

FITCH DOWNGRADES CREDIT SUISSE TO 'A'; STABLE OUTLOOK

Fitch Ratings-London/Milan-15 December 2011: Fitch Ratings has downgraded Credit Suisse AG's (Credit Suisse) Long-term Issuer Default Rating (IDR) to 'A' from 'AA-' and removed the rating from Rating Watch Negative (RWN), on which it had been placed on 13 October 2011. The Outlook is Stable. The bank's Viability Rating (VR) and Short-term IDR were downgraded to 'a' from 'aa-' and to 'F1' from 'F1+', respectively and were also removed from RWN. As a result, its subsidiaries' IDRs, the holding company Credit Suisse Group AG's (CSG) IDRs and its debt ratings have also been downgraded. A full list of rating actions is at the end of this announcement.

Fitch is taking the rating action on Credit Suisse and its affiliates in the context of its review of global trading and universal banks. The agency has today taken rating action on a number of institutions to reflect the outcome of this review, which has been announced in a separate comment, 'Fitch Downgrades Viability Ratings of Eight Global Trading and Universal Banks', published on 15 December 2011 and available on www.fitchratings.com. Fitch's review of global trading and universal banks was part of its review of its ratings for the largest banks around the world. The actions were motivated by Fitch's view that the business models of the global trading and universal banks are particularly sensitive to the increased challenges the financial markets face.

Fitch continues to be of the opinion that, however well-managed, the structural aspects of their funding, earnings, and leverage, makes global trading and universal banks vulnerable to market sentiment and confidence, particularly during periods of exogenous financial stress. Furthermore, the complexity of their business models and exposure to fat tail risk make it more difficult to assess the size of loss that could rapidly emerge from unexpected events.

The downgrades of Credit Suisse's Long-term IDR and VR reflect the challenges that Fitch expects for the global trading and universal banks in a difficult uncertain environment which has put earnings prospects under pressure. The downgrade also reflects the challenges posed by a more stringent regulatory framework, under which Credit Suisse is adapting the business model in its investment banking activities. Fitch notes that Credit Suisse's Support Rating Floor at 'A' reflects its position as one of the two big Swiss banks and is at the same level as the Support Rating Floor for systemically important banks in the UK. However, the Support Rating Floor is below that of systemically important banks in several eurozone countries, and Credit Suisse's Long-term IDR does not currently benefit from any uplift from government support.

Credit Suisse's ratings remain based on its operations as a global banking group with solid franchises in investment banking and global wealth management, but also on Fitch's expectation that earnings will remain under pressure in the current market environment, in which the global trading and universal banks have to readjust their business models. The ratings reflect Fitch's view that Credit Suisse's adjusted leverage is weaker than those of its highly rated US peers, but also the agency's expectation that the bank will maintain high regulatory capital ratios as required under Swiss regulations for the two big domestic banks. The ratings also factor in Credit Suisse's sound liquidity, which benefits from solid access to customer funding.

Fitch considers that Credit Suisse has built a solid franchise in global investment banking. The bank's plans to reduce its activities in more capital-intensive businesses should help it to improve risk-adjusted returns in investment banking, and Credit Suisse has demonstrated its ability to implement changes to its investment banking activities successfully in the past. Nevertheless, Fitch considers earnings from investment banking as potentially volatile. The group's wealth management and domestic business banking activities have provided a more stable source of earnings, contributing on average 40% to the bank's pre-tax profit (excluding the corporate centre). The bank has announced measures to strengthen the profitability of its wealth management businesses further. These include further growth and cost reductions, which should be helped by the recently

announced integration of the group's subsidiary Clariden Leu into the parent bank.

Fitch considers Credit Suisse's liquidity sound. The bank benefits from a solid customer deposit base and short-term liquidity benefits from the availability of significant liquid assets, including CHF95bn in cash and due from banks at end-September 2011. At the same date, Credit Suisse estimated a net stable funding ratio under Basel III regulations of 97% and short-term 30-day liquidity under Swiss regulations 'well in excess of requirements'.

Capitalisation is a key rating factor. Fitch considers Credit Suisse's adjusted leverage high but acknowledges that a large portion of its assets are secured or collateralised. Regulatory capital ratios have remained sound, but under Swiss regulations Credit Suisse will have to reach a minimum 10% common equity Tier 1 ratio under Basel III. In addition, the bank will have to hold a 9% capital buffer. The group's current regulatory capital ratios are strong with a Basel II core Tier 1 ratio of 12.6% at end-September 2011.

Fitch does not expect the bank to have difficulties in achieving its targeted sound regulatory capital ratios as Basel III rules are introduced. Credit Suisse presented a common equity Tier 1 (CET1) ratio simulation under Basel III definitions of capital and risk-weighted assets as of 2019 (assuming capital being built up through retained earnings) for end-2012 of 7.4%. However, as deductions from capital are gradually phased in between 2013 and 2018, the bank's projected Basel III CET1 ratio under the then prevailing regulations for end-2012 was a much higher 12.3%. In addition, the bank issued USD2bn contingent convertible bonds in February 2012, and reached a firm agreement for a further CHF6bn contingent convertible bond to be paid-up in October 2013. Although these are not included in Fitch core capital and are a weaker form of capital, they form a sizeable buffer for senior creditors as they convert into common equity if the bank's consolidated regulatory capital ratio falls below 7%.

Credit Suisse's and Credit Suisse Group's (CSG) subsidiaries' ratings reflect support from their parent given their strategic importance to the group's operations and their integration into the parent. Hybrid capital instruments issued by Credit Suisse and its affiliates were downgraded by one notch. With the exception of the Tier 2 Contingent Notes issued by Credit Suisse Group (Guernsey) I Limited, the hybrid instruments remain on RWN to reflect the heightened downgrade risk associated with the pending completion of Fitch's review into how it rates bank's regulatory capital. This review was initiated by the exposure draft entitled 'Rating Bank Regulatory Capital Securities' published on 28 July 2011 and available on www.fitchratings.com. Fitch has removed the Tier 2 Contingent Notes' ratings from RWN following their downgrade as the agency does not expect a further downgrade of the notes if Fitch implements its new approach for rating bank regulatory capital securities as these notes are already rated four notches below the bank's VR.

The rating actions are as follows:

Credit Suisse:

Long-term IDR: downgraded to 'A' from 'AA-'; RWN removed, Outlook Stable

Short-term IDR: downgraded to 'F1' from 'F1+'; RWN removed

Viability Rating: downgraded to 'a' from 'aa-'; RWN removed

Individual Rating: downgraded to 'B/C' from 'B'

Support Rating: affirmed at '1'

Support Rating Floor: affirmed at 'A'

Senior unsecured debt (including programme ratings): downgraded to 'A' from 'AA-'; RWN removed; downgraded to 'F1' from 'F1+'; RWN removed

Senior market-linked notes: downgraded to 'Aemr' from 'AA- emr'; RWN removed

Subordinated lower Tier 2 notes: downgraded to 'A-' from 'A+'; RWN removed

Tier 1 notes and preferred securities: downgraded to 'BBB+' from 'A'; RWN maintained

CSG

Long-term IDR: downgraded to 'A' from 'AA-'; RWN removed, Outlook Stable

Short-term IDR: downgraded to 'F1' from 'F1+'; RWN removed

Viability Rating: downgraded to 'a' from 'aa-'; RWN removed

Individual Rating: downgraded to 'B/C' from 'B'; RWN removed

Support Rating: affirmed at '5'
Support Rating Floor: affirmed at 'No Floor'
Senior unsecured debt (including programme ratings): downgraded to 'A' from 'AA-'; RWN removed; downgraded to 'F1' from 'F1+'; RWN removed
Senior market-linked notes: downgraded to 'Aemr' from 'AA- emr'; RWN removed
Subordinated notes: downgraded to 'A-' from 'A+'; RWN removed
Preferred stock: downgraded to 'BBB+' from 'A'; RWN maintained

Credit Suisse International:

Long-term IDR: downgraded to 'A' from 'AA-'; RWN removed, Outlook Stable
Short-term IDR: downgraded to 'F1' from 'F1+'; RWN removed
Support Rating: affirmed at '1'
Senior unsecured debt (including programme ratings): downgraded to 'A' from 'AA-'; RWN removed; downgraded to 'F1' from 'F1+'; RWN removed
Dated subordinated notes: downgraded to 'A-' from 'A+'; RWN removed
Perpetual subordinated notes: downgraded to 'BBB+' from 'A'; RWN maintained

Credit Suisse (USA) Inc.:

Long-term IDR: downgraded to 'A' from 'AA-'; RWN removed, Outlook Stable
Short-term IDR: downgraded to 'F1' from 'F1+'; RWN removed
Support Rating: affirmed at '1'
Senior unsecured debt (including programme ratings): downgraded to 'A' from 'AA-'; RWN removed
Commercial paper programme: downgraded to 'F1' from 'F1+'; RWN removed
Subordinated notes: downgraded to 'A-' from 'A+'; RWN removed

Credit Suisse NY (branch):

Long-term IDR: downgraded to 'A' from 'AA-'; RWN removed, Outlook Stable
Short-term IDR: downgraded to 'F1' from 'F1+'; RWN removed
Senior unsecured debt (including programme ratings): downgraded to 'A' from 'AA-'; RWN removed
Commercial paper programme: downgraded to 'F1' from 'F1+'; RWN removed
Senior market-linked notes: downgraded to 'Aemr' from 'AA- emr'; RWN removed

Claudius Limited:

Preferred securities: downgraded to 'BBB+' from 'A'; RWN maintained

Credit Suisse Group (Guernsey) I Limited

Tier 2 Contingent Notes: downgraded to 'BBB-' from 'BBB+'; RWN removed

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Additional information is available at 'www.fitchratings.com'. The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

Applicable criteria, 'Global Financial Institutions Ratings Criteria', dated 16 August 2011, are available at www.fitchratings.com.

Applicable Criteria and Related Research:

Global Financial Institutions Rating Criteria

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=649171

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