R&I Affirms A+, Changes Outlook to Negative: 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:  Negative, Changed from Stable  

RATIONALE:

Credit Suisse Group AG is the 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. Its earnings have decreased due to deterioration in the market environment and a risk asset reduction in Investment Bank (IB). In light of proposed capital raises and other factors, a sufficient level of risk resilience will likely be maintained, in R&I's view. Because of this, along with sound asset quality and liquidity, R&I has affirmed the Issuer Rating, but changed the Rating Outlook to Negative based on growing uncertainty about a recovery in earning capacity. Eyes are on whether the Group will be able to restore its earning capacity promptly.

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.

In the nine months through September 2022, the Group experienced a year-on-year decrease in net revenues due mainly to deterioration in the market environment, and reported a pre-tax loss compared to pre-tax income recorded a year earlier. Impacted by the impairment of deferred tax assets resulting from a comprehensive strategic review, it posted a net loss of approximately CHF 5.9 billion. The Group expects to report a pre-tax loss of up to CHF 1.5 billion in the October-December 2022 period owing to restructuring charges and lower earnings. The full year 2022 will most likely see a net loss.

The strategy covering the period through 2025 gives priority to restructuring IB, accelerating cost transformation, and strengthening and reallocating capital. The Group will restructure IB to reduce risk weighted assets (RWA) by up to 40% through creation of a Non-Core Unit, divestment of Securitized Products and carving-out of Capital Markets & Advisory, among other means, and deliver a more integrated business model, with Wealth Management (WM), Swiss Bank and Asset Management at its core. R&I will closely follow whether the Group is able to increase earnings stability by restructuring IB.

For a full-scale recovery in earning capacity, it is essential to improve cost efficiency by reducing the cost base. The Group targets operating expense reductions of up to CHF 1.2 billion by 2023 and of 15% or up to CHF 2.5 billion by 2025. The Group's risk resilience has been maintained at a level that can absorb a rise in RWAs for compliance with stricter regulatory requirements. At end-September 2022, its BIS common equity tier 1 (CET1) ratio fell by 1.8 percentage points from a year earlier to 12.6%. This was attributable to the impairment of deferred tax assets in addition to foreign exchange fluctuations and the net loss. The Group plans to complete capital raises by December 2022, which are expected to boost the CET1 ratio to 14%. Its financial targets include a CET1 ratio of more than 13.5% (pre-Basel 3 reforms) in 2025. During the period from 2023 through 2025, the Group also intends to maintain a CET1 ratio of at least 13.0%. Eyes are on whether the Group will be able to implement capital raises and an RWA reduction in line with plan.

Asset quality remains sound. In the nine months through September 2022, the Group posted a gain from a release of provision for credit losses pertaining to Archegos. The ratio of gross impaired loans to gross loans was 1.2%, a year-on-year increase of only 0.2 percentage points.
The Group’s loan to deposit ratio is sound at below 80% as of end-September 2022. The average liquidity coverage ratio (LCR) for the July-September 2022 period was 192%, far exceeding a minimum LCR of 100% required by the Swiss Financial Market Supervisory Authority. The Group's average daily LCR for the period from October 1, 2022 through November 18, 2022 declined to 140%, reflecting a decrease in deposits caused by outflows of assets under management notably in WM. Its remediation plans include accessing the markets and disposing of certain assets. R&I believes that the Group will be able to keep a sound LCR, given the conservative liquidity level it has maintained to date.

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", "R&I's Analytical Approach to Holding Companies" and "R&I's Analytical Approach to Group Companies". 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:** A+, Affirmed  
**RATING OUTLOOK:** Negative, Changed from 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.