Bulletin:

Credit Suisse AG's Sharpened Focus On Sustainable Returns Supports Credit Metrics, For Now

November 9, 2021

FRANKFURT (S&P Global Ratings) Nov. 9, 2021--Credit Suisse AG's (A+/Negative/A-1) recently announced fine-tuning of its strategy is broadly in line with our expectations, supporting its credit metrics. The new focus on strengthening risk management and concentration on more stable business segments are the core elements of our base-case assumptions for the group (see "Credit Suisse Group AG," published June 10, 2021, on RatingsDirect).

We remain mindful that the announced strategy is likely to drag on profitability in the mid-term and we note its announced target for return on tangible equity of greater than 10% by 2024 remains modest compared to peers. However, we expect that the increased pace and extent of de-risking and improvement of risk management will potentially result in less volatile profitability and overall more robust risk-adjusted returns over the cycle.

Increasing internal capital targets will strengthen the capital buffer for tail risks and the targeted reorganization is likely to support the bottom line via cost savings and tackle governance structure deficiencies, which were highlighted in several episodes over the past two years. The announced measures somewhat alleviate negative pressure on the rating, which we revised to a negative outlook earlier this year (see "Credit Suisse Outlook Revised To Negative On Concerns About The Group's Risk Management, published March 30, 2021).

In our view, Credit Suisse's execution of the revised strategy may prove challenging, depending on operating conditions and amid high competition in the wealth and asset management business. Furthermore, the regulatory investigations and open legal suits around the Archegos and Greensill cases need to be resolved to clear the group from pending tail risks. All the above factors remain meaningful and continue to be reflected in our negative outlook.

This report does not constitute a rating action.

PRIMARY CREDIT ANALYST

Anna Lozmann
Frankfurt
+ 49 693 399 9166
anna.lozmann
@spglobal.com

SECONDARY CONTACTS

Benjamin Heinrich, CFA, FRM
Frankfurt
+ 49 693 399 9167
benjamin.heinrich
@spglobal.com

Gabriel Zwicklhuber
Frankfurt
+ 49(0)6933999169
gabriel.zwicklhuber
@spglobal.com