

FICC Tail Starts To Wag?

Banking On Markets – 39th Edition

■ Earnings Preview

- **Trend is Macro's Friend** — In [FICC Tail Wags The Dog](#) (01 April 2014), we argued that although *structural* factors had played a significant role (B3, Volcker and OTC derivatives), recent FICC weakness has been more *cyclical* in nature (see Figure 1). In particular, the low rate, low volatility environment weighed on Global Macro (FX and Rates). With increasing divergence of central bank (CB) and economic cycles, we now argue for an 'inflection point' in FICC revenues.
- **Clients Start To Reposition For Higher Volatility** — Higher FX and Rates volatility in September, driven by central bank action levels is likely to have supported a meaningful pick-up in activity. JPM CFO Lake noted that clients have started to position themselves for the increased volatility while ICAP CEO Spencer was "guardedly optimistic".
- **Managements Guide Flat July-August; September Potentially Better** — Guidance suggests 3Q14 may have seen markets outperformance for the second consecutive quarter. July and August performance yoy ranged from seasonally slow to flat. Barclays made promising noises about September. Full commentaries on page 5.
- **First Step in FX Settlement?** — According to a recent Reuters article, the UK FCA has intensified talks with six banks setting the stage for a c.£1.8bn group settlement. Extrapolating for the 'multiplier' effect on US (and European) penalties from a previous global securities settlement, we estimate that the total industry cost could be c.US\$40bn (see Figure 10). We estimate the greatest impact at up to c.10% of tangible book value (DB, UBS), albeit with a 2-3 quarter earn-out period and likely to be priced-in (Figure 12/Figure 13). However, as always, the market needs certainty.
- **FX Depreciation to Support, Notably Swiss Bank** — The sharp depreciation in SFr and EUR vs USD is likely to support book value revaluation, notably at the major Swiss banks (c.5% SFr-USD depreciation drives c.2-3% BV growth – see Figure 15). Over time, we expect CHF and EUR depreciation to feed into potential upgrades given the mismatch between USD revenue (over-represented) and USD cost (under-represented), especially at UBS and CS.
- **Some Light at the End of the Tunnel?** — The wholesale banks sub-space has been weighed by three key issues: 1) earnings downgrades, 2) regulation, and 3) litigation. With diverging CB cycles and increasing volatility, we believe that the *core* earnings cycle may be at a turning point. Despite further regulatory headwinds (leverage ratio, NSFR, risk-weights, TLAC), we believe FICC has passed two-thirds of structural challenges. Litigation settlement may take longer but looks manageable and priced-in for Deutsche Bank and notably Barclays and UBS, in our view. We make minor updates to CS, DB and UBS estimates, updating for primary revenues and market effects on AuM, and increasing litigation costs. See page 13 for details.

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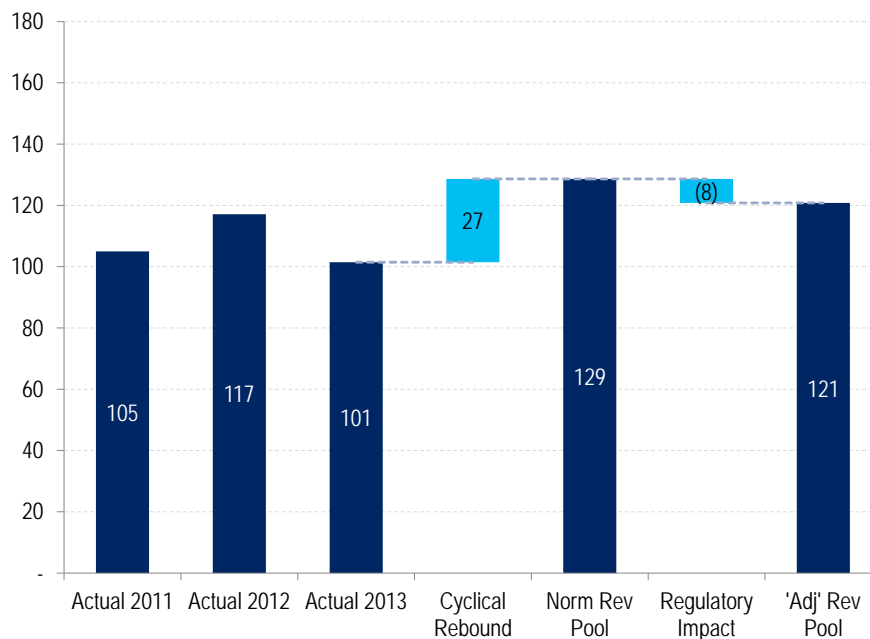
See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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I. FICC Tail Starts To Wag?

In [FICC Tail Wags The Dog](#), 01 April 2014, we estimated a 'normalised' FICC revenue pool of c.US\$120bn, driven by a recovery in cyclical factors and partially offset by further regulatory impact of OTC derivatives reform.

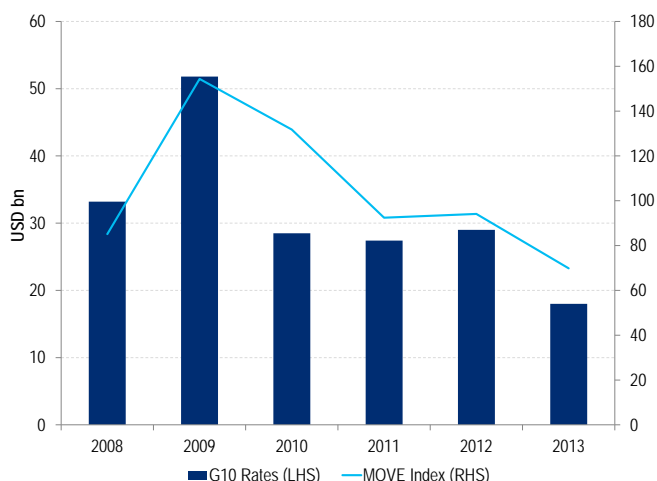
Figure 1. We View Adjusted Global FICC Revenue Pool At \$121bn



Source: Company Reports, Citi Research Estimates: [FICC Tail Wags The Dog](#) (1 April 2014)

Global Macro products tend to be price agnostic and are supported by moderate volatility, i.e. 'trend is your friend'. By contrast, Credit and Securitisation tend to be more directional, i.e. supported by tightening credit spreads. Both FX and Rates demonstrate a significant correlation with volatility (see Figure 2 and Figure 3), which has declined as steady policy action and geopolitical uncertainty weighed.

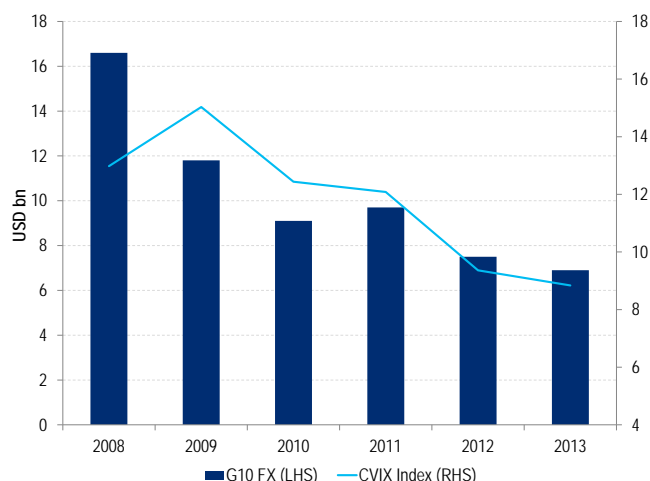
Figure 2. Rates Revenues Highly Correlated with Volatility¹



Source: Coalition, Bloomberg, Citi Research

Note: 1. Based on MOVE index; 2. $R^2 = 65\%$

Figure 3. Forex Revenues Correlated with FX Volatility¹



Source: Coalition, Bloomberg, Citi Research

Note: 1. Based on CVIX index; 2. $R^2 = 47\%$

However, increasing divergence of Central Bank cycles – driven by Fed exit from QE and increasing monetary easing from the ECB and BoJ – have since driven a sharp increase in volatility which we expect to persist. Likewise, the rise in the median level of projections for the Fed funds rate has led to some pick-up in Rates volatility.

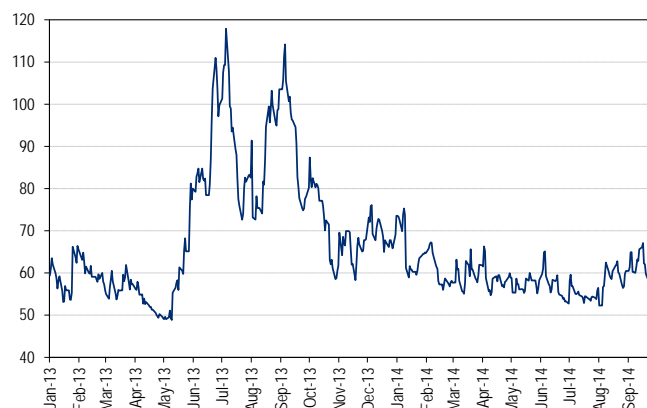
JPM CFO Marianne Lake recently noted that clients have started to position themselves for the increased volatility while ICAP CEO Spencer was “guardedly optimistic” following a reasonable pick-up in September customer activity. Full commentaries are on page 5.

Figure 4. Sharp Spike in FX Volatility...



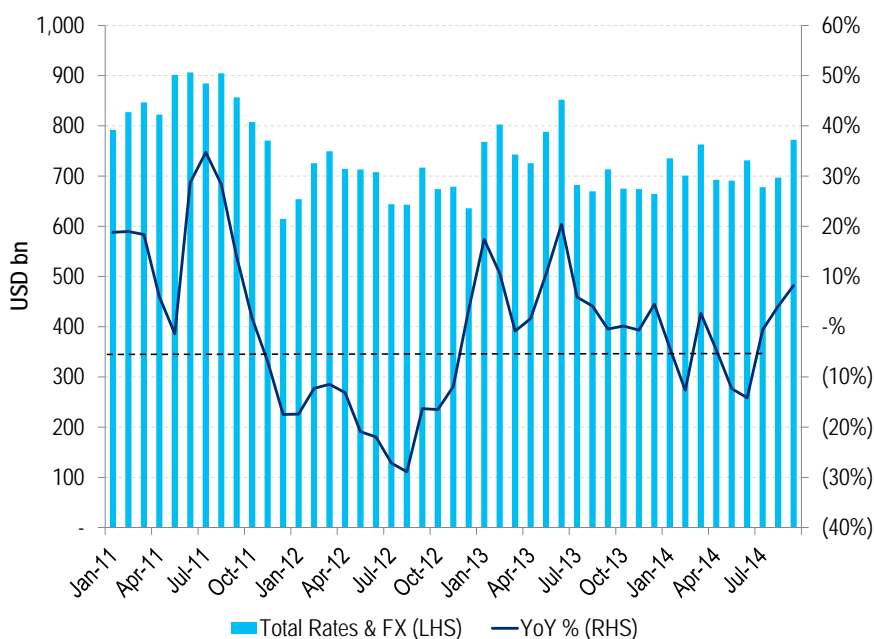
Source: Bloomberg, Citi Research

Figure 5. ...Some Pick-up in Rates Volatility...



Source: Datastream, Citi Research

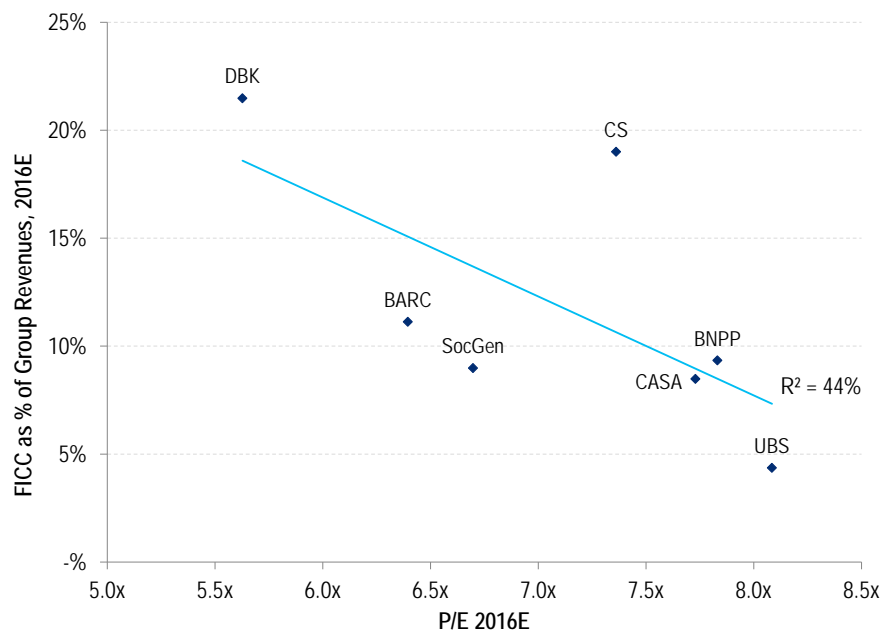
Figure 6. ...Rates & FX Monthly Volumes Have Risen YoY & MoM For Two Consecutive Quarters



Source: ICAP, Citi Research

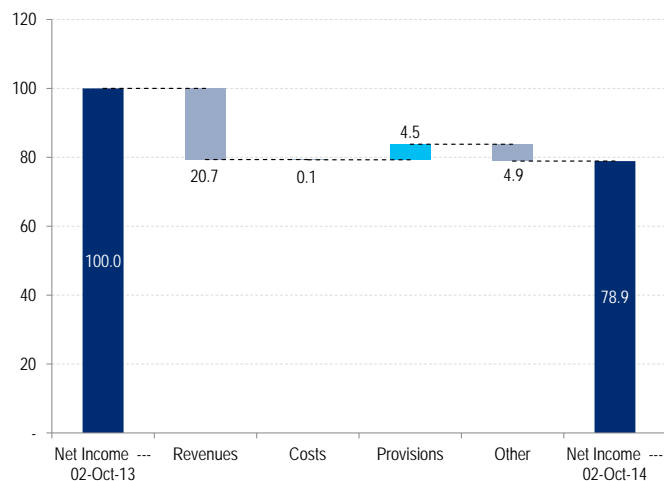
Note: Based on trading through ICAP's electronic platforms

Figure 7. Wholesale Bank Valuations are Correlated with FICC Dependence; CS Is An Outlier



Source: Citi Research

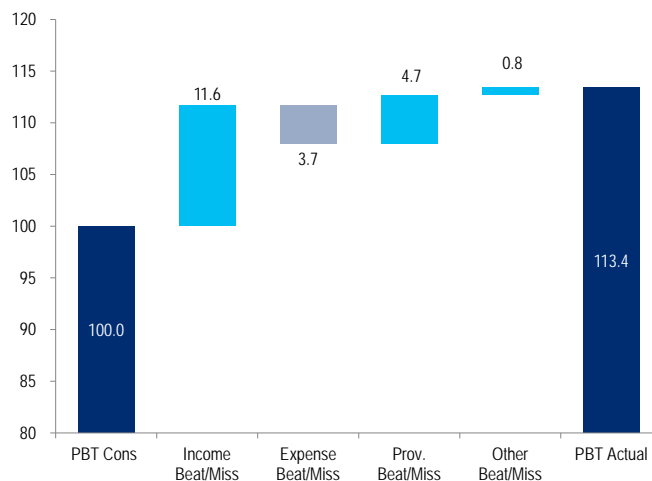
Figure 8. YoY Change In Aggregate Citi Wholesale Bank Estimates



Source: Company Reports, Citi Research

Note: Includes Barclays, BNP Paribas, Credit Agricole, Credit Suisse, Deutsche Bank, HSBC, Natixis, Societe Generale, Standard Chartered, RBS and UBS

Figure 9. Aggregate Wholesale Bank Performance vs Consensus (2Q14)



Source: Company Reports, Company consensus, Citi Research

Note: 1. On an underlying basis. 2. Includes Barclays, BNP Paribas, Credit Agricole, Credit Suisse, Deutsche Bank, HSBC, Natixis, Societe Generale and UBS

Company Commentary on 3Q Performance

- Barclays Investment Bank CEO, Thomas King – [July and August were seasonally] “slow... but September seems to have the hallmarks of what could be a nice attractive month. We’re seeing a little bit of volatility in the trading businesses”.
- Credit Suisse CFO, David Mathers – “Revenues in the investment bank in July and in August were ahead of the same months of last year, both in SFr and in USD terms, albeit, with a more pronounced seasonal volatility. The pipeline of transactions that we have in place remains very strong”.
- ICAP Trading Update – The increase in volatility and the resulting pick-up in client activity in September has been encouraging. There was some good improvement to client activity in September, as central bank actions led to an increase in foreign exchange and interest rate volatility pushing average daily volumes on EBS to more than \$100bn per day for the first time in 12 months. While ICAP management does not expect a ‘linear recovery’, it is “guardedly optimistic” about future activity.
- JP Morgan CFO, Marianne Lake – “Down year on year, but not down to the extent that we had seen in the first half of the year... a little better than we had been expecting a little better than we had been expecting... September last year for us was very strong”. On individual product performance:
 - “Traditional core rates products remain challenged”;
 - “Solid performance in credit, but with volatility levels having shown some increase not yet realised in revenues”;
 - “More healthy levels of activity in FX and emerging markets”;
 - Slightly more varied landscape... some clients are starting to reposition themselves for higher levels of volatility.
- Morgan Stanley CFO, Ruth Porat – “Pick-up persisted through July... August was [typically seasonal].”
- RBS Trading Update – Corporate & Institutional Banking revenues have been weaker than anticipated in the third quarter.
- Societe Generale Head of CIB, Didier Valet – “Continuing pressure on the Markets business”.

Figure 10. Wholesale Banks – 3Q14 Results Dates

Wholesale Bank	Date	Wholesale Bank	Date
Bank of America	15-Oct-14	HSBC	03-Nov-14
Barclays	30-Oct-14	JPMorgan	14-Oct-14
BNP Paribas	31-Oct-14	Morgan Stanley	17-Oct-14
Citi	14-Oct-14	Natixis	04-Nov-14
Credit Agricole	06-Nov-14	RBS	31-Oct-14
Credit Suisse	23-Oct-14	Societe Generale	06-Nov-14
Deutsche Bank	29-Oct-14	UBS	28-Oct-14
Goldman Sachs	tba		

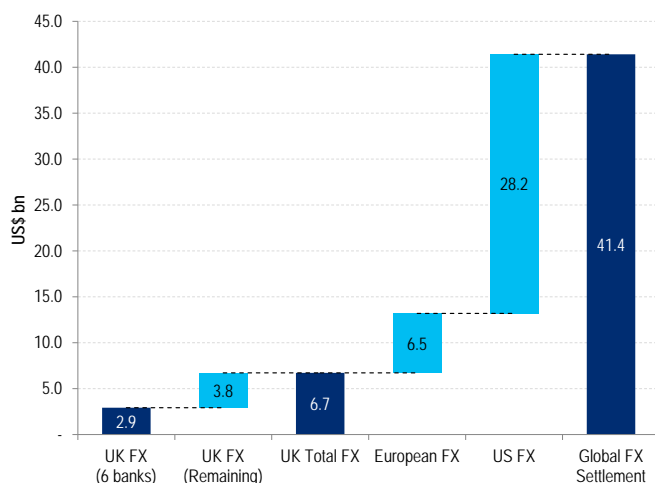
Source: Company Reports

II. Litigation: The beginning of the end?

According to a recent Reuters article¹, the UK FCA (Financial Conduct Authority) has intensified talks with six major banks – including Barclays, HSBC, RBS and UBS – over allegations of collusion and manipulation in the FX market, setting the stage for a group settlement of c.£1.8bn (c.US\$3bn). The article suggested a maximum fine of £300-400m for one bank and another pegged at below £300m.

Extrapolating European and, more importantly, US penalties from a previous global settlement suggests to us a total potential global settlement on this key issue of US\$41bn. Most impacted, on our estimates, would be DB (c.10% of TBV) and UBS (c.10%) followed by Barclays (c.6% of TBV) (Figure 12), with an earn-out period of 2-3 quarters (Figure 13). We believe this would be manageable. With an adjusted P/TBV of 0.7-0.8x 2015E (Figure 14) for both Barclays and DB, we believe that litigation risks may be largely priced in, although more certainty is needed to realise value.

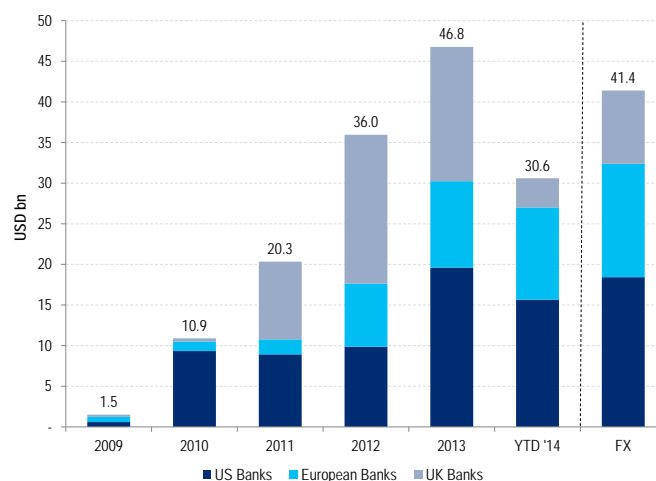
Figure 11. Composition of Estimated \$41bn Global FX Charges



Source: Company Reports and Citi Research Estimates

Note: Estimated European fines broadly similar to UK fines; US fines c.4x greater.

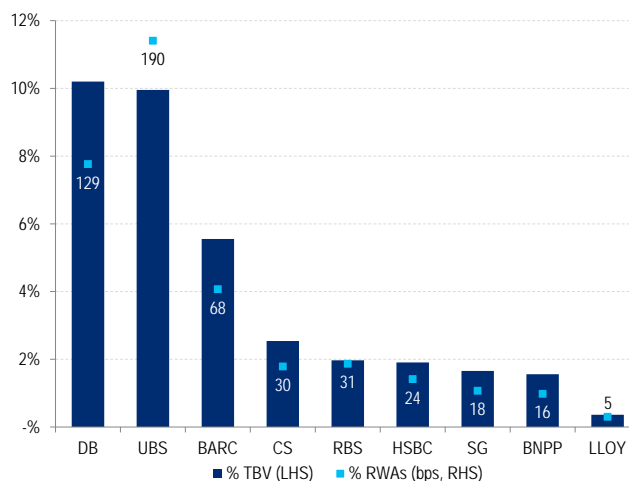
Figure 12. Global Bank Litigation Charges (2009 – YTD 2014) + Est. FX



Source: Company Reports and Citi Research Estimates

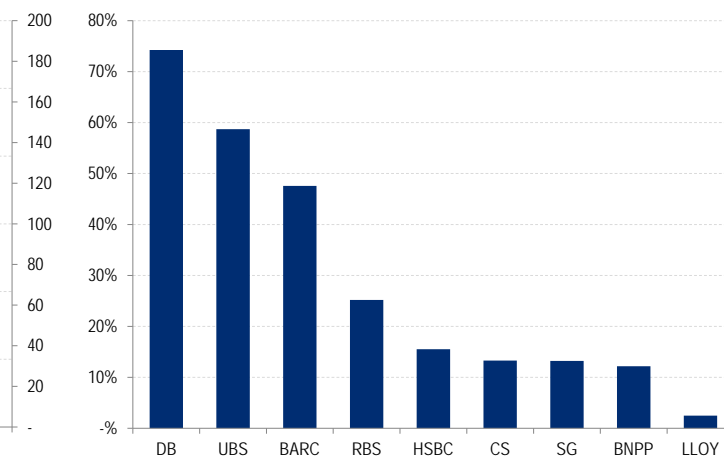
¹ <http://uk.reuters.com/article/2014/09/26/uk-regulator-banks-idUKKCN0HL15G20140926>

Figure 13. Impact of FX Settlements on Capital, by bank



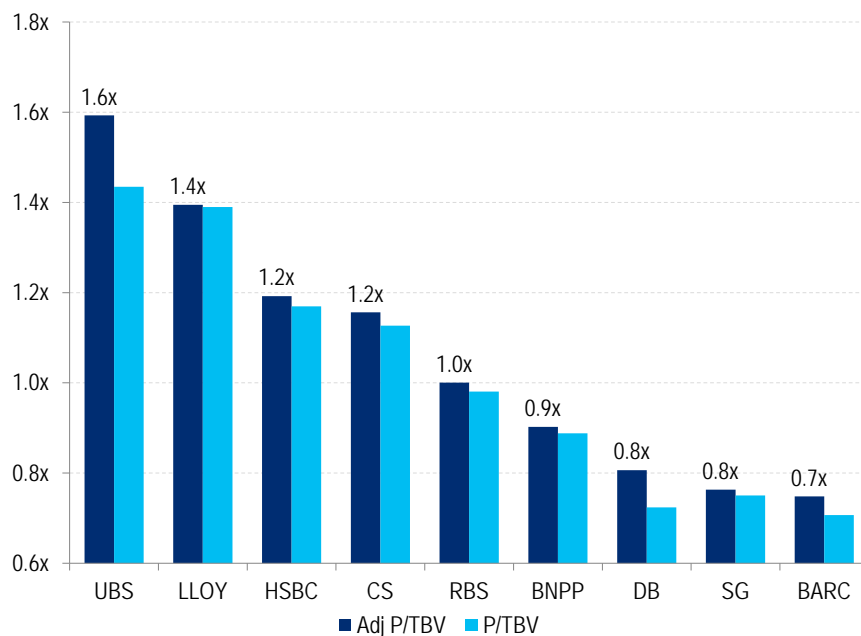
Source: Company Reports and Citi Research Estimates

Figure 14. Banks' Ability To Repay FX Settlements With 2016E Net Profit



Source: Company Reports and Citi Research Estimates

Figure 15. Price-to-2015E TBV And On An Adjusted Basis For FX Settlement



Source: Company Reports and Citi Research Estimates

III. Fading the Euro and Swiss Franc

The sharp recent depreciation in both the euro and the Swiss franc should have a positive read-through on both book value – through FX Other Comprehensive Income (OCI) – as well as, over time, earnings.

In Figure 15, we show a strong correlation between CHF depreciation and the FX OCI notably for CS and UBS. A c.5% SFr-USD depreciation could have a positive benefit to shareholders equity of over SFr1bn for Credit Suisse (+3%) and over SFr0.8bn for UBS (+2%). This was evident in UBS's recent update at 31 August 2014, in which book value had increased SFr1.3bn (including SFr0.7bn retained earnings). This may not support capital ratios – given a hedged approach between capital and RWAs – but nonetheless should be supportive for P/BV valuations.

Figure 16. Banks Show a Strong Correlation Between FX Component of OCI and Change in FX

Bank	USD-SFr	EUR-SFr
Credit Suisse	95.9%	(3.5%)
UBS	96.3%	19.1%
Julius Baer	(17.0%)	15.4%
EFG International	79.1%	34.6%
Vontobel	35.0%	95.7%

Source: Company Reports, Citi Research

Over time, we expect also SFr (and EUR) depreciation to feed-through positively:

- **CS** has guided to a 10% SFr-USD depreciation benefiting 2013 PBT by c.SFr650m, or c9% of 2013 Strategic PBT; and
- **UBS** has guided to a 10% SFr depreciation (vs USD, EUR, GBP) would have a c.SFr600-700m, or c9-11%, benefit to underlying Core Group PBT.

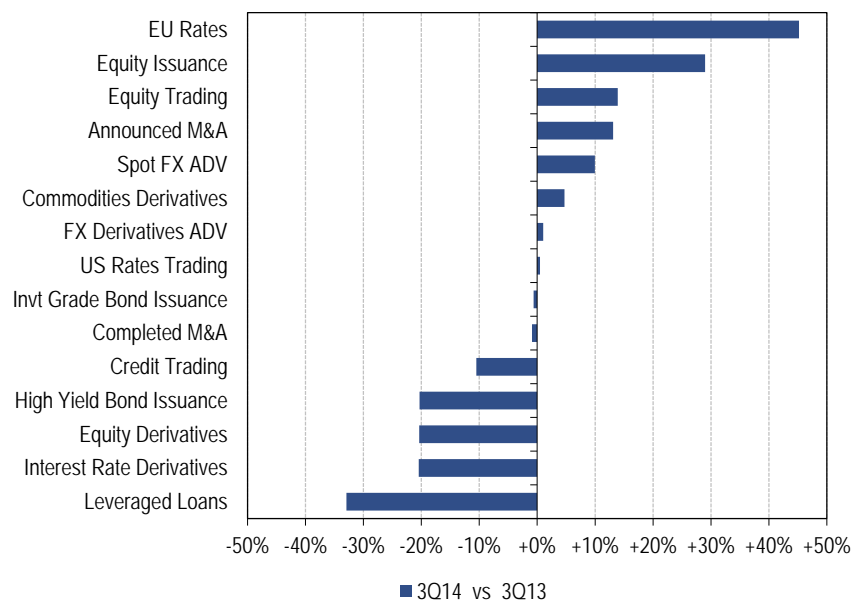
Markets Performance – Key Charts

Figure 17. Sovereign Risk Indicators (3Q14)

	VIX	CVIX	MOVE	IG Spread	HY Spread	EM Spread	Financials Spreads	Non-Fin
Jan-Feb 2010	56%	16%	9%	8%	16%	22%	47%	43%
May-June 2010	127%	47%	40%	32%	27%	38%	60%	60%
Nov-Dec 2010	30%	11%	53%	5%	10%	17%	43%	18%
Jan-Mar-2011	90%	32%	17%	7%	15%	21%	4%	14%
Apr-June-2011	55%	16%	25%	16%	26%	18%	44%	35%
July-Sept 2011	202%	52%	40%	64%	54%	69%	115%	88%
Oct-Dec 2011	74%	32%	35%	20%	14%	23%	46%	38%
Jan-Mar 2012	24%	12%	16%	2%	2%	3%	20%	9%
Apr-June2012	70%	28%	50%	19%	20%	28%	36%	50%
Jul-Sept 2012	32%	16%	27%	2%	9%	10%	15%	12%
Oct-Dec 2012	59%	16%	24%	8%	12%	14%	11%	15%
Jan-Mar 2013	27%	33%	25%	3%	3%	24%	37%	20%
Apr-June2013	70%	35%	127%	19%	24%	39%	53%	47%
Jul-Sept 2013	44%	4%	57%	5%	7%	17%	8%	9%
Oct-Dec 2013	33%	15%	31%	0%	2%	2%	0%	0%
Jan-Mar 2014	77%	7%	19%	1%	2%	23%	19%	20%
Apr-Jun 2014	14%	0%	0%	2%	5%	6%	10%	5%
Jul-Sep 2014	65%	56%	28%	5%	23%	17%	27%	18%

Source: DataStream, Bloomberg, BoA/ML, Markit Partners and Citi Research. Note: Based on trough-to-subsequent peak moves

Figure 18. Key Product Vols – Chg Year-on-Year (3Q14 vs. 3Q13)



Source: CME, Datastream, Dealogic, Eurex, Euronext.Liffe, Federal Reserve, ICAP, ICE, LSE, and Citi Research

Note: EU Rates and Commodity Derivatives year-on-year for July and August only, as September data not yet available.

Figures show % change in US\$ value of European and US transactions with the exception of:

Credit trading shows ADV US bond trading only, sourced from the Fed. Rates trading based on average growth of European transactions traded on LSE and US transactions data from the Fed. Interest rate derivatives show volume of STIR derivatives traded on Liffe and LTIR derivatives on Eurex. Currency derivatives are as traded on CME, commodity derivatives are as traded on ICE and equity derivatives are as traded on Liffe and Eurex. Spot FX as traded via ICAP.

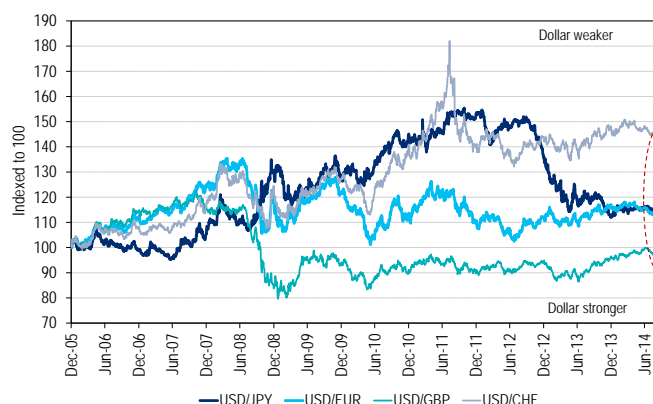
M&A completed, Equity Issuance, leveraged loans, and High and Investment Grade bond issuance are revenue based, M&A announced is volume based, as per Dealogic.

Figure 19. FX Volatility – CVIX Index



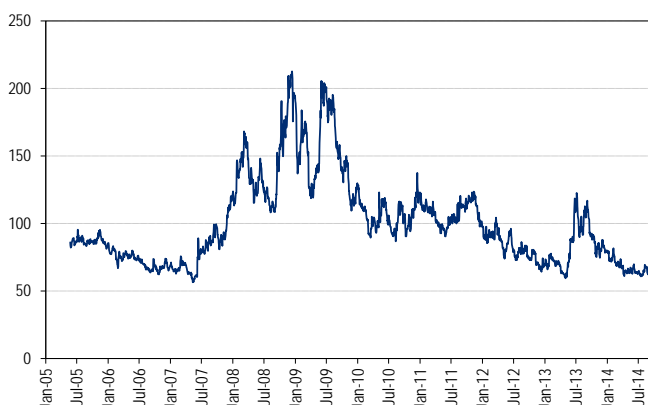
Source: Bloomberg, Citi Research

Figure 20. FX – USD Strengthened By 5-8% vs. Major Currencies



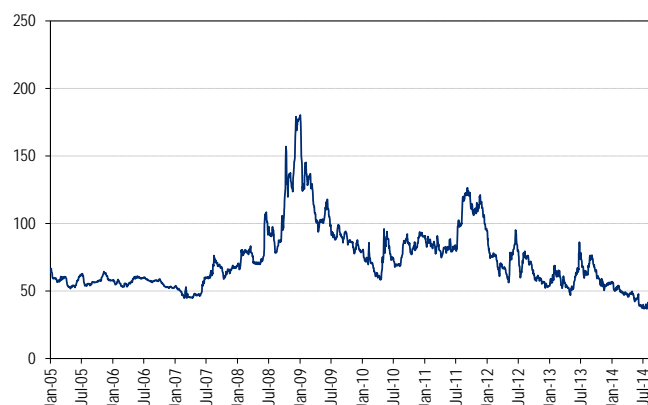
Source: Datastream, Citi Research

Figure 21. Interest Rate Volatility – MOVE Index



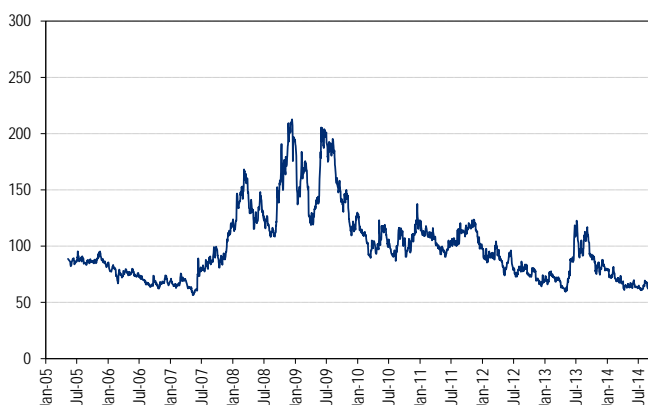
Source: Bloomberg, Citi Research

Figure 22. European Interest Rate Volatility – SMOVE Index



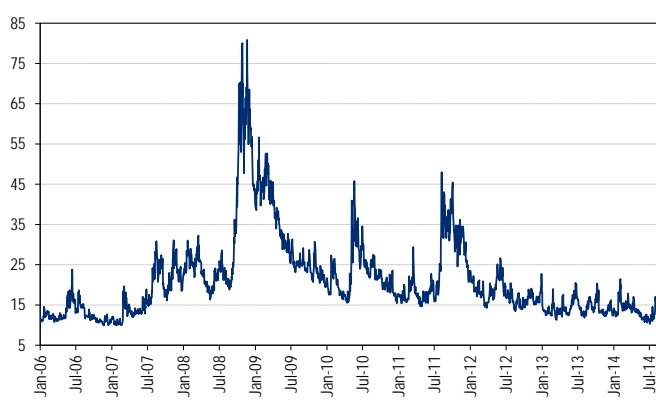
Source: Datastream, Citi Research

Figure 23. 3M Swaption on 10Y USD Rates – Volatility Indicator on 10Y



Source: Bloomberg, Citi Research

Figure 24. Equities Volatility – VIX Index



Source: Datastream, Citi Research

Figure 25. Equity Derivative Market Metrics Suggest More Challenging Market Conditions From Trading Profitability Perspective In 3Q14

	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14*
Equity Revenues	1.6	0.6	1.2	1.3	1.5	1.2	0.7	0.8	1.1	0.8	1.0	0.7	1.1	1.1	1.1	1.1	1.3	1.1	
o/w BNPP	0.8	0.3	0.5	0.6	0.7	0.7	0.3	0.4	0.5	0.4	0.4	0.3	0.4	0.5	0.5	0.5	0.6	0.6	
o/w SG	0.8	0.4	0.6	0.7	0.8	0.5	0.4	0.4	0.6	0.4	0.5	0.3	0.7	0.6	0.6	0.6	0.7	0.5	
% qoq	40%	-62%	86%	9%	18%	-19%	-41%	6%	44%	-28%	22%	-32%	64%	-1%	1%	1%	16%	-13%	
Market Metric																			
Volatility	↓	↑↑	↓	↓	↓↑	↑	↑↑	↓	↓↓	↑	↓	↓	↑	↑	↓	↓	↑	↓	↑
Skew	↓↓	↑↑	↓	↓	↔	↔	↑↑	↓↓	↓	↑	↓	↓	↑	↑	↓	↓	↑	↔	↑
Correlation	↓	↑↑	↔	↓	↓	↑	↑↑	↔	↓↓	↑↑	↓	↔	↑	↑	↓	↔	↔	↓	↑
Dividend	↔	↓↓	↔	↑	↑	↔	↓↓	↔	↑	↓	↓	↑	↑	↔	↑	↑	↔	↓	↑

Source: Citi Research

Figure 26. Volatility

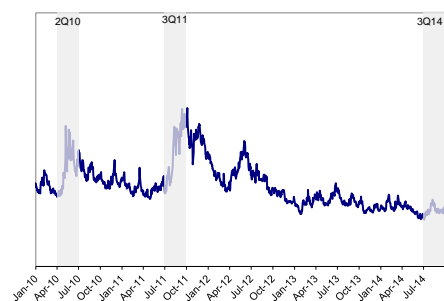


Figure 27. Skew

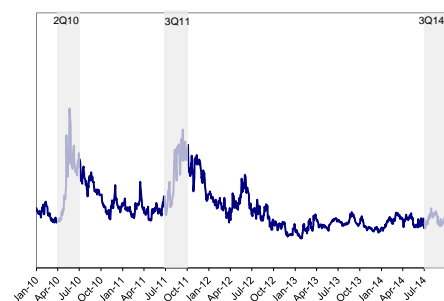
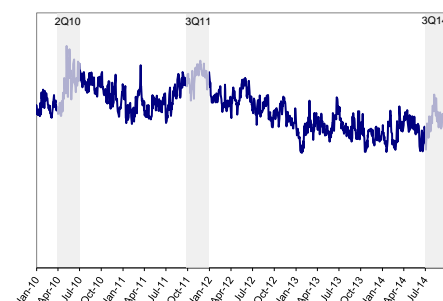


Figure 28. Correlation



Note: Volatility = 3m implied volatility on SX5E; Skew = 3m normalised index skew on SX5E; Correlation = realised correlation on SX5E; Dividend = 2-year rolling dividend swap ask on SX5E; When volatility, skew & correlation rise, dealers tend to suffer derivatives losses. * To be reported. Source: Company Reports, Bloomberg and Citi Research

Figure 29. Wholesale Banks – Valuation Metrics

Company	Rec	RIC	Ccy	Share Price			P/E		P/B	P/TB	RoE	RoE	DY	Performance (Absolute)				MCap \$bn
				Now	Target	+/-%	2014E	2015E						YTD	1m	3m	12m	
RBS	Sell-H	RBS.L	GBP	3.68	3.50	-5%	9.5x	13.9x	0.8x	1.0x	8%	5%	0.0%	+9%	+5%	+13%	+0%	68
Morgan Stanley	Neutral	MS.N	USD	34.2	35.0	+2%	12.0x	11.8x	1.0x	1.2x	9%	8%	1.0%	+9%	-1%	+5%	+26%	67
HSBC	Neutral	HSBA.L	GBP	6.23	6.85	+10%	11.5x	11.3x	1.0x	1.2x	9%	9%	4.8%	-6%	-4%	+4%	-7%	193
Nomura	Buy	8604.T	JPY	631	1,000	+58%	11.8x	11.0x	0.9x	0.9x	8%	8%	2.5%	-22%	-8%	-14%	-16%	21
Bank of America	Buy	BAC.N	USD	17.0	19.0	+12%	42.4x	10.9x	0.8x	1.2x	2%	7%	0.7%	+9%	+4%	+7%	+21%	178
Goldman Sachs	Neutral	GS.N	USD	182	195	+7%	11.0x	10.3x	1.1x	1.2x	10%	10%	1.2%	+2%	+1%	+9%	+14%	80
JPMorgan Chase	Buy	JPM.N	USD	59.4	68.0	+14%	11.0x	10.2x	1.0x	1.3x	10%	10%	2.7%	+2%	-0%	+4%	+14%	224
UBS	Buy	UBSN.VX	CHF	17	22	+33%	13.2x	9.8x	1.2x	1.4x	10%	13%	3.0%	-2%	+1%	-1%	-11%	67
Lloyds	Neutral	LLOY.L	GBP	0.77	0.82	+6%	9.2x	9.2x	1.3x	1.3x	15%	14%	1.9%	-2%	+3%	+2%	+3%	89
BNP Paribas	Buy	BNPP.PA	EUR	52	62	+18%	<0	9.2x	0.8x	1.0x	0%	8%	2.9%	-8%	+1%	+3%	+2%	82
Credit Suisse	Buy	CSGN.VX	CHF	26.1	33.0	+26%	11.3x	8.7x	1.0x	1.2x	9%	11%	2.7%	-4%	+1%	+2%	-8%	44
Credit Ag	Buy	CAGR.PA	EUR	12	15	+28%	10.1x	8.4x	0.7x	1.1x	7%	8%	3.3%	+26%	+4%	+11%	+39%	38
Barclays	Buy	BARC.L	GBP	2.27	3.00	+32%	9.5x	7.7x	0.6x	0.7x	7%	8%	3.7%	-16%	+2%	+5%	-17%	60
Soc Gen	Buy	SOGN.PA	EUR	40	56	+39%	12.0x	7.6x	0.7x	0.8x	6%	9%	4.4%	-5%	+5%	+2%	+4%	41
Deutsche Bank	Buy	DBKGn.DE	EUR	27.4	36.0	+31%	7.3x	6.6x	0.6x	0.8x	8%	9%	2.7%	-17%	+5%	+6%	-17%	48
Large-Caps							<0	10.2x	0.9x	1.2x	8%	9%	2.5%	-0%	+1%	+5%	+6%	1301

Source: dataCentral, Citi Research. Price as at 2 October, 2014

Other companies mentioned:

EFG International (EFGN.S; SFr9.85; 2); Julius Baer Gruppe AG (BAER.VX; SFr42.24; 2); Lloyds Banking Group PLC (LLOY.L; £0.77; 2); Vontobel (VONN.S; SFr34.50; 2);

Credit Suisse – Financial Forecasts

- We amend our EPS estimates for Credit Suisse by -1% in 2014E and by +2% in 2015E.
- These minor changes are due to reduced forecasts of 3Q14 primary revenues in the IB, per Dealogic data, and increased 3Q14 growth assumptions of AuM in the WMC, CIC and AM divisions, due to expected market effects during the quarter.

Figure 30. Credit Suisse – Changes to Financial Forecasts (2014E-2016E)

SFr m	2014E Old	2014E New	Change (%)	2015E Old	2015E New	Change (%)	2016E Old	2016E New	Change (%)
MAIN P&L ITEMS									
Operating income	24,618	24,547	-0%	26,265	26,218	-0%	27,995	27,950	-0%
Operating expenses	-21,627	-21,564	-0%	-19,862	-19,958	+0%	-19,488	-19,471	-0%
Operating profit pre provisions	2,991	2,983	-0%	6,403	6,260	-2%	8,507	8,478	-0%
Bad debt provisions	-160	-160	+0%	-148	-148	-0%	-120	-120	-0%
Profit before tax	2,831	2,823	-0%	6,255	6,112	-2%	8,387	8,359	-0%
Tax	-1,350	-1,348	-0%	-1,564	-1,528	-2%	-2,097	-2,090	-0%
Minorities	-87	-87	+0%	-120	-120	+0%	-120	-120	+0%
Attributable profit	1,472	1,466	-0%	4,650	4,543	-2%	6,249	6,228	-0%
PER SHARE (€)									
Sharecount - basic period end ('000 shrs)	1,600	1,600	+0%	1,600	1,600	+0%	1,600	1,600	+0%
EPS, reported earnings / reported sharecount	0.91	0.91	-0%	2.91	2.84	-2%	3.91	3.89	-0%
EPS, adj earnings / diluted sharecount	2.32	2.31	-1%	2.94	3.01	+2%	3.60	3.58	-0%
DPS	0.70	0.70	+0%	2.00	2.00	+0%	2.25	2.25	+0%

Source: Citi Research Estimates

Figure 31. Credit Suisse — Group P&L by Year

SFr millions	2010	2011	2012	% chg	2013	% chg	2014E	% chg	2015E	% chg	2016E	% chg
Net interest income	6,474	6,398	7,126	+11%	8,100	+14%	9,953	+23%	10,451	+5%	10,973	+5%
Commissions & fees	13,917	12,670	12,751	+1%	13,249	+4%	13,587	+3%	14,810	+9%	16,143	+9%
Trading revenues	9,329	4,922	1,162	-76%	2,750	+137%	-489	-118%	-583	+19%	-753	+29%
Other ex FIN46R minority interest revenues	709	1,105	2,212	+100%	1,118	-49%	1,496	+34%	1,540	+3%	1,587	+3%
Revenues (net of claims, benefits & MI)	30,429	25,095	23,251	-7%	25,217	+8%	24,547	-3%	26,218	+7%	27,950	+7%
Compensation & benefits	-14,452	-12,939	-12,267	-5%	-11,221	-9%	-11,105	-1%	-11,246	+1%	-11,628	+3%
Other expenses	-9,295	-9,210	-8,926	-3%	-10,325	+16%	-10,458	+1%	-8,712	-17%	-7,843	-10%
Operating expenses	-23,747	-22,149	-21,193	-4%	-21,546	+2%	-21,564	+0%	-19,958	-7%	-19,471	-2%
Operating profit pre provisions	6,682	2,946	2,058	-30%	3,671	+78%	2,983	-19%	6,260	+110%	8,478	+35%
Provisions for credit losses	79	-187	-170	nm	-167	-2%	-160	-4%	-148	-8%	-120	-19%
Operating profit	6,761	2,759	1,888	-32%	3,504	+86%	2,823	-19%	6,112	+117%	8,359	+37%
Goodwill impairment	0.0	0.0	0.0	nm	0.0	nm	0.0	nm	0.0	nm	0.0	nm
Restructuring & other extraordinaries	0.0	0.0	0.0	nm	0.0	nm	0.0	nm	0.0	nm	0.0	nm
Profit before tax	6,761	2,759	1,888	-32%	3,504	86%	2,823	-19%	6,112	117%	8,359	37%
Taxes	-1,521	-656	-465	nm	-1,276	nm	-1,348	nm	-1,528	nm	-2,090	nm
FIN 46R minority interests	687	712	302	nm	592	nm	367	nm	0	nm	0	nm
Minority interests	-822	-837	-336	nm	-639	nm	-454	nm	-120	nm	-120	nm
Net income from continuing operations	5,105	1,978	1,389	-30%	2,181	57%	1,387	-36.4%	4,464	221.8%	6,149	37.7%
Discontinued ops, extraords, acct chgs	-173	-25	-40	nm	145	nm	79	nm	79	nm	79	nm
Net income	4,932	1,953	1,349	-31%	2,326	72%	1,466	-37.0%	4,543	209.9%	6,228	37.1%
Attributable profit (adjusted basis)	5,415	2,085	4,434	+113%	4,136	-7%	3,895	-6%	5,001	+28%	5,963	+19%
PER SHARE FIGURES												
EPS - adjusted / diluted (incl. unvested)	4.27	1.63	2.92	+79%	2.38	-18%	2.31	-3%	3.01	+30%	3.58	+19%
EPS - reported (reported / diluted)	3.89	1.53	0.89	-42%	1.34	+51%	0.87	-35%	2.73	+214%	3.74	+37%
Dividend per share	1.30	0.75	0.75	+0%	0.70	-7%	0.70	+0%	2.00	+186%	2.25	+13%
Tangible book value per share	20.77	20.32	20.77	+2%	21.21	+2%	21.61	+2%	23.75	+10%	25.64	+8%
Reported book value per share	28.35	27.59	27.44	-1%	26.50	-3%	26.91	+2%	29.05	+8%	30.94	+7%
OPERATING RATIOS												
Net interest margin	1.4%	1.4%	1.5%		1.7%		2.0%		2.1%		2.4%	
Non-interest income as % of total	78.7%	74.5%	69.4%		67.9%		59.5%		60.1%		60.7%	
Compensation ratio (bkg comp / total revs)	47.5%	51.6%	52.8%		44.5%		45.2%		42.9%		41.6%	
Cost / income ratio	78.0%	88.3%	91.1%		85.4%		87.8%		76.1%		69.7%	
Operating Profit / avg RWAs	3.1%	1.3%	0.6%		1.3%		1.0%		2.3%		3.2%	
Prov'n charge / cust loans (ex repos)	0.0%	0.1%	0.1%		0.1%		0.1%		0.1%		0.1%	
Effective tax rate (ex goodwill etc)	22.5%	23.8%	24.6%		36.4%		47.8%		25.0%		25.0%	
Return on avg RWAs	2.2%	0.9%	0.4%		0.8%		0.5%		1.7%		2.4%	
Return on Equity (as reported)	13.9%	5.8%	3.9%		6.0%		3.4%		10.1%		13.0%	
Return on Equity (Adjusted)	15.3%	6.2%	12.8%		10.7%		9.1%		11.2%		12.4%	
Return on Tangible Equity (Adjusted)	20.7%	8.5%	17.2%		13.6%		11.4%		13.8%		15.1%	
SHARES OUTSTANDING												
Basic (period avg, m)	1,195	1,199	1,310	+9%	1,533	+17%	1,612	+5%	1,600	-1%	1,600	+0%
Diluted (period avg, m) - Incl. Unvested	1,269	1,279	1,520	+19%	1,736	+14%	1,688	-3%	1,664	-1%	1,664	+0%
BALANCE SHEET ITEMS (bn)												
Total Assets	1,032	1,049	924	-12%	873	-6%	864	-1%	804	-7%	748	-7%
Gross customer loans	220	234	243	+4%	248	+2%	260	+5%	242	-7%	226	-7%
Loan / deposit ratio	76%	74%	79%		74%		74%		74%		74%	
Goodwill	8.6	8.6	8.4	-2%	8.2	-2%	8.2	+0%	8.2	+0%	8.2	+0%
Shareholders equity (excl minorities)	33.3	33.7	35.5	+5%	42.2	+19%	43.1	+2%	46.5	+8%	49.5	+7%
Tangible shareholders equity (ex. mins)	24.4	24.8	26.9		33.7		34.6		38.0		41.0	
Risk-Weighted Assets (Basel III)		339	284 na		266	-6%	274	+3%	264	-3%	260	-2%
Core tier 1 ratio (ex hybrids, Basel III)		4.2%	8.0%		10.0%		10.4%		11.8%		13.4%	
Equity/ Assets	3.2%	3.2%	3.8%		4.8%		5.0%		5.8%		6.6%	
Tangible Equity/ Assets	2.4%	2.4%	2.9%		3.9%		4.0%		4.7%		5.5%	

Source: Company Reports and Citi Research Estimates

Figure 32. Credit Suisse — Group P&L by Quarter

SFR millions	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14E	4Q14E
Net interest income	1,859	1,631	1,706	1,930	1,801	2,638	1,919	1,742	2,183	2,590	2,590	2,590
Commissions & fees	3,098	3,051	3,141	3,461	3,254	3,544	3,021	3,430	3,276	3,311	3,500	3,500
Trading revenues	181	1,147	-11	-155	1,807	383	273	287	630	186	-714	-591
Other ex FIN46R minority interest revenues	658	324	839	391	156	265	236	461	380	346	396	374
Revenues (net of claims, benefits & MI)	5,796	6,153	5,675	5,627	7,018	6,830	5,449	5,920	6,469	6,433	5,771	5,873
Compensation & benefits	-3,657	-2,950	-3,026	-2,634	-2,990	-2,914	-2,529	-2,788	-2,977	-2,969	-2,574	-2,585
Other expenses	-2,066	-2,070	-2,252	-2,538	-2,201	-2,325	-2,191	-3,608	-2,058	-3,816	-2,269	-2,315
Operating expenses	-5,723	-5,020	-5,278	-5,172	-5,191	-5,239	-4,720	-6,396	-5,035	-6,785	-4,843	-4,900
Operating profit pre provisions	73	1,133	397	455	1,827	1,591	729	-476	1,434	-352	928	973
Provisions for credit losses	-34	-25	-41	-70	-22	-51	-41	-53	-34	-18	-51	-57
Operating profit	39	1,108	356	385	1,805	1,540	688	-529	1,400	-370	877	916
Goodwill impairment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Restructuring & other extraordinaries	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit before tax	39	1,108	356	385	1,805	1,540	688	-529	1,400	-370	877	916
Taxes	20	-304	-96	-85	-499	-472	-368	63	-543	-307	-244	-254
FIN 46R minority interests	158	20	61	63	69	105	222	196	343	24	0	0
Minority interests	-170	-32	-65	-69	-78	-119	-238	-204	-356	-38	-30	-30
Net income from continuing operations	47	792	256	294	1,297	1,054	304	-474	844	-691	603	632
Discontinued ops, extraords, acct chgs	-3	-4	-2	-31	6	-9	150	-2	15	-9	36	36
Net income	44	788	254	263	1,303	1,045	454	-476	859	-700	639	668
Attributable profit (adjusted basis)	1,730	953	835	916	1,559	1,247	572	758	1,097	1,087	851	860
PER SHARE FIGURES												
EPS - adjusted / diluted (incl. unvested)	1.29	0.66	0.52	0.54	0.90	0.71	0.33	0.44	0.64	0.64	0.51	0.52
EPS - reported (reported / diluted)	0.03	0.54	0.16	0.16	0.75	0.60	0.26	-0.28	0.50	-0.41	0.38	0.40
Dividend per share	-	-	-	-	-	-	-	-	-	-	-	-
Tangible book value per share	20.4	20.1	20.7	20.8	22.1	21.1	21.2	21.3	22.1	20.4	21.3	21.8
Reported book value per share	27.4	27.1	27.6	27.4	28.8	26.6	26.5	26.5	27.2	25.6	26.5	26.9
OPERATING RATIOS												
Net interest margin	1.6%	1.4%	1.4%	1.6%	1.5%	2.1%	1.6%	1.4%	1.8%	2.1%	2.0%	2.0%
Non-interest income as % of total	67.9%	73.5%	69.9%	65.7%	74.3%	61.4%	64.8%	70.6%	66.3%	59.7%	55.1%	55.9%
Compensation ratio (bkg comp / total revs)	63.1%	47.9%	53.3%	46.8%	42.6%	42.7%	46.4%	47.1%	46.0%	46.2%	44.6%	44.0%
Cost / income ratio	98.7%	81.6%	93.0%	91.9%	74.0%	76.7%	86.6%	108.0%	77.8%	105.5%	83.9%	83.4%
Operating Profit / avg RWAs	0.0%	1.5%	0.5%	0.5%	2.5%	2.2%	1.0%	-0.8%	2.1%	-0.5%	1.3%	1.3%
Prov'n charge / cust loans (ex repos)	0.1%	0.0%	0.1%	0.1%	0.0%	0.1%	0.1%	0.1%	0.1%	0.0%	0.1%	0.1%
Effective tax rate (ex goodwill etc)	-51.3%	27.4%	27.0%	22.1%	27.6%	30.6%	53.5%	11.9%	38.8%	23.1%	25.0%	25.0%
Return on avg RWAs	0.1%	1.1%	0.3%	0.4%	1.8%	1.5%	0.7%	-0.7%	1.3%	-1.0%	0.9%	1.0%
Return on Equity (as reported)	0.5%	9.2%	2.9%	3.0%	14.2%	10.4%	4.3%	-4.5%	8.0%	-6.7%	6.1%	6.3%
Return on Equity (Adjusted)	20.6%	11.2%	9.5%	10.3%	17.0%	12.4%	5.4%	7.2%	10.3%	10.3%	8.2%	8.1%
Return on Tangible Equity (Adjusted)	27.8%	15.0%	12.7%	13.7%	22.3%	15.9%	6.8%	8.9%	12.7%	12.8%	10.2%	10.0%
SHARES OUTSTANDING												
Basic (period avg, m)	1,244	1,323	1,331	1,342	1,355	1,575	1,600	1,602	1,621	1,625	1,600	1,600
Diluted (period avg, m) - Incl. Unvested	1,338	1,448	1,596	1,696	1,738	1,752	1,729	1,724	1,723	1,693	1,668	1,668
BALANCE SHEET ITEMS (bn)												
Total Assets	1,000	1,043	1,023	924	947	920	895	873	878	892	878	864
Gross customer loans	233	240	243	243	250	247	246	248	252	255	258	260
Loan / deposit ratio	76%	76%	76%	79%	79%	75%	75%	74%	72%	74%	74%	74%
Goodwill	8.3	8.7	8.6	8.4	8.6	8.6	8.1	8.0	8.0	8.0	8.0	8.0
Shareholders equity (excl minorities)	33.6	34.8	35.7	35.5	37.8	42.4	42.2	42.2	43.2	40.9	42.4	43.1
Tangible shareholders equity (ex. mins)	25.0	25.8	26.8	26.9	29.0	33.6	33.8	34.0	35.0	32.7	34.2	34.8
Risk-Weighted Assets (Basel III)	294	305	307	284	290	281	261	266	280	279	279	274
Core tier 1 ratio (ex hybrids, Basel III)	5.1%	4.8%	7.5%	8.0%	8.5%	9.3%	10.2%	10.0%	10.0%	9.5%	10.0%	10.4%
Equity/ Assets	3.4%	3.3%	3.5%	3.8%	4.0%	4.6%	4.7%	4.8%	4.9%	4.6%	4.8%	5.0%
Tangible Equity/ Assets	2.5%	2.5%	2.6%	2.9%	3.1%	3.7%	3.8%	3.9%	4.0%	3.7%	3.9%	4.0%

Source: Company Reports and Citi Research Estimates

Figure 33. Credit Suisse — Divisional P&L by Year

SFr millions	2011	2012	% chg	2013	% chg	2014E	% chg	2015E	% chg	2016E	% chg
INVESTMENT BANK - STRATEGIC											
Fixed income trading (ex marks)	4,057	6,221	+53%	5,300	-15%	5,164	-3%	5,164	+0%	5,319	+3%
Equity trading (ex marks)	4,290	4,285	-0%	4,849	+13%	4,174	-14%	4,382	+5%	4,601	+5%
Debt underwriting (ex marks)	1,404	1,617	+15%	1,902	+18%	1,836	-3%	1,891	+3%	1,948	+3%
Equity underwriting	713	552	-23%	766	+39%	901	+18%	964	+7%	1,032	+7%
Advisory & other fees	856	1,042	+22%	658	-37%	761	+16%	837	+10%	895	+7%
Net revenues	11,129	13,385	+20%	13,164	-2%	12,471	-5%	12,983	+4%	13,540	+4%
Total operating expenses	-10,308	-9,559	-7%	-9,300	-3%	-9,016	-3%	-9,128	+1%	-9,366	+3%
Operating profit pre provisions	821	3,826	+366%	3,864	+1%	3,454	-11%	3,855	+12%	4,173	+8%
Provisions for credit losses	-32	12	-138%	-11	-192%	-15	+36%	-5	-70%	6	-235%
Profit before tax, mins, extraords	789	3,838	+386%	3,853	+0%	3,439	-11%	3,850	+12%	4,180	+9%
Cost/income ratio (ex-marks)	0.93	0.71	0.00	0.71	0.00	0.72	0.00	70%	+0%	69%	+0%
Pre-tax margin	7.1%	28.7%	+0%	29.3%	+0%	27.6%	+0%	29.7%	+0%	30.9%	+0%
INVESTMENT BANK - NON-STRATEGIC											
Net revenues	-669	-827	0	-599	0	-442	-26%	-304	0	-179	0
Total operating expenses	-669	-1,009	1	-1,533	1	(723)	(1)	-616	0	-130	-1
Profit before tax	-1,382	-1,836	0	-2,134	0	-1,165	-45%	-920	0	-309	-1
WEALTH MANAGEMENT CLIENTS											
Net revenues	8,641	8,475	-2%	8,444	-0%	8,226	-3%	9,061	+10%	9,957	+10%
Total operating expenses	-6,889	-6,394	-7%	-6,258	-2%	-5,840	-7%	-6,114	+5%	-6,488	+6%
Operating profit pre provisions	1,752	2,081	+19%	2,186	+5%	2,386	+9%	2,947	+24%	3,469	+18%
Provisions for credit losses	-76	-110	+45%	-78	-29%	-68	-13%	-85	+25%	-85	+0%
Profit before tax, mins, extraords	1,676	1,971	+18%	2,108	+7%	2,318	+10%	2,862	+23%	3,384	+18%
Gross margin	1.22%	1.14%		1.07%		1.00%		1.02%		1.05%	
Assets under Management (EoP)	710	758	+7%	791	+4%	858	+9%	918	+7%	987	+8%
Assets under Management (Ave)	720	739		782		826		888		952	
Net New Money	35	21		19		27		34		41	
Net New Assets (Ann.,%)	5%	3%		2%		3%		4%		5%	
Cost/income ratio	80%	75%		74%		71%		69%		68%	
Pre-tax margin	19%	23%		25%		28%		32%		34%	
CORPORATE & INSTITUTIONAL CLIENTS											
Net revenues	2,017	2,064	+2%	1,996	-3%	1,951	-2%	2,007	+3%	2,074	+3%
Total operating expenses	-1,097	-1,094	-0%	-1,027	-6%	-1,008	-2%	-1,007	-0%	-1,040	+3%
Operating profit pre provisions	920	970	+5%	969	-0%	943	-3%	1,000	+6%	1,034	+3%
Provisions for credit losses	3	-29	-1067%	-4	-86%	-47	+1077%	-36	-24%	-23	-35%
Profit before tax, mins, extraords	923	941	+2%	965	+3%	896	-7%	964	+8%	1,010	+5%
Cost/income ratio	54%	53%		51%		52%		50%		50%	
Pre-tax margin	46%	46%		48%		46%		48%		49%	
ASSET MANAGEMENT											
Net revenues	1,773	1,804	+2%	1,994	+11%	2,047	+3%	2,271	+11%	2,431	+7%
Total operating expenses	-1,380	-1,342	-3%	-1,314	-2%	-1,393	+6%	-1,486	+7%	-1,566	+5%
Profit before tax, mins, extraords	393	462	+18%	680	+47%	654	-4%	785	+20%	865	+10%
Revenue Margin	0.51%	0.56%		0.59%		0.55%		0.56%		0.56%	
Assets under Management (EoP)	319	325	+2%	352	+8%	389	+11%	417	+7%	446	+7%
Net New Money	3.8	-8.3		15.0		17.7		15.6		16.7	
Net New Money (Ann.,%)	1%	-3%		5%		5%		4%		4%	
Cost/income ratio	78%	74%		66%		68%		65%		64%	
Pre-tax margin	22%	26%		34%		32%		35%		36%	
PB&WM - NON-STRATEGIC											
Net revenues	966	1131	+17%	1008	-11%	544	-46%	341	+0%	255	+0%
Total operating expenses	-959	-687	-28%	-1451	+111%	-2128	+47%	-397	-81%	-298	-25%
Profit before tax	-31	401	nm	-513	-228%	-1613	+214%	-79	-95%	-59	-25%
CORPORATE CENTRE - STRATEGIC											
Net revenues	-106	-235	+122%	-55	-77%	-72	+30%	-72	+0%	-72	+0%
Total operating expenses	-287	-299		-291	-	-453	-	-407	-	-407	-
Operating profit pre provisions	-393	-534		-346	+0%	-525	+0%	-479	+0%	-479	+0%
Profit before tax, mins, extraords	-393	-534		-348	-	-526	-	-480	-	-480	-
CORPORATE CENTRE - NON-STRATEGIC											
Net revenues	1,344	-2,546	-289%	-735	-71%	-179	-76%	-68	-62%	-57	-17%
Total operating expenses	-560	-809		-372	-	-1,003	-	-802	-	-176	-
Profit before tax	784	-3,355		-1,107	-	-1,182	-	-871	-	-232	-

Source: Company Reports and Citi Research Estimates. Note: excludes FIN46 adjustments.

Figure 34. Credit Suisse — Divisional P&L by Quarter

SFr millions	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14E	4Q14E
INVESTMENT BANK - STRATEGIC												
Fixed income trading (ex marks)	2,145	1,291	1,605	1,180	2,028	1,434	1,030	808	1,609	1,485	1,218	852
Equity trading (ex marks)	1,334	1,052	999	900	1,316	1,368	1,095	1,070	1,207	1,119	962	885
Debt underwriting (ex marks)	405	301	403	508	461	534	424	483	468	483	385	500
Equity underwriting	119	93	173	167	157	206	129	274	183	268	200	250
Advisory & other fees	213	234	288	307	145	167	152	194	180	161	170	250
Net revenues	4,157	2,909	3,369	2,950	4,017	3,604	2,748	2,795	3,563	3,395	2,855	2,658
Total operating expenses	-2,471	-2,329	-2,562	-2,197	-2,477	-2,434	-2,070	-2,319	-2,439	-2,366	-2,135	-2,076
Operating profit pre provisions	1,686	580	807	753	1,540	1,170	678	476	1,124	1,029	720	581
Provisions for credit losses	5	15	-5	-3	7	-3	-7	-8	0	5	-10	-10
Profit before tax, mins, extraords	1,691	595	802	750	1,547	1,167	671	468	1,124	1,034	710	571
Cost/income ratio	59%	80%	76%	74%	62%	68%	75%	83%	68%	70%	75%	78%
Pre-tax margin	40.7%	20.5%	23.8%	25.4%	38.5%	32.4%	24.4%	16.7%	31.5%	30.5%	24.9%	21.5%
INVESTMENT BANK - NON-STRATEGIC												
Net revenues	-198	-158	-185	-286	-72	-204	-196	-127	-147	-53	-121	-121
Total operating expenses	-586	-123	-133	-167	-174	-208	-246	-905	-150	-229	-173	-171
Profit before tax	-784	-281	-319	-452	-247	-413	-442	-1,032	-297	-282	-294	-292
WEALTH MANAGEMENT CLIENTS												
Net revenues	2,133	2,201	2,068	2,073	2,087	2,239	2,062	2,056	2,074	2,017	2,045	2,090
Total operating expenses	-1,691	-1,596	-1,553	-1,554	-1,577	-1,598	-1,532	-1,551	-1,480	-1,431	-1,449	-1,480
Operating profit pre provisions	442	605	515	519	510	641	530	505	594	586	596	610
Provisions for credit losses	-20	-29	-25	-36	-19	-20	-21	-18	-16	-17	-18	-17
Profit before tax, mins, extraords	422	576	490	483	491	621	509	487	578	569	578	593
Gross margin	1.18%	1.23%	1.10%	1.09%	1.07%	1.12%	1.05%	1.04%	1.04%	0.99%	0.98%	0.98%
Assets under Management (EoP)	730	733	762	758	794	782	783	791	805	830	847	858
Assets under Management (Ave)	722	731	753	759	779	798	783	793	797	819	839	853
Net New Money	6	6	5	4	6	8	4	2	11	7	5	4
Net New Assets (Ann.,%)	3%	3%	3%	2%	3%	4%	2%	1%	5%	4%	3%	2%
Cost/income ratio	79%	73%	75%	75%	76%	71%	74%	75%	71%	71%	71%	71%
Pre-tax margin	20%	26%	24%	23%	24%	28%	25%	24%	28%	28%	28%	28%
CORPORATE & INSTITUTIONAL CLIENTS												
Net revenues	519	519	492	534	500	512	499	485	492	491	488	480
Total operating expenses	-265	-275	-280	-274	-257	-251	-256	-263	-245	-251	-252	-260
Operating profit pre provisions	254	244	212	260	243	261	243	222	247	240	236	220
Provisions for credit losses	-5	-2	-11	-11	-4	1	8	-9	-1	-13	-13	-20
Profit before tax, mins, extraords	249	242	201	249	239	262	251	213	246	227	223	200
Cost/income ratio	51%	53%	57%	51%	51%	49%	51%	54%	50%	51%	52%	54%
Pre-tax margin	48%	47%	41%	47%	48%	51%	50%	44%	50%	46%	46%	42%
ASSET MANAGEMENT												
Net revenues	420	411	363	610	421	481	373	719	465	440	437	705
Total operating expenses	-360	-351	-317	-312	-358	-349	-325	-282	-324	-338	-315	-416
Profit before tax, mins, extraords	60	60	46	298	63	132	48	437	141	102	122	289
Revenue Margin	0.53%	0.52%	0.46%	0.75%	0.50%	0.56%	0.43%	0.82%	0.52%	0.48%	0.46%	0.73%
Assets under Management (EoP)	315	314	322	325	347	346	349	352	363	377	383	389
Net New Money	-11.0	0.2	-0.3	2.8	8.5	2.6	4.4	-0.5	6.9	4.1	2.8	3.8
Net New Money (Ann.,%)	-14%	0%	0%	3%	10%	3%	5%	-1%	8%	5%	3%	4%
Cost/income ratio	86%	85%	87%	51%	85%	73%	87%	39%	70%	77%	72%	59%
Pre-tax margin	14%	15%	13%	49%	15%	27%	13%	61%	30%	23%	28%	41%
PB&WM - NON-STRATEGIC												
Net revenues	400	264	370	97	270	187	382	169	209	98	121	116
Total operating expenses	-165	-156	-172	-194	-177	-258	-151	-865	-146	-1,752	-118	-112
Profit before tax	221	99	199	-118	88	-98	210	-713	47	-1,647	-7	-6
CORPORATE CENTRE - STRATEGIC												
Net revenues	-80	45	-116	-84	-7	-41	10	-17	-41	-3	-14	-14
Total operating expenses	-108	-66	-121	-4	-89	-53	-99	-50	-107	-146	-100	-100
Operating profit pre provisions	-188	-21	-237	-88	-96	-94	-89	-67	-148	-149	-114	-114
Profit before tax, mins, extraords	-188	-21	-237	-88	-96	-95	-89	-68	-149	-149	-114	-114
CORPORATE CENTRE - NON-STRATEGIC												
Net revenues	-1,555	-38	-686	-267	-198	52	-429	-160	-146	48	-41	-41
Total operating expenses	-76	-124	-140	-469	-82	-88	-41	-161	-144	-272	-301	-286
Profit before tax	-1,631	-162	-826	-736	-280	-36	-470	-321	-290	-224	-342	-326

Source: Company Reports and Citi Research Estimates. Note: excludes FIN46 adjustments.

Deutsche Bank – Financial Forecasts

- We make minor updates to Deutsche Bank EPS estimates for 2014-16E.
- This is due to updates to our operational estimates, including reducing IB Primary revenues, per Dealogic data, and increasing growth in AuM in the DeAWM division as a result of market effects. These changes offset each other.
- We also increase our estimate for non-tax-deductible litigation charges in 2015E from €1bn to €2bn. This is the primary driver behind the 22% decline in reported profit, but has no impact on adjusted EPS.

Figure 35. Deutsche Bank – Changes to Financial Forecasts (2014E-2016E)

	2014E Old	2014E New	% chg	2015E Old	2015E New	% chg	2016E Old	2016E New	% chg
MAIN P&L ITEMS									
Operating income	31,467	31,373	-0%	33,086	32,994	-0%	34,492	34,400	-0%
Operating expenses	-25,834	-25,773	-0%	-24,047	-24,987	+4%	-22,866	-22,807	-0%
Operating profit pre provisions	5,633	5,600	-1%	9,039	8,007	-11%	11,626	11,593	-0%
Bad debt provisions	-1,187	-1,187	+0%	-1,092	-1,092	+0%	-1,039	-1,039	+0%
Extraordinary Items	-1,300	-1,300	+0%	-200	-200	+0%	0	0	na
Profit before tax	3,039	3,005	-1%	7,602	6,570	-14%	10,442	10,409	-0%
Tax	-1,887	-1,876	-1%	-2,796	-2,785	-0%	-3,394	-3,383	-0%
Minorities	-71	-71	nm	-100	-100	nm	-100	-100	nm
Attributable profit	1,080	1,058	-2%	4,707	3,685	-22%	6,948	6,926	-0%
PER SHARE									
Sharecount - diluted year average	1,268	1,268	+0%	1,408	1,408	+0%	1,408	1,408	+0%
EPS, rep. earnings / reported sharecount	0.87	0.85	-2%	3.41	2.67	-22%	5.04	5.02	-0%
EPS, adj. earnings / diluted sharecount	3.75	3.74	-0%	4.15	4.13	-0%	4.94	4.92	-0%
DPS	0.75	0.75	+0%	0.75	0.75	+0%	1.00	1.00	+0%

Source: Company Reports and Citi Research Estimates

Figure 36. Deutsche Bank — Group P&L by Year

€ millions	2010	2011	2012	% chg	2013	% chg	2014E	% chg	2015E	% chg	2016E	% chg
Total operating income	28,366	33,106	33,434	+1%	31,520	-6%	31,373	-0%	32,994	+5%	34,400	+4%
Staff expenses	-12,672	-13,135	-13,490	+3%	-12,329	-9%	-12,258	-1%	-15,028	+23%	-15,406	+3%
Other expenses (incl depreciation)	-10,132	-12,658	-15,017	+19%	-15,126	+1%	-13,515	-11%	-9,959	-26%	-7,401	-26%
Total operating expenses	-22,804	-25,793	-28,506	+11%	-27,456	-4%	-25,773	-6%	-24,987	-3%	-22,807	-9%
Operating profit pre provisions	5,562	7,313	4,928	-33%	4,064	-18%	5,600	+38%	8,007	+43%	11,593	+45%
Provisions for loan losses	-1,273	-1,872	-1,721	-8%	-2,064	+20%	-1,187	-42%	-1,092	-8%	-1,039	-5%
Goodwill amortisation	-29	0	-1,886	nm	-79	nm	0	nm	0	nm	0	nm
Insurance premiums & claims	-484	-205	-416	nm	-461	nm	-204	nm	-145	nm	-145	nm
Net gains from securities available for sale	200	122	302	nm	394	nm	97	nm	0	nm	0	nm
Restructuring activities	0	0	-394	nm	-399	nm	-1,300	nm	-200	nm	0	nm
Profit before tax	3,976	5,358	813	-85%	1,455	79%	3,005	107%	6,570	119%	10,409	58%
Taxes	-1,646	-1,064	-500	-53%	-775	55%	-1,876	142%	-2,785	48%	-3,383	21%
Minority interests	-20	-194	-52	nm	-15	nm	-71	nm	-100	nm	-100	nm
Attributable profit	2,310	4,100	261	-94%	665	+155%	1,058	+59%	3,685	+248%	6,926	+88%
Adjusted attributable profit	5,410	4,626	4,070	-12%	4,488	+10%	4,747	+6%	5,820	+23%	6,926	+19%
PER SHARE FIGURES												
EPS - basic (reported/reported)	2.93	4.22	0.27	-94%	0.64	+139%	0.85	+34%	2.67	+213%	5.02	+88%
EPS - adjusted (adjusted/diluted)	6.60	4.60	4.05	-12%	4.17	+3%	3.74	-10%	4.13	+10%	4.92	+19%
Dividend per share	0.75	0.75	0.75	+0%	0.75	+0%	0.75	+0%	0.75	+0%	1.00	+33%
Book value per share (as reported incl gains)	50.7	56.3	55.4	-2%	51.2	-8%	50.8	-1%	47.65	-6%	51.83	+9%
Tangible book value per share	33.4	37.8	39.5	+0%	38.2	+0%	39.7	+0%	37.62	+0%	41.81	+0%
OPERATING RATIOS												
Non-interest income as % of total	45%	47%	52%		53%		52%		52.2%		51.8%	
Compensation ratio	45%	40%	40%		39%		39%		45.5%		44.8%	
Cost / income ratio	80%	78%	85%		87%		82%		75.7%		66.3%	
Operating Profit pre Provns / avg RWAs	1.80%	2.01%	1.38%		1.08%		1.50%		2.0%		2.8%	
Provision charge / customer loans	0.31%	0.45%	0.43%		0.55%		0.32%		0.30%		0.28%	
Return on avg RWAs	0.75%	1.13%	0.07%		0.18%		0.28%		0.92%		1.68%	
Return on Equity (as reported)	5.4%	8.0%	0.5%		1.2%		1.8%		5.6%		9.9%	
Return on Equity (adjusted)	12.9%	9.2%	7.7%		8.4%		8.1%		9.0%		10.1%	
Return on Tangible Equity (adjusted)	18.1%	13.1%	10.5%		11.1%		10.4%		11.3%		12.4%	
Return on Equity (adjusted)	11.9%	8.8%	7.5%		8.1%		7.8%		8.7%		9.7%	
Return on Equity (adjusted pre-tax)	8.4%	9.9%	5.1%		2.8%		6.9%		10.1%		14.6%	
SHARES OUTSTANDING												
Basic (period end, m)	964	949	975	+3%	1,069	+10%	1,379	+29%	1,379	+0%	1,379	+0%
Diluted (period avg, m)	820	1,006	1,006	+0%	1,075	+7%	1,268	+18%	1,408	+11%	1,408	+0%
BALANCE SHEET ITEMS												
Risk-Weighted Assets	346,204	381,246	333,605	-12%	300,369	-10%	395,953	32%	406,482	3%	416,913	3%
Tier 1 capital	42,565	49,047	50,483	3%	50,717	0%	50,210	-1%	50,861	1%	56,408	11%
Total capital	48,688	55,226	57,015	3%	55,464	-3%	63,582	15%	64,768	2%	70,870	9%
"Core" tier 1 ratio	8.7%	9.5%	11.4%		12.8%		11.4%		11.3%		12.3%	
Tier 1 ratio	12.3%	12.9%	15.1%		16.9%		12.7%		12.5%		13.5%	
Core Tier 1 ratio (Basel 3)	na	6.2%	7.9%		9.7%		11.4%		11.3%		12.3%	
Tangible Equity / Assets	1.7%	1.7%	2.0%		2.5%		3.1%		3.4%		3.8%	

Source: Company Reports and Citi Research Estimates

Figure 37. Deutsche Bank — Group P&L by Quarter

€ millions	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14E	4Q14E
Total operating income	9,240	7,920	8,584	7,690	9,280	8,190	7,642	6,407	8,320	7,836	7,707	7,510
Staff expenses	-3,647	-3,382	-3,292	-3,168	-3,548	-3,203	-2,905	-2,672	-3,349	-2,991	-2,999	-2,919
Other expenses (incl depreciation)	-3,186	-3,256	-3,237	-5,337	-2,818	-3,561	-4,109	-4,639	-3,010	-3,566	-3,233	-3,707
Total operating expenses	-6,833	-6,638	-6,530	-8,505	-6,366	-6,764	-7,014	-7,311	-6,358	-6,556	-6,232	-6,626
Operating profit pre provisions	2,407	1,281	2,054	-814	2,914	1,426	628	-904	1,962	1,280	1,475	884
Provisions for loan losses	-314	-418	-555	-434	-354	-473	-512	-725	-246	-250	-349	-342
Goodwill amortisation	-10	0	0	-1,876	0	0	0	-79	0	0	0	0
Insurance premiums & claims	-150	3	-162	-107	-192	7	-171	-104	-52	-80	-36	-36
Net gains from securities available for sale	-46	100	65	183	110	24	103	157	73	24	0	0
Restructuring activities	0	0	-276	-118	-65	-192	-30	-112	-56	-57	-594	-594
Profit before tax	1,887	966	1,126	-3,167	2,413	792	18	-1,768	1,680	917	496	-89
Taxes	-480	-301	-373	654	-753	-457	33	402	-577	-679	-324	-296
Minority interests	-19	-10	-7	-16	-10	-1	-10	5	-20	-1	-25	-25
Attributable profit	1,388	655	746	-2,529	1,650	334	41	-1,360	1,083	237	147	-410
Adjusted attributable profit	1,341	596	929	315	1,747	1,290	1,005	445	1,324	1,457	1,012	954
PER SHARE FIGURES												
EPS - basic (reported/reported)	1.42	0.67	0.76	-2.57	1.68	0.32	0.04	-1.26	1.01	0.21	0.11	-0.30
EPS - adjusted (adjusted/diluted)	1.33	0.60	0.93	0.31	1.73	1.20	0.91	0.40	1.20	1.27	0.72	0.68
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Book value / share (as reported inc gains)	56.86	57.92	58.52	55.41	57.30	53.80	52.84	51.19	52.16	46.90	47.00	46.71
Tangible book value per share	40.61	41.51	41.74	40.82	42.58	40.48	39.65	38.16	39.11	36.67	36.77	36.48
OPERATING RATIOS												
Non-interest income as % of total	54.1%	50.6%	56.5%	46.8%	60.7%	55.4%	52.4%	39.2%	59.4%	53.2%	47.5%	47.5%
Compensation ratio	39.5%	42.7%	38.4%	41.2%	38.2%	39.1%	38.0%	41.7%	40.3%	38.2%	38.9%	38.9%
Cost / income ratio	73.9%	83.8%	76.1%	110.6%	68.6%	82.6%	91.8%	114.1%	76.4%	83.7%	80.9%	88.2%
Operating Profit pre Provns / avg RWAs	2.6%	1.4%	2.2%	-0.9%	3.5%	1.8%	0.8%	-1.0%	2.2%	1.3%	1.5%	0.9%
Provision charge / customer loans	0.08%	0.10%	0.14%	0.11%	0.09%	0.12%	0.13%	0.19%	0.06%	0.06%	0.09%	0.09%
Return on avg RWAs	1.48%	0.71%	0.81%	-2.89%	2.00%	0.42%	0.05%	7.00%	1.20%	0.25%	0.15%	-0.42%
Return on Equity (as reported)	10.2%	4.7%	5.3%	-18.3%	12.0%	2.4%	0.3%	-9.8%	7.8%	1.6%	0.9%	-2.5%
Return on Equity (adjusted)	10.0%	4.4%	6.7%	2.3%	12.9%	9.2%	7.1%	3.2%	9.8%	9.8%	6.3%	6.0%
Return on Tangible Equity (adjusted)	14.0%	6.0%	9.2%	3.1%	17.2%	12.2%	9.4%	4.3%	12.8%	12.6%	8.0%	7.6%
Return on Equity (adjusted)	9.8%	4.3%	6.6%	2.2%	12.6%	9.2%	7.0%	3.1%	9.3%	9.8%	6.3%	5.8%
Return on Equity (adjusted pre-tax)	14.2%	6.2%	9.4%	-9.6%	17.1%	6.9%	-0.4%	-12.0%	11.7%	6.4%	6.8%	3.0%
SHARES OUTSTANDING												
Basic (period end, m)	967	962	971	975	974	1,068	1,068	1,069	1,069	1,379	1,379	1,379
Diluted (period avg, m)	1,007	1,001	1,004	1,013	1,012	1,077	1,104	1,107	1,106	1,150	1,408	1,408
BALANCE SHEET ITEMS												
Risk-Weighted Assets	368,422	372,635	366,058	333,605	324,908	314,304	309,632	350,143	373,030	398,674	391,639	395,953
Tier 1 capital	49,419	50,618	51,939	50,483	51,879	54,241	52,594	50,717	35,331	49,490	49,379	50,210
Total capital	55,183	56,024	58,227	57,015	57,407	60,668	58,217	55,464	48,664	62,602	62,620	63,582
"Core" tier 1 ratio	10.0%	10.2%	10.7%	11.4%	12.1%	13.3%	13.0%	12.8%	9.5%	11.5%	11.7%	11.4%
Tier 1 ratio	13.4%	13.6%	14.2%	15.1%	16.0%	17.3%	17.0%	16.9%	9.5%	12.4%	12.6%	12.7%
Core Tier 1 ratio (Basel 3)	6.4%	7.0%	7.6%	7.9%	9.5%	9.9%	9.7%	9.7%	9.5%	11.5%	11.7%	11.4%
Tangible Equity / Assets	1.9%	1.8%	1.8%	2.0%	2.0%	2.3%	2.4%	2.5%	2.6%	3.0%	3.1%	3.1%

Source: Company Reports and Citi Research Estimates

Figure 38. Deutsche Bank — Divisional P&L by Year

€ millions	2010	2011	2012	% chg	2013	% chg	2014E	% chg	2015E	% chg	2016E	% chg
CORPORATE BANKING & SECURITIES												
Origination - equities	705	560	517	-8%	732	+42%	828	+13%	853	+3%	904	+6%
Origination - debt (ex marks)	1,199	1,055	1,418	+34%	1,557	+10%	1,472	-5%	1,516	+3%	1,562	+3%
Sales & trading - equities	3,108	2,235	2,287	+2%	2,737	+20%	2,742	+0%	2,852	+4%	2,966	+4%
Sales & trading - debt (ex marks)	10,195	8,519	9,396	+10%	7,071	-25%	6,983	-1%	7,193	+3%	7,409	+3%
Advisory	573	621	590	-5%	480	-19%	568	+18%	614	+8%	651	+6%
Loan products	1,735	1,158	898	-22%	1,234	+37%	1,084	-12%	1,084	+0%	1,084	+0%
Other	-54	-246	30	-112%	-82	-373%	23	-128%	-5	-122%	-5	+0%
Credit crisis marks (net incl own debt)	-455	0	-40	nm	0	nm	0	nm	0	nm	0	nm
Net revenues	17,006	13,902	15,096	+9%	13,729	-9%	13,702	-0%	14,107	+3%	14,571	+3%
Operating expenses	-11,154	-9,750	-10,972	+13%	-8,798	-20%	-9,384	+1%	-9,311	+5%	-9,471	+2%
Operating profit pre provisions	5,852	4,152	4,124	-1%	4,931	+20%	4,318	-12%	4,796	+11%	5,100	+6%
Provisions	-349	-90	-81	-10%	-189	+134%	-147	-22%	-234	+59%	-239	+2%
Profit before tax & minorities	5,503	4,062	4,043	0%	4,741	17%	4,171	-12%	4,562	9%	4,861	7%
Cost/income ratio (ex-marks)	61%	67%	72%		64%		64%		66%		65%	
Pre-tax margin	32%	29%	27%		35%		30%		32%		33%	
PBT / Avg Equity	29%	27%	20%		23%		18%		19%		20%	
TRANSACTION BANKING												
Net revenues	3,149	3,609	4,199	+16%	4,069	-3%	4,142	+2%	4,349	+5%	4,697	+8%
Operating expenses	-2,134	-2,395	-2,790	+16%	-2,465	-12%	-2,791	+1%	-2,522	+1%	-2,677	+6%
Operating profit pre provisions	1,015	1,214	1,409	+16%	1,604	+14%	1,351	-16%	1,827	+35%	2,020	+11%
Provisions	-113	-157	-208	+32%	-315	+51%	-201	-36%	-211	+5%	-228	+8%
Profit before tax & minorities	902	1,057	1,201	+14%	1,289	+7%	1,150	-11%	1,616	+40%	1,792	+11%
Underlying cost/income ratio	68%	66%	66%		61%		59%		58%		57%	
Pre-tax margin	29%	29%	29%		32%		28%		37%		38%	
PBT / Avg Equity	35%	33%	29%		25%		20%		25%		24%	
PRIVATE & BUSINESS CLIENTS												
Net revenues	6,090	9,756	9,540	-2%	9,550	+0%	9,558	+0%	9,701	+1%	9,904	+2%
Operating expenses	-4,460	-6,908	-6,768	-2%	-6,755	-0%	-6,920	-0%	-6,666	-4%	-6,453	-3%
Operating profit pre provisions	1,630	2,848	2,772	-3%	2,795	+1%	2,638	-6%	3,035	+15%	3,452	+14%
Provisions	-727	-784	-687	-12%	-663	-3%	-599	-10%	-531	-11%	-513	-3%
Profit before tax & minorities	903	2,064	2,085	+1%	2,132	+2%	2,039	-4%	2,504	+23%	2,938	+17%
Underlying cost/income ratio	73%	71%	71%		71%		71%		67%		65%	
Pre-tax margin	15%	21%	22%		22%		21%		26%		30%	
PBT / Avg Equity	20%	17%	17%		15%		14%		17%		19%	
ASSET & WEALTH MANAGEMENT												
Net revenues	3,675	4,069	4,049	-0%	4,242	+5%	4,289	+1%	4,603	+7%	4,904	+7%
Operating expenses	-3,190	-3,106	-3,472	+12%	-3,065	-12%	-3,328	+1%	-3,176	+3%	-3,237	+2%
Operating profit pre provisions	485	963	577	-40%	1,177	+104%	961	-18%	1,427	+49%	1,667	+17%
Provisions	-39	-22	-17	-23%	-23	+32%	-3	-89%	-20	+683%	-20	+0%
Profit before tax & minorities	446	941	560	-40%	1,154	+106%	958	-17%	1,407	+47%	1,647	+17%
Total Revenue Margin	0.49%	na	0.25%		0.26%		0.27%		0.28%		0.28%	
Assets under Management (EoP)	825	897	920	+3%	923	+0%	974	+5%	1,028	+6%	1,086	+6%
Total Net New Money	-1	-20	-25		-13		16		25		27	
Net New Money (Ann.,%)	0%	na	-3%		-1%		2%		2%		3%	
Underlying cost/income ratio	87%	76%	86%		72%		70%		69%		66%	
Pre-tax margin	12%	23%	14%		27%		22%		31%		34%	
PBT / Avg Equity	8%	17%	38%		79%		61%		85%		94%	
NON-CORE OPERATIONS & CORPORATE INVESTMENTS												
Net revenues	749	1,405	1,465	+4%	1,309	-11%	664	-49%	534	-15%	624	-15%
Operating expenses	-968	-2,174	-2,081	-4%	-2,217	+7%	-3,310	+49%	-3,357	-25%	-814	-40%
Operating profit pre provisions	-219	-769	-616	-20%	-908	+47%	-2,646	+191%	-2,823	+7%	-190	-93%
Provisions	1	-385	-634	nm	-818	+29%	-236	-71%	-94	-60%	-38	-60%
Profit before tax & minorities	-218	-1,154	-1,250	+8%	-1,727	+38%	-2,882	+67%	-2,917	+1%	-228	-92%
CONSOLIDATION / ADJUSTMENTS												
Net revenues	-2,103	487	-612	nm	-985	nm	-884	nm	-300	nm	-300	nm
Operating expenses	-1,411	-1,665	-5,119	nm	-5,094	nm	-1,545	nm	-300	nm	-300	nm
Operating profit pre provisions	-3,514	-1,178	-5,732	nm	-6,080	nm	-2,429	nm	-600	nm	-600	nm
Provisions	-46	-402	-94	nm	-56	nm	-1	nm	-1	nm	-1	nm
Profit before tax & minorities	-3,560	-1,580	-5,826	nm	-6,135	nm	-2,431	nm	-601	nm	-601	nm

Source: Company Reports and Citi Research Estimates

Figure 39. Deutsche Bank — Divisional P&L by Quarter

€ millions	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14E	4Q14E
CORPORATE BANKING & SECURITIES												
Origination - equities	89	89	140	150	152	204	135	241	160	265	203	200
Origination - debt (ex marks)	284	284	377	378	453	417	367	320	358	416	258	440
Sales & trading - equities	507	507	597	500	766	787	643	541	772	698	620	651
Sales & trading - debt (ex marks)	2,136	2,136	2,463	1,588	2,703	1,854	1,347	1,166	2,402	1,874	1,593	1,115
Advisory	136	136	159	173	69	116	155	140	107	130	151	180
Loan products	196	196	220	205	250	296	331	358	255	255	300	275
Other	7	7	-11	33	17	-6	-3	-90	15	9	-1	-1
Credit crisis marks (net incl own debt)	0	0	0	0	0	0	0	0	0	0	0	0
Net revenues	3,355	3,355	3,945	3,027	4,411	3,667	2,974	2,676	4,069	3,647	3,125	2,861
Operating expenses	-2,801	-2,801	-2,604	-2,676	-2,421	-2,302	-2,125	-1,951	-2,442	-2,178	-2,434	-2,330
Operating profit pre provisions	554	554	1,341	351	1,990	1,365	850	726	1,626	1,469	691	531
Provisions	1	1	-18	-43	-51	-26	-43	-70	-16	-44	-43	-44
Profit before tax & minorities	555	555	1,323	308	1,939	1,339	807	656	1,611	1,425	648	487
Cost/income ratio (ex-marks)	83%	83%	66%	88%	55%	63%	71%	73%	60%	60%	71%	74%
Pre-tax margin	17%	17%	34%	10%	44%	37%	27%	25%	40%	39%	21%	17%
PBT / Avg Equity	11%	11%	25%	6%	41%	26%	15%	13%	30%	24%	11%	8%
TRANSACTION BANKING												
Net revenues	1,019	1,019	1,045	1,126	1,034	1,036	1,023	976	1,028	1,035	1,045	1,035
Operating expenses	-680	-680	-685	-770	-616	-607	-569	-673	-619	-625	-777	-770
Operating profit pre provisions	339	339	360	356	418	429	454	303	409	410	269	264
Provisions	-58	-58	-39	-67	-92	-79	-58	-86	-24	-47	-65	-65
Profit before tax & minorities	281	281	321	289	325	350	397	218	385	362	204	199
Underlying cost/income ratio	67%	67%	66%	68%	60%	59%	56%	69%	60%	60%	60%	60%
Pre-tax margin	28%	28%	31%	26%	31%	34%	39%	22%	37%	35%	19%	19%
PBT / Avg Equity	29%	29%	30%	26%	28%	28%	30%	16%	29%	26%	14%	14%
PRIVATE & BUSINESS CLIENTS												
Net revenues	2,304	2,304	2,434	2,404	2,385	2,448	2,324	2,393	2,406	2,367	2,369	2,416
Operating expenses	-1,621	-1,621	-1,770	-1,685	-1,702	-1,653	-1,722	-1,678	-1,704	-1,723	-1,742	-1,750
Operating profit pre provisions	683	683	664	719	683	795	602	715	702	644	627	665
Provisions	-198	-198	-165	-200	-127	-148	-170	-218	-140	-145	-161	-153
Profit before tax & minorities	485	485	499	519	556	647	432	497	562	499	465	512
Underlying cost/income ratio	70%	70%	73%	70%	71%	68%	74%	70%	71%	73%	70%	69%
Pre-tax margin	21%	21%	21%	22%	23%	26%	19%	21%	23%	21%	20%	21%
PBT / Avg Equity	16%	16%	16%	16%	17%	18%	12%	14%	16%	14%	13%	14%
ASSET & WEALTH MANAGEMENT												
Net revenues	998	998	1,068	988	1,035	1,054	1,079	1,074	1,018	1,053	1,094	1,124
Operating expenses	-882	-882	-926	-864	-806	-780	-751	-728	-775	-763	-885	-906
Operating profit pre provisions	116	116	142	124	229	274	328	346	243	291	209	218
Provisions	-8	-8	-8	-2	-13	0	-1	-9	1	6	-5	-5
Profit before tax & minorities	108	108	134	122	217	273	327	337	244	297	204	213
Total Revenue Margin	0.24%	0.24%	0.26%	0.25%	0.25%	0.25%	0.27%	0.27%	0.26%	0.27%	0.28%	0.28%
Assets under Management (EoP)	916	916	938	920	950	930	923	923	934	955	965	974
Total Net New Money	-2	-2	-5	-8	5	1	-11	-9	3	11	1	1
Net New Money (Ann.,%)	-1%	-1%	-2%	-3%	2%	1%	-5%	-4%	1%	5%	1%	1%
Underlying cost/income ratio	88%	88%	87%	87%	78%	74%	70%	68%	76%	62%	71%	71%
Pre-tax margin	11%	11%	13%	12%	21%	26%	30%	31%	24%	28%	19%	19%
PBT / Avg Equity	7%	7%	9%	8%	16%	19%	22%	22%	16%	19%	13%	13%
NON-CORE OPERATIONS & CORPORATE INVESTMENTS												
Net revenues	414	414	397	154	441	279	402	188	83	281	150	150
Operating expenses	-489	-489	-322	-797	-536	-603	-514	-564	-520	-415	-950	-1,425
Operating profit pre provisions	-75	-75	75	-643	-95	-325	-112	-376	-437	-134	-800	-1,275
Provisions	-138	-138	-300	-105	-87	-174	-239	-319	-67	-19	-75	-75
Profit before tax & minorities	-213	-213	-225	-748	-182	-499	-351	-694	-504	-153	-875	-1,350
CONSOLIDATION / ADJUSTMENTS												
Net revenues	-71	-71	-241	174	85	-270	-57	-744	-210	-524	-75	-75
Operating expenses	-163	-163	-660	-3,814	-542	-1,004	-1,535	-2,013	-406	-989	-75	-75
Operating profit pre provisions	-233	-233	-901	-3,640	-458	-1,274	-1,591	-2,756	-616	-1,513	-150	-150
Provisions	-17	-17	-25	-17	16	-46	-1	-24	-1	0	0	0
Profit before tax & minorities	-250	-250	-926	-3,657	-442	-1,320	-1,593	-2,781	-617	-1,514	-150	-150

Source: Company Reports and Citi Research Estimates

UBS – Financial Forecasts

- We make minor reductions to our UBS EPS estimates for 2014-16E.
- The changes are primarily due to a correction of cost drivers, which has resulted in a small increase in forecast costs for 2014-16E. We also make other minor updates to our operational estimates, including reducing IB Primary revenues, per Dealogic data, and increasing growth in AuM in the WM, WMA, R&C, and GAM divisions as a result of market effects.
- We also increase our estimates for non-tax-deductible litigation charges in 2H14-2015E from €3bn to €4bn. This is the primary driver behind the 16% and 18% declines in reported profit in 2014-15E, but has no impact on adjusted EPS.

Figure 40. UBS – Changes to Financial Forecasts (2014E-2016E)

SFr m	2014E Old	2014E New	% chg	2015E Old	2015E New	% chg	2016E Old	2016E New	% chg
MAIN P&L ITEMS									
Operating income	27,818	27,857	+0%	30,073	30,071	-0%	32,152	32,149	-0%
Operating expenses	-24,544	-25,040	+2%	-24,258	-25,128	+4%	-23,017	-23,419	+2%
Operating profit pre provisions	3,274	2,817	-14%	5,815	4,943	-15%	9,134	8,729	-4%
Bad debt provisions	-86	-86	+0%	-145	-145	+0%	-139	-139	+0%
Profit before tax	3,189	2,731	-14%	5,669	4,798	-15%	8,995	8,590	-5%
Tax	-246	-221	-10%	-1,255	-1,190	-5%	-1,574	-1,503	-5%
Minorities	-195	-195	+0%	-30	-30	+0%	-80	-80	+0%
Attributable profit (as reported)	2,748	2,315	-16%	4,384	3,578	-18%	7,341	7,007	-5%
PER SHARE									
Sharecount - basic period end	3,753	3,753	+0%	3,633	3,633	+0%	3,448	3,448	+0%
EPS, reported earnings / reported sharecount	0.73	0.62	-16%	1.19	0.97	-18%	2.07	1.98	-5%
EPS, adjusted earnings / diluted sharecount	1.25	1.25	+0%	1.77	1.69	-5%	2.06	1.97	-4%
DPS	0.50	0.50	+0%	0.75	0.75	+0%	1.00	1.00	+0%

Source: Company Reports and Citi Research Estimates

Figure 41. UBS — Group P&L by Year

SFr millions	2010	2011	2012	% chg	2013	% chg	2014E	% chg	2015E	% chg	2016E	% chg
GROUP P&L												
Net interest income	6,215	6,827	5,978	-12%	5,786	-3%	5,966	+3%	6,440	+8%	6,885	+7%
Net fee & commission income	17,160	15,236	15,397	+1%	16,286	+6%	16,526	+1%	17,839	+8%	19,072	+7%
Net trading income	7,471	4,342	3,526	-19%	5,129	+45%	4,563	-11%	4,926	+8%	5,266	+7%
Other income	1,214	1,468	640	-56%	579	-10%	802	+39%	866	+8%	926	+7%
Total operating income	32,060	27,873	25,541	-8%	27,780	+9%	27,857	+0%	30,071	+8%	32,149	+7%
Personnel expenses	-17,030	-15,635	-14,738	-6%	-15,182	+3%	-15,320	+1%	-15,960	+4%	-16,406	+3%
General & administrative expenses	-6,585	-5,959	-8,654	+45%	-8,380	-3%	-8,825	+5%	-8,254	-6%	-6,080	-26%
Depreciation of property & equipment	-918	-762	-690	-9%	-816	+18%	-795	-3%	-814	+2%	-833	+2%
Amortisation of other intangibles	-117	-126	-107	-15%	-83	-22%	-100	+20%	-100	+0%	-100	+0%
Total operating expenses	-24,650	-22,482	-24,188	+8%	-24,461	+1%	-25,040	+2%	-25,128	+0%	-23,419	-7%
Operating profit pre provisions	7,410	5,391	1,353	nm	3,319	+145%	2,817	-15%	4,943	+75%	8,729	+77%
Credit loss expense	-66	-84	-117	+39%	-50	-57%	-86	+71%	-145	+70%	-139	-4%
Amortisation of goodwill	0	0	-3,030	nm	0	0	0	0	0	0	0	0
Profit before tax	7,344	5,307	-1,794	nm	3,269	nm	2,731	-16%	4,798	+76%	8,590	+79%
Tax	410	-900	-460	nm	109	-124%	-221	-303%	-1,190	438%	-1,503	26%
Net profit	7,754	4,407	-2,254	nm	3,378	nm	2,510	-26%	3,608	44%	7,087	96%
Minority interests	-304	-269	-225	-16%	-209	-7%	-195	-7%	-30	-84.6%	-80	166.7%
Industrial holdings	0	0	0	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Attributable profit	7,452	4,138	-2,479	nm	3,169	nm	2,315	-27%	3,578	+55%	7,007	+96%
Adjusted attributable profit	7,452	3,713	3,897	nm	3,980	+2%	4,693	+18%	6,208	+32%	6,952	+12%
PER SHARE FIGURES												
EPS - basic (reported/reported)	1.96	1.10	-0.66	nm	0.84	nm	0.62	-27%	0.97	+57%	1.98	+104%
EPS - adjusted (adjusted/diluted)	1.94	0.97	1.04	nm	1.06	2%	1.25	18%	1.69	35%	1.97	17%
Dividend per share	-	0.10	0.15	-	0.25	-	0.50	-	0.75	-	1.00	-
Book value per share	11.4	12.7	12.3	-3%	12.7	4%	13.3	5%	13.0	-3%	13.3	3%
Tangible book value per share	8.8	10.2	10.5	4%	11.1	5%	11.7	5%	11.3	-3%	11.5	2%
OPERATING RATIOS												
Net interest margin	2.17%	2.57%	2.18%		2.04%		2.01%		2.06%		2.11%	
Non-interest income as % of total	81%	76%	77%		79%		79%		79%		79%	
Compensation ratio	53%	56%	58%		55%		55%		53%		51%	
Cost / income ratio	77%	81%	95%		88%		90%		84%		73%	
Operating Profit pre Provns / avg RWAs	3.66%	2.71%	0.54%		1.35%		1.23%		2.19%		3.99%	
Provision charge / customer loans	0.03%	0.03%	0.04%		0.02%		0.03%		0.05%		0.04%	
Effective tax rate (ex goodwill etc)	-6%	17%	37%		-3%		8%		18%		18%	
Return on avg RWAs	3.68%	2.08%	-0.99%		1.29%		1.01%		1.59%		3.21%	
Return on Equity (as reported)	18%	9%	-5%		7%		5%		7%		15%	
Return on Equity (adjusted)	18%	8%	8%		8%		10%		13%		15%	
Return on Tangible Equity (adjusted)	23%	10%	10%		10%		11%		15%		17%	
SHARES OUTSTANDING												
Basic (period end, m)	3,793	3,748	3,748	+0%	3,768	+1%	3,753	-0%	3,633	-3%	3,448	-5%
Diluted (period avg, m)	3,848	3,824	3,748	-2%	3,768	+1%	3,751	-0%	3,683	-2%	3,531	-4%
BALANCE SHEET ITEMS												
Total Assets (SFr '000s)	1,317	1,417	1,260	-11%	1,018	-19%	0,947	-7%	0,917	-3%	0,886	-3%
Gross customer loans	264,070	267,408	280,578	+5%	287,706	+3%	307,222	+7%	319,511	+4%	332,291	+4%
Loan / deposit ratio	79%	78%	75%		73%		77%		77%		77%	
Shareholders equity ex minorities	43,728	48,530	45,949	-5%	48,002	+4%	50,001	+4%	47,765	-4%	47,009	-2%
Tangible shareholders equity ex mins	33,906	38,835	39,488	+2%	41,709	+6%	43,772	+5%	41,536	-5%	40,780	-2%
Basel 3 Risk-Weighted Assets	na	380,000	258,113	-32%	225,153	-13%	225,682	+0%	218,966	-3%	211,915	-3%
Basel 3 FL CET1 ratio	na	6.7%	9.8%		12.8%		13.4%		13.3%		13.6%	
Basel 3 FL Swiss Total Capital Ratio	na	14.1%	11.4%		15.4%		19.0%		19.4%		20.1%	
Tangible Equity/ Assets	2.6%	2.7%	3.1%		4.1%		4.6%		4.5%		4.6%	

Source: Company Reports and Citi Research Estimates

Figure 42. UBS — Group P&L by Quarter

SFr millions	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14E	4Q14E
GROUP P&L												
Net interest income	1,589	1,389	1,528	1,472	1,481	1,208	1,551	1,546	1,572	1,242	1,563	1,589
Net fee & commission income	3,840	3,648	3,917	3,992	4,123	4,236	3,831	4,096	4,112	4,296	4,026	4,092
Net trading income	976	1,364	808	378	2,222	1,760	543	604	1,357	1,347	922	937
Other income	81	3	166	390	-37	188	353	75	189	276	167	170
Total operating income	6,486	6,404	6,419	6,232	7,789	7,392	6,278	6,321	7,230	7,161	6,679	6,787
Personnel expenses	-3,378	-3,544	-3,802	-4,014	-4,100	-3,855	-3,567	-3,660	-3,967	-3,842	-3,729	-3,782
General & administrative expenses	-1,398	-1,652	-1,761	-3,843	-1,999	-2,299	-2,126	-1,956	-1,679	-1,871	-2,350	-2,925
Depreciation of property & equipment	-158	-179	-184	-169	-208	-196	-191	-221	-199	-197	-196	-203
Amortisation of other intangibles	-23	-26	-39	-19	-20	-20	-21	-22	-20	-19	-31	-31
Total operating expenses	-4,956	-5,401	-5,786	-8,045	-6,327	-6,370	-5,905	-5,859	-5,865	-5,929	-6,306	-6,940
Operating profit pre provisions	1,530	1,003	633	-1,813	1,462	1,022	373	462	1,365	1,232	373	-153
Credit loss expense	37	-1	-129	-24	-15	-3	-17	-15	28	-14	-50	-50
Amortisation of goodwill	0	0	-3,030	0	0	0	0	0	0	0	0	0
Profit before tax	1,567	1,002	-2,526	-1,837	1,447	1,019	356	447	1,393	1,218	323	-203
Tax	-531	-257	394	-66	-458	-125	222	470	-339	-314	536	-105
Net profit	1,036	745	-2,132	-1,903	989	894	578	917	1,054	904	859	-308
Minority interests	-1	-222	-1	-1	-1	-205	-1	-2	0	-112	-1	-82
Industrial holdings	0	0	0	0	0	0	0	0	0	0	0	0
Attributable profit	1,035	523	-2,133	-1,904	988	689	577	915	1,054	792	858	-390
Adjusted attributable profit	1,598	630	881	789	1,313	1,201	627	839	1,412	1,150	1,130	1,002
PER SHARE FIGURES												
EPS - basic (reported/reported)	0.28	0.14	-0.57	-0.51	0.26	0.18	0.15	0.24	0.27	0.21	0.23	-0.10
EPS - adjusted (adjusted/diluted)	0.42	0.16	0.23	0.21	0.34	0.31	0.16	0.22	0.37	0.30	0.30	0.27
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Book value per share	12.8	13.2	12.8	12.3	12.3	12.3	12.3	12.5	12.7	12.9	13.5	13.4
Tangible book value per share	10.3	10.6	11.1	10.5	10.6	10.5	10.7	10.8	11.1	11.3	11.8	11.7
OPERATING RATIOS												
Net interest margin	2.38%	2.05%	2.20%	2.10%	2.07%	1.65%	2.13%	2.14%	2.16%	1.67%	2.07%	2.08%
Non-interest income as % of total	76%	78%	76%	76%	81%	84%	75%	76%	78%	83%	77%	77%
Compensation ratio	52%	55%	59%	64%	53%	52%	57%	58%	55%	54%	56%	56%
Cost / income ratio	76%	84%	90%	129%	81%	86%	94%	93%	81%	83%	94%	102%
Operating Profit pre Provns / avg RWAs	2.99%	1.88%	1.19%	-3.07%	2.23%	1.62%	0.64%	0.82%	2.38%	2.14%	0.65%	-0.27%
Provision charge / customer loans	-0.06%	0.00%	0.19%	0.03%	0.02%	0.00%	0.02%	0.02%	-0.04%	0.02%	0.07%	0.06%
Effective tax rate (ex goodwill etc)	34%	26%	-78%	-4%	32%	12%	-62%	-105%	24%	26%	-50%	10%
Return on avg RWAs	2.02%	0.98%	-4.02%	-3.23%	1.51%	1.09%	0.99%	1.62%	1.84%	1.38%	1.50%	-0.68%
Return on Equity (as reported)	9%	4%	-17%	-16%	8%	6%	5%	8%	9%	6%	7%	-3%
Return on Equity (adjusted)	13%	5%	7%	7%	11%	10%	5%	7%	12%	9%	9%	8%
Return on Tangible Equity (adjusted)	16%	6%	9%	8%	13%	12%	6%	8%	13%	11%	10%	9%
SHARES OUTSTANDING												
Basic (period end, m)	3,776	3,749	3,746	3,748	3,758	3,768	3,768	3,768	3,751	3,753	3,753	3,753
Diluted (period avg, m)	3,819	3,828	3,747	3,748	3,840	3,836	3,851	3,852	3,852	3,835	3,743	3,743
BALANCE SHEET ITEMS												
Total Assets (SFr '000s)	1,364	1,410	1,367	1,260	1,214	1,129	1,049	1,018	0,983	0,983	0,965	0,947
Gross customer loans	266,670	275,224	279,250	280,578	292,461	292,076	290,568	287,706	295,500	301,256	304,224	307,222
Loan / deposit ratio	77%	76%	75%	75%	76%	77%	75%	73%	76%	77%	77%	77%
Shareholders equity ex minorities	48,792	50,503	48,125	45,949	47,239	47,073	47,403	48,002	49,023	49,532	50,390	50,001
Tangible shareholders equity ex mins	39,447	40,749	41,493	39,488	40,534	40,426	41,015	41,709	42,812	43,303	44,161	43,772
Basel 3 Risk-Weighted Assets	350,000	305,000	301,000	258,113	258,701	239,182	218,926	225,153	226,805	226,736	224,418	225,682
Basel 3 FL CET1 ratio	7.5%	8.8%	9.3%	9.8%	10.1%	11.2%	11.9%	12.8%	13.2%	13.5%	13.8%	13.4%
Basel 3 FL Swiss Total Capital Ratio	16.7%	17.2%	18.1%	11.4%	11.8%	13.5%	14.3%	15.4%	16.8%	18.1%	18.4%	19.0%
Tangible Equity/ Assets	2.9%	2.9%	3.0%	3.1%	3.3%	3.6%	3.9%	4.1%	4.4%	4.4%	4.6%	4.6%

Source: Company Reports and Citi Research Estimates

Figure 43. UBS — Divisional P&L by Year

SFr millions	2010	2011	2012	% chg	2013	% chg	2014E	% chg	2015E	% chg	2016E	% chg
INVESTMENT BANK												
Equities trading	4,407	3,848	3,031	-21%	3,962	+31%	3,439	-10%	3,611	+5%	3,738	+4%
Fixed Income trading (ex marks)	5,300	2,176	1,855	-15%	1,608	-13%	1,356	-16%	1,396	+3%	1,424	+2%
Equities origination	1,021	574	775	+35%	842	+9%	967	+15%	1,015	+5%	1,066	+5%
Fixed Income origination	974	792	1,009	+27%	888	-12%	1,179	+33%	1,214	+3%	1,239	+2%
Advisory	846	964	638	-34%	588	-8%	621	+6%	671	+8%	704	+5%
Total operating income	12,087	8,662	7,709	-11%	8,248	+7%	7,932	-4%	8,282	+4%	8,551	+3%
Total operating expenses	-9,144	-7,019	-6,695	-5%	-6,038	-10%	-6,277	+4%	-6,407	+2%	-6,477	+1%
Credit loss expense	155	-10	0	-100%	2	nm	-23	-1270%	-34	+44%	-33	-3%
PBT (ex goodwill)	3,098	1,633	1,014	-38%	2,212	+118%	1,632	-26%	1,841	+13%	2,041	+11%
Cost/income ratio	76%	81%	87%		73%		79%		77%		76%	
Pretax margin	26%	19%	13%		27%		21%		0%		0%	
RoE	10%	9%	9%		19%		16%		16%		16%	
WEALTH MANAGEMENT												
Total operating income	7,375	7,200	7,041	-2%	7,548	+7%	7,726	+2%	8,542	+11%	9,438	+10%
Total operating expenses	-5,064	-4,930	-4,942	+0%	-4,980	+1%	-5,051	+1%	-5,685	+13%	-6,127	+8%
Credit loss expense	11	12	1	-92%	-11	nm	2	-118%	2	+0%	2	+0%
PBT (ex goodwill)	2,322	2,282	2,100	-8%	2,557	+22%	2,678	+5%	2,859	+7%	3,313	+16%
Invested assets (bn)	768	750	821	+0%	886	+0%	964	+0%	1,037	+8%	1,114	+8%
Net New Money (bn)	-12.2	23.5	26.3		35.9		36.8		43.4		46.6	
Revenues / AUM	0.92%	0.95%	0.89%		0.87%		0.84%		0.85%		0.88%	
Cost/income ratio	68.7%	68.5%	70.2%		66.0%		66.7%		68.2%		64.9%	
Pretax margin	31%	32%	30%		34%		35%		33%		35%	
PBT / Avg Equity	53%	46%	49%		75%		76%		75%		81%	
RETAIL & CORPORATE												
Total operating income	3,944	3,897	3,757	-4%	3,746	-0%	3,695	-1%	3,781	+2%	3,870	+2%
Total operating expenses	-2,161	-2,169	-2,186	+1%	-2,182	-0%	-2,180	-0%	-2,223	+2%	-2,123	-4%
Credit loss expense	-75	-101	-27	-73%	-18	-33%	-46	+0%	-75	+0%	-75	+0%
PBT (ex goodwill)	1,708	1,627	1,544	-5%	1,546	+0%	1,469	-5%	1,484	+1%	1,671	+13%
Invested assets (bn)	136	134	na		na		na		na		na	
Net New Money (bn)	2.1	1.9	na		na		na		na		na	
Net New Money (Ann., %)	2%	1%	na		na		na		na		na	
Cost/income ratio	55%	56%	58%		58%		57%		56%		55%	
Regulatory equity used (avg)	4,600	5,000	4,400	+0%	3,800	+0%	3,953	+0%	4,045	+2%	4,139	+2%
PBT / Avg Equity	37%	33%	35%		41%		37%		37%		40%	
WEALTH MGMT AMERICAS												
Total operating income	5,558	5,200	5,836	+12%	6,567	+13%	6,726	+2%	7,332	+9%	7,950	+8%
Total operating expenses	-5,309	-4,734	-5,195	+10%	-5,608	+8%	-5,707	+2%	-6,167	+8%	-6,539	+6%
PBT (ex goodwill)	249	460	627	+36%	932	+49%	1,020	+9%	1,160	+14%	1,406	+21%
Revenue Margin	0.80%	0.77%	0.78%		0.79%		0.75%		0.78%		0.80%	
Invested assets (bn)	689	709	772	+9%	865	+12%	914	+6%	969	+6%	1,018	+5%
Net New Money (ex. interest & div inc, bn)	-6	+12	+21		+18		+5		+27		+19	
Net New Money (Ann., %)	-1%	2%	3%		2%		1%		3%		2%	
Cost/income ratio	96%	91%	89%		85%		84%		83%		82%	
Pretax margin	4%	9%	11%		14%		15%		16%		18%	
GLOBAL ASSET MANAGEMENT												
Total operating income	2,060	1,801	1,884	+5%	1,902	+1%	1,905	+0%	2,091	+10%	2,257	+8%
Total operating expenses	-1,536	-1,346	-1,359	+1%	-1,316	-3%	-1,360	+3%	-1,441	+6%	-1,496	+4%
PBT (ex goodwill)	524	455	525	+15%	585	+12%	545	-7%	650	+19%	761	+17%
Revenue Margin	0.36%	0.32%	0.33%		0.33%		0.31%		0.32%		0.32%	
Invested assets (bn)	558	574	581		583		639		678		712	
Net New Money (bn)	+2	+4	-13		-20		+25		+20		+14	
Net New Money (Ann., %)	0%	1%	-2%		-3%		4%		3%		2%	
Cost/income ratio	75%	75%	72%		69%		69%		67%		66%	
Pretax Margin	25%	25%	28%		31%		29%		0%		0%	
PBT/ Avg Equity	20%	17%	25%		34%		32%		36%		40%	
CORPORATE CENTRE - NON-CORE & LEGACY												
Total operating income	1,356	287	1,177	nm	-7	nm	-87	nm	-58	-34%	-68	+17%
Total operating expenses	-394	-1,758	-1,567	nm	-919	nm	-2,756	nm	-2,398	-13%	-218	-91%
PBT (ex goodwill)	806	-1,448	-468	nm	-923	nm	-2,854	nm	-2,474	-13%	-300	-88%
CORPORATE CENTRE - CORE												
Total operating income	-320	826	-1,863	-326%	-223	-88%	-41	-82%	100	-345%	150	+50%
Total operating expenses	-1,042	-526	-2,244	-60%	-3,418	-123%	-1,710	-50%	-807	-53%	-439	-46%
PBT (ex goodwill)	-1,363	298	-4,106	-1478%	-3,640	-11%	-1,758	-52%	-722	-59%	-304	-58%

Source: Company Reports and Citi Research Estimates

Figure 44. UBS — Divisional P&L by Quarter

SFr millions	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14E	4Q14E
INVESTMENT BANK												
Equities trading	999	765	725	542	1,113	1,113	878	858	1,037	906	779	717
Fixed Income trading (ex marks)	607	447	417	384	616	357	327	308	387	361	329	279
Equities origination	200	206	174	195	203	232	164	243	196	349	197	225
Fixed Income origination	268	197	246	298	249	246	185	208	303	371	280	225
Advisory	169	122	167	180	114	163	113	198	153	165	103	200
Total operating income	2,297	1,898	1,825	1,689	2,426	2,241	1,709	1,872	2,194	2,254	1,757	1,726
Total operating expenses	-1,745	-1,571	-1,755	-1,624	-1,799	-1,447	-1,372	-1,420	-1,641	-1,667	-1,509	-1,460
Credit loss expense	-1	0	6	-5	-1	4	0	-1	0	-6	-9	-9
PBT (ex goodwill)	551	327	76	60	626	798	337	451	553	581	240	257
Cost/income ratio	76%	83%	96%	96%	74%	65%	80%	76%	75%	74%	86%	85%
Pretax margin	24%	17%	4%	4%	26%	36%	20%	24%	25%	26%	14%	15%
RoE	13%	8%	2%	2%	22%	27%	12%	16%	20%	22%	7%	8%
WEALTH MANAGEMENT												
Total operating income	1,770	1,733	1,790	1,748	1,926	1,952	1,822	1,848	1,944	1,919	1,911	1,952
Total operating expenses	-1,191	-1,231	-1,210	-1,310	-1,225	-1,223	-1,220	-1,312	-1,200	-1,237	-1,250	-1,363
Credit loss expense	-1	1	0	1	-12	1	0	0	0	2	0	0
PBT (ex goodwill)	578	503	580	439	689	730	602	536	744	684	661	589
Invested assets (bn)	772	783	816	821	870	862	871	886	899	928	950	964
Net New Money (bn)	6.7	9.5	7.7	2.4	15.0	10.1	5.0	5.8	10.9	10.7	8.1	7.1
Revenues / AUM	0.93%	0.89%	0.90%	0.85%	0.91%	0.90%	0.84%	0.84%	0.87%	0.84%	0.81%	0.82%
Cost/income ratio	67.3%	71.0%	67.6%	74.9%	63.6%	62.7%	67.0%	71.0%	61.7%	64.5%	65.4%	69.8%
Pretax margin	33%	29%	32%	25%	36%	37%	33%	29%	38%	36%	35%	30%
PBT / Avg Equity	58%	53%	63%	41%	74%	81%	73%	63%	88%	80%	76%	67%
RETAIL & CORPORATE												
Total operating income	919	940	946	952	918	951	940	937	920	946	917	912
Total operating expenses	-545	-532	-537	-572	-557	-547	-540	-538	-521	-522	-569	-568
Credit loss expense	18	-12	-13	-20	0	-3	2	-17	12	-8	-25	-25
PBT (ex goodwill)	392	396	396	360	361	401	402	382	411	416	323	320
Invested assets (bn)	na	na	na	na	na	na	na	na	na	na	na	na
Net New Money (bn)	na	na	na	na	na	na	na	na	na	na	na	na
Net New Money (Ann., %)	na	na	na	na	na	na	na	na	na	na	na	na
Cost/income ratio	59%	57%	57%	60%	61%	58%	57%	57%	57%	55%	62%	62%
Regulatory equity used (avg)	5,000	4,300	4,300	4,400	4,400	4,300	3,900	3,800	4,200	4,100	3,975	3,953
PBT / Avg Equity	31%	37%	37%	33%	33%	37%	41%	40%	39%	41%	32%	32%
WEALTH MGMT AMERICAS												
Total operating income	1,385	1,437	1,496	1,518	1,580	1,681	1,629	1,677	1,645	1,686	1,678	1,717
Total operating expenses	-1,235	-1,299	-1,339	-1,322	-1,374	-1,427	-1,395	-1,412	-1,368	-1,428	-1,434	-1,476
PBT (ex goodwill)	150	137	159	181	206	254	215	257	294	256	236	234
Revenue Margin	0.77%	0.77%	0.78%	0.78%	0.78%	0.80%	0.78%	0.79%	0.76%	0.76%	0.74%	0.76%
Invested assets (bn)	728	757	783	772	845	843	831	865	872	902	904	914
Net New Money (ex. interest & dividend inc, bn)	+4	+4	+5	+8	+9	+3	+2	+4	+2	-2	+2	+3
Net New Money (Ann., %)	2%	2%	2%	4%	4%	1%	1%	2%	1%	-1%	1%	2%
Cost/income ratio	89%	90%	90%	87%	87%	85%	86%	84%	83%	85%	85%	86%
Pretax margin	11%	10%	11%	12%	13%	15%	13%	15%	18%	15%	14%	14%
GLOBAL ASSET MANAGEMENT												
Total operating income	478	447	468	491	483	490	447	482	451	465	478	511
Total operating expenses	-353	-337	-342	-327	-323	-338	-317	-338	-311	-322	-349	-379
PBT (ex goodwill)	125	110	126	164	159	152	130	144	140	143	129	132
Revenue Margin	0.34%	0.32%	0.32%	0.34%	0.33%	0.33%	0.31%	0.33%	0.31%	0.31%	0.31%	0.32%
Invested assets (bn)	560	568	588	581	599	586	580	583	596	621	631	639
Net New Money (bn)	-8	-4	+2	-3	-3	-2	-8	-7	+10	+8	+3	+4
Net New Money (Ann., %)	-6%	-3%	1%	-2%	-2%	-1%	-5%	-5%	7%	5%	2%	2%
Cost/income ratio	74%	75%	73%	67%	67%	69%	71%	70%	69%	69%	73%	74%
Pretax Margin	26%	25%	27%	33%	33%	31%	29%	30%	31%	31%	27%	26%
PBT / Avg Equity	20%	21%	24%	31%	34%	34%	31%	34%	33%	34%	30%	30%
CORPORATE CENTRE - NON-CORE & LEGACY												
Total operating income	576	109	367	125	204	-15	-121	-75	49	-122	-43	29
Total operating expenses	-407	-387	-472	-301	-214	-275	-239	-191	-196	-195	-933	-1,433
PBT (ex goodwill)	191	-268	-230	-161	-12	-295	-361	-255	-147	-318	-980	-1,409
CORPORATE CENTRE - CORE												
Total operating income	-939	-160	-473	-291	253	92	-148	-420	27	13	-20	-60
Total operating expenses	520	-44	-131	-2,589	-835	-1,113	-822	-648	-628	-558	-262	-262
PBT (ex goodwill)	-420	-203	-603	-2,880	-582	-1,021	-969	-1,068	-602	-544	-286	-326

Source: Company Reports and Citi Research Estimates

Appendix A-1

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