CREDIT SUISSE

Annual Report 2022

Credit Suisse Group AG

Regulatory developments

On June 3, 2022, the Swiss Federal Council adopted amendments to the Liquidity Ordinance which are expected to enhance the current liquidity requirements for systemically important banks in Switzerland, such as Credit Suisse. The revision is intended to ensure that systemically important banks in Switzerland hold sufficient liquidity to absorb liquidity shocks and cover their liquidity requirements in the event of restructuring or liquidation. It includes additional liquidity requirements, which consider liquidity risks over a 90-day time horizon that are not covered or not sufficiently covered by the 30-day stress scenario of the LCR. The additional liquidity requirements shall be covered by eligible assets, which include, but are not limited to, available HQLA over and above the LCR requirements and a certain portion of mortgage receivables that are eligible collateral under the SNB emergency liquidity assistance. The amended Liquidity Ordinance came into force on July 1, 2022 and will be applicable on January 1, 2024. The revised Liquidity Ordinance will not require any external disclosure of the revised special liquidity requirements for systemically important banks.

In November 2022, the Swiss Federal Council enacted the revised Federal Act on Banks and Savings Institutions (Bank Law) and the revised Federal Ordinance on Banks and Savings Institutions (Banking Ordinance), as well as certain other ordinances, effective as of January 1, 2023, subject to certain transitional arrangements. The amendments relate to the resolvability and resolution provisions for banks and allow FINMA to impose a specific surcharge to liquidity requirements if FINMA identifies obstacles to estimating the required liquidity for the resolvability and resolution of a Swiss systemically important bank operating internationally and if a bank does not remediate such obstacles within a reasonable timeframe as determined by FINMA. Among other changes, the revised Bank Law aims to strengthen the Swiss deposit insurance program by specifying the requirements to ensure that in the event of insolvency, insured deposits are paid out to the depositors within seven business days, with the requirement subject to implementation no later than January 1, 2028. Under the revised program, among other changes, the jointly guaranteed amount is now determined as 1.6% of all protected deposits. The amendments also require systemically important banks to deposit collateral equal to 50% of the Bank's deposit insurance contribution amount in the form of HQLA securities or Swiss francs with a secure third-party custodian. Banks will need to comply with this collateralization requirement by the end of November 2023. The reduction in HQLA securities or Swiss francs provided as collateral under the Swiss deposit insurance program due to this new requirement will be partially compensated by a reduced outflow factor applied to the Bank's deposit insurance contribution amount.

→ Refer to "Capital management" for additional information on changes related to capital requirements.

Liquidity risk management

Our approach to liquidity risk management

Our liquidity and funding policy is designed to ensure that funding is available to meet all obligations in times of stress, whether caused by market events or issues specific to Credit Suisse. To address short-term liquidity stress, we maintain a liquidity pool, as described below, that covers unexpected outflows in the event of severe market and idiosyncratic stress. Our liquidity risk parameters reflect various liquidity stress assumptions. We manage our liquidity profile at a sufficient level such that, in the event we are unable to access unsecured funding, we expect to have sufficient liquidity to sustain operations for a period of time in excess of our minimum limit. This includes potential currency mismatches, which are not deemed to be a major risk but are monitored and subject to limits, particularly in the significant currencies of euro, Japanese yen, pound sterling, Swiss franc and US dollar.

We use the LCR, the NSFR and the internal liquidity barometer to monitor our liquidity position and plan funding. Our internal liquidity barometer is used to manage liquidity to internal targets and as a basis to model both Credit Suisse-specific and market-wide stress scenarios and their impact on liquidity and funding, but also to quantify our internal buffer above regulatory liquidity metrics such as those related to the LCR. Our internal barometer framework supports the management of our funding structure. It allows us to manage the time horizon over which the stressed market value of unencumbered assets (including cash) exceeds the aggregate value of contractual outflows of unsecured liabilities plus a conservative forecast of anticipated contingent commitments. This internal barometer framework enables us to manage liquidity to a desired profile under a Credit Suisse-specific or market-wide stress that permits us to continue business activities for a period of time (also known as a liquidity horizon) without changing business plans. Under this framework, we also have short-term targets based on additional stress scenarios to ensure uninterrupted liquidity for short time frames.

We allocate the majority of the balance sheet usage related to our Treasury-managed HQLA portfolio to the business divisions to allow for a more efficient management of their business activities from an overall Group perspective with respect to LCR and Swiss leverage requirements.

Our overall liquidity management framework allows us to run stress analyses on our balance sheet and off-balance sheet positions, which include, but are not limited to, the following:

- A multiple-notch downgrade in the Bank's long-term debt credit ratings, which would require additional funding as a result of certain contingent off-balance sheet obligations;
- Significant withdrawals from private banking client deposits;
- Potential cash outflows associated with the prime brokerage business;
- Over-collateralization of available secured funding;