



NEWS RELEASE

Nov 21, 2019

R&I Affirms A, Changes Outlook to Positive: Credit Suisse Group AG

Rating and Investment Information, Inc. (R&I) has announced the following:

ISSUER: Credit Suisse Group AG
Issuer Rating: A, Affirmed
Rating Outlook: Positive, Changed from Stable

RATIONALE:

Credit Suisse Group AG is a holding company for the Credit Suisse Group, one of the two major financial groups in Switzerland. The Group has a robust franchise in asset management and wealth management for high-net-worth clients, and also enjoys high competitiveness in investment banking services. Its asset quality is sound, and there is no liquidity concern. In light of increased earnings stability through restructuring and a continued improving trend in risk resilience, R&I has affirmed the Issuer Rating at A and changed the Rating Outlook to Positive. The rating for the holding company reflects a one notch reduction for what R&I considers as structural subordination of holding companies and risks inherent to holding companies under the Swiss resolution regime assuming the application of a bail-in (absorption of losses by shareholders, unsecured creditors, etc.) and other factors.

The Group's earnings stability has increased. In the cost reduction program for 2016 through 2018, the Group exceeded its targets, achieving net cost savings of CHF 4.6 billion and an adjusted operating cost base (operating expenses excluding the effects of foreign exchange rate fluctuations and other factors) of CHF 16.5 billion at end-2018. It intends to operate with an adjusted operating cost base of CHF 16.4 billion to CHF 16.9 billion in 2019. The Strategic Resolution Unit (SRU), which consolidated non-strategic businesses in 2015, was closed in 2018, and a pre-tax loss from non-strategic businesses is projected to decrease to approximately US\$0.5 billion in 2019 from approximately US\$1.3 billion in 2018. The cost/income ratio is on a downward trajectory, but still above 80% in 2018, leaving room for further improvement, in R&I's view.

The Group's credit cost ratio and non-performing loan ratio are low. The gross impaired loans/gross loans ratio is stable at a modest level, staying broadly flat year on year at end-September 2019. Gross impaired loans in the Asset Resolution Unit (the former SRU) decreased by more than 60% from a year earlier, and their share of total gross impaired loans also fell to less than 10% from around 20%. The Group's risk resilience is commensurate with the rating. Since 2015, regulatory capital ratios have been on an upward trend.

There is no particular problem with liquidity. The loan to deposit ratio is broadly sound at around 80% as of end-September 2019. The average liquidity coverage ratio (LCR) for 3Q 2019 was 189%, far exceeding a minimum LCR of 100% required by the Swiss Financial Market Supervisory Authority. The Group manages its LCR at a conservative level to ensure that the entire Group, including subsidiaries, can meet LCR requirements.

Credit Suisse International is a U.K.-based subsidiary of the Credit Suisse Group. Because it has a strong unity with the Group, the ratings for the MTN programs listed below directly reflect the creditworthiness of the entire Group.

The primary rating methodologies applied to this rating are provided at "R&I's Basic Methodology for Corporate Credit Ratings", "Shared Rating Approach for Financial Institutions, etc.", "Depository Financial Institutions" and "R&I's Analytical Approach to Financial Groups". The methodologies are available at the web site listed below, together with other rating methodologies that are taken into consideration when assigning the rating.

https://www.r-i.co.jp/en/rating/about/rating_method.html

■Contact : Sales and Marketing Division, Customer Service Dept. TEL. +81-(0)3-6273-7471 E-mail. infodept@r-i.co.jp
■Media Contact : Corporate Planning Division (Public Relations) TEL. +81-(0)3-6273-7273

Rating and Investment Information, Inc. TERRACE SQUARE, 3-22 Kanda Nishikicho, Chiyoda-ku, Tokyo 101-0054, Japan <https://www.r-i.co.jp>

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R&I RATINGS

ISSUER: Credit Suisse Group AG
Issuer Rating
RATING: A, Affirmed
RATING OUTLOOK: Positive, Changed from Stable

ISSUER: Credit Suisse International
Debt Issuance Prog. (MTN Prog.)
SUPPORT: Unsecured
RATING: A+, Affirmed

Joint Unlisted Securities Prog. (MTN Prog.)
SUPPORT: Unsecured
RATING: A+, Affirmed

A credit rating for a medium-term note (MTN) program is assigned to the program and not to individual notes issued under the program. The credit rating of individual notes is generally the same as that of the program. As regards credit-linked notes, index-linked notes or other notes, however, there are some cases where the rating on each note will not be on par with the program or no rating will be assigned, depending on the details of the individual note contract. Upon the issuer's request, R&I may assign a credit rating to individual notes issued under the program.

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