



NEWS RELEASE

Dec 07, 2021

R&I Affirms 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+, Affirmed
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. It recorded a sizable provision for credit losses in respect of the default of U.S. hedge fund Archegos Capital Management (Archegos), but maintains its basic earning capacity. Although a strategic review is expected to lead to higher expenses temporarily, the impact on the Group's risk resilience will be limited, in R&I's view, thanks partly to a capital raise and a reduction in risk-weighted assets. Credit Suisse also benefits from a strong liquidity position. Based on these factors, R&I has affirmed the Issuer Rating. 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 reported pre-tax income for the nine months through September 2021 declined by 70% from a year earlier. On an adjusted basis excluding significant items and Archegos, the Group saw its revenues and profits rise, achieving a 78% year-on-year increase in pre-tax income. This was attributable to higher net revenues in Investment Bank (IB) and Asia Pacific, as well as a release of provision for credit losses pertaining to the COVID-19 pandemic.

The Group's three-year plan for the period through 2024 is based on three key pillars: strengthening its core, simplifying its operating model and investing for growth. For the first pillar, the Group will release IB capital and deploy capital to Wealth Management (WM), and increase the ratio of capital allocated to WM, Swiss Bank and Asset Management versus IB to around 2.0x in 2022 and beyond from 1.5x in 2020. The second pillar calls for structural cost savings through reorganization. In the third pillar, investment will be made to drive growth of its core businesses.

Because of a goodwill impairment related to a strategic review for IB, the Group expects to record a pre-tax loss for the October-December 2021 period. Since 2015, it has been working to reduce its dependence on IB and enhance WM's earning capacity. Eyes are on whether the Group will be able to increase earnings stability by stepping up its efforts.

The Group's risk resilience has been maintained at a level that can absorb a rise in risk-weighted assets for regulatory compliance. At end-September 2021, its BIS common equity tier 1 (CET1) ratio and CET1 leverage ratio were 14.4% and 4.3%, respectively. The CET1 ratio rose compared to end-2020 thanks in part to a capital raise and a reduction in IB risk-weighted assets, though the January-March 2021 period saw a decline in the ratio due to higher risk-weighted assets associated with Archegos and other factors. By end-2024, the Group aims for a CET1 ratio of more than 14% and a CET1 leverage ratio of about 4.5%. Its end-September 2021 CET1 ratio surpassed this target.

The Group's loan to deposit ratio is sound at below 80% as of end-September 2021. The average liquidity coverage ratio (LCR) for the July-September 2021 period was 221%, 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.

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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

R&I RATINGS

ISSUER: Credit Suisse Group AG

Issuer Rating

RATING: A+, Affirmed

RATING OUTLOOK: Stable

ISSUER: Credit Suisse International

Debt Issuance Prog. (MTN Prog.)

SUPPORT: Unsecured

RATING: AA-, Affirmed

Joint Unlisted Securities Prog. (MTN Prog.)

SUPPORT: Unsecured

RATING: AA-, 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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