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INVESTORS SERVICE

CREDIT OPINION
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Update

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Credit Suisse (USA), Inc.

Update following rating action and methodology revision

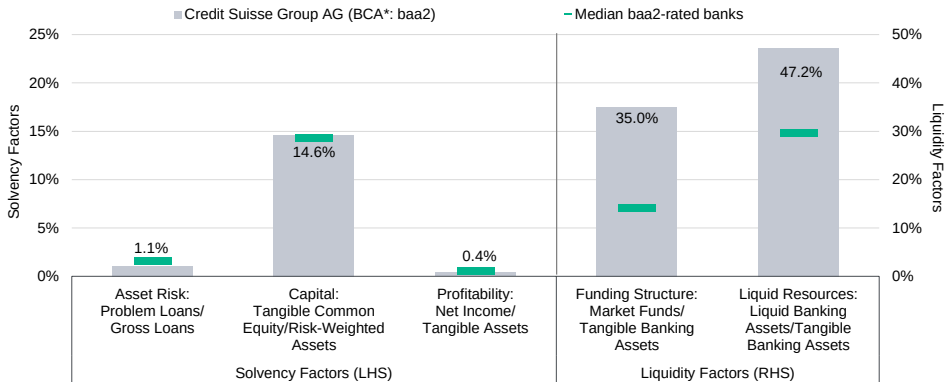
Summary

Credit Suisse (USA), Inc. (CSUSA[1]) is a direct subsidiary of Credit Suisse Holdings (USA), Inc. (CSH USA or 'the IHC' [2]), an indirect wholly owned subsidiary of Credit Suisse Group AG (CS, Baa1 stable[3]), and is the parent of Credit Suisse Securities (USA) LLC, a regulated US securities broker/dealer. CSUSA is essential for CS's investment banking, securities sales and trading businesses in the United States (Aaa stable). As such, CSUSA is a fully integral part of CS's operations.

Effective 26 March 2007, Credit Suisse AG (A1/A1 stable; baa2[4]) fully and unconditionally guaranteed on a senior basis — and Credit Suisse Group AG guaranteed on a subordinated basis to senior liabilities — all outstanding SEC-registered debt securities issued by CSUSA. We, therefore, rate the outstanding senior unsecured debt of CSUSA at the same level as senior unsecured debt at Credit Suisse AG. Following a similar rating action at the level of its guarantor(s), we downgraded CSUSA's ratings and changed the outlook from negative to stable on 13 July 2021.

For a detailed discussion of the rating rationale for Credit Suisse AG, please see Moody's published research on Credit Suisse AG and Credit Suisse Group AG.

Exhibit 1
Rating Scorecard - Credit Suisse Group AG - Key financial ratios



*The baa2 BCA relates to Credit Suisse Group AG's main operating bank, Credit Suisse AG.
Source: Moody's Financial Metrics

Outlook

The long-term senior unsecured debt ratings of CSUSA carry stable outlooks, in line with those of its guarantor Credit Suisse AG.

Detailed credit considerations

US regulation defines the entity's capital requirements

In an effort to simplify its operating infrastructure and address existing and anticipated regulatory requirements for global recovery and resolution planning, Credit Suisse has modified its legal entity structure in the US as required by the US Federal Reserve under rules Reg. YY finalized in February 2014. Subsequently, on 1 July 2016, Credit Suisse established Credit Suisse Holdings (USA), Inc. as its US IHC. In addition, Credit Suisse formed Credit Suisse Services (USA) LLC, a US-based shared services subsidiary that is housed in the IHC, on 8 September 2016.

The IHC is subject to the US Federal Reserve's enhanced prudential standards regime, which includes US risk-based capital, leverage, liquidity and stress-testing requirements. As part of this regulatory regime, the IHC was reviewed under the US Federal Reserve's Dodd-Frank Act Stress Test (DFAST) and Comprehensive Capital Analysis and Review (CCAR) process, comprising a confidential review of its capital plan in 2017 and on a public basis in following years. As a result of its 2020 review, the Board of Governors of the Federal Reserve System did not object to the IHC's capital plan on a quantitative basis.

By also receiving a qualitative non-objection for 2020, CSH USA will no longer be subject to a possible qualitative objection for CCAR from 2021 onwards. In June 2020, the FRB announced that it would require large banks to update and resubmit their capital plans to reflect current market stress from COVID-19 and CS resubmitted its updated plan in November 2020.

Under the published 2021 CCAR results, CSH USA displayed a projected minimum CET1 capital ratio of 15.9%, the third highest of all banks subject to 2021 CCAR. In addition, the IHC's projected minimum Tier 1 leverage ratio stood at 9.8%. These ratios are significantly in excess of the required minimum capital and leverage ratios (4.5% for CET1 and 4.0% for Tier 1 leverage ratio).

Under US Total Loss Absorbing Capacity (TLAC) requirements, and effective 1 January 2019, the IHC is required to meet a minimum TLAC requirement comprising the greater of 16% risk-weighted assets (RWAs), 6% percent total supplementary leverage exposure and 8% of average total consolidated assets less certain capital deductions. Within this TLAC requirement, the proportion of long-term debt must meet the greater of 6% RWAs, 2.5% total supplementary leverage exposure and 3.5% of average total consolidated assets less certain capital deductions. Additionally, the long-term debt and TLAC requirements will need to be met by internally issued capital and debt from the IHC to its foreign parent (Credit Suisse AG) instead of by externally issued capital and debt.

Financial figures

As of 31 March 2021, the IHC reported a CET1 capital ratio of 22.8% (31 December 2020: 21.2%) and a Tier 1 leverage ratio of 14.6%[5] (31 December 2020: 13.7%).

For year-end 2020, the IHC reported a net gain of $538 million, following a net loss of $219 million in 2019 that was heavily burdened by a non-cash charge related to the US' enactment of the Tax Cuts and Jobs Act. As of the end of March 2021, the company reported a significantly higher net gain of $1,069 million compared to full-year 2020.

Total assets were $120 billion as of 31 March 2021 (31 December 2020: $118 billion). As of the same date, total assets mainly consisted of $37.5 billion of reverse repos and securities lending transactions, $31.4 billion of trading assets, $18.0 billion of loans (predominantly loans for purchasing or carrying securities; including held for sale loans) and $5.4 billion of goodwill and intangibles. As of the same date, risk-weighted assets were $78.9 billion (31 December 2020: $78.3 billion).

Ratings

Exhibit 2

Category	Moody's Rating
CREDIT SUISSE (USA), INC.	
Outlook	Stable
Bkd Senior Unsecured	A1
ULT PARENT: CREDIT SUISSE GROUP AG	
Outlook	Stable
Senior Unsecured	Baa1
Subordinate Shelf	(P)Baa2
Pref. Stock Non-cumulative	Ba2 (hyb)

Source: Moody's Investors Service

Endnotes

1 Formerly Credit Suisse First Boston (USA), Inc.

2 On 1 July 2016, Credit Suisse Holdings (USA), Inc. was established as an Intermediate Holding Company (IHC) in the US.

3 The rating shown is the group's senior unsecured debt rating and outlook.

4 The ratings shown are the bank's long-term senior unsecured debt and deposit ratings together with their corresponding outlook(s), as well as the bank's Baseline Credit Assessment (BCA).

5 The US Tier 1 leverage ratio is based on average total assets and is not comparable with the Basel III leverage ratio or the US Supplementary Leverage Ratio (SLR).

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