CREDIT SUISSE

3Q13 Letter to shareholders

Dear shareholders

Brady W. Dougan, Chief Executive Officer (left) and
Urs Rohner, Chairman of the Board of Directors.

In the third quarter of 2013, our continued expense discipline and effective capital management mitigated the impact of challenging market conditions, characterized by low levels of client activity across many of our businesses.

For the third quarter of 2013, we reported Core pre-tax income of CHF 685 million, net income attributable to shareholders of CHF 454 million and a return on equity of 4%. Excluding certain significant items, such as fair value losses on own debt due to the tightening of our own credit spreads, we delivered underlying* Core pre-tax income of CHF 930 million, underlying* net income attributable to shareholders of CHF 698 million and an underlying* return on equity of 7% for the quarter.

For the first nine months of 2013, we reported Core pre-tax income of CHF 4,017 million, net income attributable to shareholders of CHF 2,802 million and a return on equity of 9%. On an underlying* basis, we delivered Core pre-tax income of CHF 4,473 million, up from CHF 3,797 million for the same period of last year, net income attributable to shareholders of CHF 3,201 million and a return on equity of 11%.

Performance of our businesses in the third quarter

In Private Banking & Wealth Management, we delivered pre-tax income of CHF 1,018 million in the third quarter of 2013. While we are making good progress toward our previously announced cost savings targets, net revenues of CHF 3,320 million were impacted by the ongoing low interest rate environment and low client activity. The gross margin in Wealth Management Clients decreased to 105 basis points from 110 basis points in the third quarter of last year, reflecting the continued adverse impact of the low interest rate environment. We continued to see strong net asset inflows with CHF 8.1 billion in the quarter. These inflows were driven by high-margin Asset Management products, as well as by our emerging markets and ultra-high-net-worth client franchises, partially offset by outflows in the Western European cross-border business. As we refocus our regional footprint in certain smaller markets, we are reallocating resources to growth areas. In particular, we expect to increase our presence in key emerging markets in Asia and Latin America but also in parts of the Middle East and Eastern Europe and we will strive to further strengthen our market share in the ultra-high-net-worth client segment. We will also invest in expanding our digital client interface, to include a wider product range, portfolio analytics, research and transaction services, particularly in Asia. At the same time, we remain positioned to benefit from a market consolidation.

In Investment Banking, we delivered pre-tax income of CHF 229 million in the third quarter of 2013. Net revenues in Investment Banking of CHF 2,552 million declined compared to the third quarter last year. The continued strength in our Equities franchise, strong activity in debt origination and continued cost and capital discipline moderated the impact of challenging market conditions, particularly in Fixed Income, where we experienced low client volumes. In the third quarter, compensation and benefits were 24% lower than in the third quarter of last year. Total operating expenses were 14% lower compared to the prior-year quarter, and we additionally provided for litigation matters with a further CHF 128 million of mortgage-related litigation provisions in the third quarter of 2013. Since the third quarter of 2012, we have further reduced risk-weighted assets by USD 31 billion to USD 169 billion, thereby exceeding our 2013 year-end target ahead of schedule. Investment Banking's after-tax return on Basel III allocated capital for the first nine months was 13%, compared to 9% in the same period of last year, driven by the continued shift in capital to high market share and high-return businesses as well as by increased cost efficiency. As part of this shift, we are restructuring and simplifying our rates business in order to increase returns. Recent developments, such as the heightened regulatory focus on leverage and the migration of market structure towards cleared and electronic trading, make it prudent to adapt our rates business model. In cash products, we are focusing on high-volume, high-liquidity electronic trading. In derivatives, we are migrating our business model to primarily simplified cleared products, while still focusing on serving the needs of financial and corporate clients in our rates business.

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Strategic development of our businesses

Over the past two years we have taken significant steps to evolve our business model in response to the changing market and regulatory environment. Since January 2013, we have operated under the Basel III regulatory framework. During the third quarter, we further improved our Look-through Swiss Core Capital ratio from 10.4% to 11.4% and lowered our Swiss leverage exposure by CHF 74 billion to CHF 1,184 billion. As of the end of the third quarter, we met the 13% CET1 plus high-trigger buffer capital requirement applicable in 2019 with 13.2% on a look-through, adjusted basis.

To ensure that we continue to advance this evolution and drive growth in high-returning businesses, particularly in Private Banking & Wealth Management, we are accelerating our existing wind-down strategy and enhancing our disclosure through the creation of non-strategic units within each of our two divisions. The clear separation of the non-strategic units will free up management time and resources to focus on our ongoing businesses and growth initiatives.

In the Investment Banking division, we are creating a divisional non-strategic unit to expand and formalize the scope of our Fixed Income wind-down businesses. The Investment Banking non-strategic unit will include the existing legacy Fixed Income wind-down portfolio, the impact from the restructuring of the rates business, primarily legacy non-Basel III compliant positions and capital intensive structured positions, as well as legacy litigation costs and other small non-strategic positions.

In the Private Banking & Wealth Management division, we are establishing a similar function to include positions relating to the restructuring of the former Asset Management division. The new unit will also include operations relating to the small markets initiative, selected legacy cross-border related run-off operations and litigation costs, primarily from the US, as well as the impact from the restructuring of the German onshore operation.

Further reductions in leverage and risk-weighted assets will free up capital for future growth especially in Private Banking & Wealth Management and provide further support to our objective of returning significant capital to our shareholders. This is an important step toward achieving a more balanced allocation of capital between our two divisions.

We would like to thank our shareholders and clients for the trust they have placed in Credit Suisse and, in particular, our employees for their contribution to the success of our business.

Sincerely

Urs Rohner Brady W. Dougan

October 2013

* Underlying results are non-GAAP financial measures. For a reconciliation of our underlying results to the most directly comparable US GAAP measures, see "Reconciliation to underlying results – Core Results" in I – Credit Suisse results – Core Results – Information and developments in the 3Q13 Financial Report.

As of January 1, 2013, Basel III was implemented in Switzerland along with the Swiss "Too Big to Fail" legislation and regulations thereunder. Our related disclosures are in accordance with our current interpretation of such requirements, including relevant assumptions. Changes in the interpretation of these requirements in Switzerland or in any of our assumptions or estimates could result in different numbers from those shown herein. The calculation of after-tax return on Basel III allocated capital assumes a tax rate of 27% in 9M13 and 25% in 9M12, and capital allocated at 10% of Basel III risk-weighted assets. The calculation of the Look-through CET1 plus high-trigger capital ratio on an adjusted basis assumes the completion as of the end of 3Q13 of the exchange on October 23, 2013 of CHF 3.8 billion hybrid tier 1 notes into high-trigger capital instruments. For further information regarding these measures, see the 3Q13 Results Presentation Slides.

Financial highlights

			in / end of		% change		in / end of	% change
	3Q13	2Q13	3Q12	QoQ	YoY	**9M13**	9M12	YoY
Net income (CHF million)								
Net income attributable to shareholders	454	1,045	254	(57)	79	2,802	1,086	158
of which from continuing operations	304	1,045	250	(71)	22	2,643	1,071	147
Earnings per share (CHF)								
Basic earnings per share from continuing operations	0.17	0.54	0.16	(69)	6	1.48	0.69	114
Basic earnings per share	0.26	0.54	0.16	(52)	63	1.57	0.70	124
Diluted earnings per share from continuing operations	0.17	0.52	0.16	(67)	6	1.46	0.68	115
Diluted earnings per share	0.26	0.52	0.16	(50)	63	1.55	0.69	125
Return on equity (%, annualized)								
Return on equity attributable to shareholders	4.3	10.1	2.9	–	–	9.3	4.2	–
Core Results (CHF million) [1]								
Net revenues	5,466	6,848	5,698	(20)	(4)	19,355	17,681	9
Provision for credit losses	41	51	41	(20)	0	114	100	14
Total operating expenses	4,740	5,266	5,309	(10)	(11)	15,224	16,109	(5)
Income from continuing operations before taxes	685	1,531	348	(55)	97	4,017	1,472	173
Core Results statement of operations metrics (%) [1]								
Cost/income ratio	86.7	76.9	93.2	–	–	78.7	91.1	–
Pre-tax income margin	12.5	22.4	6.1	–	–	20.8	8.3	–
Effective tax rate	53.3	30.8	27.0	–	–	33.2	25.3	–
Net income margin [2]	8.3	15.3	4.5	–	–	14.5	6.1	–
Assets under management and net new assets (CHF billion)								
Assets under management from continuing operations	1,252.7	1,259.0	1,211.0	(0.5)	3.4	1,252.7	1,211.0	3.4
Net new assets from continuing operations	8.5	8.5	5.4	–	57.4	31.1	3.3	–
Balance sheet statistics (CHF million)								
Total assets	895,169	919,903	1,023,292	(3)	(13)	895,169	1,023,292	(13)
Net loans	245,232	246,186	242,456	0	1	245,232	242,456	1
Total shareholders' equity	42,162	42,402	35,682	(1)	18	42,162	35,682	18
Tangible shareholders' equity [3]	33,838	33,611	26,798	1	26	33,838	26,798	26
Book value per share outstanding (CHF)								
Total book value per share	26.48	26.63	27.60	(1)	(4)	26.48	27.60	(4)
Tangible book value per share [3]	21.25	21.11	20.73	1	3	21.25	20.73	3
Shares outstanding (million)								
Common shares issued	1,595.4	1,594.3	1,320.1	0	21	1,595.4	1,320.1	21
Treasury shares	(3.0)	(2.3)	(27.4)	30	(89)	(3.0)	(27.4)	(89)
Shares outstanding	1,592.4	1,592.0	1,292.7	0	23	1,592.4	1,292.7	23
Market capitalization								
Market capitalization (CHF million)	44,066	39,937	26,309	10	67	44,066	26,309	67
Market capitalization (USD million)	48,741	42,185	27,920	16	75	48,741	27,920	75
BIS statistics (Basel III) [4]								
Risk-weighted assets (CHF million)	269,263	289,747	–	(7)	–	269,263	–	–
Tier 1 ratio (%)	17.0	15.9	–	–	–	17.0	–	–
CET 1 ratio (%)	16.3	15.3	–	–	–	16.3	–	–
Number of employees (full-time equivalents)								
Number of employees	46,400	46,300	48,400	0	(4)	46,400	48,400	(4)

[1] Refer to "Credit Suisse Reporting structure and Core Results" in I – Credit Suisse results – Credit Suisse for further information on Core Results.
[2] Based on amounts attributable to shareholders.
[3] A non-GAAP financial measure. Tangible shareholders' equity is calculated by deducting goodwill and other intangible assets from total shareholders' equity.
[4] Basel III became effective as of January 1, 2013.

Financial calendar and contacts

Financial calendar	
Fourth quarter / Full year 2013 results	Thursday, February 6, 2014
Annual General Meeting	Friday, May 9, 2014

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Cautionary statement regarding forward-looking information

This report contains statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In addition, in the future we, and others on our behalf, may make statements that constitute forward-looking statements. Such forward-looking statements may include, without limitation, statements relating to the following:
- our plans, objectives or goals;
- our future economic performance or prospects;
- the potential effect on our future performance of certain contingencies; and
- assumptions underlying any such statements.

Words such as “believes,” “anticipates,” “expects,” “intends” and “plans” and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. We do not intend to update these forward-looking statements except as may be required by applicable securities laws.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other outcomes described or implied in forward-looking statements will not be achieved. We caution you that a number of important factors could cause results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include:
- the ability to maintain sufficient liquidity and access capital markets;
- market and interest rate fluctuations and interest rate levels;
- the strength of the global economy in general and the strength of the economies of the countries in which we conduct our operations, in particular the risk of continued slow economic recovery or downturn in the US or other developed countries in 2013 and beyond;
- the direct and indirect impacts of deterioration or slow recovery in residential and commercial real estate markets;
- adverse rating actions by credit rating agencies in respect of sovereign issuers, structured credit products or other credit-related exposures;
- the ability to achieve our strategic objectives, including improved performance, reduced risks, lower costs and more efficient use of capital;
- the ability of counterparties to meet their obligations to us;
- the effects of, and changes in, fiscal, monetary, trade and tax policies, and currency fluctuations;
- political and social developments, including war, civil unrest or terrorist activity;
- the possibility of foreign exchange controls, expropriation, nationalization or confiscation of assets in countries in which we conduct our operations;
- operational factors such as systems failure, human error, or the failure to implement procedures properly;
- actions taken by regulators with respect to our business and practices in one or more of the countries in which we conduct our operations;
- the effects of changes in laws, regulations or accounting policies or practices;
- competition in geographic and business areas in which we conduct our operations;
- the ability to retain and recruit qualified personnel;
- the ability to maintain our reputation and promote our brand;
- the ability to increase market share and control expenses;
- technological changes;
- the timely development and acceptance of our new products and services and the perceived overall value of these products and services by users;
- acquisitions, including the ability to integrate acquired businesses successfully, and divestitures, including the ability to sell non-core assets;
- the adverse resolution of litigation and other contingencies;
- the ability to achieve our cost efficiency goals and cost targets; and
- our success at managing the risks involved in the foregoing.

We caution you that the foregoing list of important factors is not exclusive. When evaluating forward-looking statements, you should carefully consider the foregoing factors and other uncertainties and events, including the information set forth in “Risk factors“ in I – Information on the company in our Annual Report 2012.