



NEWS RELEASE

Dec 03, 2020

R&I Upgrades to A+, Stable: Credit Suisse Group AG

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

ISSUER: Credit Suisse Group AG
Issuer Rating: A+, Previously A
Rating Outlook: Stable

RATIONALE:

Credit Suisse Group AG is the holding company for the Credit Suisse Group, one of the two major financial groups in Switzerland. Although the novel coronavirus pandemic is driving up credit loss expenses, the impact on the Group's capital has been limited. There are no problems with liquidity. Due mainly to the fact that the Wealth Management business has been strengthened and profitability has become more stable, R&I has upgraded the Issuer Rating from A to A+ with a Stable Rating Outlook. 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 is increasing. As a result of a three-year restructuring program from 2015, risks that arise from market-related operations were reduced, which in turn reinforced the Wealth Management business. As its invested assets grow, the Group is increasing the recurring earnings sources related to Wealth Management services. The Group's productivity improvement plan, which began in 2020, aims to deliver gross savings of about CHF 250 million to 300 million in 2021 and about CHF 400 million to 450 million from 2022 onwards. The total expected restructuring expenses are in the neighborhood of CHF 300 million to 400 million. The 2020 full year adjusted operating expenses are estimated at CHF 16 billion to 16.5 billion. R&I believes that there is room for improvement in the cost/income ratio, which has been on the decline. Eyes are on whether the Group can maintain this trend.

Credit loss expenses for the nine months through September 2020 rose about fivefold year-on-year. The growth in credit loss expenses based on current expected credit loss (CECL), a U.S. accounting standard, reflects deterioration in the economic outlook and other factors. About 40% of the credit loss expenses are related to CECL, and the gross impaired loans/gross loans ratio remains in the 1% range.

The Group's risk resilience has been maintained at a level that can absorb the impact from the coronavirus pandemic and a rise in risk-weighted assets for regulatory compliance. Since 2015, the regulatory capital ratios have been on an upward trend. The ratios at end-September 2020 also showed a year-on-year improvement. The Group aims for more than a 5% rise in dividend per annum; and the 2020 dividend, too, is likely to surpass this target. It temporarily halted a share buyback but is expected to resume it in 2021. R&I also pays attention to developments in its capital policy.

The loan to deposit ratio is sound at below 80% as of end-September 2020. The average liquidity coverage ratio (LCR) for 3Q 2020 was 190%, 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

■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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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

R&I RATINGS

ISSUER: Credit Suisse Group AG
Issuer Rating

RATING: A+, Previously A

RATING OUTLOOK: Stable

ISSUER: Credit Suisse International
Debt Issuance Prog. (MTN Prog.)

SUPPORT: Unsecured

RATING: AA-, Previously A+

Joint Unlisted Securities Prog. (MTN Prog.)

SUPPORT: Unsecured

RATING: AA-, Previously A+

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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