]), and Morgan Stanley which is based in the United States ($36.85 billion of which 42% was Institutional Securities).

Sales Analysis

Credit Suisse Group AG reported sales of 37.05 billion Swiss Francs (US$41.25 billion) for the year ending December of 2013. This represents a decrease of 0.2% versus 2012, when the company's sales were 37.12 billion Swiss Francs. Contributing to the drop in overall sales was the 0.7% decline in Private Banking, from 13.54 billion Swiss Francs to 13.44 billion Swiss Francs. . However, these declines were partially offset by the increase in sales of Investment Banking (up 0.1% to 12.57 billion Swiss Francs) .

Recent Sales at Credit Suisse Group AG



(Figures in Billions of Swiss Francs)

Credit Suisse Group AG has changed its product mix within the past five years. In 2013, the largest segment was Private Banking, while in 2009, the largest segment was Investment Banking. During the past four years, sales of Private Banking increased 15.3% (from 11.66 billion Swiss Francs to 13.44 billion Swiss Francs), while during the same period, sales of Investment Banking fell 38.8% (from 20.54 billion Swiss Francs to 12.57 billion Swiss Francs). Although Credit Suisse Group AG is headquartered in Switzerland, it derives most of its sales outside of its home market: sales in Switzerland were 8.04 billion Swiss Francs which was only 21.7% of 2013's sales. On a geographical basis, contributing to the decline in the company's sales in 2013 were the declines in Switzerland, where sales dropped 8.9% to 8.04 billion Swiss Francs. However, not all regions experienced a decline in sales. Sales in the Americas increased 7.9% (to 10.81 billion Swiss Francs). Sales also increased in EMEA (up 43.9% to 4.74 billion Swiss Francs) and in Asia-Pacific (up 23.5% to 2.27 billion Swiss Francs) . Credit Suisse Group AG currently has 46,000 employees. With sales of 37.05 billion Swiss Francs (US$41.25 billion) , this equates to sales of US$896,827 per employee. The sales per employee levels at the three comparable companies vary greatly, from US$660,429 to US$74,789,524, as shown in the following table. Some of the variation may be due to the way each of these companies counts employees (and if they count subcontractors, independent contractors, etc).

Sales Comparisons (Fiscal Year ending 2013)

	Sales	Sales	Sales/	

Company	(US$blns)	Growth	Emp (US$)	Largest Region
Credit Suisse Group AG	41.254	-0.2%	896,827	the Americas (29.2%)
Goldman Sachs Group Inc	40.874	-1.9%	1,242,371	the United States (48.6%)
Is Yatirim Menkul Degerler A.S.	32.608	88.4%	74,789,524	N/A
Morgan Stanley	36.848	15.6%	660,429	N/A

Recent Stock Performance

In recent years, this stock has performed terribly. In 1998, the stock traded as high as 3,493.53 Swiss Francs, versus 26.62 Swiss Francs on 5/30/2014. (In 1998, the stock retreated significantly from its high, and by the end of the year was at 47.36 Swiss Francs). For the 52 weeks ending 5/30/2014, the stock of this company was down 7.4% to 26.62 Swiss Francs. During the past 13 weeks, the stock has fallen 3.9%. During the 12 months ending 3/31/2014, earnings per share totalled 0.93 Swiss Francs per share. Thus, the Price / Earnings ratio is 28.62. These 12 month earnings are lower than the earnings per share achieved during the last fiscal year of the company, which ended in December of 2013, when the company reported earnings of 1.37 per share. Earnings per share rose 70.7% in 2013 from 2012. The 28.6 P/E ratio of this company is higher than the P/E ratio of all three comparable companies, which are currently trading between 5.9 and 19.1 times earnings. This company is currently trading at 1.14 times sales. Credit Suisse Group AG is trading at 1.00 times book value. The company's price to book ratio is higher than that of all three comparable companies, which are trading between 0.73 and 0.98 times book value.

Summary of company valuations (as of 5/30/2014).

Company	P/E	Price/ Book	Price/ Sales	52 Wk Pr Chg
Credit Suisse Group AG	28.6	1.00	1.14	-7.40%
Goldman Sachs Group Inc	10.5	0.98	1.75	-1.40%
Is Yatirim Menkul Degerler A.S.	5.9	0.73	0.01	-24.31%
Morgan Stanley	19.1	0.94	1.65	19.15%

The market capitalization of this company is 42.25 billion Swiss Francs (US$47.05 billion) . Management, directors, and other insiders own less than 2% of the outstanding stock. The capitalization of the floating stock (i.e., that which is not closely held) is 42.22 billion Swiss Francs (US$47.01 billion) .

Dividend Analysis

During the 12 months ending 3/31/2014, Credit Suisse Group AG paid dividends totalling 0.70 Swiss Francs per share. Since the stock is currently trading at 26.62 Swiss Francs, this implies a dividend yield of 2.6%. The company has paid a dividend for 6 straight years. During the same 12 month period ended 3/31/2014, the Company reported earnings of 0.93 Swiss Francs per share. Thus, the company paid 75.3% of its profits as dividends.

Profitability Analysis

On the 37.05 billion Swiss Francs in sales reported by the company in 2013, the cost of goods sold totalled 502.00 million Swiss Francs, or 1.4% of sales (i.e., the gross profit was 98.6% of sales). Credit Suisse Group AG's 2013 gross profit margin of 98.6% was better than all three comparable companies (which had gross profits in 2013 between 0.5% and 92.0% of sales). The company's earnings before interest, taxes, depreciation and amorization (EBITDA) were 16.73 billion Swiss Francs, or 45.1% of sales. This EBITDA margin is better than the company achieved in 2012, when the EBITDA margin was equal to 16.1% of sales. In 2013, earnings before extraordinary items at Credit Suisse Group AG were 2.10 billion Swiss Francs, or 5.7% of sales. This profit margin is an improvement over the level the company achieved in 2012, when the profit margin was 3.4% of sales. The company's return on equity in 2013 was 5.9%. This was an improvement over the 3.8% return the company achieved in 2012. (Extraordinary items have been excluded).

Profitability Comparison

Company	Year	Gross Profit Margin	EBITDA Margin	Earnings before extras
Credit Suisse Group AG	2013	98.6%	45.1%	5.7%

Credit Suisse Group AG	2012	N/A	16.1%	3.4%
Goldman Sachs Group Inc	2013	92.0%	48.3%	19.7%
Is Yatirim Menkul Degerler A.S.	2013	0.5%	0.2%	0.1%
Morgan Stanley	2013	87.4%	16.3%	7.5%

Credit Suisse Group AG reports profits by product line. During 2013, the itemized operating profits at all divisions were 4.10 billion Swiss Francs, which is equal to 11.1% of total sales. Of all the product lines, Private Banking had the highest operating profits in 2013, with operating profits equal to 24.1% of sales. This was also the case in the previous year: in 2012, Private Banking had the highest operating profits as well. Investment Banking had the lowest operating profit margin in 2013, with the operating profit equal to only 13.7% of sales. This marks the third year in which Investment Banking had the lowest operating profit margins.

Financial Position

As of December 2013, the company's long term debt was 108.93 billion Swiss Francs and total liabilities (i.e., all monies owed) were 825.64 billion Swiss Francs. The long term debt to equity ratio of the company is 2.31. This is significantly lower than the long term debt to equity ratio as of in December 2012, when the long term debt to equity ratio stood at 3.53. This company has a large cash balance: in 2013, the company had only 37.05 billion Swiss Francs in sales, but its cash and short term investments as of December 2013 were 67.74 billion Swiss Francs, or 1.8 times the annual sales.

Financial Positions

Company	Year	LT Debt / Equity
Credit Suisse Group AG	2013	2.31
Goldman Sachs Group Inc	2013	3.70
Is Yatirim Menkul Degerler A.S.	2013	0.18
Morgan Stanley	2013	2.97

SUMMARY ANALYSIS: Credit Suisse Group AG

Per Share- Swiss Francs

Year	Price	Value Ratios			Equity Capital			Earnings		Dividends	
Fiscal Yr Ends: December	Market Price Last	Price/ Earnings Ratio	Price/ Book Ratio	Dividend Yield	% Earned Growth	% Profit Rate (ROE)	Book Value Begin Yr	12 Month Earnings Per Share	% Change	% Payout Ratio	12 Month Dividends Per Share
2005	65.40	12.9	2.1	3.0%	9.7%	15.9%	31.88	AD 5.06	6.2%	38.6%	1.95
2006	83.22	11.3	2.3	2.6%	14.1%	20.1%	36.54	AD 7.35	45.4%	29.7%	2.19
2007	66.48	9.2	1.7	3.7%	12.0%	18.1%	40.05	AD 7.25	-1.3%	33.6%	2.44
2008	27.82	n/c	0.7	0.4%	-17.6%	-17.3%	41.32	AD -7.16	n/c	n/c	0.10
2009	49.98	9.7	1.8	3.9%	11.8%	19.0%	27.09	ADE 5.15	n/c	37.9%	1.95
2010	36.77	9.6	1.2	3.5%	8.1%	12.2%	31.32	AD 3.82	-25.9%	33.2%	1.27
2011	21.54	16.1	0.8	3.4%	2.2%	4.8%	27.68	1.34	-65.0%	54.7%	0.73
2012	21.73	27.0	0.8	0.4%	2.6%	3.0%	26.94	0.80	-39.9%	12.1%	0.10
2013	27.27	19.9	1.0	2.6%	2.5%	5.1%	26.78	1.37	70.7%	51.0%	0.70
5/30/2014	26.62	28.6	1.0	2.6%	n/a	n/a	26.50	0.93	n/c	75.3%	0.70

(A): *INCLUDES OR EXCLUDES EXTRAORDINARY CHARGE OR CREDIT* - INCLUDES OR EXCLUDES EXTRAORDINARY CHARGE OR CREDIT, INCLS CHF 0.04 PRETAX CHG IN FIS 2009, INCLS CHF0.08 PRETAX CHG & EXCLS E0.50 CHG IN 2008, INCLS CHF.01 PRETAX CHG IN 2007, EXCLS CHF2.79 CR & EXCLS CHF 0.02 CHG & INCLS CHF0.13 CHG IN 2006, INCLS NOM PRETAX CHG, EXCLS CHF 0.01 AFTER TAX CR & EXCLS CHF 0.02 AFTER TAX CHG IN 2005, INCLS CHF 0.07 PRETAX CHG & EXCLS CHF 0.10 AFTER TAX CHG IN 2004, INCLS CHF 1.96 PRETAX CR & INCLS CHF 0.65 PRETAX CHG IN 2003

(B): *MAJOR ACCOUNTING STANDARDS SWITCH* - - ADOPTED US GAAP, EARNINGS IMPACT NOT SPECIFIED

(C): *INCLUDES THE EFFECTS OF A CHANGE IN ACCOUNTING POLICIES OR TAX LAWS* - - ADOPTED US GAAP IN 2004, DECREASING EARNINGS BY CHF 0.01, ADOPTED NEW STANDARDS TO ACCOUNT FOR OWN SHARES AND DERIVATIVES, EARNINGS IMPACT NOT SPECIFIED

(D): *BASED ON AVERAGE SHARES OUTSTANDING* - FULLY DILUTED EARNINGS FOR 12 MOS TO DEC 2010 WERE 3.89, FULLY DILUTED EARINGS IN FIS 2009 WERE CHF5.14, FULLY DILUTED EARNINGS FOR 12 MOS TO DEC 2007 WERE CHF6.96, FULLY DILUTED EARNINGS FOR THE PERIOD ENDED TO DEC 2006 WERE CHF7.19, - FULLY DILUTED EARNINGS FOR THE 12 MOS ENDED DEC 2005 WERE CHF 5.03, - FULLY DILUTED EARNINGS FOR THE 12 MOS ENDED DEC 2004 WERE CHF 4.83, - FULLY DILUTED EARNINGS FOR THE 12 MOS ENDED DEC 2003 WERE CHF 4.03

(E): INCLUDES GAIN/(LOSS) FROM DISCONTINUED OPERATION EQUALS TO CHF0.14 IN FIS 2009

SALES ANALYSIS: **Credit Suisse Group AG**

Figures in thousands of Swiss Francs

	Revenues		Operating Expense - Total		**Earnings before Interest, Taxes, Depreciation, and Amortization (EBITDA)**		**After Tax Income before Extraordinary Charges and Credits**		**Employees**		
Year	**Amount *in thousands***	**Year-to-year Growth**	Amount *in thousands*	% of Revenues	**Amount *in thousands***	**% of Revenues**	**Amount *in thousands***	**% of Revenues**	**Number**	**Revenues Per Employee**	After Tax Income Per Employee
2004	73,746,000	-8.8%	68,598,000	93.0%	12,359,000	16.8%	5,561,000	7.5%	60,532	1,218,298	91,869
2005	89,376,000	21.2%	86,149,000	96.4%	15,510,000	17.4%	5,772,000	6.5%	63,523	1,406,986	90,865
2006	82,160,000	-8.1%	74,801,000	91.0%	21,998,000	26.8%	8,281,000	10.1%	44,871	1,831,027	184,551
2007	93,589,000	13.9%	88,225,000	94.3%	23,018,000	24.6%	7,760,000	8.3%	48,100	1,945,717	161,331
2008	51,447,000	-45.0%	68,096,000	132.4%	-5,642,000	-11.0%	-7,687,000	-14.9%	47,800	1,076,297	-160,816
2009	52,070,000	1.2%	48,578,000	93.3%	14,947,000	28.7%	6,335,000	12.2%	47,600	1,093,908	133,088
2010	49,608,000	-4.7%	49,349,000	99.5%	14,295,000	28.8%	4,832,000	9.7%	50,100	990,180	96,447
2011	41,992,000	-15.4%	44,072,000	105.0%	9,596,000	22.9%	1,856,000	4.4%	49,700	844,909	37,344
2012	37,124,000	-11.6%	37,380,000	100.7%	7,919,000	21.3%	1,275,000	3.4%	47,400	783,207	26,899
2013	37,046,000	-0.2%	33,189,000	89.6%	16,798,000	45.3%	2,104,000	5.7%	46,000	805,348	45,739

PRICE ANALYSIS: Credit Suisse Group AG

Per Share- Swiss Francs

Quarter		High Price	Low Price	Closing Price	Quarterly %Change	12 months %Change
2005	Jan - Mar	52.226	45.344	50.127	n/a	n/a
	Apr - Jun	52.080	46.369	49.346	-1.6%	n/a
	Jul - Sep	57.205	47.492	55.936	13.4%	n/a
	Oct - Dec	67.992	52.958	65.405	16.9%	n/a
2006	Jan - Mar	76.582	65.746	71.408	9.2%	42.5%
	Apr - Jun	77.900	60.377	66.771	-6.5%	35.3%
	Jul - Sep	72.482	60.817	70.627	5.8%	26.3%
	Oct - Dec	83.562	69.651	83.220	17.8%	27.2%
2007	Jan - Mar	91.860	80.048	85.124	2.3%	19.2%
	Apr - Jun	93.714	83.220	85.270	0.2%	27.7%
	Jul - Sep	89.517	72.824	75.460	-11.5%	6.8%
	Oct - Dec	80.585	60.036	66.479	-11.9%	-20.1%
2008	Jan - Mar	65.795	43.733	49.346	-25.8%	-42.0%
	Apr - Jun	57.839	44.124	45.783	-7.2%	-46.3%
	Jul - Sep	57.498	36.998	48.712	6.4%	-35.4%
	Oct - Dec	56.619	23.526	27.821	-42.9%	-58.1%
2009	Jan - Mar	37.271	21.320	33.835	21.6%	-31.4%
	Apr - Jun	50.567	32.605	48.419	43.1%	5.8%
	Jul - Sep	57.644	45.490	56.131	15.9%	15.2%
	Oct - Dec	59.450	48.663	49.981	-11.0%	79.6%
2010	Jan - Mar	55.057	41.176	53.056	6.2%	56.8%
	Apr - Jun	56.717	39.497	39.946	-24.7%	-17.5%
	Jul - Sep	49.737	38.852	41.000	2.6%	-27.0%
	Oct - Dec	43.021	36.002	36.773	-10.3%	-26.4%
2011	Jan - Mar	44.339	36.646	38.101	3.6%	-28.2%
	Apr - Jun	40.551	30.594	31.921	-16.2%	-20.1%
	Jul - Sep	32.937	19.065	23.429	-26.6%	-42.9%

	Oct - Dec	26.972	19.133	21.545	-8.0%	-41.4%
2012	Jan - Mar	26.875	20.354	25.117	16.6%	-34.1%
	Apr - Jun	25.615	15.961	16.849	-32.9%	-47.2%
	Jul - Sep	21.603	15.590	19.455	15.5%	-17.0%
	Oct - Dec	22.716	19.465	21.730	11.7%	0.9%
2013	Jan - Mar	27.187	22.452	24.317	11.9%	-3.2%
	Apr - Jun	29.320	23.507	25.050	3.0%	48.7%
	Jul - Sep	29.180	24.510	27.620	10.3%	42.0%
	Oct - Dec	30.540	25.370	27.270	-1.3%	25.5%
2014	Jan - Mar	30.210	26.270	28.590	4.8%	17.6%
5/30/2014				26.620	-3.9%	-7.4%

EARNINGS AND DIVIDENDS ANALYSIS: Credit Suisse Group AG

Per Share- Swiss Francs
Fiscal Year Ends in December

	Earnings Per Share						**Dividends Per Share**						
	12 Months		Quarterly Reported Earnings				12 Months		Quarterly Reported Dividends				
Fiscal Years	**Earnings**	**% Change**	Q1 Mar.	Q2 Jun.	Q3 Sep.	Q4 Dec.	**Dividends**	**% Change**	Q1 Mar.	Q2 Jun.	Q3 Sep.	Q4 Dec.	**% Payout**
2003	3.99	n/c	0.52	1.05	1.60	0.81	0.49	n/c	n/a	n/a	n/a	0.49	5.5%
2004 B	ACD 4.76	19.4%	1.57	1.25	1.13	0.80	1.46	200.0%	n/a	n/a	n/a	1.46	11.2%
2005	AD 5.06	6.2%	1.59	0.80	1.63	1.03	1.95	33.3%	n/a	n/a	n/a	1.95	31.2%
2006	AD 7.35	45.4%	2.26	1.64	1.32	2.14	2.19	12.0%	n/a	n/a	n/a	2.19	20.7%
2007	AD 7.25	-1.3%	1.82	2.93	1.24	1.27	2.44	11.6%	n/a	n/a	n/a	2.44	32.4%
2008	AD -7.16	n/c	-2.04	1.15	-1.19	-5.08	0.10	-96.0%	n/a	n/a	n/a	0.10	n/c
2009	ADE 5.15	n/c	1.57	1.17	1.84	0.58	1.95	1,899.6%	n/a	n/a	n/a	1.95	6.0%
2010	AD 3.82	-25.9%	1.49	1.19	0.48	0.65	1.27	-35.0%	n/a	n/a	n/a	1.27	60.0%
2011	1.34	-65.0%	0.92	0.48	0.55	-0.61	0.73	-42.3%	n/a	n/a	n/a	0.73	n/c
2012	0.80	-39.9%	0.02	0.46	0.16	0.17	0.10	-86.7%	n/a	n/a	n/a	0.10	n/c
2013	1.37	70.7%	0.77	0.73	0.32	-0.44	0.70	616.9%	n/a	n/a	n/a	0.70	30.2%
2014	n/a	n/c	0.48	n/a	n/a	n/a	n/a	n/c	n/a	n/a	n/a	n/a	n/c

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(C): *INCLUDES THE EFFECTS OF A CHANGE IN ACCOUNTING POLICIES OR TAX LAWS* - - ADOPTED US GAAP IN 2004, DECREASING EARNINGS BY CHF 0.01

(D): *BASED ON AVERAGE SHARES OUTSTANDING* - FULLY DILUTED EARNINGS FOR 12 MOS TO DEC 2010 WERE 3.89, FULLY DILUTED EARINGS IN FIS 2009 WERE CHF5.14, FULLY DILUTED EARNINGS FOR 12 MOS TO DEC 2007 WERE CHF6.96, FULLY DILUTED EARNINGS FOR THE PERIOD ENDED TO DEC 2006 WERE CHF7.19, - FULLY DILUTED EARNINGS FOR THE 12 MOS ENDED DEC 2005 WERE CHF 5.03, - FULLY DILUTED EARNINGS FOR THE 12 MOS ENDED DEC 2004 WERE CHF 4.83

(E): INCLUDES GAIN/(LOSS) FROM DISCONTINUED OPERATION EQUALS TO CHF0.14 IN FIS 2009

Balance Sheet - (Common Size): **Credit Suisse Group AG**
Figures are expressed as Percent of Total Assets.
Total Assets are in millions of Swiss Francs.

Fiscal Year	**2013**	**2012**	**2011**	**2010**	**2009**
Fiscal Year End Date	**12/31/2013**	**12/31/2012**	**12/31/2011**	**12/31/2010**	**12/31/2009**
Assets					
Total Assets	**872,806.0**	**917,178.0**	**1,040,226.0**	**1,022,588.0**	**1,022,290.0**
Cash & Short Term Investments	7.8%				
Cash	7.8%				
Short Term Investments					
Receivables (Net)	0.0%				
Securities Inventory					
Custody Securities					
Investments - Total	76.6%				
Loans - Total	28.4%	26.7%	22.7%	21.6%	23.5%
Reserve for Loan Losses	0.1%	0.1%	0.1%	0.0%	0.1%
Loans - Net	28.3%	26.6%	22.7%	21.5%	23.3%
Real Estate Assets		0.1%	0.1%	0.2%	0.1%
Investment in Sales and Direct Financing Leases					
Other Investments	48.3%				
Investments in Associated Companies		0.2%	0.2%	0.4%	0.4%
Property Plant and Equipment - Gross					
Accumulated Depreciation					
Property Plant and Equipment – Net	0.6%	0.6%	0.7%	0.7%	0.6%
Other Assets	15.1%	99.2%	99.1%	99.0%	99.0%

Deferred Charges	0.0%	0.1%	0.1%	0.0%	0.1%
Tangible Other Assets	14.1%	10.0%	8.4%	8.4%	7.7%
Intangible Other Assets	0.9%	0.9%	0.9%	0.9%	0.9%
Inventories - Total	0.0%				
Total Assets	100.0%	100.0%	100.0%	100.0%	100.0%
Liabilities & Shareholders' Equity					
Total Liabilities & Shareholders' Equity	**872,806.0**	**917,178.0**	**1,040,226.0**	**1,022,588.0**	**1,022,290.0**
Deposits - Total	38.2%	33.6%	30.1%	28.1%	28.0%
Total Debt	18.8%	36.0%	39.0%	39.2%	38.6%
Short Term Debt & Current Portion of Long Term Debt	6.3%	19.7%	23.3%	22.3%	25.7%
Long-Term Debt	12.5%	16.3%	15.6%	17.0%	12.9%
Long-Term Debt Excluding Capitalized Leases	12.5%	16.3%	15.6%	17.0%	12.9%
Capitalized Lease Obligations	0.0%		0.0%	0.0%	0.0%
Provision for Risks and Charges		0.1%	0.1%	0.2%	0.2%
Deferred Income	0.0%				
Deferred Taxes		-0.8%	-0.8%	-0.9%	-0.9%
Deferred Tax Liability in Untaxed Reserves					
Other Liabilities	37.7%	26.4%	27.7%	29.1%	29.3%
Total Liabilities	94.6%	95.4%	96.1%	95.8%	95.3%
Non-Equity Reserves	0.0%	0.0%	0.0%	0.0%	0.0%
Minority Interest	0.6%	0.7%	0.7%	1.0%	1.1%
Preferred Stock	0.0%	0.0%	0.0%	0.0%	0.0%
Preferred Stock Issued for ESOP					

ESOP Guarantees - Preferred Issued					
Common Equity	4.8%	3.9%	3.2%	3.3%	3.7%
Total Liabilities & Shareholders' Equity	100.0%	100.0%	100.0%	100.0%	100.0%

Balance Sheet - (Year to Year Percent Change): **Credit Suisse Group AG**

Figures are the Percent Changes from the Prior Year.

Fiscal Year	**2013**	**2012**	**2011**	**2010**	**2009**
Fiscal Year End Date	**12/31/2013**	**12/31/2012**	**12/31/2011**	**12/31/2010**	**12/31/2009**
Assets					
Total Assets	**-4.8%**	**-11.8%**	**1.7%**	**0.0%**	**-11.9%**
Cash & Short Term Investments					
Cash					
Short Term Investments					
Receivables (Net)					
Securities Inventory					
Custody Securities					
Investments - Total					
Loans - Total	1.1%	3.6%	7.2%	-8.0%	1.0%
Reserve for Loan Losses	-5.7%	1.3%	226.2%	-80.0%	-14.9%
Loans - Net	1.2%	3.6%	7.0%	-7.5%	1.1%
Real Estate Assets		-25.5%	-37.4%	251.0%	13.3%
Investment in Sales and Direct Financing Leases					
Other Investments					
Investments in Associated Companies		-14.8%	-35.7%	7.5%	32.0%
Property Plant and Equipment - Gross					
Accumulated Depreciation					
Property Plant and Equipment – Net	-9.4%	-21.9%	7.0%	4.5%	1.4%
Other Assets	-85.5%	-11.8%	1.8%	-0.0%	-12.0%
Deferred Charges	-100.0%	-10.5%	33.0%	-53.4%	82.0%
Tangible Other Assets	34.4%	4.4%	2.7%	8.8%	-26.6%

Intangible Other Assets	-4.9%	-2.8%	-0.2%	-7.3%	-1.6%
Inventories - Total					
Total Assets	-4.8%	-11.8%	1.7%	0.0%	-11.9%
Liabilities & Shareholders' Equity					
Total Liabilities & Shareholders' Equity	**-4.8%**	**-11.8%**	**1.7%**	**0.0%**	**-11.9%**
Deposits - Total	8.0%	-1.6%	9.0%	0.3%	-3.5%
Total Debt	-50.4%	-18.5%	1.0%	1.6%	-14.7%
Short Term Debt & Current Portion of Long Term Debt	-69.7%	-25.4%	6.7%	-13.4%	-22.6%
Long-Term Debt	-27.1%	-8.1%	-6.4%	31.5%	6.8%
Long-Term Debt Excluding Capitalized Leases	-27.1%	-8.1%	-6.4%	31.5%	6.8%
Capitalized Lease Obligations					
Provision for Risks and Charges		22.4%	-35.4%	-2.6%	-1.8%
Deferred Income					
Deferred Taxes					
Deferred Tax Liability in Untaxed Reserves					
Other Liabilities	36.0%	-16.0%	-3.5%	-0.5%	-16.9%
Total Liabilities	-5.6%	-12.4%	2.0%	0.6%	-12.5%
Non-Equity Reserves					
Minority Interest	-26.3%	-8.4%	-23.9%	-10.0%	-27.5%
Preferred Stock					
Preferred Stock Issued for ESOP					
ESOP Guarantees - Preferred Issued					
Common Equity	18.8%	5.4%	1.2%	-11.3%	16.1%

Total Liabilities & Shareholders' Equity	-4.8%	-11.8%	1.7%	0.0%	-11.9%

Balance Sheet - (5 Year Averages): **Credit Suisse Group AG**

Figures in millions of Swiss Francs.

Fiscal Year	**2013**	**2012**	**2011**	**2010**	**2009**
Fiscal Year End Date	**12/31/2013**	**12/31/2012**	**12/31/2011**	**12/31/2010**	**12/31/2009**
Assets					
Total Assets	**975,017.6**	**1,032,401.0**	**1,119,940.6**	**1,162,023.2**	**1,224,129.0**
Cash & Short Term Investments					
Cash					
Short Term Investments					
Receivables (Net)					
Securities Inventory					
Custody Securities					
Investments - Total					
Loans - Total	238,019.6	235,922.2	235,246.0	229,842.4	227,295.8
Reserve for Loan Losses	875.0	1,029.0	1,091.4	1,206.2	1,598.6
Loans - Net	237,126.0	234,874.6	234,147.8	228,636.2	225,697.2
Real Estate Assets		1,273.0	1,190.6	1,010.8	2,407.4
Investment in Sales and Direct Financing Leases					
Other Investments					
Investments in Associated Companies		3,025.8	3,104.8	2,876.6	2,501.8
Property Plant and Equipment - Gross					
Accumulated Depreciation					
Property Plant and Equipment – Net	6,212.6	6,464.4	6,570.6	6,330.0	6,470.4
Other Assets	819,098.4	1,022,910.8	1,110,265.2	1,152,816.6	1,215,156.8
Deferred Charges	512.2	618.8	624.2	599.4	938.0

Tangible Other Assets	93,436.0	90,199.4	96,295.8	102,152.6	102,333.2
Intangible Other Assets	8,842.4	9,151.2	9,690.0	10,214.0	11,639.2
Inventories - Total					
Total Assets	975,017.6	1,032,401.0	1,119,940.6	1,162,023.2	1,224,129.0
Liabilities & Shareholders' Equity					
Total Liabilities & Shareholders' Equity	**975,017.6**	**1,032,401.0**	**1,119,940.6**	**1,162,023.2**	**1,224,129.0**
Deposits - Total	305,812.0	298,591.4	322,202.8	337,198.2	352,533.0
Total Debt	339,219.4	399,090.2	428,973.8	439,444.8	451,630.4
Short Term Debt & Current Portion of Long Term Debt	193,851.8	250,764.6	284,684.2	302,347.6	325,747.8
Long-Term Debt	145,367.6	148,325.6	144,289.6	137,097.2	125,882.6
Long-Term Debt Excluding Capitalized Leases	145,367.6	148,325.6	144,289.6	137,097.2	125,882.6
Capitalized Lease Obligations			0.0	0.0	0.0
Provision for Risks and Charges		1,554.2	2,405.8	3,198.8	4,238.0
Deferred Income					
Deferred Taxes		-8,615.2	-8,224.2	-7,429.8	-6,428.8
Deferred Tax Liability in Untaxed Reserves					
Other Liabilities	291,078.0	297,393.8	326,684.8	338,149.8	369,305.0
Total Liabilities	930,642.0	988,014.4	1,072,043.0	1,110,561.8	1,171,277.6
Non-Equity Reserves	0.0	0.0	0.0	0.0	0.0
Minority Interest	7,948.6	9,932.0	11,902.8	13,484.2	13,107.0
Preferred Stock	0.0	0.0	0.0	0.0	0.0
Preferred Stock Issued for ESOP					
ESOP Guarantees - Preferred Issued					

Common Equity	36,427.0	34,454.6	35,994.8	37,977.2	39,744.4
Total Liabilities & Shareholders' Equity	975,017.6	1,032,401.0	1,119,940.6	1,162,023.2	1,224,129.0

Income Statement - (Common Size): **Credit Suisse Group AG**
Figures are expressed as Percent of Net Sales or Revenues.
Net Sales or Revenues are in millions of Swiss Francs.

Fiscal Year	**2013**	**2012**	**2011**	**2010**	**2009**
Fiscal Year End Date	**12/31/2013**	**12/31/2012**	**12/31/2011**	**12/31/2010**	**12/31/2009**
Net Sales or Revenues	**37,046.0**	**37,124.0**	**41,992.0**	**49,608.0**	**52,070.0**
Interest Income - Total	0.5	0.6	0.6	0.5	0.5
Trading Account Income	0.0	0.0	0.2	0.1	0.2
Foreign Exchange Income	0.0	0.0	-0.1	0.0	
Trusts & Fiduciary Income/Commission & Fees	0.4	0.4	0.3	0.3	0.3
Trust Income					
Commission & Fees	0.4	0.4	0.3	0.3	0.3
Investment Income					
Other Operating Income	0.1	0.0	0.0	0.0	0.0
Cost of Goods Sold	0.0				
Depreciation, Depletion & Amortization	0.0	0.0	0.0	0.0	0.0
Gross Income	1.0				
Selling, General & Administrative Expenses	0.5				
Interest Expense – Total	0.3	0.1	0.1	0.1	0.1
Provision for Loan Losses	0.0	0.0	0.0	-0.0	0.0
Other Operating Expenses	0.0	0.8	0.9	0.8	0.8
Operating Expenses - Total	0.9	1.0	1.0	1.0	0.9
Operating Income	0.1	-0.0	-0.0	0.0	0.1
Non-Operating Interest Income					
Pretax Equity in Earnings	0.0	0.0	0.0	0.0	0.0
Extraordinary Credit - Pretax		0.0	0.0	0.0	0.0
Extraordinary Charge - Pretax	0.1	0.1	0.0	0.0	0.0

Other Income/Expense - Net	0.1	0.2	0.1	0.1	0.1
Reserves - Increase/Decrease					
Earnings before Interest, Taxes, Depreciation & Amortization (EBITDA)	0.5	0.2	0.2	0.3	0.3
Earnings before Interest & Taxes(EBIT)	0.4	0.2	0.2	0.3	0.3
Pretax Income	0.1	0.0	0.1	0.1	0.2
Income Taxes	0.0	0.0	0.0	0.0	0.0
Minority Interest	0.0	0.0	0.0	0.0	0.0
Equity in Earnings					
After Tax Other Income/Expense	-0.0	-0.0	-0.0	-0.0	-0.0
Discontinued Operations	0.0	0.0	0.0	-0.0	0.0
Net Income before Extraordinary Items/Preferred Dividends	0.1	0.0	0.0	0.1	0.1
Extraordinary Items & Gain/Loss Sale of Assets	0.0	0.0	0.0	0.0	0.0
Preferred Dividend Requirements	0.0	0.0	0.0	0.0	0.0
Net Income after Preferred Dividends - available to Common	0.1	0.0	0.0	0.1	0.1

Income Statement - (Year to Year Percent Change): **Credit Suisse Group AG**
Figures are the Percent Changes from the Prior Year.

Fiscal Year	**2013**	**2012**	**2011**	**2010**	**2009**
Fiscal Year End Date	**12/31/2013**	**12/31/2012**	**12/31/2011**	**12/31/2010**	**12/31/2009**
Net Sales or Revenues	**-0.2%**	**-11.6%**	**-15.4%**	**-4.7%**	**1.2%**
Interest Income - Total	-14.4%	-2.6%	-8.7%	-0.5%	-44.3%
Trading Account Income	141.5%	-93.3%	33.5%	-41.7%	
Foreign Exchange Income	115.2%		-296.3%		
Trusts & Fiduciary Income/Commission & Fees	1.2%	0.9%	-8.0%	2.4%	-7.2%
Trust Income					
Commission & Fees	1.2%	0.9%	-8.0%	2.4%	-7.2%
Investment Income					
Other Operating Income	6,894.9%	-93.1%	-1.4%	-7.4%	60.8%
Cost of Goods Sold					
Depreciation, Depletion & Amortization	0.2%	13.5%	-3.6%	7.6%	-2.2%
Gross Income					
Selling, General & Administrative Expenses					
Interest Expense – Total	137.6%	-15.9%	-10.4%	21.2%	-2.6%
Provision for Loan Losses	-1.8%	-9.1%		-125.1%	-61.3%
Other Operating Expenses	-100.0%	-16.0%	-11.5%	-0.1%	-31.0%
Operating Expenses - Total	-11.2%	-15.2%	-10.7%	1.6%	-28.7%
Operating Income			-903.1%	-92.6%	
Non-Operating Interest Income					
Pretax Equity in Earnings	67.3%	6.4%	-32.5%	74.2%	
Extraordinary Credit - Pretax					
Extraordinary Charge - Pretax	-43.2%	408.0%	4,617.6%	-62.2%	-45.1%
Other Income/Expense - Net	-61.8%	9.5%	-12.7%	25.2%	8.0%

Reserves - Increase/Decrease					
Earnings before Interest, Taxes, Depreciation & Amortization (EBITDA)	112.1%	-17.5%	-32.9%	-4.4%	
Earnings before Interest & Taxes(EBIT)	133.3%	-21.5%	-35.4%	-5.3%	
Pretax Income	122.0%	-33.2%	-59.1%	-21.5%	
Income Taxes	157.3%	-26.1%	-56.7%	-15.6%	
Minority Interest		-100.0%	60.0%	-59.5%	60.3%
Equity in Earnings					
After Tax Other Income/Expense					
Discontinued Operations				-111.2%	
Net Income before Extraordinary Items/Preferred Dividends	65.0%	-31.3%	-61.6%	-23.7%	
Extraordinary Items & Gain/Loss Sale of Assets					
Preferred Dividend Requirements	2.2%	6.9%	33.3%	23.7%	118.3%
Net Income after Preferred Dividends - available to Common	78.9%	-36.3%	-64.9%	-24.7%	

Income Statement - (5 Year Averages): **Credit Suisse Group AG**

Figures in millions of Swiss Francs.

Fiscal Year	**2013**	**2012**	**2011**	**2010**	**2009**
Fiscal Year End Date	**12/31/2013**	**12/31/2012**	**12/31/2011**	**12/31/2010**	**12/31/2009**
Net Sales or Revenues	**43,568.0**	**46,448.2**	**57,741.2**	**65,774.8**	**73,728.4**
Interest Income - Total	23,481.8	28,850.4	37,936.6	44,193.6	47,876.4
Trading Account Income	6,171.2	3,888.0	4,990.4	4,985.4	4,786.0
Foreign Exchange Income					
Trusts & Fiduciary Income/Commission & Fees	13,415.8	13,733.0	14,984.2	15,923.2	16,031.0
Trust Income					
Commission & Fees	13,415.8	13,733.0	14,984.2	15,923.2	16,031.0
Investment Income					
Other Operating Income	904.8	436.2	521.4	470.4	4,685.0
Cost of Goods Sold					
Depreciation, Depletion & Amortization	1,168.8	1,135.0	1,061.2	1,014.6	978.0
Gross Income					
Selling, General & Administrative Expenses					
Interest Expense – Total	6,732.0	5,527.4	6,240.4	6,459.4	6,239.2
Provision for Loan Losses	152.0	281.2	295.2	235.6	223.4
Other Operating Expenses	30,396.8	42,551.4	52,067.2	58,100.2	65,729.2
Operating Expenses - Total	42,513.6	49,495.0	59,664.0	65,809.8	73,169.8
Operating Income	1,054.4	-3,046.8	-1,922.8	-35.0	558.6
Non-Operating Interest Income					
Pretax Equity in Earnings	174.2	107.6	116.8	113.4	152.2
Extraordinary Credit - Pretax		0.0	0.0	0.0	0.0
Extraordinary Charge - Pretax	1,450.0	1,004.0	190.4	57.8	55.2
Other Income/Expense - Net	5,031.6	5,503.8	5,937.6	6,228.6	6,093.4

Reserves - Increase/Decrease					
Earnings before Interest, Taxes, Depreciation & Amortization (EBITDA)	12,711.0	8,223.0	11,242.8	13,723.2	13,966.2
Earnings before Interest & Taxes(EBIT)	11,542.2	7,088.0	10,181.6	12,708.6	12,988.2
Pretax Income	4,810.2	1,560.6	3,941.2	6,249.2	6,749.0
Income Taxes	1,165.2	-9.2	141.6	485.2	446.8
Minority Interest	214.0	112.4	1,060.0	1,758.8	2,147.8
Equity in Earnings					
After Tax Other Income/Expense	-209.6				
Discontinued Operations	59.0	30.0	30.0		
Net Income before Extraordinary Items/Preferred Dividends	3,280.4	1,322.2	2,619.2	3,904.2	4,092.2
Extraordinary Items & Gain/Loss Sale of Assets	0.0	-106.2	-106.2	503.0	500.4
Preferred Dividend Requirements	195.2	160.0	113.8	70.6	38.2
Net Income after Preferred Dividends - available to Common	3,085.2	1,162.2	2,505.4	3,833.6	4,054.0

Sources of Capital: Credit Suisse Group AG

Currency figures are in millions of Swiss Francs.
Year to year % changes pertain to reported Balance Sheet values.

Fiscal Year	2013	2012	2011	2010	2009
Fiscal Year End Date	12/31/2013	12/31/2012	12/31/2011	12/31/2010	12/31/2009
Total Capital	**156,094.0**	**191,702.0**	**203,740.0**	**216,767.0**	**180,413.0**
Percent of Total Capital					
Short Term Debt	35.2%	94.5%	119.2%	105.0%	145.7%
Long Term Debt	69.8%	77.9%	79.8%	80.2%	73.2%
Other Liabilities	210.6%	126.1%	141.2%	137.5%	166.0%
Total Liabilities	528.9%	456.4%	490.4%	451.9%	539.9%
Minority Interest	3.2%	3.5%	3.6%	4.5%	6.0%
Preferred Stock	0.0%	0.0%	0.0%	0.0%	0.0%
Retained Earnings	19.4%	14.7%	13.3%	11.7%	14.0%
Common Equity	27.0%	18.5%	16.5%	15.4%	20.8%
Total Capital	100.0%	100.0%	100.0%	100.0%	100.0%
Year to Year Net Changes					
Short Term Debt	-12,614.3	-6,173.0	1,525.2	-3,525.6	-7,668.7
Long Term Debt	-4,049.0	-1,323.7	-1,109.7	4,166.7	836.7
Other Liabilities	8,699.2	-4,597.8	-1,030.8	-143.8	-6,084.7
Total Liabilities	-4,925.4	-12,424.7	1,956.8	561.1	-13,854.0
Minority Interest	-178.4	-62.5	-232.2	-107.8	-410.8
Preferred Stock	0.0	0.0	0.0	0.0	0.0
Retained Earnings	209.0	111.8	173.7	5.8	647.8
Common Equity	666.6	182.4	39.2	-423.5	521.5
Total Capital	-3,560.8	-1,203.8	-1,302.7	3,635.4	947.4
Year to Year Percent Changes					
Short Term Debt	-69.7%	-25.4%	6.7%	-13.4%	-22.6%
Long Term Debt	-27.1%	-8.1%	-6.4%	31.5%	6.8%

Other Liabilities	36.0%	-16.0%	-3.5%	-0.5%	-16.9%
Total Liabilities	-5.6%	-12.4%	2.0%	0.6%	-12.5%
Minority Interest	-26.3%	-8.4%	-23.9%	-10.0%	-27.5%
Preferred Stock					
Retained Earnings	7.4%	4.1%	6.9%	0.2%	34.5%
Common Equity	18.8%	5.4%	1.2%	-11.3%	16.1%
Total Capital	-18.6%	-5.9%	-6.0%	20.2%	5.5%
Total Liabilities & Common Equity					
Total Liabilities	825,640.0	874,894.0	999,141.0	979,573.0	973,962.0
Net Change in Liabilities as % of Total Liabilities	-6.0%	-14.2%	2.0%	0.6%	-14.2%
Common Equity	42,164.0	35,498.0	33,674.0	33,282.0	37,517.0
Net Change in Common Equity as % of Common Equity	15.8%	5.1%	1.2%	-12.7%	13.9%
Cash Flow					
Operating Activities	7,086.0	1,674.0	-479.0	20,280.0	-2,715.0
Financing Activities	-24,421.0	-77,860.0	33,056.0	32,986.0	-84,909.0
Investing Activities	-25,480.0	-28,607.0	-13,162.0	33,501.0	-50,600.0

Employee Efficiency: Credit Suisse Group AG

Values per Employee are in Swiss Francs.

Fiscal Year	**2013**	**2012**	**2011**	**2010**	**2009**
Fiscal Year End Date	**12/31/2013**	**12/31/2012**	**12/31/2011**	**12/31/2010**	**12/31/2009**
Employees	**46,000**	**47,400**	**49,700**	**50,100**	**47,600**
Values per Employee					
Sales	805,348	783,207	844,909	990,180	1,093,908
Net Income	40,609	22,025	32,998	93,214	130,336
Cash Earnings	86,870	160,063	28,370	236,866	232,962
Working Capital					
Total Debt	3,562,543	6,972,785	8,158,491	8,010,419	8,296,450
Total Capital	3,393,348	4,044,346	4,099,396	4,326,687	3,790,189
Total Assets	18,974,043	19,349,747	20,930,101	20,410,938	21,476,681
Year to Year % Change per Employee					
Employees	-3.0%	-4.6%	-0.8%	5.3%	-0.4%
Sales	2.8%	-7.3%	-14.7%	-9.5%	1.6%
Net Income	84.4%	-33.3%	-64.6%	-28.5%	
Cash Earnings	-45.7%	464.2%	-88.0%	1.7%	
Working Capital					
Total Debt	-48.9%	-14.5%	1.8%	-3.4%	-14.4%
Total Capital	-16.1%	-1.3%	-5.3%	14.2%	6.0%
Total Assets	-1.9%	-7.6%	2.5%	-5.0%	-11.5%

Fixed Charges Coverage: Credit Suisse Group AG

Fiscal Year	2013	2012	2011	2010	2009
Fiscal Year End Date	**12/31/2013**	**12/31/2012**	**12/31/2011**	**12/31/2010**	**12/31/2009**
EBIT/Total Interest Expense	1.4	1.4	1.5	2.1	2.6
EBIT/Net Interest	1.4	1.4	1.5	2.1	2.6
EBIT/(Total Interest Exp + Pfd Div)	1.4	1.4	1.5	2.1	2.6
EBIT/Dividends on Common Shares	27.5	5.1	4.4	4.7	37.0
EBIT/(Dividends on Common + Pfd)	27.5	5.1	4.4	4.7	37.0
EBITDA/Total Interest Expense	1.5	1.6	1.7	2.2	2.8
EBITDA/Net Interest	1.5	1.6	1.7	2.2	2.8
EBITDA/(Total Interest Exp + Pfd Div)	1.5	1.6	1.7	2.2	2.8
EBITDA/Dividends on Com Shares	29.8	6.1	4.9	5.1	39.9
EBITDA/(Dividends on Com + Pfd)	29.8	6.1	4.9	5.1	39.9

Leverage Analysis: **Credit Suisse Group AG**

Fiscal Year	2013	2012	2011	2010	2009
Fiscal Year End Date	**12/31/2013**	**12/31/2012**	**12/31/2011**	**12/31/2010**	**12/31/2009**
Long Term Debt % of EBIT	701.1%	2,243.2%	1,916.3%	1,321.7%	951.7%
Long Term Debt % of EBITDA	648.5%	1,886.8%	1,695.0%	1,215.5%	883.7%
Long Term Debt % of Total Assets	12.5%	16.3%	15.6%	17.0%	12.9%
Long Term Debt % of Total Capital	69.8%	77.9%	79.8%	80.2%	73.2%
Long Term Debt % of Com Equity	258.3%	420.9%	483.0%	522.1%	352.1%
Total Debt % of EBIT	1,054.8%	4,961.9%	4,777.1%	3,052.8%	2,845.4%
Total Debt % of EBITDA	975.6%	4,173.6%	4,225.5%	2,807.4%	2,642.1%
Total Debt % of Total Assets	18.8%	36.0%	39.0%	39.2%	38.6%
Total Debt % of Total Capital	105.0%	172.4%	199.0%	185.1%	218.9%
Total Debt % of Total Capital & Short Term Debt	77.7%	88.7%	90.8%	90.3%	89.1%
Total Debt % of Common Equity	388.7%	931.1%	1,204.1%	1,205.8%	1,052.6%
Minority Interest % of EBIT	32.2%	101.9%	87.3%	74.0%	77.9%
Minority Interest % of EBITDA	29.8%	85.7%	77.2%	68.1%	72.3%
Minority Interest % of Total Assets	0.6%	0.7%	0.7%	1.0%	1.1%
Minority Interest % of Total Capital	3.2%	3.5%	3.6%	4.5%	6.0%
Minority Interest % of Com Equity	11.9%	19.1%	22.0%	29.2%	28.8%
Preferred Stock % of EBIT	0.0%	0.0%	0.0%	0.0%	0.0%
Preferred Stock % of EDITDA	0.0%	0.0%	0.0%	0.0%	0.0%
Preferred Stock % of Total Assets	0.0%	0.0%	0.0%	0.0%	0.0%

Preferred Stock % of Total Capital	0.0%	0.0%	0.0%	0.0%	0.0%
Preferred Stock % of Total Equity	0.0%	0.0%	0.0%	0.0%	0.0%
Common Equity % of Total Assets	4.8%	3.9%	3.2%	3.3%	3.7%
Common Equity % of Total Capital	27.0%	18.5%	16.5%	15.4%	20.8%
Total Capital % of Total Assets	17.9%	20.9%	19.6%	21.2%	17.6%
Capital Expenditure % of Sales	2.4%	3.3%	4.1%	3.4%	2.7%
Fixed Assets % of Common Equity	12.1%	15.8%	21.4%	20.2%	17.2%
Working Capital % of Total Capital					
Dividend Payout	30.2%			60.0%	6.0%
Funds From Operations % of Total Debt	2.4%	2.3%	0.3%	3.0%	2.8%

Per Share Data: **Credit Suisse Group AG**

Figures are expressed as per unit of respective shares.
Figures are in Swiss Francs.

Fiscal Year	**2013**	**2012**	**2011**	**2010**	**2009**
Fiscal Year End Date	**12/31/2013**	**12/31/2012**	**12/31/2011**	**12/31/2010**	**12/31/2009**
Sales	23.29	28.01	33.59	41.25	43.47
Operating Income	2.42	-0.19	-1.66	0.22	2.92
Pre-tax Income	2.57	1.39	2.21	5.61	7.18
Net Income (Continuing Operations)	1.86				
Net Income Before Extra Items	1.32	0.96	1.48	4.02	5.29
Extraordinary Items	0.00	0.00	0.00	0.00	0.00
Net Income After Extraordinary Items	1.32	0.96	1.48	4.02	5.29
Net Income Available to Common Shares	1.22	0.80	1.34	3.82	5.15
Fully Diluted Earnings	1.22	0.79	1.33	3.80	5.02
Common Dividends	0.70	0.10	0.73	1.27	1.95
Cash Earnings	2.61	5.79	1.15	9.70	9.22
Book Value	26.50	26.78	26.94	27.68	31.32
Retained Earnings	19.02	21.26	21.64	21.05	21.09
Assets	548.61	692.03	832.12	850.33	853.52

Profitability Analysis: Credit Suisse Group AG

Currency figures are in Swiss Francs.

Fiscal Year	2013	2012	2011	2010	2009
Fiscal Year End Date	12/31/2013	12/31/2012	12/31/2011	12/31/2010	12/31/2009
Gross Income Margin	95.2%				
Operating Income Margin	10.4%	-0.7%	-5.0%	0.5%	6.7%
Pretax Income Margin	11.1%	5.0%	6.6%	13.6%	16.5%
EBIT Margin	41.9%	17.9%	20.2%	26.5%	26.7%
Net Income Margin	5.7%	3.4%	4.4%	9.7%	12.2%
Return on Equity - Total	4.8%	3.0%	4.9%	13.2%	17.8%
Return on Invested Capital	3.4%	1.2%	1.4%	2.2%	2.3%
Return on Assets	1.1%	0.5%	0.6%	1.0%	1.0%
Asset Turnover	0.0	0.0	0.0	0.0	0.1
Financial Leverage	388.7%	931.1%	1,204.1%	1,205.8%	1,052.6%
Interest Expense on Debt	11,441,000,000	4,816,000,000	5,728,000,000	6,396,000,000	5,279,000,000
Effective Tax Rate	31.2%	26.9%	24.3%	22.9%	21.3%
Cash Flow % Sales	10.8%	20.4%	3.4%	23.9%	21.3%
Selling, General & Administrative	53.5%				

Expenses % of Sales					
Research & Development Expense					
Operating Income Return On Total Capital	-18.6%	-5.9%	-6.0%	20.2%	5.5%

Wright Quality Rating - Investment Acceptance: Credit Suisse Group AG

Currency figures are in millions of U.S. Dollars.

Wright Quality Rating	ACC2
Investment Acceptance Rating	A
Total Market Value of Shares Outstanding - Three Year Average	44,933
- Current Year	47,103
Public Market Value (Excludes Closely Held) - Three Year Average	44,896
- Current Year	47,064
Trading Volume - Three Year Average	0
- Current Year	0
Turnover Rate - Three Year Average	0.0%
- Current Year	0.0%
Stock Exchange Listings	FRA GVA OTH ZHR
Number of Institutional Investors	0
Number of Shareholders	
Closely Held Shares as % of Total Shares Outstanding	0.1%

Wright Quality Rating - Financial Strength: **Credit Suisse Group AG**

Wright Quality Rating	**ACC2**
Financial Strength Rating	**C**
Total Shareholders' Equity (Millions of U.S. Dollars)	48,847
Total Shareholders' Equity as % Total Capital	24.5%
Equity as % of Assets	4.9%
Long Term Debt as % of Total Capital	74.9%
Long Term Debt (Millions of Swiss Francs)	132,434
Lease Obligations (Millions of Swiss Francs)	0
Long Term Debt including Leases (Millions of Swiss Francs)	132,434
Total Debt as % of Total Capital	88.9%
Long Term Debt as % of Total Assets	15.1%
Total Capital as % of Total Assets	20.1%
Net Capital Requirement	

Wright Quality Rating - Profitability & Stability: Credit Suisse Group AG

Wright Quality Rating	**ACC2**
Profitability & Stability Rating	**C**
Profit Rate of Earnings on Equity Capital - Time-Weighted Normal	5.9%
- Basic Trend	0.0%
Cash Earnings Return on Equity - Time-Weighted Average	12.9%
- Basic Trend	4.0%
Cash Earnings Return on Equity - Stability Index	6.0%
Return On Assets (Time-Weighted Average)	1.0%
Pre-Tax Income as % of Total Assets (Time-Weighted Average)	0.4%
Operating Income as % of Total Assets (Time-Weighted Average)	0.7%
Operating Income as % of Total Capital (Adjusted Rate)	3.1%
Pre-Tax Income as % of Total Assets (Time-Weighted Average)	0.4%
Operating Income as % of Total Assets (Time-Weighted Average)	0.7%
Operating Income as % of Total Capital (Adjusted Rate)	3.1%

Wright Quality Rating - Corporate Growth: Credit Suisse Group AG

Figures are expressed on a Per Share Basis.

Wright Quality Rating	**ACC2**
Growth Rating	**2**
Normal Earnings Growth	4.0%
Cash Earnings Growth	25.0%
Cash Earnings Stability Index	6.4%
Earned Equity Growth	3.2%
Dividend Growth	-19.9%
Operating Income Growth	25.0%
Assets Growth	-10.4%
Sales/Revenues Growth	-13.2%

Wright Quality Rating®

Since 1970, Wright Investors' Service has rated all of the companies in its database (when there is sufficient information available). The Wright Quality Rating, measures the overall investment quality of a company.

Wright Quality Ratings are based on numerous individual measures of quality, grouped into four principal components: (1) Investment Acceptance (i.e. stock liquidity), (2) Financial Strength, (3) Profitability & Stability, and (4) Growth. The ratings are based on established principles using 5-6 years of corporate record and other investment data.

The ratings consist of three letters and a number. Each letter reflects a composite qualitative measurement of numerous individual standards which may be summarized as follows:

A = Outstanding; **B** = Excellent; **C** = Good; **D** = Fair; **L** = Limited; **N** = Not Rated.

The number component of the Quality Rating is also a composite measurement of the annual corporate growth, based on earnings and modified by growth rates of equity, dividends, and sales per common share. The Growth rating may vary from 0 (lowest) to 20 (highest). (See sample Quality Rating below.)

Example:

Wright Quality Rating: BAC8

Investment Acceptance	B	Excellent
Financial Strength	A	Outstanding
Profitability & Stability	C	Good
Growth	8	

The highest quality rating assigned by Wright is AAA20. This rating would be assigned to a company that has a large and broad base of shareholders, an outstanding balance sheet and strong and stable profitability. The company would also have experienced superior growth over the past several years.

The Wright Quality Rating assigned to a company also takes into consideration country and industry variations. If there is not sufficient information available, the quality rating will not be assigned or an "N" (not-rated) will be applied for that particular quality criteria.

Company

Global Markets Research

Europe Switzerland
Banks

Deutsche Bank

19 April 2011

UBS and Credit Suisse

Q1 results preview: traction and reaction

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Currency and activity likely to drag in Q1
In this report we briefly preview Q1 2011 earnings forecasts for UBS (reporting 26 April) and Credit Suisse (reporting 27 April). We expect a seasonal recovery at both banks versus Q4, but weak overall earnings momentum, with both banks held back by further CHF strength. We expect UBS' results to be particularly disappointing, as we forecast the start of the year showing a lack of traction from the i-banking rebuild. Overall, we remain with our Hold recommendations on both banks given concerns over client activity and CHF strength.

Private banking: modest AuM increase at best, slow margin recovery
We expect inflows to drive AuM growth in Q1, as currencies and volatile markets conspire to deprive banks of market-driven AuM growth. We forecast 4% annualised at Credit Suisse, and 1% annualised at UBS. As regards client activity, we expect this will have reduced in March (as was the case in 2010 also) due to risk aversion. The global macro backdrop has again turned uncertain, and we expect the banks to be less confident on the prospects for rising margins in the near term.

Investment banking: seasonal recovery, currency headwinds
As regards investment banking, we expect headline revenue trends to look weaker than US peers given currency headwinds. The Swiss banks will benefit from mix, with equities stronger than FICC in our view, and we also expect Credit Suisse to benefit from the recovery in financial sponsor business and high yield (we look at financial sponsor revenues in detail in this report). Overall we forecast headline revenues down 24% YoY at UBS and down 17% YoY at Credit Suisse.

UBS trading on 8.5x 2012E adjusted EPS, rated Hold, least preferred
UBS is currently trading at a modest premium to the sector adjusted PE of 7.3x for 2012. It is also trading on 1.3x P/TBV. We think the company's lack of traction from its investment banking rebuild, which could in turn lead to constraints on its ability to realise new tax assets, will be a problem this year. We are also skeptical on UBS' ability to "cut its way to victory" in i-banking, and we doubt whether management would cut the business in its entirety. Given the lack of upside to our CHF 18 target price (based on a sum-of-the-parts analysis) we remain with our Hold recommendation.

Credit Suisse trading on 7.7x 2012E adjusted EPS, rated Hold
Credit Suisse is currently trading at a modest premium to the sector-adjusted PE of 7.3x for 2012. It is also trading on 1.4x P/TBV. We think the i-bank is in better shape than UBS, but outside of equities we view the FICC franchise as having failed to generate the traction that it should have (albeit Q1 could have played to Credit Suisse's strengths in mortgages, high-yield and financial sponsor business). Although we see modest upside to our sum-of-the-parts target price of CHF 47 (and prefer Credit Suisse to UBS) we think there are lower risk, cheaper alternatives in the European banking sector. We remain with our Hold recommendation.

Results

Companies featured			
UBS (UBSN.VX),CHF16.11			**Hold**
	2010A	2011E	2012E
EPS Adjusted (CHF)	1.36	1.62	1.89
P/E Adjusted (x)	11.3	10.0	8.5
P/B	1.2	1.1	1.1
Credit Suisse Group (CSGN.VX),CHF38.37			**Hold**
	2010A	2011E	2012E
EPS Adjusted (CHF)	4.24	4.31	4.96
P/E Adjusted (x)	8.9	8.9	7.7
P/B	1.3	1.2	1.1

Upcoming events	Date
UBS Q1 results	26 April 2011
Credit Suisse Q1 results	27 April 2011

Q1 results preview

Key points

- UBS will report Q1 2011 results on 26 April, at around 06:00. We forecast net profit of CHF 1,317m, EPS of CHF 0.34, and adjusted EPS of CHF 0.41. This includes no major non-recurring items aside from some small losses on CVAs / DVAs (CHF 275m).
- Credit Suisse will report Q1 2011 results on 27 April, at around 05:45. We forecast net profit of CHF 1,059m, EPS of CHF 0.88, and adjusted EPS of CHF 1.19. This includes no major non-recurring items aside from a moderate loss on own debt (CHF 500m).
- In investment banking, we expect Credit Suisse to outperform UBS. We think the peer group will in USD terms be down 10% to 20% at the total revenue level (so far JP Morgan has outperformed this range, Bank of America and Citigroup were towards the bottom of this range). But in CHF terms, we expect the Swiss banks to see a further 10% YoY headwind. In FICC we forecast Credit Suisse down 32% YoY in CHF, and UBS down 37% YoY. In Equities we forecast Credit Suisse down 3% YoY and UBS down 12% YoY.
- In private banking, we expect Credit Suisse to outperform UBS, thanks to inflows (4% annualised at Credit Suisse versus 1% at UBS). That said, positive flows at UBS will continue its rehabilitation. One area at risk is gross revenue margins. At the mid-quarter stage we were optimistic, but difficult macro makes it likely in our view that client activity will have tailed off again. We forecast 95bp for UBS and 124bp for Credit Suisse.
- Overall, our preference going into Q1 results is for Credit Suisse over UBS. We see more upside to our target price at Credit Suisse than at UBS, and we expect better results also. That said, we rate both stocks as HOLD as we think that CHF strength will be a drag on top-line investment banking earnings and operational gearing in the private bank.
- Detailed Q1 results previews for UBS and Credit Suisse are set out on pages 8 and 12 respectively. But in the following section we take a brief look at lead indicators of traction in the investment bank, and ask whether the 19% total capital ratio target is really disadvantaging the banks. We conclude that there is little hard evidence that it is doing so as yet. Nonetheless, the US move to apparently "rubber stamp" 7% Tier 1 ratios as adequate (or at least to allow banks passing a stress test at over this level to commence dividends) means that there is a possibility, in our view, that the Swiss parliament may settle on 13% rather than the 19% recommended by the Swiss Commission of Experts.

Spotlight on market shares: who has traction?

We think that the only definitive market share calculations are share of the total revenue pool. We track this quarterly, and as of Q4, estimate that UBS had a share of 3.8% of the global revenue pool (across all capital markets, advisory, and FICC and Equity sales and trading). In 2010 UBS' market shares trended up modestly, but remained well below pre-crisis levels.

That said, in the run-up to Q1, the more limited leading league tables do seem to be telling us that Credit Suisse is gaining ground, and UBS losing it. How much are the banks being disadvantaged by the Swiss Expert Commissions 19% total capital target (which can only include CoCos and common equity), and is UBS risking losing its relevance?

Figure 1: Swiss banks' annualised share of global revenue pool

UBS	**2007**	**2008**	**2009**	**2010**
FICC S&T	3.2%	-25.1%	1.1%	2.6%
Equity S&T	5.3%	6.7%	4.5%	4.6%
Advisory and Underwriting	6.5%	5.2%	3.9%	3.4%
Total underlying revenues	4.9%	-1.7%	2.4%	3.3%
Credit Suisse	**2007**	**2008**	**2009**	**2010**
FICC S&T	6.8%	2.6%	4.2%	3.7%
Equity S&T	4.6%	1.9%	6.8%	6.4%
Advisory and Underwriting	5.5%	5.3%	3.8%	5.8%
Total underlying revenues	5.4%	2.7%	4.6%	4.8%

Source: Deutsche Bank estimates

Figure 2: Aggregated ECM, DCM and M&A advisory fee generation: FY 2008 to FY 2010 and Q1 2011

FY 2008	%	FY 2009	%	FY 2010	%	Q1 2011	Revenue ($	%
BoA Merrill Lynch	10.03	JPMorgan	9.15	JPMorgan	7.49	JPMorgan	1,148.88	7.58
JPMorgan	9.16	Goldman Sachs	7.22	Goldman Sachs	6.62	Goldman Sachs	1,016.82	6.71
Goldman Sachs	7.62	BoA Merrill Lynch	6.76	Morgan Stanley	6.34	BoA Merrill Lynch	1,012.16	6.68
UBS	6.23	Morgan Stanley	6.44	BoA Merrill Lynch	6.12	Deutsche Bank	947.83	6.26
Citi	5.78	Citi	5.72	Deutsche Bank	5.41	Morgan Stanley	942.78	6.22
Morgan Stanley	5.69	Credit Suisse	5.3	Credit Suisse	5.32	Credit Suisse	812.73	5.36
Credit Suisse	5.28	UBS	4.92	Citi	4.51	Citi	736.66	4.86
Deutsche Bank	4.63	Deutsche Bank	4.78	UBS	4.36	Barclays Capital	700.31	4.62
Barclays Capital	4.28	Barclays Capital	3.34	Barclays Capital	3.72	UBS	591.02	3.9
Nomura	2.09	Nomura	2.71	Nomura	2.04	Nomura	342.20	2.26
Top 10 total	**60.79**	**Top 10 total**	**56.34**	**Top 10 todal**	**51.93**	**Top 10 todal**	**8,251.39**	**54.45**
RBS	1.94	RBS	2.56	RBS	1.7	RBC Capital Markets	253.42	1.67
BNP Paribas	1.61	BNP Paribas	2.07	RBC Capital Markets	1.65	RBS	252.95	1.67
Lazard	1.47	HSBC	1.81	HSBC	1.51	Wells Fargo Securities	244.55	1.61
Wells Fargo Securities	1.41	RBC Capital Markets	1.51	BNP Paribas	1.38	BNP Paribas	239.62	1.58
HSBC	1.4	Daiwa Capital Markets	1.3	Wells Fargo Securities	1.3	HSBC	226.18	1.49
RBC Capital Markets	1.37	Wells Fargo Securities	1.25	Lazard	1.15	Jefferies & Company	173.18	1.14
Rothschild	1.14	Lazard	1.12	Mizuho	1.09	Lazard	136.64	0.9
Macquarie Group	1.05	Macquarie Group	1.09	Jefferies & Company	1.01	SG CIB	123.14	0.81
Daiwa Capital Markets	0.89	Credit Agricole CIB	1.02	Rothschild	0.81	Scotia Capital	121.47	0.8
Mizuho	0.84	Mitsubishi UFJ	0.98	Macquarie Group	0.79	Credit Agricole CIB	120.89	0.8
Subtotal	**73.89**	**Top 20 total**	**71.05**	**Top 20 total**	**64.3**	**Top 20 total**	**10,143.4**	**66.95**

Source: Dealogic

UBS: losing touch with the leading pack

Looking at UBS, the answer appears to be that the bank is losing ground, at least on primary indicators (we will only know on total revenues after the Q1 reporting season is complete). Whether this is due to the 19% total capital ratio target making the business uneconomic is debatable. Certainly UBS has experienced high levels of investment banking management churn during 2011 to date. Also, UBS is attempting an investment banking rebuild at a time when many other investment banks have also increased headcount, as a reasonable proxy for investment for market share gains. We think UBS' problems cannot be explained away only by the Swiss regulator.

Credit Suisse: more likely mix shift than actual market share gains

Credit Suisse, on the other hand, looks like it is gaining share in the aggregate tables. But we think this is slightly misleading. In our view Credit Suisse is partly benefitting from a mix shift in favour of its more cyclical strengths. Specifically, Credit Suisse tends to be strong in (1) emerging markets, (2) high yield, and (3) financial sponsor business. Strength in these areas would lead to a mix shift in Credit Suisse's favour. In Q1 in particular, financial sponsor (private equity) business is making a big comeback.

Below we show a table of Financial Sponsor revenue share. We can see that Credit Suisse is a major player in this arena. We can also see that it is very concentrated, with the top 10 banks accounting for 70% of global financial sponsor business (this is one of the most concentrated business areas in i-banking).

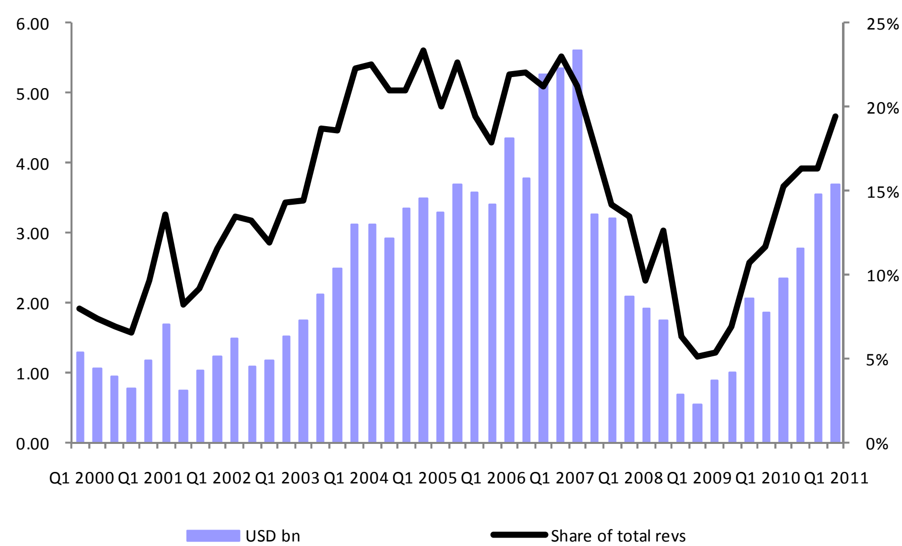
Figure 3: Financial Sponsor revenue league table: Q1 2011

Pos.	Bank	Net Revenue ($m)	No.	%share
1	Bank of America Merrill Lynch	408.92	159	10.99
2	JPMorgan	386.55	121	10.39
3	Credit Suisse	327.76	113	8.81
4	Morgan Stanley	308.60	83	8.30
5	Goldman Sachs	302.20	98	8.12
6	Barclays Capital	280.67	94	7.54
7	Deutsche Bank	254.93	102	6.85
8	Citi	149.88	72	4.03
9	UBS	108.11	57	2.91
10	Wells Fargo Securities	101.57	82	2.73
	Top 10 share			70.67

Source: Dealogic

Secondly, below we show Financial Sponsor revenue over time. We can see that Financial Sponsor revenue is materially increasing. In previous cycles we have estimated that cross all revenue areas (including ancillary and derived revenues), financial sponsors could have been over a quarter of Credit Suisse's overall investment banking revenues.

Figure 4: Global Financial Sponsor Revenues: USD bn of global advisory and underwriting revenues and % of financial sponsor primary revenues over total



Source: Deutsche Bank

Overall, we conclude that Credit Suisse's improvement in apparent market shares this quarter is driven more by mix shift in the wider market than a genuine gain within business lines. That said, whether by mix shift or gain, more market share means more revenues, and we expect Credit Suisse to outperform UBS in Q1. We also think UBS' decline is a genuine failure to translate investment into revenue.

A tough quarter to experience an earnings drag

If this had been another strong Q1 to start the year with, perhaps a lack of traction / currency headwinds would have been less obvious. We had expected Q1 2011 to be solid, but unexceptional, with aggregate investment banking revenues down 20% YoY in USD terms. Below we summarise peer reported performance so far. In aggregate, results have fractionally beaten our expectations, mainly on the fixed income sales and trading front. Within this group, though, we see some evidence that the strongest results are accruing to the strongest players, with JP Morgan performing by far the best. If this does turn out to be a trend, this would work against UBS in our view, both now, in terms of its rebuild, and in future, if the bank decided to try to shrink its way to higher RoEs. If the returns are to scale players, there will be no real option for UBS to cut its way to victory. We revisit this in more detail below.

Figure 5: Sum of GS, JPM, BoA and Citigroup Q1 2011 revenue trends

USD m	2010 Q1	2010 Q4	2011 Q1	% YoY
FICC S&T	22,080	8,638	17,590	-20%
Equity S&T	6,700	4,490	6,047	-10%
Advisory and Underwriting	4,902	6,209	5,410	+10%
Other	215	330	312	Na
Total underlying revenues	35,207	19,787	28,979	-18%

Source: Deutsche Bank

When you don't have traction, reaction

We see evidence from the above market share data that UBS is losing traction in primary business. Of course, it may be so that UBS is thriving in secondary business, but we are inclined to doubt this given the frequency of top management change we have seen during March. And Credit Suisse in our view has moved into the top tier in equities, but not fixed income. In a more challenging Basel 3 world, will the banks react?

How much scope is there for cost cutting?

Our concern is that UBS will not go far enough, quickly enough, with restructuring. This is for a number of reasons. First, a large number of unrecognised tax-loss carryforwards still exist, and the large part of the unrecognised losses are in the US. WM USA in our view is unlikely to deliver enough profits to realise these, so a US investment bank has option value to management. Second, UBS arguably doesn't have a cost / restructuring problem anyway. Comparing the UBS' cost and employee base with peers, we actually find that UBS had one of the smaller cost bases of the major investment banks in 2010 (somewhat above the French but well below US or other comparable top tier banks). Cutting these costs further in our view will only lead to more revenue attrition.

We can also express this in terms of the 2010 profits. We estimate pro-forma Basel 3 RWAs of CHF 220bn, which with a 13% common equity Tier 1 would require CHF 29bn of capital. Pre-tax profit in 2010 was CHF 2.2bn, or CHF 17bn net, for a 6% RoTE under Basel 3. Reaching a 12% RoE would imply CHF 4.6bn of pre-tax (or 24% off the cost base). Reaching a 15% RoTE would require CHF 6bn of PBT (no coincidence that this is UBS' target) and 38% off the cost base. This would make the cost base of a similar size to that of BNPP's or RBS'. It is implausible in our view that this is a solution for UBS. In other words, the route to recovery is one of revenue growth, not of cost cutting.

Should the Swiss row back on the 19% target?

UBS' other option is to try to make its business more competitive by lobbying for the 19% Tier 1 ratio target to be removed. We see scope for better news on this. In our view the regulatory debate has shifted slightly in the last few weeks.

- The UK Independent Commission on Banking published its views on UK banking capitalisation on 11 April. The ICB think that core tier 1 of at least 10% is appropriate for SIFIs. If the international community agree a lower level, the ICB suggests that 10% still apply to UK retail banking, but with wholesale and investment banking operations allowed to operate at the same level as international peers in recognition of the global nature of the business. We would not expect the new regulator, the Bank of England, to share this view. Nonetheless, we still see the acknowledgement of international comparability as important, and even if the FSA / BoE push for 10%, this would be markedly better than the 19% previously floated as an idea by David Miles[1].
- The US has also apparently set a minimum common equity Tier 1 ratio of 7%, by tacitly approving capital distributions above this level in its recent stress tests (the results of which were published on 18 March 2011[2]). The Federal Reserve report looked at a number of indicators. These were: (1) capital adequacy, (2) capital distribution (dividends and other repurchases), (3) government investment repayment, (4) stress test scenario analysis, and (5) compliance with Basel III and Dodd-Frank.
- On the Basel III capital ratios in particular, the report said that "*Overall, the key benchmark was whether a bank holding company's pro forma (adjusted) Tier 1 common, Tier 1 and Tier 1 leverage ratios on a Basel III basis met the target levels of 7 percent, 8.5 percent, and 3 percent, respectively, according to the timeline specified by management for meeting the fully phased - in standards.*"

We think that there is a possibility that the Swiss row back from 19% total capital ratio requirement, with a 13% total capital ratio requirement a possible compromise. Given extensive RWA model recognition and lower tax rates (which help the Swiss banks), we think that the Swiss would be able to compete adequately at a 13% Tier 1 ratio, especially at 10% common and 3% high-strike CoCos. But, we will not know whether this is a possible outcome until likely after the October 2011 Swiss elections. This is because we do not expect banking sector legislation to be passed ahead of the vote.

1 David Miles is a member of the Bank of England's interest rate-setting Monetary Policy Committee (MPC)
2 http://www.federalreserve.gov/newsevents/press/bcreg/20110318a.htm

Model updated:12 April 2011

Running the numbers

Europe

Switzerland

Banks

UBS

Reuters: UBSN.VX Bloomberg: UBSN VX

Hold

Price (18 Apr 11)	CHF 16.11
Target price	CHF 18.00
52-week Range	CHF 14.02 - 18.93
Market Cap (m)	CHFm 61,715 USDm 68,723

Company Profile

UBS AG is a financial conglomerate comprising commercial, retail, private and investment banking businesses. The bank offers consumer, business, and construction loans; mortgages, export and structured finance; and securities brokerage services. It also advises on mergers and acquisitions, invests pension funds, and provides private banking services globally.

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Fiscal year end 31-Dec	2008	2009	2010	2011E	2012E	2013E
Data Per Share						
EPS (stated)(CHF)	-6.02	-0.74	1.87	1.59	1.86	1.89
EPS (DB) (CHF)	-7.17	0.58	1.36	1.62	1.89	1.92
Growth Rate - EPS (DB) (%)	-123.6	108.1	135.2	18.7	16.8	1.7
DPS (CHF)	0.00	0.00	0.00	0.00	1.00	1.20
BVPS (stated) (CHF)	9.65	10.71	12.58	14.16	15.02	15.72
Tang. NAV p. sh. (CHF)	5.99	7.83	10.01	11.60	12.46	13.15
Market Capitalisation	52,479	61,472	58,803	61,715	61,715	61,715
Shares in issue	3,536	3,683	3,830	3,831	3,831	3,831
Valuation Ratios & Profitability Measures						
P/E (stated)	-2.5	-21.6	8.2	10.1	8.7	8.5
P/E (DB)	-2.1	27.9	11.3	10.0	8.5	8.4
P/B (stated)	1.5	1.5	1.2	1.1	1.1	1.0
P/Tangible equity (DB)	2.5	2.0	1.5	1.4	1.3	1.2
ROE(stated)(%)	-61.1	-7.3	16.0	11.9	12.7	12.3
ROTE (tangible equity) (%)	-119.2	8.3	15.3	14.9	15.7	15.0
ROIC (invested capital) (%)	-58.0	4.5	9.5	10.1	10.9	10.6
Dividend yield(%)	0.0	0.0	0.0	0.0	6.2	7.4
Dividend cover(x)	nm	nm	nm	nm	1.9	1.6
Profit & Loss (CHFm)						
Net interest revenue	5,992	6,446	6,215	6,277	6,340	6,403
Non interest income	-2,200	17,986	25,826	26,691	29,623	31,338
Commissions	22,929	17,712	17,160	18,533	20,015	21,617
Trading Revenue	-25,820	-324	7,452	7,957	9,407	9,521
Other revenue	691	598	1,214	201	201	201
Total revenue	3,792	24,432	32,041	32,968	35,963	37,742
Total Operating Costs	28,555	25,160	24,575	24,638	26,206	27,465
Employee Costs	16,262	16,544	16,997	17,016	18,287	19,313
Other costs	12,293	8,616	7,578	7,623	7,919	8,152
Pre-Provision profit/(loss)	-24,763	-728	7,466	8,329	9,757	10,277
Bad debt expense	2,996	1,832	67	440	560	560
Operating Profit	-27,759	-2,560	7,399	7,889	9,197	9,717
Pre-tax associates	0	0	0	0	0	0
Pre-tax profit	-27,759	-2,560	7,399	7,889	9,197	9,717
Tax	-6,837	-443	-60	1,578	1,839	2,235
Other post tax items	-569	-610	-305	-230	-230	-230
Stated net profit	-21,294	-2,736	7,156	6,081	7,128	7,252
Goodwill	0	0	0	0	0	0
Extraordinary & Other items	-4,076	5,012	-1,801	107	102	101
Bad Debt Provisioning	0	0	0	0	0	0
Investment reval, cap gains / losses	0	-146	-145	0	0	0
DB adj. core earnings	-25,370	2,130	5,211	6,188	7,230	7,353
Key Balance Sheet Items (CHFm) & Capital Ratios						
Risk-weighted assets	302,273	206,525	198,875	288,763	333,201	349,861
Interest-earning assets	1,964,459	1,300,429	1,263,478	1,292,761	1,322,922	1,353,988
Customer Loans	340,308	306,828	262,877	270,763	278,886	287,253
Total Deposits	474,774	410,475	430,999	452,549	475,176	498,935
Stated Shareholder Equity	34,114	41,013	48,174	54,258	57,555	60,210
Equals: Tangible Equity	21,179	30,005	38,352	44,436	47,733	50,388
Tier 1 capital	34,628	31,798	35,272	42,770	46,067	48,722
Tier 1 ratio (%)	11	15	18	15	14	14
o/w core tier 1 capital ratio (%)	8.9	11.9	15.3	13.1	12.4	12.5
Credit Quality						
Gross NPLs/Total Loans(%)	1.15	1.24	1.71	1.61	1.60	1.57
Risk Provisions/NPLs(%)	74	32	27	31	33	35
Bad debt / Avg loans (%)	0.89	0.57	0.02	0.16	0.20	0.20
Bad debt/Pre-Provision Profit(%)	-12.1	-251.6	0.9	5.3	5.7	5.4
Growth Rates & Key Ratios						
Growth in revenues (%)	-88	544	31	3	9	5
Growth in costs (%)	-19	-12	-2	0	6	5
Growth in bad debts (%)	1,159	-39	-96	557	27	0
Growth in RWA (%)	-19	-32	-4	45	15	5
Net int. margin (%)	0.29	0.39	0.48	0.49	0.48	0.48
Cap.-market rev. / Total revs (%)	-50	82	84	86	87	87
Total loans / Total deposits (%)	72	75	61	60	59	58
ROTE Decomposition						
Revenue % ARWAs	1.12	9.60	15.81	13.52	11.56	11.05
Net interest revenue % ARWA	1.78	2.53	3.07	2.57	2.04	1.87
Non interest revenue % ARWA	-0.65	7.07	12.74	10.95	9.53	9.18
Costs/income ratio (%)	753.0	103.0	76.7	74.7	72.9	72.8
Bad debts % ARWAs	0.89	0.72	0.03	0.18	0.18	0.16
Tax rate (%)	24.6	17.3	-0.8	20.0	20.0	23.0
Adj. Attr. earnings % ARWA	-7.52	0.84	2.57	2.54	2.32	2.15
Capital leverage (ARWA/Equity)	16.0	9.9	5.9	5.9	6.7	7.0
ROTE (Adj. earnings/Ave. equity)	-120.2	8.3	15.2	14.9	15.7	15.0

Source: Company data, Deutsche Bank estimates

UBS Q1 preview

Key points

- UBS reports its Q1 results at 06:00 on 26 April. We forecast Q1 stated net profit of CHF 1,317m.
- In terms of non-recurring items / other adjustments, we forecast a modest (CHF 275m) loss on own debt. We have not included any changes in StabFund option value this quarter.
- By division, we forecast AuM flat in Q1 in the private bank, with more CHF strength versus the dollar and bond market weakness offsetting modest equity and euro strength. We expect a private banking inflow of 1% annualised (CHF 2bn) and a gross revenue margin of 95bp, slightly up on Q4 2010 (92bp), but still 5bp short of target.
- In investment banking, we forecast revenues down 24% YoY in CHF terms, and a 51% underlying compensation ratio, leading to clean PBT of CHF 665m (CHF 390m unadjusted for own debt), still a rather weak performance in our opinion. Within this, we forecast dollar FICC revenues down a quarter YoY, and dollar equity revenues flat YoY, with the exchange rate costing UBS a further 10% off these revenue items YoY.
- Overall we are forecasting stated EPS in Q1 of CHF0.34, and underlying EPS of CHF 0.41.
- We remain with our target price of CHF 18. Because we continue to think that UBS will fail to hit its business plan targets, and will not release capital from its FICC franchise quickly enough to satisfy the market, we have a negative view on UBS relative to other European banks.
- As regards forward earnings, we have made small adjustments in the run-up to results, and these are summarised below.

Figure 6: UBS earnings revisions

CHF	2011E old	2011E new	% chge	2012E old	2012E new	% chge	2013E old	2013E new	% chge
Pre-tax profit	8,661	7,853	-9%	9,366	9,175	-2%	10,051	9,693	-4%
Stated net profit	6,601	6,054	-8%	7,187	7,110	-1%	7,540	7,234	-4%
Adjusted net profit	6,709	6,158	-8%	7,289	7,213	-1%	7,640	7,335	-4%
Stated EPS	1.72	1.58	-8%	1.88	1.86	-1%	1.97	1.89	-4%
Adjusted EPS	1.75	1.61	-8%	1.90	1.88	-1%	1.99	1.91	-4%

Source: Deutsche Bank estimates

Forecasts

Three tables are set out below summarizing (1) our consolidated forecasts, (2) divisional PBT forecasts, and (3) AuM and net new money forecasts.

Figure 7: UBS consolidated forecasts

(CHF m)	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1
Net interest income	1,818	1,093	1,601	1,703	1,600
Fees and commissions	4,372	4,366	3,978	4,444	5,076
Dealing revenues	2,368	3,450	868	766	766
Other income	337	324	180	373	373
Income from industrial holdings	0	0	0	0	0
Total non interest revenue	7,077	8,140	5,026	5,583	6,215
Gross Revenue	8,896	9,234	6,627	7,286	7,815
Total Expenses	-6,201	-6,572	-5,840	-5,962	-6,048
Pre-provision profits	2,695	2,662	787	1,324	1,767
Provisions	115	-49	31	-164	-110
Pre-tax Profit	**2,810**	**2,613**	**818**	**1,161**	**1,657**
Tax	-603	-311	825	149	-331
Tax rate (%)	21	12	-101	-13	20
Profit after tax	2,207	2,302	1,643	1,310	1,326
Net profit / loss from discontinued operations	2	0	0	0	0
Minorities	-7	-298	21	-21	-10
Attributable Profit	2,202	2,005	1,664	1,290	1,317
Underlying Net Profit	2,092	1,343	737	1,064	1,563
EPS	0.57	0.52	0.43	0.34	0.34
EPS - adjusted	0.55	0.35	0.19	0.28	0.41

Source: Deutsche Bank estimates and company data

Figure 8: UBS divisional PBT forecasts

	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1
Wealth Management	696	657	491	487	558
Business & Retail Banking	466	473	445	388	416
Wealth Management USA	14	-67	-47	-33	97
GAM	137	117	114	134	145
IBS	1,190	1,314	-405	75	390
Corporate Functions	307	119	220	109	51
Group Total Pre-Tax Profit	**2,810**	**2,613**	**818**	**1,160**	**1,657**

Source: Deutsche Bank estimates and company data

Figure 9: UBS AuM forecasts

UBS - Divisional inflows	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1
Private Banking (WM)	827.0	786.0	787.0	768.0	775.6
net inflow	-8.0	-5.2	1.0	0.0	2.0
Business Banking Switzerland	136.0	131.0	133.0	136.0	139.7
net inflow	-0.2	0.0	0.0	2.7	1.0
UBS AM	590.0	569.0	567.0	559.0	564.8
net inflow	-2.6	3.4	0.0	1.0	3.0
WM USA	714.0	693.0	693.0	689.0	685.1
net inflow	-7.2	-2.9	0.3	3.4	3.0
UBS Group	2,267.0	2,179.0	2,180.0	2,152.0	2,165.3
net inflow	-18.0	-4.7	1.3	7.1	9.0

Source: Deutsche Bank estimates and company data

Valuation and key risks

Valuation

We have a target price of CHF 18 for UBS. We use a sum-of-the-parts based valuation, valuing each division on sustainable returns, benchmarked against pure play competitors where available (i.e. against listed investment banks, retail banks and asset gatherers). On cost of equity, we use a range from 9% to 11%. The detailed breakdown of our assumed returns, profits and capital is set out in the figure below.

Figure 10: UBS sum-of-the-parts valuation

(2013E, CHFm)	Net profit	Equity Alloc	FuM (bn)	P/E (x)	P/BV (x)	P/AuM (x)	Value (bn)	Val PS (CHF)
Private banking	2,296	5,291	923.4	15.0	6.6	3.8	35.2	9.2
Business Banking	1,359	5,325	180.5	9.0	2.3	na	12.4	3.2
Investment Banking & Securities	2,927	33,209	0	8.5	0.8	na	26.6	6.9
UBS Asset Management	602	3,829	670	13.0	2.1	1.2	7.9	2.1
WM USA	443	5,104	761	11.0	0.9	0.6	4.8	1.3
Corporate Centre	-63	6,808	na	-90.1	0.9	na	6.1	1.6
Total before minorities and hybrids	7,565	54,240	2354.4	10.3	1.5	3.4	80.6	21.0
Less minorities and hybrids	-230	-3,548	na	11.8	1.0	na	-3.5	-0.9
Unrecognised tax loss carryforwards	na	na	na	na	na	na	4.0	1.0
Total fair value at end-20013	7,335	50,323	2,354.4	12.4	1.8	na	93.5	24.4
Less conglomerate discount at 10%							9.3	2.4
Fair value net of conglomerate discount							84.1	22.0
Discounted to 12-month target							**70.3**	**18.0**
Shares in issue								3,831

Source: Deutsche Bank estimates

We apply a 10% discount to conglomerate banks, across the DB European banks coverage universe. This is to reflect the penalty that we believe the market applies, for inter alia lesser transparency, lower focus from management on each business, and reinvestment risk. We apply the conglomerate discount for banks that operate across very different geographies or business lines, as opposed to applying it on scale grounds.

Key risks

As regards risks to our Hold recommendation, UBS faces the usual banking sector risks, such as credit risk on loan and counterparty exposures, liquidity risk, market risk, operational risk and reputation risk. The main downside risks no longer include markdowns on risk assets, in our view, but risks do remain from franchise damage (further outflows from the private bank) or credit losses from the economic cycle. Furthermore, UBS is exposed to general market risk to a greater extent than its peers, thanks to its capital markets heavy mix of investment banking and private banking. Whilst this latter point is a downside risk, the converse would represent an upside risk, especially if combined with a faster-than-expected delivery of the CHF 15bn pre-tax target.

Model updated:15 April 2011

Running the numbers

Europe

Switzerland

Banks

Credit Suisse Group

Reuters: CSGN.VX Bloomberg: CSGN VX

Hold

Price (18 Apr 11)	CHF 38.37
Target price	CHF 47.00
52-week Range	CHF 37.04 - 55.05
Market Cap (m)	CHFm 45,507 USDm 50,675

Company Profile

Credit Suisse Group provides universal banking services including investment, trust and management services, and insurance in Switzerland and internationally. The Company has a network of offices in Switzerland and around the world.

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Fiscal year end 31-Dec	2008	2009	2010	2011E	2012E	2013E
Data Per Share						
EPS (stated)(CHF)	-7.05	5.56	4.21	4.27	4.92	5.44
EPS (DB) (CHF)	-6.54	6.11	4.24	4.31	4.96	5.47
Growth Rate - EPS (DB) (%)	-200.5	193.5	-30.6	1.7	14.9	10.5
DPS (CHF)	0.10	2.00	1.30	1.40	1.60	1.80
BVPS (stated) (CHF)	27.28	30.35	28.06	32.02	35.34	38.97
Tang. NAV p. sh. (CHF)	19.04	22.59	20.56	24.52	28.06	31.92
Market Capitalisation	33,744	63,283	44,677	45,507	45,507	45,507
Shares in issue	1,166	1,210	1,211	1,186	1,186	1,186
Valuation Ratios & Profitability Measures						
P/E (stated)	-4.0	9.2	8.9	9.0	7.8	7.1
P/E (DB)	-4.4	8.4	8.9	8.9	7.7	7.0
P/B (stated)	1.0	1.7	1.3	1.2	1.1	1.0
P/Tangible equity (DB)	1.5	2.3	1.8	1.6	1.4	1.2
ROE(stated)(%)	-21.8	19.3	14.4	14.2	14.6	14.6
ROTE (tangible equity) (%)	-28.0	29.3	19.6	19.1	18.8	18.3
ROIC (invested capital) (%)	-20.2	21.2	14.5	14.4	14.7	14.7
Dividend yield(%)	0.2	4.4	2.8	3.6	4.2	4.7
Dividend cover(x)	-70.5	2.8	3.2	3.1	3.1	3.0
Profit & Loss (CHFm)						
Net interest revenue	8,536	9,409	6,541	6,606	6,672	6,739
Non interest income	732	23,885	24,845	24,905	27,336	28,718
Commissions	14,812	13,996	14,078	14,782	15,521	16,297
Trading Revenue	-9,880	14,298	9,338	8,623	10,240	10,766
Other revenue	-4,200	-4,410	1,429	1,500	1,575	1,654
Total revenue	9,268	33,294	31,386	31,512	34,009	35,457
Total Operating Costs	23,357	24,711	23,978	24,332	25,348	25,863
Employee Costs	13,254	15,018	13,992	14,146	14,959	15,266
Other costs	10,103	9,693	9,986	10,186	10,389	10,597
Pre-Provision profit/(loss)	-14,089	8,583	7,408	7,180	8,661	9,594
Bad debt expense	813	506	-79	236	520	620
Operating Profit	-14,902	8,077	7,487	6,944	8,141	8,974
Pre-tax associates	0	0	0	0	0	0
Pre-tax profit	-14,902	8,077	7,487	6,944	8,141	8,974
Tax	-4,596	1,835	1,548	1,796	2,084	2,300
Other post tax items	2,088	482	-841	-80	-226	-226
Stated net profit	-8,218	6,724	5,098	5,068	5,831	6,447
Goodwill	0	0	0	0	0	0
Extraordinary & Other items	600	673	-360	-134	-134	-134
Bad Debt Provisioning	0	0	0	0	0	0
Investment reval, cap gains / losses	0	0	399	180	180	180
DB adj. core earnings	-7,618	7,397	5,137	5,114	5,877	6,493
Key Balance Sheet Items (CHFm) & Capital Ratios						
Risk-weighted assets	257,467	221,609	218,702	246,796	251,731	326,766
Interest-earning assets	1,010,952	946,652	936,798	936,798	978,917	1,023,258
Customer Loans	235,797	237,180	218,842	218,842	229,784	241,273
Total Deposits	296,986	286,694	287,564	287,564	301,942	317,039
Stated Shareholder Equity	32,302	37,517	33,282	37,978	41,911	46,223
Equals: Tangible Equity	22,549	27,922	24,385	29,081	33,281	37,852
Tier 1 capital	34,208	36,207	37,725	39,922	44,113	48,926
Tier 1 ratio (%)	13	16	17	16	18	15
o/w core tier 1 capital ratio (%)	8.6	10.8	12.2	11.7	13.1	11.6
Credit Quality						
Gross NPLs/Total Loans(%)	0.76	0.69	0.59	0.70	0.71	0.70
Risk Provisions/NPLs(%)	107	137	149	130	141	159
Bad debt / Avg loans (%)	0.34	0.21	-0.03	0.11	0.23	0.26
Bad debt/Pre-Provision Profit(%)	-5.8	5.9	-1.1	3.3	6.0	6.5
Growth Rates & Key Ratios						
Growth in revenues (%)	-76	259	-6	0	8	4
Growth in costs (%)	-8	6	-3	1	4	2
Growth in bad debts (%)	237	-38	-116	-399	120	19
Growth in RWA (%)	-17	-14	-1	13	2	30
Net int. margin (%)	0.78	0.96	0.69	0.71	0.70	0.67
Cap.-market rev. / Total revs (%)	105	97	90	95	93	93
Total loans / Total deposits (%)	79	83	76	76	76	76
ROTE Decomposition						
Revenue % ARWAs	3.25	6.95	7.13	6.77	6.82	6.13
Net interest revenue % ARWA	3.00	1.96	1.49	1.42	1.34	1.16
Non interest revenue % ARWA	0.26	4.99	5.64	5.35	5.48	4.96
Costs/income ratio (%)	252.0	74.2	76.4	77.2	74.5	72.9
Bad debts % ARWAs	0.29	0.11	-0.02	0.05	0.10	0.11
Tax rate (%)	30.8	22.7	20.7	25.9	25.6	25.6
Adj. Attr. earnings % ARWA	-2.68	1.54	1.17	1.10	1.18	1.12
Capital leverage (ARWA/Equity)	10.5	19.0	16.8	17.4	16.0	16.3
ROTE (Adj. earnings/Ave. equity)	-28.0	29.3	19.6	19.1	18.8	18.3

Source: Company data, Deutsche Bank estimates

Credit Suisse Q1 preview

Key points

- Credit Suisse reports its Q1 results at 06:00 on 27 April. We forecast Q1 stated net profit of CHF 1,059m.
- In terms of non-recurring items, we forecast a meaningful (CHF 500m) loss on own debt. We have not included any other non-recurring items this quarter; although Credit Suisse did settle at least one legal case in Q1 we understand that funds for this had already been set aside as part of the case's arbitration process.
- By division, we forecast AuM flattish in Q1 in the private bank, with more CHF strength and bond market weakness offsetting modest equity strength. We expect a private banking inflow of 4% annualised (CHF 8bn) and a gross revenue margin of 124bp, slightly up on Q4 2010, but still not showing a major pickup in risk appetite.
- In investment banking, we forecast revenues down 20% YoY, and a 49% compensation ratio, leading to PBT of CHF 1,070m. Within this, we forecast dollar FICC revenues down 23% YoY, and dollar equity revenues up 7% YoY, with the exchange rate costing Credit Suisse a further 10% off these revenue items YoY. These revenue trends are somewhat stronger than we forecast for UBS, mainly because we think that Credit Suisse might have benefitted from market mix changes so far in 2011.
- Overall we are forecasting stated EPS in Q1 of CHF 0.88 and adjusted EPS of CHF 1.19.
- We have slightly increased our target price from CHF 46 to CHF 47. We prefer Credit Suisse to UBS, but given the uncertainty over Too Big To Fail legislation in Switzerland (19% Tier 1 ratio) and CHF strength, we see more upside elsewhere in the European banking sector.
- As regards forward earnings, we have made small adjustments in the run-up to results, and these are summarised below.

Figure 11: Credit Suisse earnings revisions summary

CHF m	2011E old	2011E new	% chge	2012E old	2012E new	% chge	2013E new	2013E new	% chge
Revenues	32,170	31,572	-2%	34,127	33,884	-1%	35,580	35,332	-1%
Net profit	5,226	5,090	-3%	5,758	5,784	0%	6,376	6,399	0%
Adj profit	5,272	5,136	-3%	5,804	5,887	1%	6,422	6,445	0%
Adj EPS	4.45	4.33	-3%	4.89	4.92	1%	5.41	5.43	0%

Source: Deutsche Bank estimates

Forecasts

Three tables are set out below summarizing (1) our consolidated forecasts, (2) divisional PBT forecasts, and (3) AuM and net new money forecasts.

Figure 12: Credit Suisse consolidated forecasts

(CHF m except where stated)	1Q 2010	2Q 2010	3Q 2010	4Q 2010	1Q 2011 EST
Interest and dividend income	5,806	8,059	6,037	5,631	5,631
Interest expense	-3,859	-6,857	-4,321	-3,955	-3,955
Net interest income	1,947	1,202	1,716	1,676	1,676
Total noninterest revenues	7,066	7,337	4,850	5,592	5,622
Net revenues	9,013	8,539	6,566	7,268	7,298
Provision for credit losses	50	-20	26	23	-9
Total benefits, claims and credit losses	50	-20	26	23	-8
Total operating expenses	-6,088	-6,610	-5,591	-5,689	-5,996
Income (operations)	**2,975**	**1,909**	**1,001**	**1,602**	**1,458**
Income tax expense/(benefit)	-839	-187	-117	-405	-379
Dividends on prefs (cons)	0	0	0	0	0
Minority interests, net of tax	-62	-129	-275	-356	-20
Net attributable income (operations)	2,074	1,593	609	841	1,059
Net income/(loss)	2,055	1,593	609	841	1,059
Underlying net profit	1,952	1,299	1,002	929	1,434
Stated EPS (CHF)	1.69	1.32	0.50	0.69	0.88
DPS (CHF)					
Adjusted EPS ex discontinued ops (CHF)	1.60	1.08	0.83	0.77	1.19

Source: Deutsche Bank estimates and company data

Figure 13: Credit Suisse divisional PBT forecasts

in CHF m	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011 EST
Private Banking	892	874	836	824	875
o/w Wealth Management	677	633	612	606	669
o/w Swiss retail	215	241	224	218	206
Asset Management	166	22	135	180	141
Investment Banking	1,794	784	395	558	1,070
Banking corporate centre	82	126	-613	-255	-650
Core Credit Suisse	**2,934**	**1,806**	**753**	**1,307**	**1,437**
Non-owned minorities	41	103	248	295	20
Total pre-tax income	**2,975**	**1,909**	**1,001**	**1,602**	**1,458**

Source: Deutsche Bank estimates and company data

Figure 14: Credit Suisse AuM forecasts

(CHF m)	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011 EST
Private Banking	945.7	925.6	935.1	932.9	948.2
Inflow	*18.6*	*13.8*	*12.6*	*9.6*	*10.0*
o/w Wealth Management Clients	824.8	805.3	813.1	808.0	820.0
Inflow	*12.9*	*11.9*	*12.4*	*8.1*	*8.0*
o/w Corporate & Institutional Clients	120.9	120.3	122.0	124.9	128.1
Inflow	*5.7*	*1.9*	*0.2*	*1.5*	*2.0*
Asset Management	434.2	423.0	423.1	425.8	430.9
Inflow	*11.2*	*1.3*	*3.6*	*4.5*	*3.0*
Banking corporate centre	-109.0	-106.0	-107.1	-106.8	-108.6
Inflow	*-3.8*	*-0.6*	*-1.6*	*0.0*	*1.0*
Total AuM	1,270.9	1,242.6	1,251.1	1,251.9	1,270.5
Total net inflow	*26.0*	*14.5*	*14.6*	*14.1*	*14.0*

Source: Deutsche Bank estimates and company data

Valuation and key risks

Valuation

We have a target price for Credit Suisse of CHF 47. We use a sum-of-the-parts based valuation, valuing each division on sustainable returns versus costs of capital (which range from 9% to 10%), benchmarked against pure play competitors where available (i.e. against listed investment banks, retail banks and asset gatherers). The detailed breakdown of our assumed returns, profits and capital is set out in the figure below.

Figure 15: Credit Suisse sum-of-the-parts valuation

CHF m except where stated	Net profit	Equity	RoE (%)	P/E (x)	P/BV (x)	P/AuM (%)	Value (bn)	Val PS (CHF)
Wealth Management	2,733	nd	nd	15.0	nd	4.0%	40,991	34.6
Institutional Clients	555	nd	nd	10.0	nd	na	5,549	4.7
Total: Private Banking	3,288	7,716	42.6%	14.2	6.0	na	46,540	39.2
Asset Management	396	4,216	9.4%	13.2	1.2	1.0%	5,224	4.4
Investment Banking	3,176	29,278	10.8%	8.5	0.9	na	26,997	22.8
Total unallocated	-367	-3,357	na	9.3	1.0	na	-3,396	-2.9
Total fair value at end-2012	6,493	37,852	17.2%	11.6	2.0	na	75,404	63.6
Less conglomerate discount at 10%								-6.4
Discounted to 12 month target								**47.0**
Diluted shares in issue								1,186.0

Source: Deutsche Bank estimates

We apply a 10% discount to conglomerate banks, across the DB European banks coverage universe. This is to reflect the penalty that we believe the market applies, for inter alia lesser transparency, lower focus from management on each business, and reinvestment risk. We apply the conglomerate discount for banks that operate across very different geographies or business lines, as opposed to applying it on scale grounds.

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As regards risks, Credit Suisse faces the usual banking sector risks, such as credit risk on loan and counterparty exposures, liquidity risk, market risk, operational risk and reputation risk. Credit Suisse is exposed to market risk to a greater extent than its peers, thanks to its capital markets heavy mix of investment banking and private banking. Whilst over 2010 Credit Suisse has not experienced net write-downs (and concentrations are markedly reduced), this could cause franchise impairment in the key investment banking and private banking divisions. There is also a risk that Credit Suisse’s cautious approach to risk could lead it to lose ground in the upturn.

Appendix 1

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Additional information available upon request

Disclosure checklist			
Company	**Ticker**	**Recent price***	**Disclosure**
UBS	UBSN.VX	16.11 (CHF) 18 Apr 11	7,8,14,15,17
Credit Suisse Group	CSGN.VX	38.37 (CHF) 18 Apr 11	1,7,8,14,15,17

*Prices are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is sourced from Deutsche Bank and subject companies.

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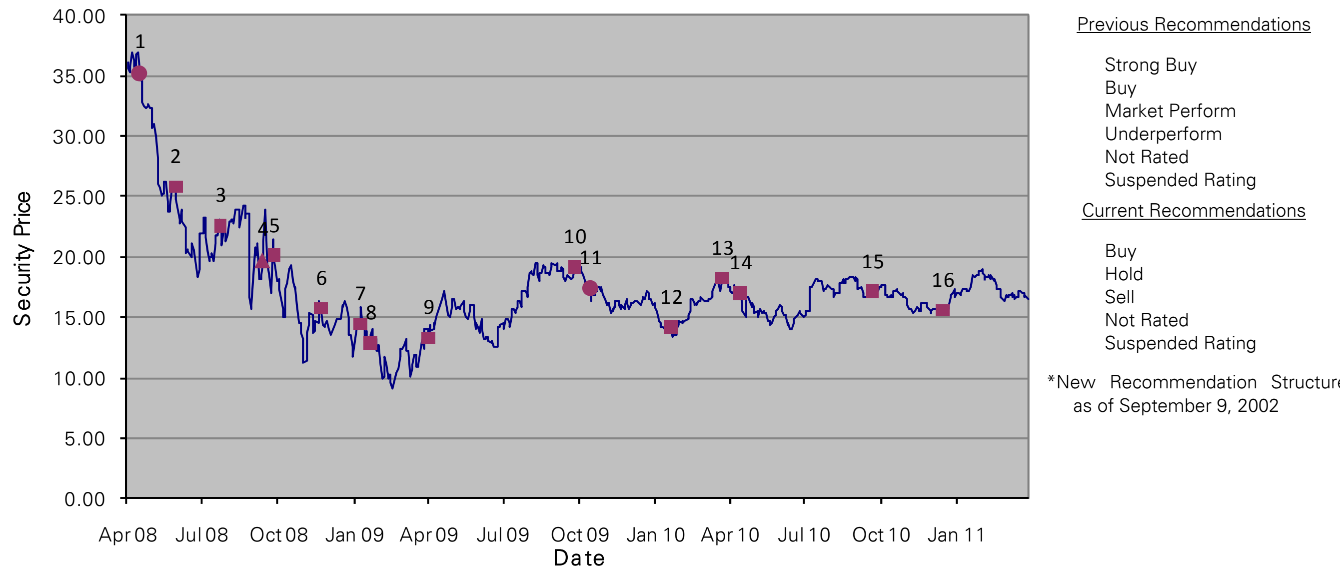
Historical recommendations and target price: UBS (UBSN.VX)

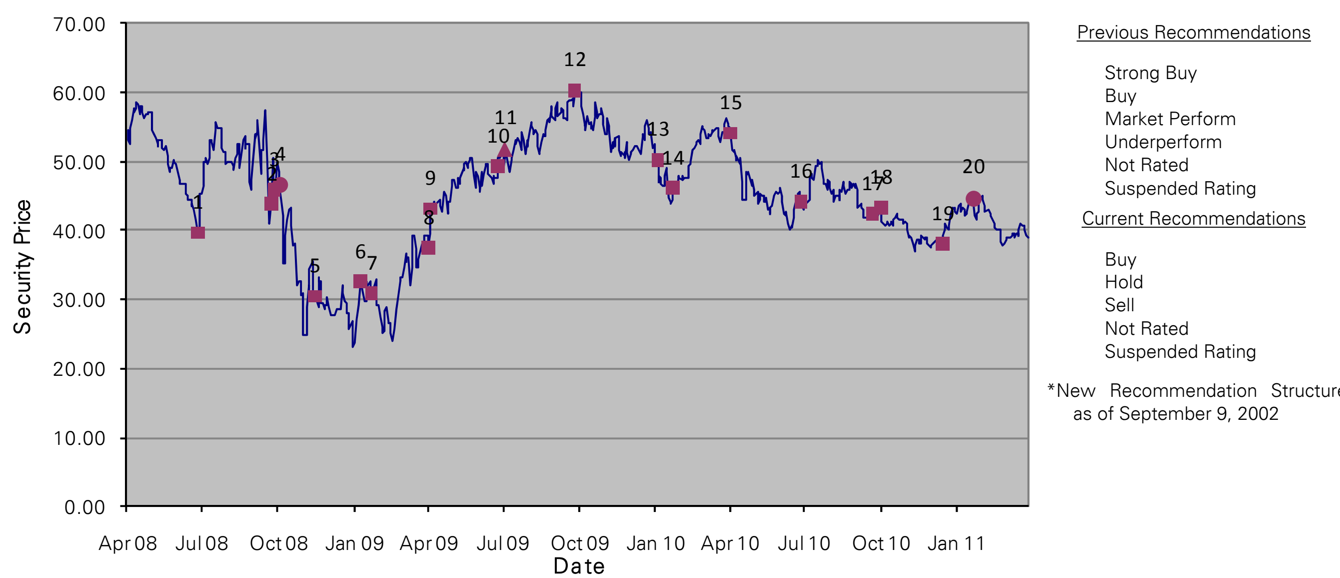
(as of 4/18/2011)



1.	6/5/2008:	Downgrade to Hold, CHF40.00	9.	21/4/2009:	Buy, Target Price Change CHF20.00
2.	18/6/2008:	Hold, Target Price Change CHF33.00	10.	15/10/2009:	Buy, Target Price Change CHF23.00
3.	12/8/2008:	Hold, Target Price Change CHF31.00	11.	3/11/2009:	Downgrade to Hold, Target Price Change CHF20.00
4.	2/10/2008:	Upgrade to Buy, Target Price Change CHF30.00	12.	9/2/2010:	Hold, Target Price Change CHF18.00
5.	16/10/2008:	Buy, Target Price Change CHF27.00	13.	12/4/2010:	Hold, Target Price Change CHF21.00
6.	12/12/2008:	Buy, Target Price Change CHF25.00	14.	4/5/2010:	Hold, Target Price Change CHF22.00
7.	28/1/2009:	Buy, Target Price Change CHF24.00	15.	11/10/2010:	Hold, Target Price Change CHF21.00
8.	10/2/2009:	Buy, Target Price Change CHF22.00	16.	4/1/2011:	Hold, Target Price Change CHF18.00

Historical recommendations and target price: Credit Suisse Group (CSGN.VX)

(as of 4/18/2011)



1.	15/7/2008:	Buy, Target Price Change CHF62.00	11.	23/7/2009:	Upgrade to Buy, Target Price Change CHF70.00
2.	13/10/2008:	Buy, Target Price Change CHF56.00	12.	15/10/2009:	Buy, Target Price Change CHF77.00
3.	16/10/2008:	Buy, Target Price Change CHF50.00	13.	24/1/2010:	Buy, Target Price Change CHF76.00
4.	23/10/2008:	Downgrade to Hold, CHF50.00	14.	11/2/2010:	Buy, Target Price Change CHF72.00
5.	4/12/2008:	Hold, Target Price Change CHF42.00	15.	22/4/2010:	Buy, Target Price Change CHF66.00
6.	28/1/2009:	Hold, Target Price Change CHF40.00	16.	16/7/2010:	Buy, Target Price Change CHF64.00
7.	11/2/2009:	Hold, Target Price Change CHF37.00	17.	11/10/2010:	Buy, Target Price Change CHF58.00
8.	21/4/2009:	Hold, Target Price Change CHF38.00	18.	21/10/2010:	Buy, Target Price Change CHF48.00
9.	23/4/2009:	Hold, Target Price Change CHF44.00	19.	4/1/2011:	Buy, Target Price Change CHF46.00
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Notes:
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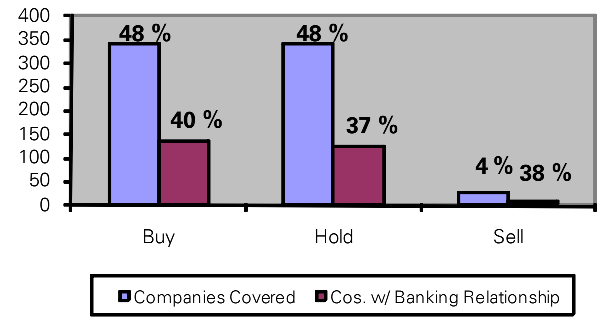
Sell: Expected total return (including dividends) of -10% or worse over a 12-month period

Equity rating dispersion and banking relationships



European Universe

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28 February 2011

Produced by: The Royal Bank of Scotland N.V.

Equity | Europe

Flashnote

European Banks

Today's Watchlist

US bond yields, Oil, Private banking, ECB preview

US bond yields (rates comment, note available on request)

- Quite simply, technical conditions are highly supportive for higher bond prices and the next target for 10yr yields is at the former rate range lows of ~3.27% to 3.25% in Treasury 10yrs. It's never a one-way path and I expect hiccoughs along the way. But this week's technical developments, the return of geopolitical risks and looming austerity in state budgets gives me heightened confidence that the bullish trend turns can be sustained. Indeed, the final box we've been waiting to check-off for a tactical/corrective bull run was just achieved: we closed the week (3pm) with a bullish turn in the weekly momentum studies all across the curve: in 2's through 30yrs. The green light is lit for bonds.

Asian economic sensitivity to oil (note available on request)

- Asia is significantly exposed to inflationary pressures if oil prices rise above 100 USD/bbl. As this shock is coinciding with already tight economic conditions and rising inflationary expectations, the scope for fiscal and monetary easing is limited. Downward pressures on exchange rates would preclude appreciation as an inflation-fighting tool. In the end, growth would have to give. Given that all NJA countries with the exception of Malaysia are oil importers, rising oil prices pose a significant risk to the region. At USD120 /bbl, we estimate oil prices to shave off 1.5% from baseline growth.

Private banking

- The FT is devoting plenty to coverage to US investigations into offshore private banking again, this time supposedly targeting Credit Suisse and other peers. There are no new pieces of information in today's articles. In our view, it is likely that investigators will identify individual cases of misbehaviour by individual client advisors, but CS has always been adamant about it high compliance standards and low business volumes in the cross-border US business, and the risk of large legal expenses should be lower than at UBS, who settled its investigation by paying USD780m. In related private banking news, UBS Wealth Management hired a chief investment officer (plus team) for the first time. We see this as a clear indication that clients have become a lot more focussed on performance and value for money in a low-return environment, and that wealth managers who can't deliver will struggle to raise margins from here.

ECB preview (economics team comment)

- The ECB's meeting on Thursday is likely the most important event of the week on the policy front, preceded by Bernanke's semi-annual testimony to the Senate in Tuesday. We do not expect the ECB to pursue all the steps that, in our view, would set the ground for a rate hike in Q2, and we stick to our call in place since September last year of a first rate hike in Q3 (most likely in September). Most importantly, we believe the ECB will remain in the current "monitor very closely" mode, with no mentioning yet of the key wording that, in the past, has been consistent with a rate hike in the following month, namely "strong vigilance" or "heightened alertness". Nevertheless, we expect a number of announcements to indicate the tightening cycle is getting closer. These include potentially a solution for the "addicted" banks in the periphery and a more hawkish tone backed by the upgraded ECB's staff GDP and inflation projections, and a characterisation of the risk to medium-term price developments likely moving from "broadly balanced" to the "upside". Also, we expect the full allotment

(Continued on page 2)

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regime for the 3m LTROs to be extended into Q2

Ahead today

- * US: Personal Income, Jan (13:30 GMT): Personal income may have posted an outsized gain in January of about 0.8%, but most of the advance is likely to reflect the two-percentage-point tax cut on social security taxes for wage earners. The tax break lowered the amount of individuals' contribution to Social Security (a subtraction from personal income) and will thus boost the headline figure noticeably. Away from the tax break, however, underlying growth in wages and salaries could have been modest, perhaps rising by only 0.2%, reflecting the weakness in private payrolls and average hourly earnings in the month.

Note:

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	Global total (IB%)	Europe total (IB%)
Buy	765 (13)	253 (32)
Hold	432 (7)	168 (16)
Sell	115 (1)	34 (3)
Total (IB%)	1312 (10)	455 (24)

Source: RBS

Trading recommendations (as at 28 Feb 2011)

	Global total (IB%)	Europe total (IB%)
Trading Buy	0 (0)	0 (0)
Trading Sell	0 (0)	0 (0)
Total (IB%)	0 (0)	0 (0)

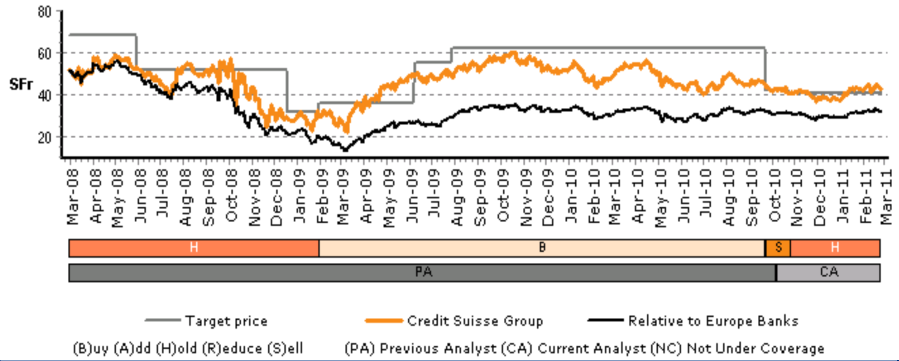
Source: RBS

Valuation and risks to target price

Credit Suisse Group (RIC: CSGN.VX, Rec: Hold, CP: SFr42.94, TP: SFr41.00): Our price target is based on a sum-of-the-parts model, which uses a warranted equity valuation methodology - or 'normalised' return on equity vs cost of capital - in the capital-intensive commercial and investment banking businesses and a fair PE in the capital-light other divisions. Key downside risks: a de-rating of growth prospects in wealth management and unexpected trading volatility at the investment bank. Upside risks relate to a pick-up in FICC trading activity levels and resilient WM margins.
UBS (RIC: UBSN.VX, Rec: Hold, CP: SFr18.37, TP: SFr17.90): Our price target is based on a sum-of-the-parts model, which uses a warranted equity valuation methodology - or 'normalised' return on equity vs cost of capital - in the capital-intensive commercial and investment banking businesses and a fair P/E in the capital-light other divisions. Key downside risks: a de-rating of growth prospects in Wealth Management and unexpected trading volatility at the Investment Bank. Upside risks relate to a pickup in FICC trading activity levels and resilient WM margins.

Credit Suisse coverage data (CSGN.VX, CSGN VX)

Stock performance, recommendations and coverage (as at 28 Feb 2011)



Stefan Stalmann, CFA started covering this stock on 21 Sep 10. Moved to new recommendation structure between 1 November 2005 and 31 January 2006. Source: RBS

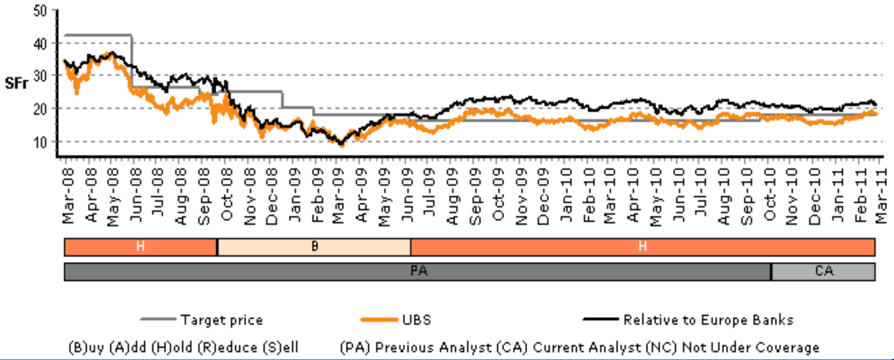
Trading recommendation history

Date	Rec	Analyst
n/a	n/a	n/a

Source: RBS

UBS coverage data (UBSN.VX, UBSN VX)

Stock performance, recommendations and coverage (as at 28 Feb 2011)



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Trading recommendation history

Date	Rec	Analyst
n/a	n/a	n/a

Source: RBS

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