Rating Action: Moody’s affirms UBS Group AG’s senior unsecured debt ratings at A3 and changes the outlook to positive from negative and upgrades Credit Suisse Group AG’s senior unsecured debt ratings to A3, with a positive outlook, concluding review for upgrade

12 Jun 2023

The rating agency also affirms the rating of UBS Group AG's AT1 instruments at Baa3 (hyb)

London, June 12, 2023 – Moody’s Investors Service (“Moody’s”) has today affirmed UBS Group AG’s (UBSG) senior unsecured debt ratings at A3 and its Preferred Stock Non-cumulative (Additional Tier 1 or AT1 instruments) ratings at Baa3 (hyb). The rating outlook on UBSG's senior unsecured debts changed to positive from negative.

Concurrently, Moody’s has today upgraded Credit Suisse Group AG’s (CSG) senior unsecured debt ratings to A3 from Baa2 and transferred the debts to UBSG. The outlook on the senior unsecured debt ratings was changed to positive from rating under review. The rating action concludes the review for upgrade of CSG, initiated on 20 March 2023, and relates to the merger by incorporation of CSG into UBSG. Upon completion of the merger, UBSG will continue to operate while CSG will cease to exist.

The rating action did not affect other rated entities of the combined group, including Credit Suisse AG, Credit Suisse International, Credit Suisse (USA), Inc., UBS AG, and UBS Europe SE.

Please click on this link https://www.moodys.com/viewresearchdoc.aspx?docid=PBC_ARFTL477696 for the List of Affected Credit Ratings. This list is an integral part of this Press Release and identifies each affected issuer.

RATINGS RATIONALE

The rating action follows the completion of the merger of CSG into UBSG on 12 June and, by operation of law, the transfer, in their entirety, of CSG’s assets, liabilities and contracts, as well as all of its rights and obligations under such contracts.

The affirmation of the A3 rating and the change in outlook on UBSG's senior unsecured debt ratings to positive from negative reflects the likelihood that, based on UBSG’s new liability structure, UBSG’s senior unsecured debt holders will benefit from the higher volume of the instrument, leading to lower loss given failure (LGF) expected loss under Moody’s Advanced LGF approach.

The upgrade to A3 of CSG’s senior unsecured debt ratings aligns the rating on the CSG’s senior unsecured debt obligations with the upgraded rating on other senior unsecured debt issued by UBSG.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

UBSG's senior unsecured debt ratings could be upgraded if the higher volume of the instrument is confirmed, leading to lower loss given failure expected loss under Moody’s Advanced LGF approach.

Although unlikely at present, UBSG’s long-term ratings could be upgraded in the medium term if the group: i) successfully executes the integration of Credit Suisse AG and its subsidiaries whilst improving its earnings profile and profitability; ii) maintains its strong capital position, and iii) demonstrates superior to peers risk management, while reducing it financial dependence on investment banking.
UBSG’s ratings could be downgraded if: i) the group suffers material franchise erosion; ii) integration and deleveraging are slower and more costly than presently anticipated; iii) the group’s asset quality, capital, profitability or liquidity metrics significantly deteriorate; iv) unexpectedly high litigation charges materialize; v) the group demonstrates deficiencies in its risk management and control processes or materially increases risk appetite; or vi) the group weakens its underwriting and origination standards.

Although unlikely at present, UBSG’s ratings could also be downgraded if there were a significant and larger-than-expected decrease in the group’s existing bail-in-able debt buffer, leading to a higher loss severity for its various debt classes. The group’s AT1 instruments could be downgraded if Moody’s determines that holders of these instruments would likely face higher losses than is presently assumed by their current notching under Moody’s Advanced Loss Given Failure analysis.

UBSG’s senior unsecured debt ratings outlook could be stabilized if: i) the group executes the multi-year integration of Credit Suisse AG with only a modest impact on its client attrition or its earnings profile and profitability, while maintaining a conservative risk profile, strong capital position and keeping its exposure to investment banking broadly unchanged, and ii) the higher volume of senior unsecured debt were not to materialise, leading to unchanged loss given failure expected loss under Moody’s Advanced LGF approach.

PRINCIPAL METHODOLOGY


REGULATORY DISCLOSURES

The List of Affected Credit Ratings announced here are a mix of solicited and unsolicited credit ratings. For additional information, please refer to Moody’s Policy for Designating and Assigning Unsolicited Credit Ratings available on its website https://ratings.moodys.com. Additionally, the List of Affected Credit Ratings includes additional disclosures that vary with regard to some of the ratings. Please click on this link https://www.moodys.com/viewresearchdoc.aspx?docid=PBC_ARFTL477696 for the List of Affected Credit Ratings. This list is an integral part of this Press Release and provides, for each of the credit ratings covered, Moody’s disclosures on the following items:

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- UK Endorsement Status
- Rating Solicitation
- Issuer Participation
- Participation: Access to Management
- Participation: Access to Internal Documents
- Lead Analyst
- Releasing Office

For further specification of Moody’s key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody’s Rating Symbols and Definitions can be found on https://ratings.moodys.com/rating-definitions.

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