RBR CAPITAL ADVISORS

OPEN LETTER TO THE SHAREHOLDERS OF CREDIT SUISSE GROUP AG

October 20th, 2017

Dear shareholders of Credit Suisse,

Having lost the last decade, we believe that Credit Suisse must now employ a new strategy that will move it to the forefront of modern banking.

The current management has established the foundations of implementing this plan. The actions to strengthen the capital base, de-risk and downsize the Global Markets division balance sheet, resolve many of the most pressing legacy issues such as a cost reduction program are well underway. Credit Suisse has a solid base from which more ambitious goals can be set.

Technology has profoundly changed many industries in the last twenty years. Each time, involving one clear industry disruptor taking a significant share of the profit pool. Three out of five of the world's most valuable companies did not exist 25 years ago. All have a focused business model, and none was or is burdened by legacy issues and outdated IT. Technology sits at the core of their DNA.

To date, banking has been spared significant disruption. However, the sector is burdened by legacy IT, a lack of transparency, complexity and a lack of efficient automating technology: The industry is ripe for change – and none of the large institutions have reacted sufficiently. We are convinced that the time is right to create a digital bank that will focus on private clients and will service their needs, from a single platform. A large-scale, broad, digital platform would have a tremendous competitive edge and would have to hand the opportunity to take a substantial share of a very fragmented market.

Therefore, we recommend that Credit Suisse builds a new platform for a digital bank for private clients. Once this platform is built, we suggest that Credit Suisse transfers all of its private clients (retail, affluent, high net worth and ultra-high net worth) to this new platform and starts shutting down legacy systems.

To focus on private clients, we believe that the other businesses should be separated from wealth management. Therefore Credit Suisse should dismantle its complex and costly conglomerate structure in favor of three independent and focused companies:

1. A world-class private and business bank
2. An independent investment bank
3. An independent Swiss asset manager

Such undertaking is no small task for the management and board of Credit Suisse. We have held discussions with the board and management of Credit Suisse and we conclude that they are willing to pursue an ambitious plan if you as a shareholder give them their full support. Therefore, we have decided to make this plan public, allowing the management and board to openly engage with you about the plan, its merits and potential risks.

We have carried out detailed analysis, and we are happy to share the most critical elements:

1. Technology disrupts every industry and banking will be the next one. Specialized fin-techs are already setting new standards in many verticals including digital banks, payment, lending, wealth management and regulation.
2. Specialized financial companies have significant advantages over financial conglomerates:
   Specialized financial companies achieve more than 2x the ROE of financial conglomerates on average. The best run financial conglomerates such as JP Morgan or Goldman Sachs earn a ROE substantially below the average achieved by specialized firms.

We see the roadmap for the three independent companies as follows:

Investment Banking

Independent investment banks achieve strong financial performance and enjoy attractive market valuations. They have the following in common:

1. Their core business is client advisory; and
2. They are structured either as a partnership or are controlled by a majority shareholder.

The five largest US investment banks have large trading organizations. These divisions earn a ROE which barely meets the cost of capital and trade at a P/B of close to 1x. In contrast, investment banking boutiques trade on an average P/B of 3x.

Large trading divisions within investment banks are no longer able to achieve attractive returns, because:

1. Post financial crisis regulations require banks to have more capital and tighter control over trading functions; and
2. Hedge funds enjoy sustainable advantages over banks in managing large trading books; they can operate with higher leverage, less regulation, lower cost and a more suitable governance structure (partnership or strong controlling shareholder).

Consequently, revenue per employee of just above CHF 500,000 for the Global Markets division is significantly too low to reward shareholders with an adequate return. Our model assumes a further 50% reduction in Global Markets to improve profitability. The Swiss regulator requires Swiss-based banks to hold considerably more capital than international standards. It would, therefore, be highly beneficial for Credit Suisse to list its investment bank in a location outside of Switzerland.

Therefore the following should be considered:

1. Focus the Global Markets division on flow businesses where hedge funds hold less of a competitive edge;
2. Create a partnership structure (First Boston 2.0) to better align shareholders, managers and the risk takers involved in the firm;
3. Float First Boston 2.0 in a jurisdiction better suited to investment banking – such as New York or London.

Asset management

The asset management industry is experiencing dramatic changes. Low-cost ETFs are replacing traditional funds on the back of lower fees and comparable performance. Artifical intelligence and robo-advisors are challenging traditional strategies. Hedge funds and private equity managers continue to expand.

Asset management must sharpen its profile and focus to remain relevant. Key strengths are traditional asset management, mandates and real estate. Switzerland is the principal target market. A successful growth strategy can be built around these parameters. Focusing on Swiss pension funds would be very promising.

Since there are few synergies between investment banking, private banking and asset management, it would make sense to float asset management as an independent company on the Swiss stock exchange.

Wealth management, retail and business banking

Credit Suisse is a world-class brand in wealth management and offers the most substantial opportunity for growth. It is also an area undergoing considerable changes; loss of banking secrecy, customer empowering technology and fin-tech alternatives. Technological leadership must be at the core of any successful strategy. The traditional client – adviser relationship needs to be supported with state-of-the-art technology and processes.

Take the example of Charles Schwab which is on average approximately 5x more cost-efficient than Credit Suisse's wealth management division per USD 1 billion of AUM. While higher costs burden Credit Suisse due to a broader international reach, a variety of jurisdictions and more extensive services than Charles Schwab, it is doubtful that a 5x higher cost level is justified.

Given the rapid growth and significant capital inflow of the fin-tech sector, disruptive competition will emerge. To compete, Credit Suisse wealth management will need to perform at a cost-effective level. The construction of a new banking IT platform, independent of any legacy systems will ensure the long-term competitive position of the wealth management division. Once this system is in place, customers will be migrated all the legacy systems will be wound down. At present, no strong international competitor has a state-of-the-art platform. The strength of the Credit Suisse brand name would be a tremendous competitive advantage in such an endeavor.
The funding required to build this new platform should be financed by terminating upgrade projects that are not required by the regulator.

In summary, this plan would create the opportunity to bring exceptional value for Credit Suisse shareholders and the opportunity for the management and board to change the fortunes of this great Swiss company. It would guarantee the long-term competitive position for each of the three independent companies and ensure the longevity of this historic Swiss firm.

You as a shareholder have the opportunity to review these proposals in detail with management and board. We are happy to be of service to you as Credit Suisse shareholders and are excited about the shared future that is ahead of us.

Sincerely Yours,

Rudolf Bohli