

## MARKET DIGEST

### Credit Suisse Q217 Results, Buy

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Credit Suisse announced this morning solid results significantly above market expectations (+13% on pre-tax income). Global Market and Investment bank units results coupled with strong net new inflows in the private banking entities and strong cost control ahead of schedule across the Group delivered the most of the upbeat. Group Q217 adjusted pre-tax income amounted to CHF 684mn. With CHF 33mn litigation charge and CHF 69mn of restructuring charges, clean pre-tax income is CHF 582mn vs a loss of CHF 199 in Q216. Net Profit was also satisfactory and above market expectations at CHF 303mn.

Most divisions have made progress, while **IB and Capital** markets reported a -42% YoY decline to CHF78mn in Q2, it reported strong H1 results YoY to CHF227mn.

**International Wealth Management Unit** reported strong YOY pre-tax profit H117 of CHF 705mn increased 24% compared to H116, and Q217 adjusted pre-tax income of CHF 378mn was up 45% compared to Q216. Credit Suisse achieved strong momentum in asset gathering with net new assets of CHF 27bn in H117. The increased operating leverage generated by IWM in H117 was driven both by higher revenues and continued cost effectiveness.

**Swiss Universal Bank** delivered adjusted pre-tax income of CHF 987mn in H117, up 6% compared to H116. In Q217, the bank achieved adjusted pre-tax income of CHF 504mn. Private Clients attracted net new assets of CHF 3.7bn in H117.

**Global Markets** profitability increased substantially with adjusted pre-tax income of USD 638mn.

**In terms of cost management**, litigation and restructuring Credit Suisse is doing well. Cost program is on track to achieve less than CHF 18.5bn of costs in 2017, after Credit Suisse had CHF 9.1bn of costs in H117.

**Capital ratios** made good progress. RWA came in at CHF 259bn (vs expectations of CHF 264bn) while its leverage exposure came in at CHF 906bn (vs CHF 934bn expected). This resulted in better than expected CET1 ratio of 13.3% (consensus of 13.2%) and leverage ratio of 3.8% (consensus of 3.7%). Credit Suisse notes that FINMA has requested an add-on to its operational risk exposure in respect of its RMBS settlement in the US. This would be effective in Q317.

These results should further support Credit Suisse share price recovery, as Credit Suisse expects current market conditions to persist. On one hand customer market activities will not improve but on the other hand revenues from Asset Management Units will continue to grow with a high level of predictability and further improve Credit Suisse balance sheet and valuation.

**With a P/B still below 1 (0.82x), Credits Suisse is still cheap. We are confirming are Buy rating and 12m price target of CHF 18.**

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