CREDIT SUISSE

CSH USA

2018 Annual Dodd-Frank Act Stress Test Results

Supervisory Severely Adverse Scenario

June 21, 2018

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 an annual supervisory stress test of bank holding companies (BHCs) with $50 billion or greater in total consolidated assets. In February 2014, the Board issued, pursuant to its authority under the Dodd-Frank Act, a final rule that applies U.S. capital, liquidity and other enhanced prudential standards to the U.S. operations of large foreign banking organizations (FBOs). A central aspect of this rule is a requirement applicable to several large FBOs to designate or form a separately capitalized top-tier U.S. intermediate holding company (IHC) for virtually all of its U.S. bank and nonbank subsidiaries. Credit Suisse Holdings (USA), Inc. **(CSH USA)** is designated the IHC and is subject to U.S. capital, liquidity, capital planning and stress testing, risk management and other enhanced prudential standards on a consolidated basis.

On April 5, 2018, CSH USA and other large FBOs with global consolidated assets of $50 billion or more, delivered their Dodd-Frank Act Stress Test submission using a set of macroeconomic scenarios (supervisory baseline, supervisory adverse and supervisory severely adverse) developed by the Board.

Firms must reflect the impact of the new tax law, which was enacted on December 22, 2017 and should not reflect any new accounting regulations effective January 1, 2018 to their projections, unless such regulations had been adopted by December 31, 2017 for reporting purposes.

IHCs subject to the Global Market Shock (GMS) beginning in 2019, which includes CSH USA, have been notified to include the Market Risk Component in their 2018 company-run supervisory adverse and severely adverse scenarios.[1]

The results on pages 4-7 incorporate the following capital action assumptions, as prescribed by the Board's DFAST rules:

- Actual capital actions for the first quarter of 2018
- Payment of common stock dividends equal to the quarterly average dollar amount of common stock dividends that were paid in the second quarter of 2017 through and including the first quarter of 2018
- Payments on any other instrument that is eligible for inclusion in the numerator of a regulatory capital ratio equal to the stated dividend, interest, or principal due on such instrument.

CSH USA offers a wide variety of banking, trading and wealth management businesses, as a leading Investment Bank and Capital Markets franchise through its subsidiaries in the U.S. However, it should be noted that most complex products and lending portfolios of Credit Suisse Group in the U.S. are booked outside of CSH USA.

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

[1] See page10 of the Comprehensive Capital Analysis and Review 2018 Summary Instructions for details

Results

Supervisory Severely Adverse Scenario – CSH USA Results

- **CSH USA maintains capital levels and ratios above its post-stress capital goal and regulatory minima in the Supervisory 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 Supervisory Market Risk Component

Regulatory Ratio	Actual Q4 2017	Projected Stressed Capital Ratios[1]		Regulatory Minimum
		Ending	Minimum	
Common Equity Tier 1 Capital Ratio	24.7%	13.0%	13.0%	4.5%
Tier 1 Risk-Based Capital Ratio	24.7%	13.5%	13.5%	6%
Total Risk-Based Capital Ratio	24.8%	13.6%	13.6%	8%
Tier 1 Leverage Ratio	7.3%	6.8%	6.8%	4%
Supplementary Leverage Ratio[2]	6.7%	6.0%	6.0%	3%

Item	Actual Q4 2017 ($BN)	Projected Q1 2020 ($BN)
Risk-Weighted Assets[3]	$65.3	$62.5

(1) The capital ratios are calculated using capital action assumptions provided within the Dodd-Frank Act stress testing rule. 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 2018:Q1 to 2020:Q1.
(2) CSH USA was not required to report the Supplementary Leverage Ratio on the Q4 2017 Y-9C.
(3) Risk-weighted assets are calculated under the Federal Reserve's Basel III standardized capital risk-based approach.

Supervisory Severely Adverse Scenario – CSH USA Income Statement and Loan Lease Losses

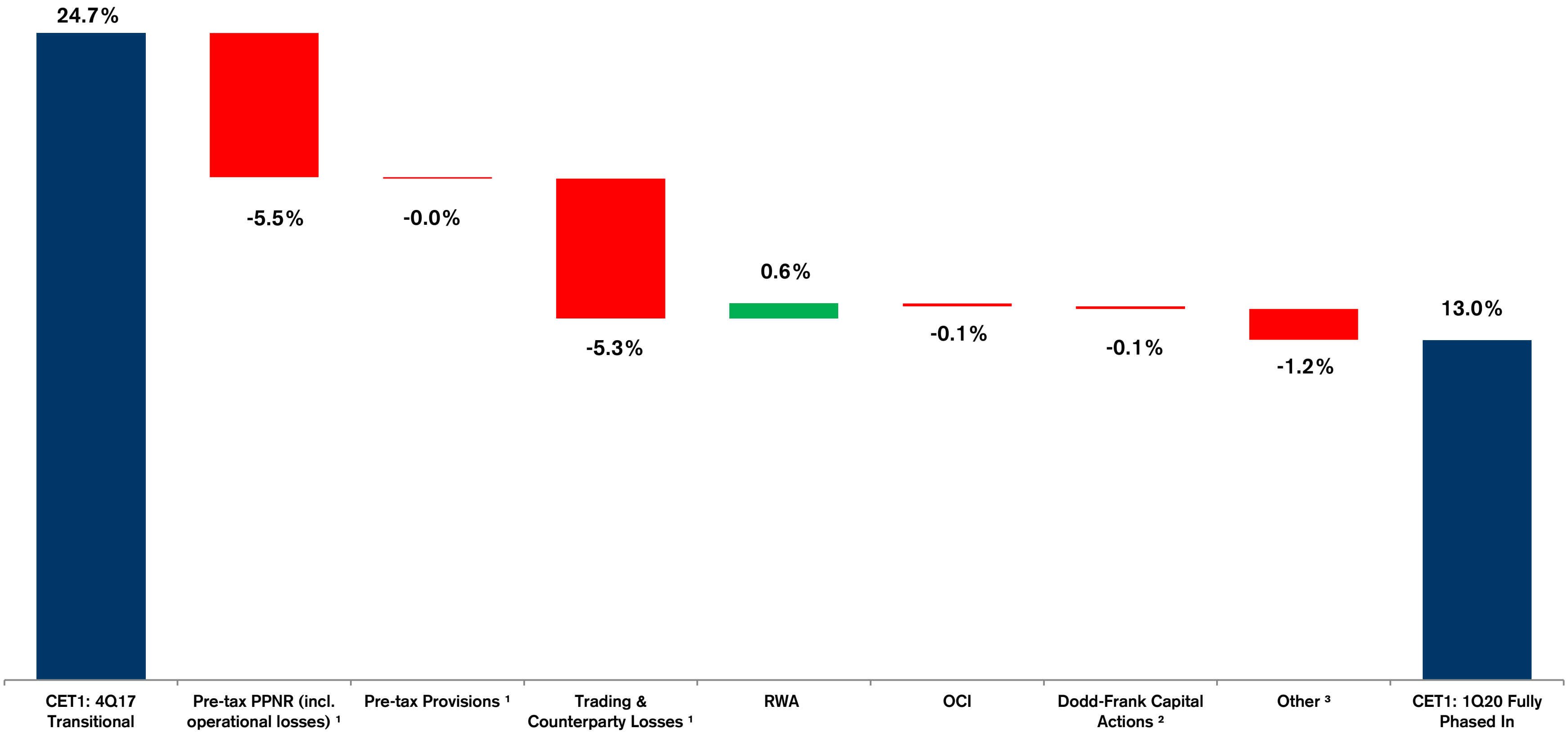
Item	Billions of Dollars	Percent of Average Assets[1]
Pre-Provision Net Revenue[2]	(3.6)	-3.3%
Other Revenue[3]	(0.4)	
Less		
Provisions	0.0	
Realized Losses/Gains on Securities (AFS / HTM)		
Trading and Counterparty Losses[4]	3.5	
equals		
Net Income before Taxes	(7.5)	-7.0%
Memo Items		
Other Comprehensive Income[5]	(0.1)	
Other Effects on Capital	Actual 4Q 2017	1Q 2020
AOCI Included in Capital (in Billion Dollars)[6]	(0.2)	(0.2)

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	n/a	n/a
Commercial Real Estate, Domestic	0.0	0.0%
Credit Cards	n/a	n/a
Other Consumer	0.0	0.0%
Other Loans[8]	0.0	0.1%
Total Projected Loan Losses	0.0	0.1%

(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.
(4) Trading and counterparty losses inclusive of $3.5bn loss in Supervisory Market Risk Component, which will be replaced next year with the Global Market Shock.
(5) Other comprehensive income is only calculated for advanced approaches firms.
(6) Certain aspects of AOCI are subject to transition arrangements for inclusion in projected regulatory capital. The transition arrangements are 80 percent included in projected regulatory capital for 2017 and 100 percent included in projected regulatory capital beginning in 2018.
(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

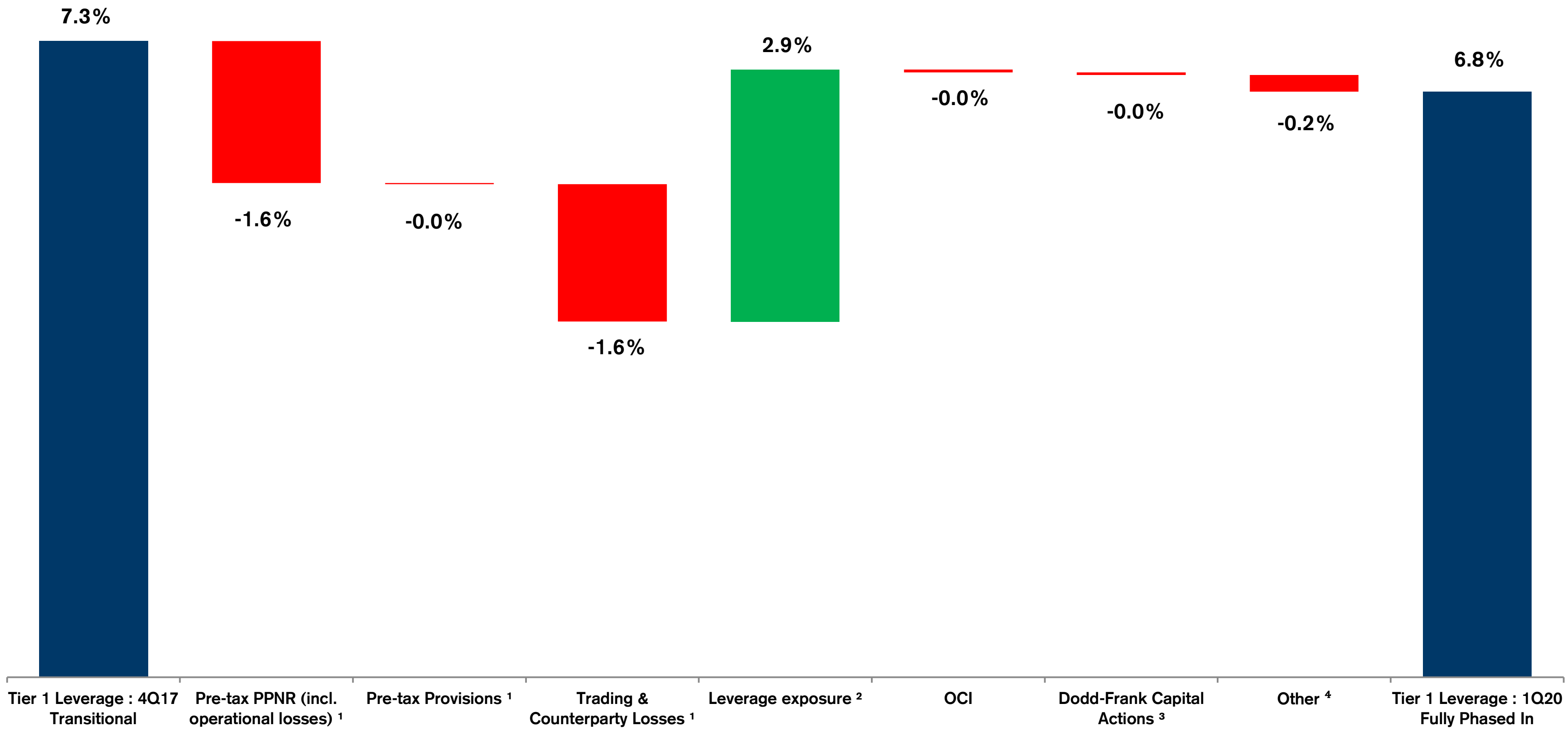
4Q17 – 1Q20; Supervisory Severely Adverse Scenario with Dodd Frank Capital Actions[2]



(1) Reflects Pre-Tax Impact
(2) Reflects Dividends declared on Preferred Stock as prescribed in Dodd-Frank Act Stress Test Capital Actions assumptions
(3) Other includes the impact of income taxes

CSH USA Tier 1 Leverage Ratio Drivers

4Q17 – 1Q20; Supervisory Severely Adverse Scenario with Dodd Frank Capital Actions[3]



(1) Reflects Pre-Tax Impact
(2) Predominantly due to moving to CS AG, New York Branch as primary dealer
(3) Reflects Dividends declared on Preferred Stock as prescribed in Dodd-Frank Act Stress Test Capital Actions assumptions
(4) Other includes the impact of income taxes

Risks and Projection Methodology

Supervisory 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 4Q17:

Risk Type	Description
Market	The risk to earnings or capital due to adverse changes in market factors, including mortgage and credit spreads, equity, interest rates and other factors.
Corporate Treasury & Liquidity Funding	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
Credit	The risk of financial loss if a customer or counterparty fails to meet a payment obligation to settle outstanding amounts under a contract
Model	The risk inherent in the use of financial models
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
Strategic	The risk that appropriate business strategy does not deliver on anticipated financial benefits
Capital	The risk associated with the potential inadequacy of capital
Operational	The risk of financial loss arising from inadequate or failed internal processes, people or systems, or from external events

Projection Methodology

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

Projection	Description
Pre-Provision Net Revenue ("PPNR")	Revenue projections were performed at a granular line of business / revenue driver level using a set of models and management judgment methodologies linking the performance of the business to projected scenario variables. Expenses are modeled by starting with the budget projections and reflecting the impact of reduction in revenues on expense components driven by transaction volume or profitability (e.g. brokerage fees and variable compensation)
Operational Risk	Operational Risk expense projection methodology consists of three components that take into account differences in loss characteristics of different types of loss events and relies on historical loss data collected over 17 years and scenario analysis. 1) Run rate losses arise in the normal course of business and can be correlated with the macroeconomic or market environment 2) Legal losses cover the entire spectrum of legal risks including losses within risk appetite, uncertainty of current litigation, and large hypothetical legal losses 3) Forward looking large operational events The projection is extensively benchmarked against historical loss level, industry loss levels and alternative modeling outcomes.
Balance Sheet	Assets and liabilities are projected at line of business level and used as a driver of revenues where applicable. Trading inventory levels and securities lending balances reflect the evolution of asset prices throughout the projection horizon
Risk-Weighted Assets	CSH USA's RWA forecast reflects the application of the Standardized Approach under U.S. Basel III for the Common Equity Tier 1, Tier 1 Capital and Total Capital Ratios. RWA models capture the impact of stress on exposures and risk weights as well as the impact of changes in asset balances produced by the balance sheet models
Capital	Capital forecasts include the impact of all revenue and expense projections and the application of the regulatory capital rules and associated capital deductions (primarily related to goodwill and deferred tax assets) established under 12 CFR Part 217 (the U.S. Basel III rules)