Credit Suisse Holdings (USA), Inc. 2022 Annual Dodd-Frank Act Stress Test Results

Supervisory Severely Adverse Scenario

Thursday, June 23, 2022

CREDIT SUISSE

Overview

As part of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), the Board of Governors of the Federal Reserve System (Board) is required to conduct a supervisory stress test of bank holding companies (BHCs) with $100 billion or greater in total consolidated assets. Credit Suisse has designated Credit Suisse Holdings (USA), Inc. (CSH USA) as its U.S. Intermediate Holding Company (IHC), and the IHC is subject to U.S. capital and liquidity requirements, capital planning and stress testing, risk management and other enhanced prudential standards on a consolidated basis.

On April 5, 2022, CSH USA delivered its Dodd-Frank Act Stress Test submission using a set of macroeconomic scenarios (supervisory baseline and supervisory severely adverse) developed by the Board.

- The planning horizon for the scenarios was a nine quarter forecast, utilizing a jump off point of December 31, 2021.

The results on pages 4-7 incorporate the following capital action assumptions:

- No dividends on any instruments that qualify as common equity tier 1 capital;
- Payments on instruments that qualify as additional tier 1 capital or tier 2 capital equal to the stated dividend, interest, or principal due on such instrument;
- No redemption or repurchase of any capital instrument that is eligible for inclusion in the numerator of a regulatory capital ratio; and
- No issuances of common stock or preferred stock.

Credit Suisse Group AG (Credit Suisse) is a leading global financial services company that operates across a variety of geographical markets, including Europe, Middle East and Africa, the Americas and Asia Pacific. CSH USA, an indirect wholly owned subsidiary of Credit Suisse Group AG, is an integrated investment bank serving institutional, corporate, and government clients. CSH USA's products and services include securities underwriting, sales and trading, financial advisory services, derivatives and risk management products, asset management and investment research.

The DFAST projected results disclosed herein reflect a hypothetical economic scenario, as prescribed by the Board under the Supervisory Severely Adverse scenario.

Results

Company-Run Severely Adverse Scenario – CSH USA Results

- **CSH USA maintains capital levels and ratios above its post-stress capital goal and regulatory minima in the Company-Run Severely Adverse Scenario**, for all quarters across the planning horizon and all risk-based and leverage-based ratios
- Capital depletion primarily driven by pre-provision net revenue (PPNR) losses and the Trading and Counterparty Losses

Regulatory Ratio	Actual Q4 2021	Projected Stressed Capital Ratios[1]		Regulatory Minimum
		Ending	Minimum	
Common Equity Tier 1 Capital Ratio	27.6%	14.7%	14.7%	4.5%
Tier 1 Risk-Based Capital Ratio	28.4%	15.6%	15.6%	6%
Total Risk-Based Capital Ratio	28.6%	15.7%	15.7%	8%
Tier 1 Leverage Ratio	15.3%	12.1%	12.1%	4%
Supplementary Leverage Ratio	13.7%	11.2%	11.2%	3%

Item	Actual Q4 2021 ($BN)	Projected Q1 2024 ($BN)
Risk-Weighted Assets[2]	$58.9	$61.7

(1) The capital ratios are calculated using capital action assumptions as described on page 2. These projections represent hypothetical estimates that involve an economic outcome that is more adverse than expected. These estimates are not forecasts of expected losses, revenues, net income before taxes or capital ratios. The minimum capital ratio presented is for the period 2022:Q1 to 2024:Q1.
(2) Risk-weighted assets are calculated under the Federal Reserve's Basel III standardized capital risk-based approach.

Company-Run Severely Adverse Scenario – CSH USA Income Statement and Loan Lease Losses

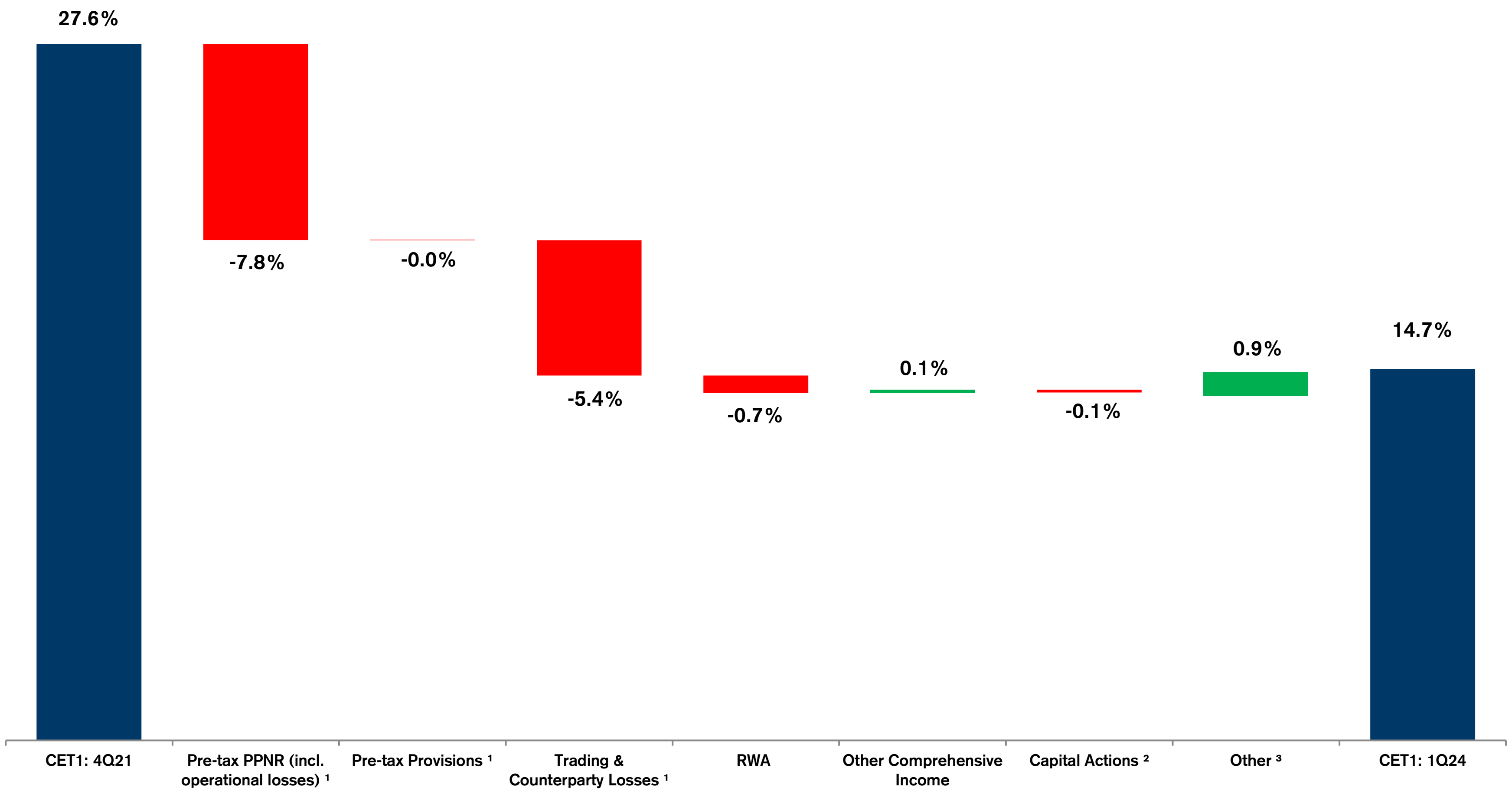
Item	Billions of Dollars	Percent of Average Assets[1]
Pre-Provision Net Revenue[2]	(4.6)	-6.6%
Other Revenue[3]	(4.5)	
Less		
Provisions	0.0	
Realized Losses/Gains on Securities (AFS / HTM)		
Trading and Counterparty Losses[4]	3.1	
equals		
Net Income before Taxes	(12.3)	-17.6%
Memo Items		
Other Comprehensive Income[5]	(0.1)	
Other Effects on Capital	Actual 4Q 2021	1Q 2024
AOCI Included in Capital (in Billion Dollars)[6]	(0.0)	(0.0)

Loan Type	Billions of Dollars	Portfolio Loss Rates (Percent)[7]
First-Lien Mortgages, Domestic	0.0	0.0%
Junior Liens and HELOCs, Domestic	0.0	0.0%
Commercial and Industrial	0.0	0.4%
Commercial Real Estate, Domestic	0.0	1.7%
Credit Cards	0.0	0.0%
Other Consumer	0.0	0.0%
Other Loans[8]	0.0	1.8%
Total Projected Loan Losses	**0.0**	**1.6%**

(1) Average assets is the nine-quarter average of total assets.
(2) Pre-provision net revenue includes losses from operational-risk events, mortgage repurchase expenses, and other real estate owned (OREO) costs.
(3) Other revenue includes one-time income and (expense) items not included in pre-provision net revenue, principally goodwill impairment.
(4) Trading and counterparty losses include mark-to-market and credit valuation adjustment (CVA) losses and losses arising from the counterparty default scenario component applied to derivatives, securities lending, and repurchase agreement activities.
(5) Other comprehensive income is only calculated for advanced approaches firms.
(6) Represents the life-to-date balance of accumulated other comprehensive income ("AOCI") as of 4Q 2021 and 1Q 2024.
(7) Average loan balances used to calculate portfolio loss rates exclude loans held for sale and loans held for investment under the fair-value option, and are calculated over nine quarters.
(8) Other loans include loans to depositories and other financial institutions and loans for purchasing or carrying securities.

CSH USA Common Equity Tier 1 (CET1) Ratio Drivers

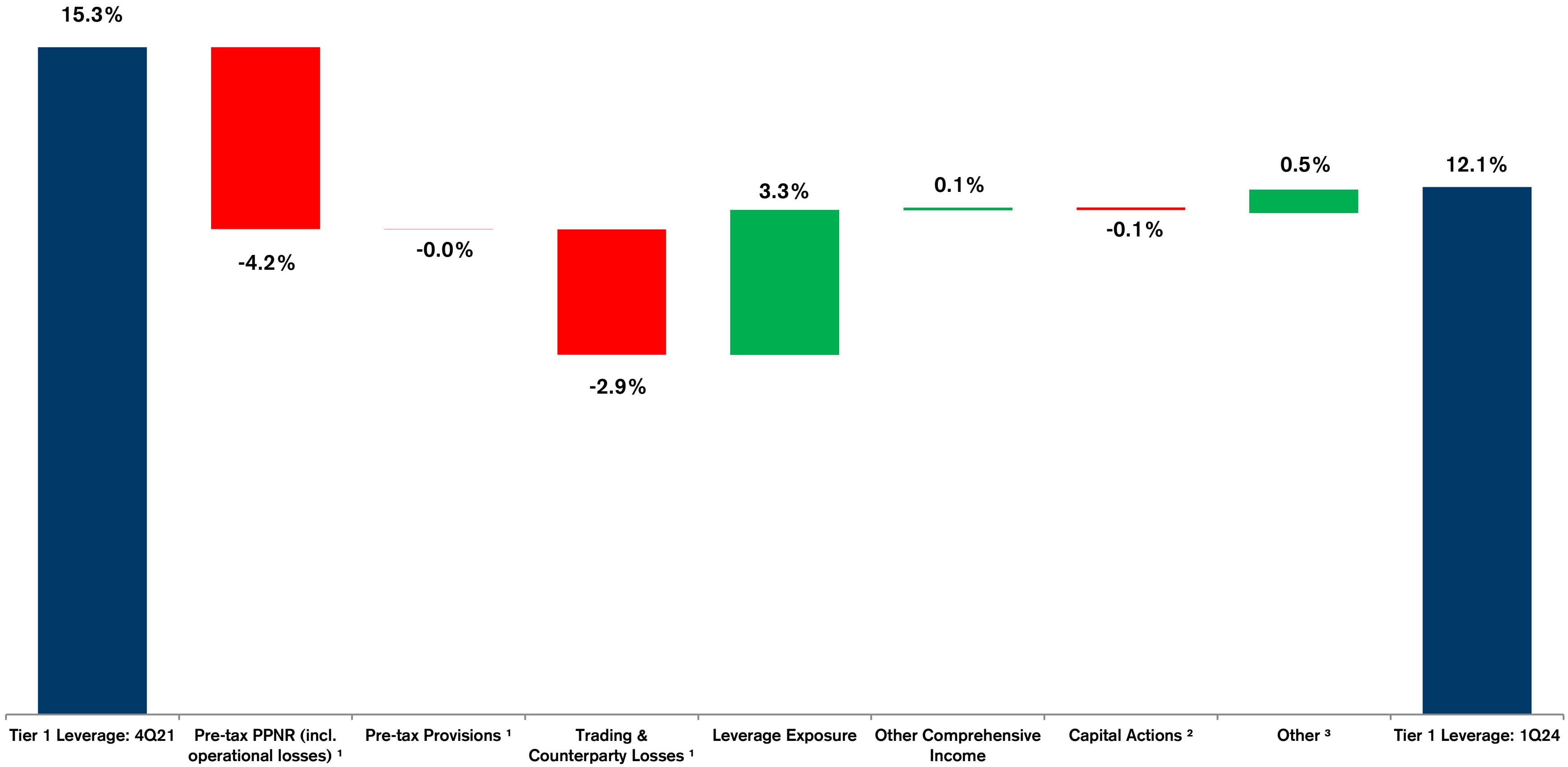
4Q21 – 1Q24; Company-Run Severely Adverse Scenario



(1) Reflects pre-tax impact
(2) Reflects dividends only on preferred stock
(3) Other reflects the impact of share award obligations in stress

CSH USA Tier 1 Leverage Ratio Drivers

4Q21 – 1Q24; Company-Run Severely Adverse Scenario



(1) Reflects pre-tax impact
(2) Reflects dividends only on preferred stock
(3) Other reflects the impact of share award obligations in stress

Risks and Projection Methodology

Company-Run Severely Adverse Scenario - Risks

To facilitate risk management within CSH USA, the Risk Organization classifies risk into classes. The following are the principal risk classes of CSH USA as of 4Q21:

Risk Type	Description
Market	➢ The risk to earnings or capital due to adverse changes in market factors, including equity, credit spreads, commodity prices, FX, interest rates and other factors
Credit	➢ The risk of financial loss as a result of a borrower or counterparty failing to meet its financial obligations or as a result of a deterioration in the credit quality of the borrower or counterparty
Non-Traded Market & Funding Liquidity Risk	➢ The risk to earnings, capital or the continuation of business arising from a company's inability to meet both expected and unexpected current and future cash flow and collateral requirements
Non-Financial Risk	➢ The risk of financial loss arising from inadequate or failed internal processes, people or systems, or from external events
Reputational	➢ The risk that negative perception by our stakeholders may adversely impact client acquisition and damage our business relationships with clients and counterparties, affecting staff morale and reducing access to funding sources
Model	➢ The risk is the potential for adverse consequences from decisions based on incorrect or misused model outputs and reports inherent in the use of financial models
Business	➢ The risk that appropriate business strategy does not deliver on anticipated financial benefits
Capital	➢ The risk that bank does not maintain adequate capital to support its activities and maintain the minimum capital requirements
Pension	➢ The risk to the firm caused by its contractual or other liabilities to or with respect to a pension scheme (whether established for its employees or those of a related company or otherwise). It also means the risk that the firm will make payments or other contribution to or with respect to a pension scheme because of an implicit obligation or because the firm considers that it needs to do so for some other reason

Projection Methodology

The table below provides a high level description of the projection methodologies:

Projection	Description
Pre-Provision Net Revenue ("PPNR")	➢ Revenue projections are performed at a granular line-of-business level, using models and qualitative estimate approaches that link business drivers to scenario variables. Expense projections largely rely on historical performance and financial plan estimates, though scenario impacts are included where appropriate, including the impact of transaction volumes on brokerage fees and the impact of profitability on variable compensation.
Losses	➢ In addition to trading and counterparty losses resulting from the Global Market Shock and Large Counterparty Default, 9Q projections include: ▪ Any PPNR losses from ongoing operations, including due to revenue declines across business lines. Revenues are modeled at business line level, and PPNR also includes within non-interest income any mark-to-market losses on trading positions during the 9Q scenario (distinct from losses captured in the Global Market Shock). Methodologies vary by business line, based on product type, risk drivers, and data availability. ▪ Credit risk losses on non–trading loans, informed by expected loss models as well as expert panel review. ▪ Operational risk loss projections, consisting of run rate losses, litigation uncertainty losses, and idiosyncratic large loss events; these are projected through a combination of quantitative modeling, General Counsel review, and scenario analysis.
Balance Sheet	➢ Assets are projected at line of business level and linked to revenue projections where applicable. Asset balance evolution through the scenario horizon reflects market price impacts on inventory as well as scenario impacts to liquidity requirements. Line of business asset projections and liquidity requirements also drive unsecured funding requirements and, by extension, funding costs.
Risk-Weighted Assets	➢ CSH USA's RWA forecast reflects the application of the Standardized Approach rules under U.S. Basel III for the Common Equity Tier 1, Tier 1 Capital and Total Capital Ratios. CSH USA's internal RWA forecasting models capture the impact of stress on exposures and risk weights, as well as exposure changes projected by the lines of business, where appropriate.
Capital	➢ CSH USA calculates available capital through the application of the regulatory capital rules and associated capital deductions established under the US Basel III rules. For stress test projections, this includes the impact of all applicable income statement, balance sheet, and risk-weighted asset projections as noted above, including Tax impacts.

Disclaimer

This document contains forward-looking statements, including projections of financial results and conditions under a hypothetical scenario. The projections disclosed in this document should not be viewed or interpreted as forecasts of expected future economic financial conditions or results or capital adequacy, but rather reflect possible results under hypothetical adverse scenarios and other specific conditions required to be assumed by us for the purpose of Dodd-Frank Act stress testing as well as modeling assumptions necessary to project and assess the impact of the various adverse scenarios on CSH USA's capital position. A number of important factors could cause results to differ materially from the plans, targets, goals, objectives, expectations, estimates and intentions we express in these forward-looking statements, including those we identify in "Risk Factors" in our Annual Report on Form 20-F for the fiscal year ended December 31, 2021 and in our "Cautionary statement regarding forward-looking information" in our 1Q22 Financial Report, published on May 5, 2022 and filed with the US Securities and Exchange Commission, and in other public filings and press releases. We do not intend to update these forward-looking statements.

In particular, the terms "Estimate", "Illustrative", "Ambition", "Objective", "Outlook", "Goal", "Commitment" and "Aspiration" are not intended to be viewed as targets or projections, nor are they considered to be Key Performance Indicators. All such estimates, illustrations, ambitions, objectives, outlooks, goals, commitments and aspirations are subject to a large number of inherent risks, assumptions and uncertainties, many of which are completely outside of our control. These risks, assumptions and uncertainties include, but are not limited to, general market conditions, market volatility, increased inflation, interest rate volatility and levels, global and regional economic conditions, challenges and uncertainties resulting from Russia's invasion of Ukraine, political uncertainty, changes in tax policies, scientific or technological developments, evolving sustainability strategies, changes in the nature or scope of our operations, changes in carbon markets, regulatory changes, changes in levels of client activity as a result of any of the foregoing and other factors. Accordingly, these statements, which speak only as of the date made, are not guarantees of future performance and should not be relied on for any purpose. We do not intend to update these estimates, illustrations, ambitions, objectives, outlooks, goals, commitments, aspirations or any other forward-looking statements. For these reasons, we caution you not to place undue reliance upon any forward-looking statements.

Annualized numbers do not take into account variations in operating results, seasonality and other factors and may not be indicative of actual, full-year results. Figures throughout this document may also be subject to rounding adjustments. All opinions and views constitute good faith judgments as of the date of writing without regard to the date on which the reader may receive or access the information. This information is subject to change at any time without notice and we do not intend to update this information.

The outputs of the analyses and the discussion contained herein may not align with those produced by the Federal Reserve or other financial institutions conducting similar exercises, even if similar hypothetical stress scenarios were used, due to differences in methodologies and assumptions used to produce those outputs. In addition, the results contained herein may not be comparable to results of prior stress tests conducted by CSH USA, the Federal Reserve or other financial institutions due to the evolving regulatory framework, evolving macro-economic and market environment and other factors.