

Research Update:

Various Rating Actions Taken On Credit Suisse And UBS Group Entities After Merger Completion

June 12, 2023

Overview

- On June 12, 2023, UBS Group AG closed the acquisition of Credit Suisse Group AG and its subsidiaries, with all Credit Suisse's Group AG's assets, liabilities, and contracts merged into UBS Group AG.
- We raised our long-term issuer credit rating on Credit Suisse Group AG to 'A-' from 'BBB-', removed it from CreditWatch positive after the placement on March 20, 2023, and subsequently withdrew the rating because the legal entity was dissolved following the merger.
- We assess Credit Suisse's rated European and U.S. operating companies as highly strategic to UBS and therefore upgraded these entities to 'A/A-1' from 'A-/A-2'.
- We affirmed the 'A-/A-2' issuer credit ratings on UBS Group AG and UBS Americas Holding LLC, UBS group's nonoperating holding companies. The outlooks remain negative.
- We also affirmed our 'A+/A-1' long- and short-term issuer credit ratings on all of UBS's core existing operating entities, including UBS AG. The outlooks remain stable.

PRIMARY CREDIT ANALYST

Anna Lozmann
Frankfurt
+ 49 693 399 9166
anna.lozmann
@spglobal.com

SECONDARY CONTACTS

Salla von Steinaecker
Frankfurt
+ 49 693 399 9164
salla.vonsteinaecker
@spglobal.com

Markus W Schmaus
Frankfurt
+ 49 693 399 9155
markus.schmaus
@spglobal.com

Rating Action

On June 12, 2023, S&P Global Ratings took several rating actions on Swiss banks Credit Suisse Group AG, UBS Group AG, and their operating companies (see the Ratings List for full details).

Credit Suisse rating actions

We resolved the CreditWatch positive on Credit Suisse Group AG and its European and U.S. operating companies, after the placement on March 20, 2023.

We raised our long-term issuer credit rating on Credit Suisse Group AG to 'A-' from 'BBB-' and assigned a negative outlook to mirror that on UBS Group AG (A-/Negative/A-2). We then withdrew the long-term issuer credit rating on Credit Suisse Group AG.

We also withdrew the ratings on Credit Suisse Group AG's rated debt issuance programs, except the senior unsecured debt instruments, which were upgraded to 'A-' from 'BBB-' since they are

now obligations of UBS Group AG.

We raised our long- and short-term issuer credit ratings on Credit Suisse's European and U.S. operating companies to 'A/A-1' from 'A-/A-2'. The outlook is developing.

We also raised our long- and short-term resolution counterparty ratings (RCRs) on Credit Suisse AG and its rated subsidiaries in Switzerland, the U.K., Spain, and Germany to 'A+/A-1' from 'A/A-1'. Furthermore, we raised our long- and short-term RCRs on Credit Suisse Securities (USA) LLC to 'A/A-1' from 'A-/A-2'.

UBS rating actions

We affirmed the 'A-/A-2' issuer credit ratings on UBS Group AG and UBS Americas Holding LLC, the UBS group's nonoperating holding companies. The outlooks remain negative.

We also affirmed our 'A+/A-1' long- and short-term issuer credit ratings on all UBS group's existing core operating entities, such as UBS AG. The outlooks remain stable.

Rationale

The rating actions follow the completion of UBS Group AG's acquisition of Credit Suisse Group AG on June 12, 2023, and the merger of nonoperating holding company Credit Suisse Group AG into UBS Group AG. Credit Suisse's operating entities have become subsidiaries of UBS Group AG and for the foreseeable future UBS AG and Credit Suisse AG will continue to operate independently.

Upon the merger's completion, we raised our long-term issuer credit rating on Credit Suisse Group AG to 'A-', which is the level of the rating of UBS Group AG, and placed it on a negative outlook, mirroring that on UBS Group AG. The subsequent withdrawal of the ratings reflects that legal entity Credit Suisse Group AG ceased to exist following the merger.

UBS Group AG assumed all Credit Suisse Group AG's debt. As a result, we raised the ratings on senior unsecured debt instruments issued by Credit Suisse Group AG to 'A-', the same level as the ratings on UBS Group AG's senior unsecured debt.

We now see Credit Suisse group's European and U.S. operating entities as highly strategic to the UBS group and raised the issuer credit ratings to 'A/A-1' from 'A-/A-2'. This positions the long-term ratings one notch below our 'a+' group credit profile on UBS. The highly strategic status reflects our view that UBS group is likely to support these group members under almost all foreseeable circumstances. The developing outlook reflects limited visibility on UBS' strategy and the future operating structure for certain markets, including potential divestments, run downs, or listings of certain subsidiaries. We expect UBS will disclose more details on its plans later this year.

Outlook

UBS Group AG

The execution risk from the integration and restructuring of Credit Suisse is the main consideration for our ratings on UBS Group AG. The negative outlook reflects risk to franchise strengths, profitability, and funding, alongside potential tail risks from winding down a large part of Credit Suisse's activities in investment banking.

Downside scenario: We could revise down our 'a' stand-alone credit profile (SACP) and lower our rating if we think UBS' financial profile has weakened because of the merger, or if the integration reveals greater risk than we currently expect. In this scenario, we would also lower our issue ratings on all related instruments including hybrid capital.

Upside scenario: We could revise the outlook to stable if we believe execution risk related to the integration has significantly reduced and UBS is likely to maintain its strong creditworthiness post-merger.

UBS AG

The stable outlooks on UBS AG and other core operating entities reflect our view that a one-notch downward revision of the group SACP to 'a-' is unlikely to affect the ratings on these core entities. This is due to UBS' high additional loss-absorbing capacity (ALAC) buffer and the additional notch of ALAC uplift that would be available in this scenario. Our ratings on hybrid capital instruments issued by UBS AG would likely be affected if we revised down the group SACP, since they are directly linked to it.

Downside scenario: Although unlikely, we could downgrade UBS AG and other core operating entities if we revise down the SACP by two notches to 'bbb+'. We could lower the ratings if capitalization decreases sharply due to the realization of merger-related risks, or if outstanding or new litigation could result in significant charges that are materially beyond our base case.

Upside scenario: An upgrade is a remote scenario, given the complexity of the integration and already high 'a' group SACP.

Credit Suisse operating companies

The developing outlook reflects uncertainty over the strategic positioning and importance of each Credit Suisse entity in the UBS group structure. S&P Global Ratings would look to resolve the developing outlook as further information and details emerge.

Downside scenario: We could lower the ratings on any Credit Suisse operating entity for which we conclude that UBS Group AG's commitment is lower than we currently anticipate. This could be the case if additional information is disclosed that highlights the relatively low importance of an entity for the group's strategy, particularly if combined with ongoing performance problems that we don't think can be overcome in the foreseeable future.

Upside scenario: We may take a positive rating action on any Credit Suisse operating companies if we think the future group strategy confirms the close integration of these entities into UBS in terms of strategic fit, funding, capital, and risk management. This might lead us to align the ratings with core operating companies of UBS AG. We could also raise the ratings if an entity is set to merge into a core subsidiary.

Ratings Score Snapshot

UBS AG (Lead Bank)

Issuer Credit Rating

A+/Stable/A-1

UBS AG (Lead Bank) (cont.)

| | |
|-----------------------------|---------------------------|
| SACP | a |
| Anchor | a- |
| Business position | Strong (+1) |
| Capital and earnings | Strong (+1) |
| Risk position | Moderate (-1) |
| Funding and liquidity | Adequate and adequate (0) |
| Comparable ratings analysis | 0 |
| Support | +1 |
| ALAC support | +1 |
| GRE support | 0 |
| Group support | 0 |
| Sovereign support | 0 |
| Additional factors | 0 |

SACP--Stand-alone credit profile. GRE--Government related entity. ALAC—Additional loss-absorbing capacity.

UBS Group AG (Holding Company)

Issuer Credit Rating A-/Negative/A-2

ESG credit indicators: E-2, S-2, G-2

Credit Suisse AG (Lead Bank)

| | To | From |
|----------------------|------------------|------------------|
| Issuer Credit Rating | A/Developing/A-1 | A-/Watch Pos/A-2 |

Credit Suisse Group AG (Holding Company)

| | To | To | From |
|-----------------------|----|----------------|-------------------|
| Issuer Credit Rating* | NR | A-/Negative/-- | BBB-/Watch Pos/-- |

NR--Not rated.

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9,

2021

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Guarantee Criteria, Oct. 21, 2016
- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Credit Suisse Group's Additional Tier 1 Hybrid Ratings Lowered To 'D' From 'C' On Write-Down; Ratings Then Withdrawn, March 23, 2023
- Credit Suisse Placed On CreditWatch Positive On Acquisition By UBS; Tier 1 Hybrids Downgraded To 'C', March 20, 2023
- Outlook On UBS Group Revised To Negative On Execution Risk From Credit Suisse Acquisition; Ratings Affirmed, March 20, 2023

Ratings List

***** Credit Suisse Group AG *****

| Upgraded; Outlook Action | | |
|--|------------------|------------------|
| | To | From |
| Credit Suisse (Deutschland) AG | | |
| Credit Suisse Securities (USA) LLC | | |
| Credit Suisse Securities (Europe) Ltd. | | |
| Credit Suisse International | | |
| Credit Suisse Bank (Europe) S.A. | | |
| Credit Suisse AG (New York Branch) | | |
| Credit Suisse AG (Cayman Islands Branch) | | |
| Credit Suisse AG | | |
| Credit Suisse (USA) Inc. | | |
| Credit Suisse (Schweiz) AG | | |
| Issuer Credit Rating | A/Developing/A-1 | A-/Watch Pos/A-2 |
| Credit Suisse Securities (USA) LLC | | |
| Resolution Counterparty Rating | A/A-1 | A-/Watch Pos/A-2 |

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Credit Suisse Group AG

| | | | |
|------------------|----|----|----------------|
| Senior Unsecured | | A- | BBB-/Watch Pos |
| Senior Unsecured | NR | A- | BBB-/Watch Pos |

Credit Suisse (Singapore Branch)

| | | | |
|------------------|--|---|--------------|
| Senior Unsecured | | A | A-/Watch Pos |
|------------------|--|---|--------------|

Credit Suisse (USA) Inc.

| | | | |
|------------------|--|---|--------------|
| Senior Unsecured | | A | A-/Watch Pos |
|------------------|--|---|--------------|

Credit Suisse AG

| | | | |
|------------------|--|-----|---------------|
| Senior Unsecured | | A | A-/Watch Pos |
| Subordinated | | BBB | BB+/Watch Pos |

Credit Suisse AG (Guernsey Branch)

| | | | |
|------------------|--|---|--------------|
| Senior Unsecured | | A | A-/Watch Pos |
|------------------|--|---|--------------|

Credit Suisse AG (London Branch)

| | | | |
|------------------|--|-----|---------------|
| Senior Unsecured | | A | A-/Watch Pos |
| Senior Unsecured | | Ap | A-p/Watch Pos |
| Subordinated | | BBB | BB+/Watch Pos |
| Short-Term Debt | | A-1 | A-2/Watch Pos |

Credit Suisse AG (New York Branch)

| | | | |
|------------------|--|-----|---------------|
| Senior Unsecured | | A | A-/Watch Pos |
| Commercial Paper | | A-1 | A-2/Watch Pos |

Credit Suisse AG (Sydney Branch)

| | | | |
|------------------|--|---|--------------|
| Senior Unsecured | | A | A-/Watch Pos |
|------------------|--|---|--------------|

Credit Suisse International

| | | | |
|------------------|--|---|--------------|
| Senior Unsecured | | A | A-/Watch Pos |
|------------------|--|---|--------------|

Upgraded; Ratings Affirmed

| | | To | From |
|--|--|----|------|
|--|--|----|------|

Credit Suisse Group AG

| | | | |
|----------------------|----------|----------------|-------------------|
| Issuer Credit Rating | NR/--/-- | A-/Negative/-- | BBB-/Watch Pos/-- |
|----------------------|----------|----------------|-------------------|

Credit Suisse (Deutschland) AG

Credit Suisse Securities (Europe) Ltd.

Credit Suisse International

Credit Suisse Bank (Europe) S.A.

Credit Suisse AG (New York Branch)

Credit Suisse AG (Cayman Islands Branch)

Credit Suisse AG

Credit Suisse (Schweiz) AG

| | | | |
|--------------------------------|--|--------|-----------------|
| Resolution Counterparty Rating | | A+/A-1 | A/Watch Pos/A-1 |
|--------------------------------|--|--------|-----------------|

Research Update: Various Rating Actions Taken On Credit Suisse And UBS Group Entities After Merger Completion

***** UBS Group AG *****

Ratings Affirmed

UBS Group AG

UBS Americas Holding LLC

| | | |
|----------------------|-----------------|-----------------|
| Issuer Credit Rating | A-/Negative/A-2 | A-/Negative/A-2 |
|----------------------|-----------------|-----------------|

UBS AG

UBS Switzerland AG

UBS Securities LLC

UBS Europe SE

UBS Bank USA

UBS AG (London Branch)

UBS AG (Jersey Branch)

| | | |
|----------------------|---------------|---------------|
| Issuer Credit Rating | A+/Stable/A-1 | A+/Stable/A-1 |
|----------------------|---------------|---------------|

UBS AG

UBS Switzerland AG

UBS Europe SE

UBS AG (London Branch)

UBS AG (Jersey Branch)

| | | |
|--------------------------------|-------------|-------------|
| Resolution Counterparty Rating | AA-/--/A-1+ | AA-/--/A-1+ |
|--------------------------------|-------------|-------------|

UBS AG

Certificate Of Deposit

| | | |
|------------------|--------|--------|
| Foreign Currency | A+/A-1 | A+/A-1 |
|------------------|--------|--------|

| | | |
|----------------|----|----|
| Local Currency | A+ | A+ |
|----------------|----|----|

UBS AG (London Branch)

Certificate Of Deposit

| | | |
|------------------|-----|-----|
| Foreign Currency | A-1 | A-1 |
|------------------|-----|-----|

UBS AG (New York Branch)

| | | |
|----------------------|--------------|--------------|
| Issuer Credit Rating | A+/Stable/-- | A+/Stable/-- |
|----------------------|--------------|--------------|

| | | |
|--------------------------------|-----------|-----------|
| Resolution Counterparty Rating | AA-/--/-- | AA-/--/-- |
|--------------------------------|-----------|-----------|

UBS Bank USA

UBS Securities LLC

| | | |
|--------------------------------|-----------|-----------|
| Resolution Counterparty Rating | A+/--/A-1 | A+/--/A-1 |
|--------------------------------|-----------|-----------|

UBS Group AG

| | | |
|------------------|----|----|
| Senior Unsecured | A- | A- |
|------------------|----|----|

| | | |
|---------------------|----|----|
| Junior Subordinated | BB | BB |
|---------------------|----|----|

| | | |
|---------------------|-----|-----|
| Junior Subordinated | BB+ | BB+ |
|---------------------|-----|-----|

UBS AG

| | | |
|------------------|----|----|
| Senior Unsecured | A+ | A+ |
|------------------|----|----|

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| Subordinated | BBB+ | BBB+ |
|----------------------------------|------|------|
| UBS AG (Australia Branch) | | |
| Senior Unsecured | A+ | A+ |
| Commercial Paper | A-1 | A-1 |
| UBS AG (Jersey Branch) | | |
| Senior Unsecured | A+ | A+ |
| UBS AG (London Branch) | | |
| Senior Unsecured | A+ | A+ |
| Senior Unsecured | A-1 | A-1 |
| Short-Term Debt | A-1 | A-1 |
| Commercial Paper | A-1 | A-1 |
| UBS AG (New York Branch) | | |
| Subordinated | BBB+ | BBB+ |
| UBS AG (Stamford Branch) | | |
| Commercial Paper | A-1 | A-1 |
| UBS Americas Inc. | | |
| Commercial Paper | A-1 | A-1 |

NR--Not Rated

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://www.standardandpoors.com/en_US/web/guest/article/-/view/sourceId/504352 Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following S&P Global Ratings numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; or Stockholm (46) 8-440-5914

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