

CREDIT SUISSE GROUP AG
Form 6-K
November 21, 2018
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 6-K

**REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934**

November 21, 2018
Commission File Number 001-15244
CREDIT SUISSE GROUP AG
(Translation of registrant's name into English)
Paradeplatz 8, CH 8001 Zurich, Switzerland
(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CREDIT SUISSE GROUP AG

(Registrant)

Date: November 21, 2018

By:

/s/ Joachim Oechslin

Joachim Oechslin

Chief Risk Officer

By:

/s/ David R. Mathers

David R. Mathers

Chief Financial Officer

For purposes of this report, unless the context otherwise requires, the terms “Credit Suisse,” “the Group,” “we,” “us” and “our” mean Credit Suisse Group AG and its consolidated subsidiaries. The business of Credit Suisse AG, the direct bank subsidiary of the Group, is substantially similar to the Group, and we use these terms to refer to both when the subject is the same or substantially similar. We use the term “the Bank” when we are only referring to Credit Suisse AG and its consolidated subsidiaries.

Abbreviations are explained in the List of abbreviations in the back of this report.

Publications referenced in this report, whether via website links or otherwise, are not incorporated into this report.

In various tables, use of “–” indicates not meaningful or not applicable.

Rounding differences may occur within the tables.

Pillar 3 and regulatory disclosures 3Q18
Credit Suisse Group AG

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Introduction

General

This report as of September 30, 2018 for the Group is based on the Circular 2016/1 “Disclosure – banks” (FINMA circular) issued by the Swiss Financial Market Supervisory Authority FINMA (FINMA). The FINMA circular includes the implementation of the Pillar 3 disclosure requirements issued by the Basel Committee on Banking Supervision (BCBS) in January 2015. This document should be read in conjunction with the Pillar 3 and regulatory disclosures – Credit Suisse Group AG 4Q17, the Pillar 3 and regulatory disclosures – Credit Suisse Group AG 2Q18, the Credit Suisse Annual Report 2017 and the Credit Suisse Financial Report 3Q18, which includes important information on regulatory capital and risk management (specific references have been made herein to these documents) and regulatory developments and proposals.

The highest consolidated entity in the Group to which the FINMA circular applies is Credit Suisse Group.

This report is produced and published quarterly, in accordance with FINMA requirements. The reporting frequency for each disclosure requirement is either annual, semi-annual or quarterly.

These disclosures were verified and approved internally in line with our board-approved policy on disclosure controls and procedures. The level of internal control processes for these disclosures is similar to those applied to the Group’s quarterly and annual financial reports. This report has not been audited by the Group’s external auditors.

> Refer to “Pillar 3 and regulatory disclosures – Credit Suisse Group AG 4Q17” under credit-suisse.com/regulatorydisclosures for the annual qualitative disclosures required by the FINMA circular.

For certain prescribed table formats where line items have zero balances, such line items have not been presented.

Other regulatory disclosures

In connection with the implementation of Basel III, certain regulatory disclosures for the Group and certain of its subsidiaries are required. The Group’s Pillar 3 disclosure, regulatory disclosures, additional information on capital instruments, including the main features and terms and conditions of regulatory capital instruments that form part of the eligible capital base, G-SIB financial indicators, reconciliation requirements, leverage ratios and certain liquidity disclosures as well as regulatory disclosures for subsidiaries can be found on our website.

> Refer to credit-suisse.com/regulatorydisclosures for additional information.

Regulatory developments

On July 16, 2018, FINMA issued a revised Circular 2016/1 “Disclosure – banks” (revised FINMA circular), which included the implementation of the revised Pillar 3 disclosure requirements issued by the BCBS in March 2017. The revised FINMA circular requires banks to gradually implement the new requirements from December 31, 2018 onwards.

On October 31, 2018, FINMA informed the Group on updated rebates for resolvability of 1.424% relating to the capital ratio, resulting in a gone concern requirement of 7.476%, and 0.48% relating to the leverage ratio, resulting in a gone concern leverage requirement of 2.52%, applicable retrospectively as of July 1, 2018.

Risk-weighted assets

Overview

The following table provides an overview of total risk-weighted assets (RWA) forming the denominator of the risk-based capital requirements.

OV1 – Overview of risk-weighted assets and capital requirements

end of	3Q18	Risk-weighted assets 2Q18	4Q17	Capital requirement ¹ 3Q18
CHF million				
Credit risk (excluding counterparty credit risk)	132,355	130,261	121,706	10,589
of which standardized approach (SA)	13,519	12,878	10,511	1,082
of which internal rating-based (IRB) approach	118,836	117,383	111,195	9,507
Counterparty credit risk	23,502	24,512	24,664	1,880
of which standardized approach for counterparty credit risk (SA-CCR) ²	5,126	5,161	5,492	410
of which internal model method (IMM) ³	18,376	19,351	19,172	1,470
of which derivatives and SFTs	14,323	14,951	14,983	1,146
Equity positions in the banking book	7,567	7,817	8,218	605
Settlement risk	241	417	150	19
Securitization exposures in the banking book	11,951	10,775	10,731 ⁴	956
of which securitization internal ratings-based approach (SEC-IRBA)	6,664	5,704	–	533
of which securitization external ratings-based approach (SEC-ERBA), including internal assessment approach (IAA)	1,752	1,725	–	140
of which securitization standardized approach (SEC-SA)	3,535	3,346	–	283
Amounts below the thresholds for deduction (subject to 250% risk weight)	11,101	11,216	11,043	888
Total credit risk	186,717	184,998	176,512	14,937
Total market risk	17,878	19,565	21,290	1,431
of which standardized approach (SA)	2,345	2,490	3,765	188
of which internal model approach (IMA)	15,533	17,075	17,525	1,243
Total operational risk	72,012	72,562	75,013	5,761
of which advanced measurement approach (AMA)	72,012	72,562	75,013	5,761
Floor adjustment ⁵	0	0	0	0
Total	276,607	277,125	272,815	22,129

¹ Calculated as 8% of risk-weighted assets based on BIS total capital minimum requirements excluding capital conservation buffer and G-SIB buffer requirements.

² Calculated under the current exposure method.

³

Includes RWA relating to advanced credit valuation adjustment and central counterparties of CHF 6,582 million, CHF 6,972 million and CHF 7,177 million as of the end of 3Q18, 2Q18 and 4Q17, respectively.

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In January 2018, a new securitization framework was implemented and will be phased in over 2018. The 4Q17 number was calculated in accordance with the previous methodology.

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Credit Suisse is not subject to a floor adjustment because current capital requirements and deductions exceed 80% of those under Basel I.

RWA movements in 3Q18

RWA of CHF 276.6 billion as of the end of 3Q18 were stable compared to the end of 2Q18, reflecting a negative foreign exchange impact, decreases resulting from movements in risk levels in market risk and operational risk, as well as model and parameter updates in market risk. These decreases were offset by increases mainly resulting from movements in risk levels and methodology and policy changes, both in credit risk.

RWA flow statements for credit risk, counterparty credit risk (CCR) and market risk are presented below.

> Refer to “Risk-weighted assets” (pages 61 to 62) in II – Treasury, risk, balance sheet and off-balance sheet – Capital Management in the Credit Suisse Financial Report 3Q18 for further information on movements in risk-weighted assets in 3Q18.

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Risk-weighted assets flow statements

Credit risk and counterparty credit risk

The following table presents the definitions of the RWA flow statements components for credit risk and CCR.

Definition of risk-weighted assets movement components related to credit risk and CCR

Description	Definition
Asset size	Represents changes arising in the ordinary course of business (including new businesses)
Asset quality/Credit quality of counterparties	Represents changes in average risk weighting across credit risk classes
Model and parameter updates	Represents movements arising from updates to models and recalibrations of parameters and internal changes impacting how exposures are treated
Methodology and policy changes	Represents movements due to methodology changes in calculations driven by regulatory policy changes, including both revisions to existing regulations and new regulations
Acquisitions and disposals	Represents changes in book sizes due to acquisitions and disposals of entities
Foreign exchange impact	Represents changes in exchange rates of the transaction currencies compared to the Swiss franc
Other	Represents changes that cannot be attributed to any other category

Credit risk RWA movements in 3Q18

The following table presents the 3Q18 flow statement explaining the variations in the credit risk RWA determined under an IRB approach.

CR8 – Risk-weighted assets flow statements of credit risk exposures under IRB

3Q18	RWA
CHF million	
Risk-weighted assets at beginning of period	117,383
Asset size	996
Asset quality	(33)
Model and parameter updates	774
Methodology and policy changes	1,507
Foreign exchange impact	(1,791)
Risk-weighted assets at end of period	118,836

Credit risk RWA under IRB increased CHF 1.5 billion to CHF 118.8 billion as of the end of 3Q18 compared to CHF 117.4 billion as of the end of 2Q18, primarily driven by increases resulting from methodology and policy changes and increases related to asset size, partially offset by a foreign exchange impact.

The increase in methodology and policy changes primarily reflected an additional phase-in of the multiplier on income producing real estate (IPRE) and non-IPRE exposures, an additional phase-in for the implementation of Basel III revised rules for banking book securitizations and an additional phase-in of a multiplier on certain investment banking corporate exposures. The increase related to asset size was mainly due to increases in lending exposures.

Counterparty credit risk RWA movements in 3Q18

The following table presents the 3Q18 flow statement explaining changes in CCR RWA determined under the Internal Model Method (IMM) for CCR (derivatives and SFTs).

CCR7 – Risk-weighted assets flow statements of CCR exposures under IMM

3Q18	RWA
CHF million	
Risk-weighted assets at beginning of period	14,951
Asset size	398
Credit quality of counterparties	(9)
Model and parameter updates	(827)

Methodology and policy changes	58
Foreign exchange impact	(248)
Risk-weighted assets at end of period	14,323

CCR RWA under IMM of CHF 14.3 billion decreased 4% compared to the end of 2Q18, primarily due to decreases related to model updates mainly reflecting a change in the EEPE calculation.

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Market risk

The following table presents the definitions of the RWA flow statements components for market risk.

Definitions of risk-weighted assets movement components related to market risk

Description	Definition
RWA as of the end of the previous and current reporting periods	Represents RWA at quarter-end
Regulatory adjustment	Indicates the difference between RWA and RWA (end of day) at beginning and end of period
RWA as of the previous and current quarters end (end of day)	For a given component (e.g. VaR) it refers to the RWA that would be computed if the snapshot quarter end figure of the component determines the quarter end RWA, as opposed to a 60-day average for regulatory
Movement in risk levels	Represents movements due to position changes
Model and parameter updates	Represents movements arising from updates to models and recalibrations of parameters and internal changes impacting how exposures are treated
Methodology and policy changes	Represents movements due to methodology changes in calculations driven by regulatory policy changes, including both revisions to existing regulations and new regulations
Acquisitions and disposals	Represents changes in book sizes due to acquisitions and disposals of entities
Foreign exchange impact	Represents changes in exchange rates of the transaction currencies compared to the Swiss franc
Other	Represents changes that cannot be attributed to any other category

Market risk RWA movements in 3Q18

The following table presents the 3Q18 flow statement explaining variations in the market risk RWA determined under an internal model approach (IMA).

MR2 – Risk-weighted assets flow statements of market risk exposures under an IMA

3Q18	Regulatory VaR	Stressed VaR	IRC	Other ¹	Total RWA
CHF million					
Risk-weighted assets at beginning of period	2,628	5,033	1,989	7,425	17,075
Regulatory adjustment	477	1,350	(628)	(262)	937
Risk-weighted assets at beginning of period (end of day)	3,105	6,383	1,361	7,163	18,012
Movement in risk levels	(987)	116	(560)	(409)	(1,840)