

FRB Stress Testing Symposium

FBO Perspective on the CCAR Exercise:

A panel discussion on the key insights and observations from FBOs about capital planning, the CCAR process and the firm's capabilities.

Jason Alfano, Head of Americas Capital and Resolution Planning

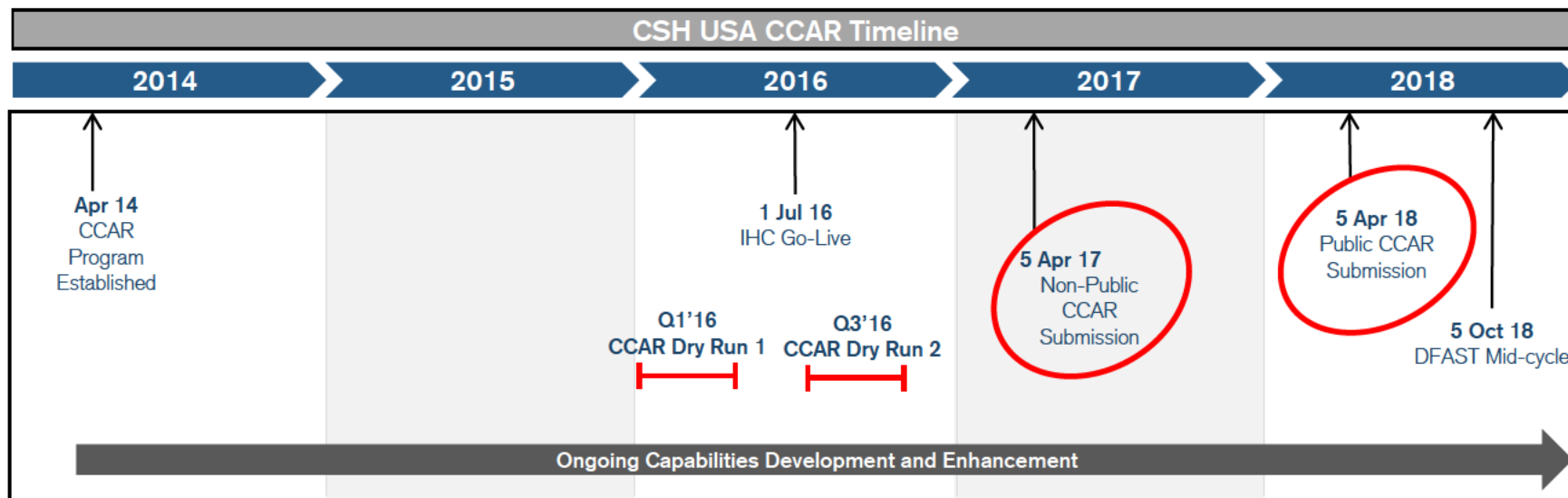
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Agenda

- CSH USA CCAR Overview
- CSH USA CCAR Readiness
- Comparison of IHCs & BHCs in Capital Planning
- The Road Ahead ...

CSH USA CCAR Overview

- In April 2014, Credit Suisse established a CCAR Program to drive the development and enhancement of capital planning and stress testing capabilities and embedding processes within CS's day-to-day operations.
- In July 2016, Credit Suisse Holdings USA (CSH USA) was officially established as the IHC.
- With commitment and engagement from across the organization, an effective end-to-end capital adequacy process has been implemented.
- While CSH USA successfully completed the CCAR 2017 submission, the capital planning process continues to evolve towards target levels of maturity.



CSH USA CCAR Readiness

➤ Ahead of CCAR 2017, CS conducted a series of readiness activities; including but not limited to:

SR 15-18 Gap Assessment

- Conducted assessment of current state against SR 15-18 expectations
- Track open gaps for ongoing progress against remediation plans and closed gaps for continued validity

Capital Adequacy Self-Assessments

- Intended to measure the maturity of all components of the capital adequacy process aligned with the seven principles of an effective capital adequacy process
- Increased awareness across institution of current and target state capabilities

End to End “Dry Run” Cycles

- Scope included population of 14Q/A templates, production of a full Capital Plan and supporting documentation, and comprehensive Review and Challenge
- Practice runs aided in the identification of weaknesses and controls gaps that could be remediated ahead of go-live submission

Mock FRB Examinations

- Conducted mock FRB examinations with all functional areas, led by an independent third party
- Assessed preparedness of individuals and conceptual soundness of methodologies and materials
- Subsequently led coaching sessions to provide feedback to meeting participants

Internal Communication and Education Campaign

- Provide an understanding of CCAR and Capital Planning process and drive awareness to the broader CS organization
- All CSH USA employees required to complete CCAR training module

Comparison of IHCs & BHCs in Capital Planning

Similarities between IHCs and BHCs

➤ Foundational elements of sound risk management apply to IHCs and BHS alike in alignment with 15-18 expectations:

◇ Risk Identification

◇ Scenario Design

◇ Model Risk Governance

◇ Data Quality

◇ Internal Audit

◇ Forecasting

Unique Challenges

➤ However, IHCs face a unique set of challenges across the capital planning process:

Operational challenges of establishing a new entity

- Development of new capabilities and processes (e.g. model build, new governing bodies)
- Enhancement of existing capabilities and processes (e.g. control framework)
- Lack of existing historical data

Interconnectedness with Parent company

- Transfer pricing
- Consideration of affiliate exposure for counterparty loss estimates
- Availability of potential capital actions
- Differences in risk profile between IHC and aggregated exposures at Parent level

Sustainability

- CCAR is Business-As-Usual (BAU), not a regulatory requirement
- Development and enhancement of methodologies and process in the IHC that now need to be aligned with approaches at the Parent level
- Senior Management and Board of Directors education

The Road Ahead ...