S&P Global
Ratings

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Credit Suisse Group AG (Holding Company)

Credit Suisse AG (Lead Bank)

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Table Of Contents

Table Of Contents (cont.)

Credit Suisse Group AG (Holding Company)

Credit Suisse AG (Lead Bank)

SACP	a-

+

Support	+2

+

Additional Factors	0

Anchor	a-	
Business Position	Adequate	0
Capital and Earnings	Strong	+1
Risk Position	Moderate	-1
Funding	Average	0
Liquidity	Adequate	

ALAC Support	+2
GRE Support	0
Group Support	0
Sovereign Support	0

Issuer Credit Rating
A+/Negative/A-1
Resolution Counterparty Rating
AA-/--/A-1+
Bank Holding Company ICR
BBB+/Negative/NR

Credit Highlights

Overview

Key strengths	Key risks
High levels of capital to absorb losses as a going concern and in a resolution scenario.	High turnover of senior management and repeated episodes of failures in risk management or governance, which could create risks to the bank's reputation and franchise and result in regulatory fines or litigation costs, impeding the group's performance.
Stable and low-risk earnings from leading global wealth management franchise and Swiss retail, private, and corporate banking.	Market, operational, and legal risks from investment banking.
Demonstrated sound asset quality in core lending business and a highly collateralized lending book.	Material exposure to leveraged finance and some areas of structured products.

We see rating sensitivity to adverse scenarios as material, because of tail risks related to ongoing litigation and regulatory investigations, as well as to execution of the targeted restructuring program. Credit Suisse Group AG's (Credit Suisse's) recently announced its revised business strategy with intended capital reallocation to less risky wealth management away from investment banking operations and specifically prime brokerage is broadly in line with our expectations, supporting its credit metrics. While the group saw solid operating revenues in 2020 and 2021, the sequence of events over the same period materially impaired its internal capital-generation capacity, and raised doubts about management's ability to sustainably close the gap to peers in terms of risk return profile in the medium term.

In our view, Credit Suisse's execution of the revised strategy may prove challenging. While revenue from investment banking is set to decrease in line with the exposure reduction and the exit from certain risky businesses, the group aims to compensate for the decrease by improving revenue primarily in the wealth and asset management business. This may prove challenging amid tough competition and is sensitive to the economic environment. 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.

Litigation and impairment charges continue to burden the group's profitability, and result in an annual loss for 2021. Full-year 2021 will be dented by the losses incurred in relation to the Archegos exposure and (resulting) expected material increase in the corporate tax rate compared with 2020. The group incurred a loss from this single client exposure of about Swiss franc (CHF) 5 billion in first-half 2021. There has been CHF235 millon of recovery in third-quarter 2021, and the group expects further recoveries over the course of the coming quarters; however, we do not include any estimations on this in our projection. Also, in the context of the reorganization of the busines lines, the group expects an impairment in fourth-quarter 2021 of about CHF1.6 billion in respect of the remaining investment-bank-related goodwill, which--together with Archegos-related losses and tax effects, as well as some further extraordinary items--will drag the group into annual losses for 2021, which we expect to be about CHF1 billion.

The focus on strengthening risk management and concentration on more stable business segments are the core elements of our base-case assumptions for the group, supporting current ratings. The group's material exposure to capital markets and risks stemming from its investment banking activities, in addition to earnings volatility, are negative rating factors, which we have historically structurally reflected in the rating. Because of its investment banking and asset management activities, Credit Suisse's risk profile remains complex and entails financial and nonfinancial risks, as highlighted by losses in connection to a U.S. hedge fund and the recent closure of supply chain funds connected to Greensill.

On the positive side, a sharpened focus on sustainable returns and higher capital targets will likely reinforce the creditworthiness over the medium to long term. We remain mindful that the announced strategy is likely to weigh on profitability. However, if it is successfully executed, we expect that the increased pace and extent of de-risking and the improvement of risk management will potentially result in less volatile profitability and more robust risk-adjusted returns over the cycle. Also, the increased internal capital target of above 14% common equity Tier 1 (CET1) in 2024, pre-Basel III reforms, will strengthen the capital buffer for tail risks. In addition, 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.

Outlook: Negative

The negative outlook reflects open questions about the group's risk management, risk appetite, and potential financial and nonfinancial risks from its exposures to the U.S. hedge fund and Greensill group.

Credit Suisse's management of its relationships with the U.S. hedge fund and Greensill has the potential to damage the bank's reputation, which was already tarnished following the high-profile governance issues in 2020 that culminated in the CEO's departure.

Downside scenario

We could lower the ratings on Credit Suisse Group AG, Credit Suisse AG, and operating subsidiaries over the next 12-24 months if:

- We conclude that the rating does not reflect the group's risk return profile adequately;
- Investigations reveal broad material risk management deficiencies across segments;
- Material new litigation risks emerge;
- The regulatory investigations into Credit Suisse's business relationships reveal failure of fundamental management controls or governance issues; or
- Litigation costs, credit losses, and fair-value adjustments for loans materially exceed our base-case projections, resulting in a risk-adjusted capital (RAC) ratio forecast below 10%.

Upside scenario

We will consider revising our outlook to stable over the next 12-24 months if we determine that risks from both the U.S. hedge fund and Greensill are sufficiently reflected in the rating and that the group's risk management, control, and governance systems are adequate. The precondition for the outlook revision would be sufficient certainty that Credit Suisse will quickly improve its risk-returns to levels in line with peers, and that recent episodes have not tarnished the group's franchise.

Key Metrics

Credit Suisse Group AG--S&P Global Ratings' Key Ratios And Forecasts*

	--Fiscal year ending Dec. 31--				
	2019a	**2020a**	**2021f**	**2022f**	**2023f**
Growth in operating revenue (%)	7.0	0.8	4.4-5.3	(1.6)-(2.0)	0.9-1.1
Growth in customer loans (%)	2.8	(1.7)	2.7-3.3	2.7-3.3	2.7-3.3
Cost-to-income ratio (%)	74.7	72.8	67.7-71.2	68.9-72.5	68.2-71.7
Return on equity (%)	7.8	6.2	(2.0)-(2.5)	8.1-8.9	8.3-9.2
Return on assets (%)	0.4	0.3	(0.25)-(0.3)	0.4-0.5	0.5-0.6
New loan loss provisions/average customer loans (%)	0.1	0.4	1.6-1.8	0.2-0.2	0.2-0.2
Gross nonperforming assets/customer loans (%)	0.6	0.8	1.1-1.2	1.0-1.1	0.6-0.7
Risk-adjusted capital ratio (%)	13.0	12.4	13.3-13.8	13.5-14.0	13.5-14.0

*All figures adjusted by S&P Global Ratings. a--Actual. f--Forecast.

Anchor:'a-', Owing To The Swiss Home Market And A Global Blend Of Exposures

The 'a-' anchor (the starting point in assigning an issuer credit rating [ICR]) reflects Credit Suisse's regulatory domicile, Switzerland, which informs our view on the industry risk of the consolidated group's operations and geographic mix of credit exposure, which informs our view of the economic risk. Credit Suisse benefits from the high share of exposure to Switzerland, which we estimate to count for about 40% of the risk exposure. The group's second-largest market is the U.S., where we estimate a share of about 25%, with the remainder being a granular split among a large number of countries.

We establish a weighted-average economic risk score of '3' for Credit Suisse's mix of exposures, on a scale of '1' to '10' ('1' being the lowest risk). The '3' score for Credit Suisse is weaker than the '2' we assign for banks operating only in Switzerland, but not to the extent that it would negatively affect the anchor. For major countries of operation, we view the economic risk trend as stable. We also view the Swiss industry risk trend as stable.

We forecast that the Swiss economy will have fully recovered from the effects of the COVID-19 pandemic by year-end 2021. We view positively the country's very high household income levels and proven stress-resilient corporate sector, as well as its prudent loan underwriting standards and high collateralization of residential mortgage loans in the banking sector, which dominate most banks' customer portfolios. Considering these factors, we forecast only limited credit losses over the coming years, at slightly above the historical lows observed pre-pandemic. We also expect that price growth in the owner-occupier real estate segment will remain at moderate levels. However, in our view, the investment property segment remains a particular risk after showing signs of a price correction before the pandemic.

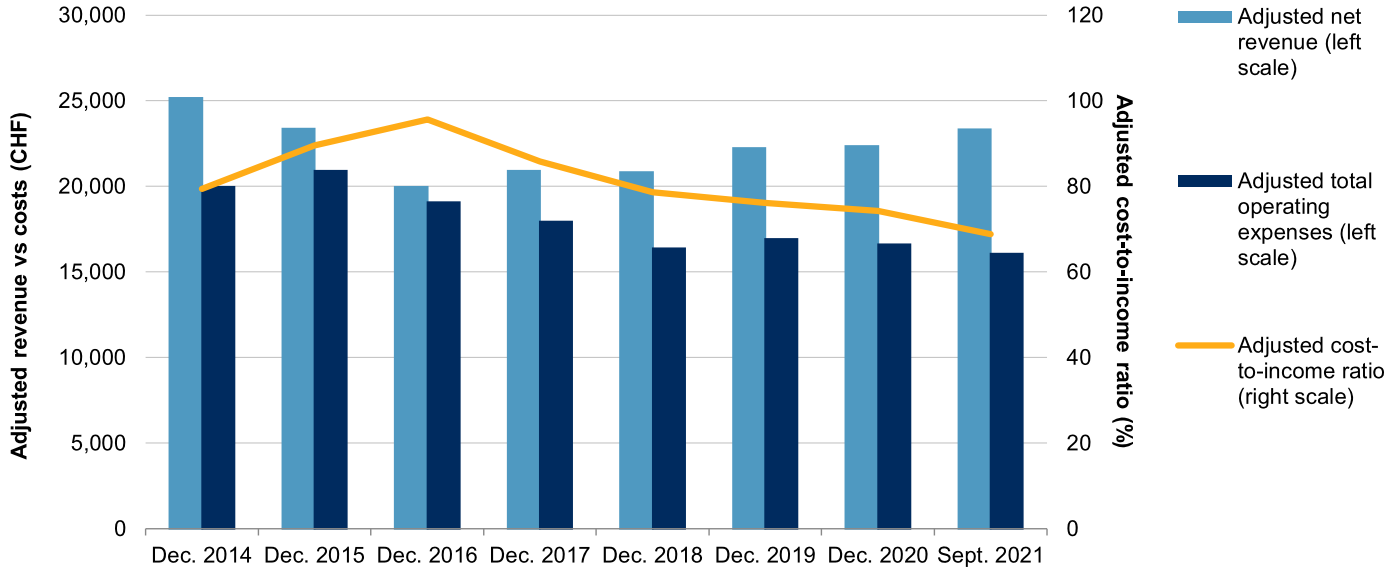
Our view of industry risk in Switzerland encompasses the stability of the domestic banking sector and our expectation that damage from the COVID-19 pandemic will remain negligible. We view positively banks' high capitalization levels in an international comparison, and their low reliance on capital markets for funding. In our view, the Swiss Financial Market Supervisory Authority (FINMA) remains ahead of its peers in terms of both regulatory oversight and innovations. We think FINMA's thorough investigations of large-scale international money-laundering cases have improved market discipline. Notably, in our view, compliance with the highest anti-money-laundering standards is crucial for banking sector stability, reflecting the importance of the wealth management industry. We consider that Swiss banks currently face limited risks from technology disruption, given the small size of the market, its high barriers to entry, and the technologically well-equipped banks.

Business Position: One Of The Largest Global Wealth Managers And One Of The Two Leading Banks In Switzerland

A global franchise and diversified business mix, together with strong capitalization, are key to Credit Suisse's creditworthiness. We base our ratings on the bank's globally diversified business mix, with its high and increasing share of wealth management activities and strong focus on Switzerland. Its activities in Switzerland contribute to about half of the group's pretax income, and we continue to regard Switzerland one of the most resilient countries worldwide. Next to UBS Group AG, Credit Suisse is the leading retail, private, and corporate bank in Switzerland. Domestic business and wealth management activities contribute, on average, about 60% of revenue and two-thirds of risk-weighted assets (RWAs). Credit Suisse has a particular focus on ultra-high-net-worth individuals, and ranks among the top 10 banks globally in terms of total capital market revenue.

Chart 1

Restructuring Trimmed Costs, Lifted Revenue, And Reduced Risk Exposure
Credit Suisse group (consolidated) RTM revenue and expenses



Note: Figures are based on Credit Suisse's adjusted net revenues and operating expenses. They exclude fair value impact from movements in their own credit spreads, real estate gains, and gains/losses on business sales, goodwill impairments, restructuring expenses, and major litigation provisions as reported by Credit Suisse. Cost-to-income ratio as adjusted total operating expenses divided by adjusted net revenue. CHF--Swiss franc. RTM--Rolling 12 months. Source: Credit Suisse disclosure and S&P Global Ratings.

The group's material exposure to capital markets and the risks stemming from its investment banking activities result in high revenue volatility and carry strategic risks, which remain a constraining factor in the assessment. To improve the risk-return profile, Credit Suisse continues to rebalance its revenue and capital resources, away from confidence-sensitive and volatile investment banking and trading-related activities and toward wealth management and domestic activities. The group intends to increase capital allocated to wealth management, Swiss bank, and asset management versus the investment bank, and to reshape the investment bank risk profile by reducing most risky exposures. However, as recent events in connection with Greensill supply chain funds and losses related to the U.S. hedge fund manager highlight, the group's business model remains materially exposed to tail risks, making risk return lag peers with a stronger business position. Despite recent and expected rebalancing, we still consider the share of group revenue from investment banking and global markets divisions as material and see the resulting tail risks to revenue as a constraining factor to the business position assessment.

Credit Suisse's focus on tailored products and attention to emerging risks adds to business stability and reduces the risk of disruption. We consider the potential for disruption by digital challengers is less material for the group than for many other banks, given Credit Suisse's focus on ultra-high-net-worth individuals and on alternative products in the asset management division. We also think that the group benefits from advanced capabilities to apply technology for data analysis, which is essential to combat financial crime risks inherent to the business. In addition, the group's offering of sustainable investment solutions to wealth management clients and its integration of environmental, social, and governance (ESG) factors into investment processes through the proprietary sustainability framework support franchise development.

Capital And Earnings: Strong Capitalization As Defense For Adverse Scenarios And A Key Rating Strength

Our assessment primarily reflects the group's strong capital ratios. In our base-case scenario, we project that our main capital indicator, our RAC ratio, for Credit Suisse will increase in the 13.0%-14.0% range in the next 18-24 months, from 12.4% at end-2020, which is higher than that of most peers. We expect peer relativities with regard to capitalization to persist.

We project return on tangible equity improving to 8%-10% after a material loss in 2021. In our base-case scenario, we assume Credit Suisse will report a loss of around CHF1 billion in 2021. Main assumptions for the forecast include the following:

- The bank will record CHF4.8 billion losses on the prime brokerage exposures to the U.S. hedge fund that defaulted on margin calls and the related corporate tax increase (reflecting the fact that taxes are not fungible in the group and there is no capacity to offset losses in subsidiaries with corresponding revenue to make them fully tax-deductible). As a result, we expect the group to pay material taxes in 2021, despite the overall annual loss.
- Impairment of about CHF1.6 billion in respect of the remaining investment-bank-related goodwill, which materializes in the context of the group restructuring.
- We expect pandemic-related risk costs to decrease materially to CHF200 million-CHF300 million in 2021, reflecting some releases following the heavy provisioning in 2020, and a normalization to about €500 million in 2022.
- Our capital projection takes into account that, for 2021, Credit Suisse paused its share repurchase program. However, we expect that the group will pay out dividends at about CHF0.2 per share. For subsequent years, we assume a payout of about 25% of net income through dividends.
- Credit Suisse's projected RAC ratio is also underpinned by the bank's issuance of CHF1.7 billion convertible instruments in May 2021, which converted to equity in November 2021.
- We do not expect the group to compensate investors for potential losses in the supply chain finance funds with a total amount of $10 billion, which the group closed in March 2021 reflected valuation uncertainties because of challenges faced by the Greensill group. As of Oct. 28, 2021, the cash that has been distributed and cash remaining in the funds totaled approximately $7.1 billion. These funds do not constitute a direct risk for Credit Suisse. However, tail risks from litigations because of these events pose risks to our RAC projection.

Reflecting convertible bonds issuance, regulatory capital ratios are improving by end-2021, and remain comfortably above minimum requirements. The group showed a sound 14.4% regulatory risk-weighted, fully loaded CET1 ratio as of Sept. 31, 2021. This compares with a 10.6% minimum regulatory requirement (including a temporary pillar II add-on). While there could be swings in capitalization in the medium term reflecting tail risks to profitability, primarily stemming from open legal cases, we expect that the group will be able to achieve its new internal target of above 14% pre-Basel III reforms by 2024. This will primarily be supported by the decreasing RWAs in the investment banking business.

Operating revenue from core business continues to improve. Losses in 2021 present a material setback to management, which had been working on closing the gap after years of restructuring. While issues reside with risk appetite and management, the group has made material progress to enhance the revenue base. With regard to underlying preprovisioning operating performance, Credit Suisse continues to deliver a robust track record. The group protected its net interest income over the first nine months of 2021, and reported a strong improvement in commission and fees.

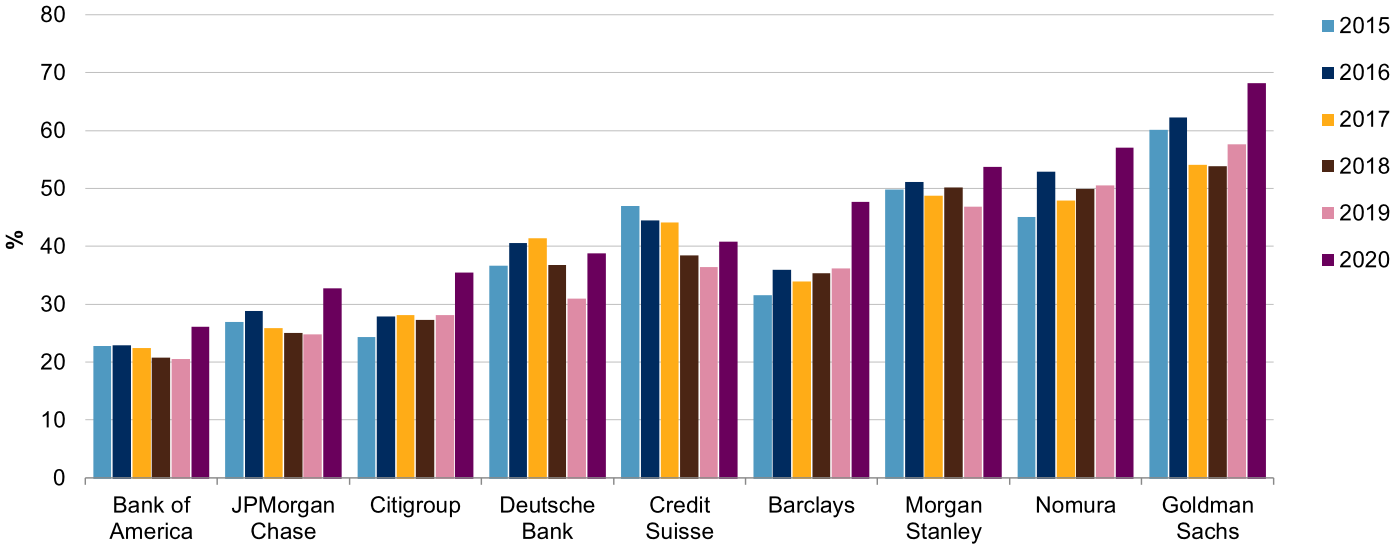
Operating expenses were on the rise over the first nine months of 2021, but this increase was mainly driven by costs in relation to the legal cases that emerged in 2021. Based on our earnings assumptions, Credit Suisse would show an average earnings buffer of 120 basis points (bps) on the group's S&P Global Ratings-calculated RWAs over the next two years, which is well in line with the projected peer average. (Our earnings buffer metric compares banks' normalized operating income with S&P Global Ratings' RWAs, with normalized operating income representing preprovision operating income after deducting both one-off items and our estimate of normalized through-the-cycle credit losses.)

Risk Position: A Complex Risk Profile With Tail Risks In Investment Banking, Asset Management, And Structured And Leveraged Products

Credit Suisse's risk profile entails market, operational, and nonfinancial risks that our RAC ratio might not fully capture. In particular, the group's business lines of investment banking and wealth management involve elevated exposure to litigation risk, and to operational and reputational risks. Credit Suisse is subject to a wide range of pending legal matters and might face an elevated litigation risk over the medium term because of recent events. Also, it is one of the leading banks in leveraged finance, which we generally regard as an activity with elevated risks. Combined, our strong capital and earnings and moderate risk position assessments are neutral to the ratings, in line with those of the bank's main peers. This reflects our view that Credit Suisse is appropriately capitalized for the risks it faces.

Chart 2

Credit Suisse Operates A Reduced, But Still Material, Investment Banking Segment
Capital markets revenue to total revenue



Note: Data for Credit Suisse based on new segment reporting from 2018. In 2019, Deutsche Bank exited equities sales and trading business. Nomura fiscal year ends in March. Data for Nomura for 2020 is as of six months ended September 2020. Source: Company disclosures and S&P Global Ratings.

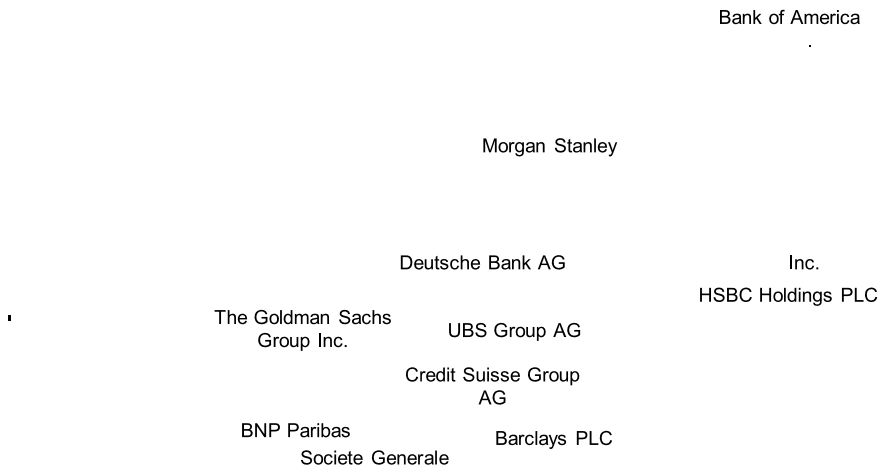
The group's lending is dominated by well-collateralized exposures that should help maintain adequate asset quality compared with that of global peers, especially those with a larger share of unsecured consumer lending. The asset quality of Credit Suisse's large and predominantly domestic lending book remains very strong, highlighting the exceptional resilience of Swiss customers to downturns. S&P Global Ratings' calculation of nonperforming assets increased to 1.13% of customer loans by third-quarter 2021, reflecting the Archegos impact. However, provisions cover the risks.

Funding And Liquidity: Adequate Liquidity Buffer And Funding In Line With Domestic Peers' Average

We view Credit Suisse's funding as average compared with Swiss peers, and the bank's liquidity position as adequate, which is an absolute view on how well placed it appears to be to withstand extended market or idiosyncratic stress. In our assessment, we consider both the bank's active management of asset and liability mismatches and the inherent funding risk, which we generally associate with a low share of guaranteed deposits.

Chart 3

Credit Suisse Funding And Liquidity Metrics In Line With Major Peers
As of -



Credit Suisse tapped the term funding market early in the pandemic, demonstrating its access to investors, albeit at higher costs--similar to peers. Furthermore, to date, there have been stable customer deposits in 2021, which indicates stickiness of customer deposits and highlights that there has been no material damage so far to the group's reputation

following the sequence of negative events in early 2021.

In our view, Credit Suisse prudently manages its asset and liability mismatches, including through extensive stress testing and forward-looking modeling of its liquidity position, both at the group and subsidiary levels. Credit Suisse's ratio of S&P Global Ratings-adjusted broad liquid assets to short-term wholesale funding was a comfortable 2.1x on Sept. 31, 2021, and its adjusted stable funding ratio was 118%. By comparison, it reported a weighted-average regulatory liquidity coverage ratio (LCR) of 221% on Sept. 31, 2021. The ratios indicate good liquidity buffers and sound matching of assets and liabilities. The high regulatory LCR also reflects that the sum of local requirements--including management buffers for the group's branches and subsidiaries--is higher than the consolidated minimum requirement of an LCR of 100%. Therefore, we anticipate that Credit Suisse's liquidity and funding metrics will remain at similar levels over the foreseeable future.

Although the amount of customer deposits exceeds the size of the group's loan book, we understand that many of Credit Suisse's depositors are high- and ultra-high-net-worth individuals, and corporate accounts. We generally consider wealth management and corporate deposits to be more sensitive to bank-specific risk than those in mass-market retail banking. For example, wealth management deposits tend to exceed the maximum amount covered by deposit guarantee schemes. We also consider investment banking as relying on the effective functioning of wholesale funding markets, so we see sensitivity to variations in investor confidence and refinancing risk.

Environmental, Social, And Governance

The group's size, complexity, and the role it plays in providing wealth management services to consumers mean that the good management of governance and social factors is crucial. As with Credit Suisse's peers, structural governance risk remains an issue in large, complex organizations and could cause reputational damage. The group is subject to a wide range of pending litigation. Recent events in 2020 and 2021 and frequent changes in the bank's management make the group a negative outlier in terms of its governance profile, compared with both European and U.S. peers. Issues regarding the potential negative impact on the group's franchise and reputation, and risks that ongoing investigations might reveal material weaknesses in the group's governance and risk culture, are reflected in our negative outlook.

Overall, we see environmental and social credit factors for Credit Suisse as broadly in line with industry and country peers. Social factors are important because of changing customer expectations and increased regulatory focus on banks' business conduct. In our view, conduct and compliance risks are particularly relevant for Credit Suisse, given its large international asset-gathering and investment bank businesses. Know-your-customer checks, anti-money-laundering controls, product design, and sales processes are important safeguards. Failings in these areas can lead to material adverse financial and reputational consequences. Credit Suisse has invested materially in strengthening its compliance function over the past five years. We think the bank is well advanced in its compliance tools and policies, particularly concerning data intelligence.

We see environmental risks as less likely to affect the group's credit quality. The main risk for the bank is transition risk in its lending portfolio because--like any large corporate and investment bank--it is exposed to sectors or industries that will have to adjust to the transition to a low-carbon economy. The group incorporates climate change and environmental factors in its risk management practices and has tightened its respective policies on some sensitive industries in recent years.

Support: Two Notches Of Uplift For Operating Entities Due To Strong Buffers Of Subordinated Capital In The Bail-In Resolution

We add two notches of uplift to the group stand-alone credit profile (SACP) to arrive at the long-term ICRs on Credit Suisse and its operating bank subsidiaries. This reflects the group's substantial buffers of subordinated bail-inable capital (additional loss-absorbing capacity [ALAC]), which largely resides at the holding company. We believe that these ALAC buffers would enable FINMA, the Swiss financial services regulator, to absorb losses and recapitalize Credit Suisse should it ever approach a point of nonviability. In our view, the group is subject to a well-defined resolution plan by FINMA thanks to its status as a global highly systemic financial institution and as Switzerland's second-largest banking group.

The group's ALAC buffer stood at 12.85% of S&P Global Ratings' RWAs as of Dec. 31, 2020, well above the 8.5% threshold we set for Credit Suisse for two notches of uplift. We consider this level of ALAC sustainable and likely to strengthen further. We use 5.25% and 8.50% thresholds for one or two notches of uplift for ALAC support, respectively, for the bank, because we consider that a material part of the group's loss-absorbing capacity will be prepositioned in its main subsidiaries in Switzerland, the U.K., and the U.S. Prepositioning could make it more difficult for Credit Suisse to deploy ALAC flexibly in a stress scenario than for banking groups without such requirements.

Group Structure, Rated Subsidiaries, And Hybrids

Group ratings

Credit Suisse Group AG is a non-operating holding company (NOHC). It is the parent of Credit Suisse AG, the group's principal operating bank, which in turn owns the group's other operations.

The 'BBB+' rating on Credit Suisse Group AG stands one notch below the 'a-' group SACP, which leads us to rate it three notches lower than the 'A+' rating on its core operating companies. This reflects Credit Suisse Group AG's structural subordination as an NOHC, and our view that it would not benefit from ALAC support. Credit Suisse Group AG has taken over the primary position for long-term capital markets funding for the group as it builds its buffer of bail-inable capital. Senior unsecured issuances by Credit Suisse Group AG count into bail-inable going concern capital under Swiss too-big-to-fail bank regulation. We understand that, under Swiss regulation, the holding company would be the first point of entry in resolution, forcing losses on the holding company bondholders without invoking a general default on the bank. We also rate a number of subsidiaries and branches:

- We rate Credit Suisse AG's various branches, and branches' debt obligations, at the same level as the ICR on Credit Suisse AG. For Credit Suisse AG Cayman Islands Branch, our ratings are not constrained by the respective host sovereign foreign currency ratings, and we regard Cayman Islands as an offshore branch.
- We view the main rated bank subsidiaries operating in Switzerland, the U.S., the U.K., and the EU as core to the group. We therefore equalize the ratings on these entities with those on Credit Suisse AG.
- We similarly rate Credit Suisse (USA) Inc., an intermediate holding company, at the level of Credit Suisse. We expect that Credit Suisse AG would route support for its subsidiaries in the U.S. through Credit Suisse (USA) Inc., because the entity plays an important role in the group's recovery and resolution plan. Furthermore, Credit Suisse has guaranteed fully and unconditionally on a senior basis all outstanding U.S.-registered debt securities issued by the entity.

- We rate two highly strategic Mexican subsidiaries--Casa de Bolsa Credit Suisse Mexico and Banco Credit Suisse Mexico--'mxAAA', using our Mexico national scale.
- We also rate debt obligations by Credit Suisse Group (Funding) Guernsey Ltd. and Credit Suisse Finance (U.S.) Inc. at the level of Credit Suisse Group AG, based on guarantees provided by the group holding company.

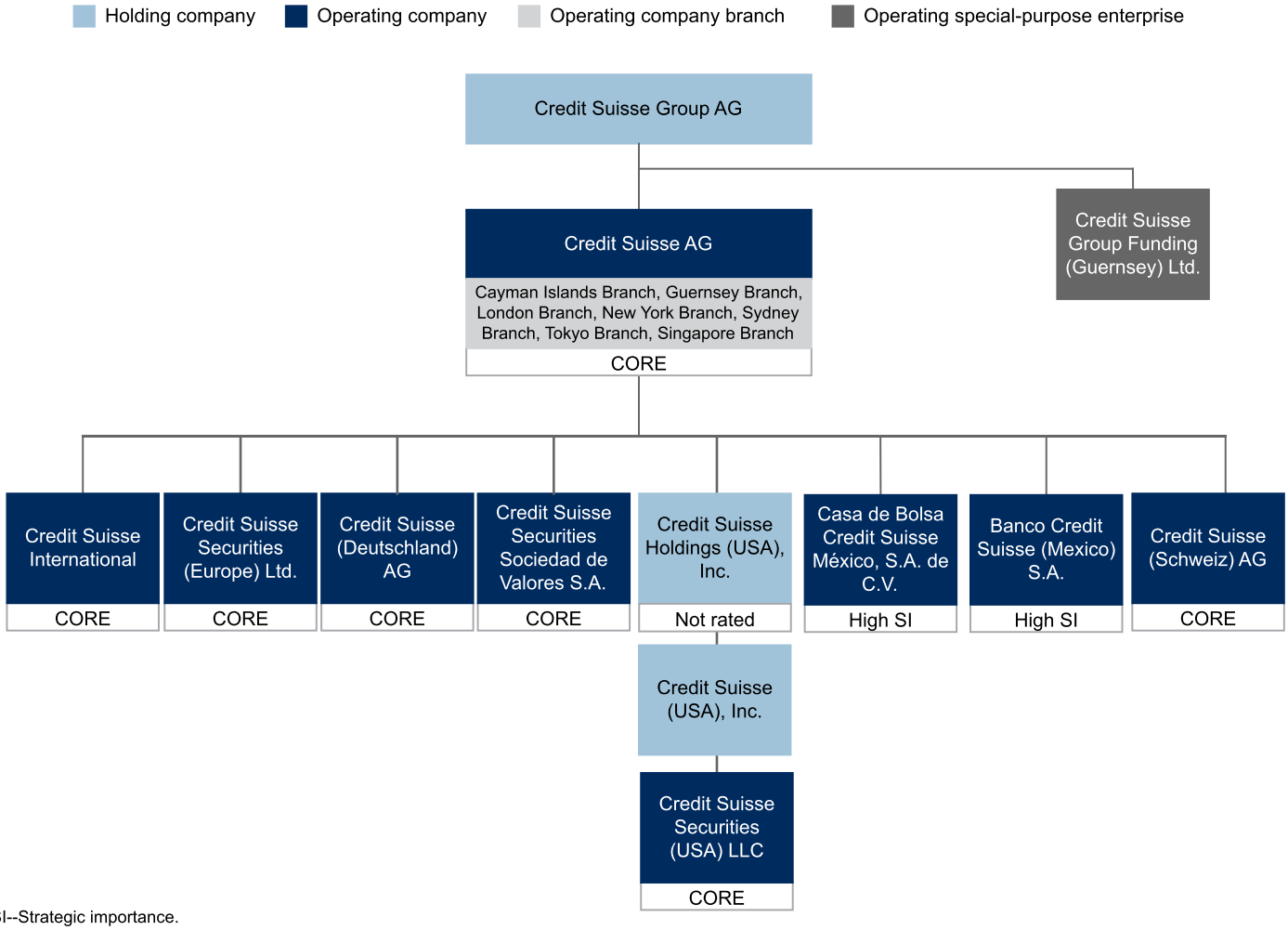
Hybrid issue ratings

Hybrid capital instruments are notched down from the 'a-' group SACP because we expect these instruments to be written down or converted into equity. Therefore, they do not benefit from the group's ALAC buffers.

- For hybrids issued by Credit Suisse Group AG, we also deduct one notch to reflect the structural subordination of holding company creditors.
- In addition, we deduct one notch due to the hybrids' contractual subordination to senior obligations, and a further notch due to the risk of write-down ahead of resolution, if the Swiss government were to recapitalize the group before it became nonviable. We assume that the Swiss government would seek to impose losses on regulatory capital instruments in such a scenario, typically detailed by explicit viability event clauses in these instruments' terms and conditions.
- We then deduct two further notches in our ratings on the group's additional tier 1 (AT1) instruments, reflecting their status as Tier 1 regulatory capital.
- We deduct an additional notch in our ratings on the group's AT1 instruments with a conversion or write-down trigger if the applicable Basel III CET1 ratio falls below 7%. We consider such a high trigger level as a going concern trigger, where we could lower the ratings depending on the distance of the actual ratio above the trigger level. We expect that the group's CET1 ratio is unlikely to fall below 11.5%, because the group's internal target is to restore and keep the ratio at 13%. We consider that the ratio will remain 301 bps-700 bps above the 7% threshold over the next 12-24 months, which is commensurate with the one-notch deduction.

Chart 4

Highly Simplified Overview Of Credit Suisse's Organizational Structure, Focusing On Rated Entities



SI--Strategic importance.

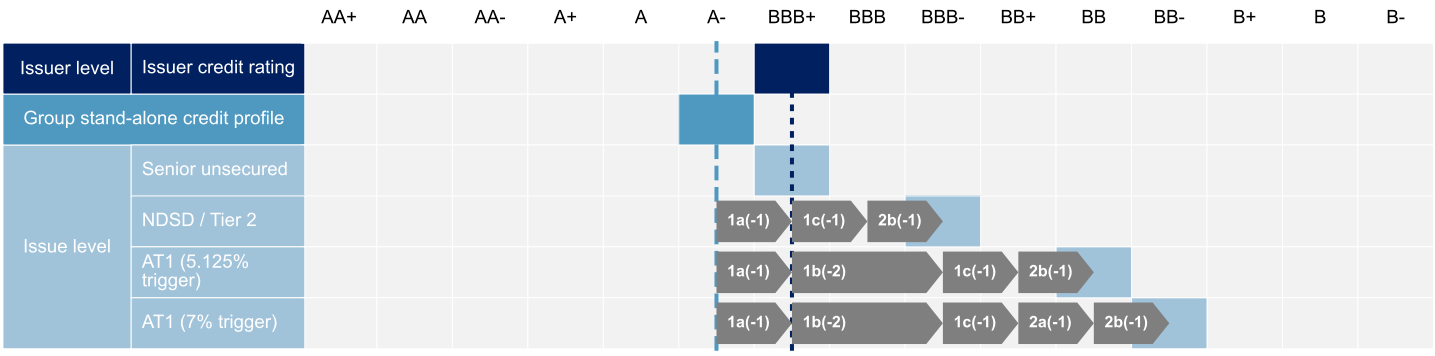
Resolution Counterparty Ratings (RCRs)

We set the RCRs on Credit Suisse AG and subsidiaries in Switzerland, the U.K., Spain, and Germany one notch above our 'A+' long-term ICRs. This reflects the typical approach under our RCR framework when the ICR ranges from 'BBB-' to 'A+'. It also reflects our jurisdiction assessments on these countries. By contrast, our RCR on U.S.-based Credit Suisse Securities (USA) LLC is at the same level as the ICR on this entity, given that we conclude that, in the U.S., there is insufficient visibility on whether certain senior liabilities have lower default risk than others in a bail-in resolution.

An RCR is a forward-looking opinion of the relative default risk of certain senior liabilities that may be protected from default through an effective bail-in resolution process for the issuing financial institutions. RCRs apply to issuers in

jurisdictions where we assess the resolution regime to be effective and we consider the issuer likely to be subject to a resolution that entails a bail-in if it reaches nonviability.

Credit Suisse Group AG: NOHC Notching



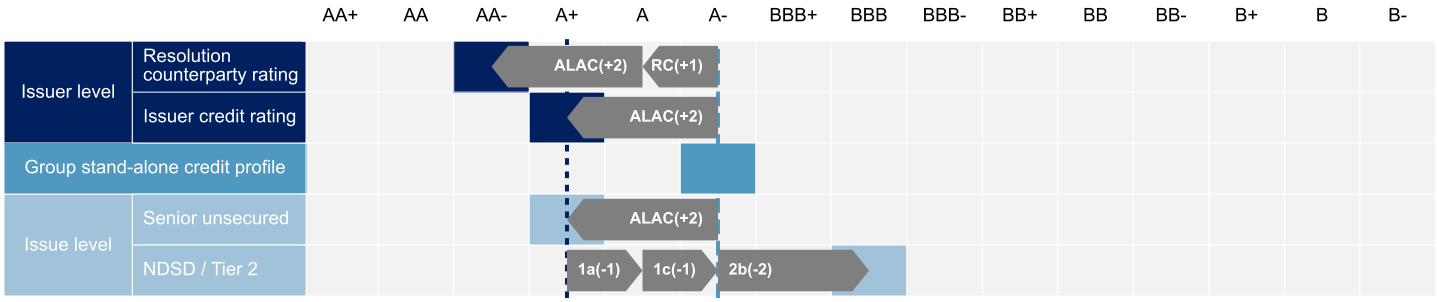
Key to notching

-----	Group stand-alone credit profile
------	Issuer credit rating
1a	Contractual subordination
1b	Discretionary or mandatory nonpayment clause and whether the regulator classifies it as regulatory capital
1c	Mandatory contingent capital clause or equivalent
2a	Mandatory going-concern, regulatory capital-based trigger (either statutory or contractual)
2b	Other nonpayment or default risk not captured already

Credit Suisse Group AG

Note: The number-letter labels in the table above are in reference to the notching steps we apply to hybrid capital instruments, as detailed in table 3 of our "Hybrid Capital: Methodology And Assumptions" criteria, published on July 1, 2019.
The nonoperating holding company (NOHC) issuer credit rating and senior unsecured debt ratings are notched from the group stand-alone credit profile (SACP) under our criteria. Since ALAC notching does not benefit NOHCs, for simplicity the diagram above is stylized to show the positioning of these ratings with reference to the group SACP.
AT1--Additional Tier 1. NDSD--Non-deferrable subordinated debt.

Credit Suisse AG: Notching



Key to notching

- – – – Group stand-alone credit profile
- - - - Issuer credit rating
- RC Resolution counterpartyliabilities (senior secured debt)
- ALAC Additional loss-absorbing capacity buffer
- 1a Contractual subordination
- 1c Mandatory contingent capital clause or equivalent
- 2b Other nonpayment or default risk not captured already

Note: The number-letter labels in the table above are in reference to the notching steps we apply to hybrid capital instruments, as detailed in table 3 of our "Hybrid Capital: Methodology And Assumptions" criteria, published on July 1, 2019.
NDSD--Non-deferrable subordinated debt.

Key Statistics

Table 1

Credit Suisse Group AG--Key Figures

	--Year ended Dec. 31--				
(Mil. CHF)	**2021***	**2020**	**2019**	**2018**	**2017**
Adjusted assets	801,040.0	801,159.0	782,341.0	763,931.0	791,324.0
Customer loans (gross)	297,956.0	290,905.0	295,884.0	287,887.0	277,894.0
Adjusted common equity	37,114.0	35,312.4	36,216.0	35,295.0	34,366.4
Operating revenues	17,154.0	21,118.0	20,959.0	19,590.0	19,483.0
Noninterest expenses	11,297.0	15,374.0	15,657.0	15,114.0	16,502.0
Core earnings	696.4	3,574.1	3,615.0	3,191.0	2,024.0

*Data as of Sept. 30. CHF--Swiss franc.

Table 2

Credit Suisse Group AG--Business Position

	--Year ended Dec. 31--				
(%)	**2021***	**2020**	**2019**	**2018**	**2017**
Total revenues from business line (mil. CHF)	18,114.0	22,389.0	22,484.0	20,920.0	20,900.0
Commercial banking/total revenues from business line	11.8	11.4	12.1	12.1	11.9
Retail banking/total revenues from business line	27.2	30.4	32.8	32.0	30.4

Table 2

Credit Suisse Group AG--Business Position (cont.)

	--Year ended Dec. 31--				
(%)	**2021***	**2020**	**2019**	**2018**	**2017**
Commercial and retail banking/total revenues from business line	39.0	41.8	44.9	44.1	42.3
Trading and sales income/total revenues from business line	37.6	41.5	38.8	36.2	38.3
Corporate finance/total revenues from business line	17.9	13.2	10.9	15.2	15.9
Asset management/total revenues from business line	5.9	4.9	7.3	7.4	7.3
Other revenues/total revenues from business line	(0.4)	(1.4)	(1.9)	(2.9)	(3.8)
Investment banking/total revenues from business line	55.5	54.7	49.8	51.4	54.2
Return on average common equity	1.3	6.2	7.8	4.7	(2.3)

*Data as of Sept. 30. CHF--Swiss franc.

Table 3

Credit Suisse Group AG--Capital And Earnings

	--Year ended Dec. 31--				
(%)	**2021***	**2020**	**2019**	**2018**	**2017**
Tier 1 capital ratio	20.2	18.6	17.1	16.2	18.9
S&P Global Ratings' RAC ratio before diversification	N/A	12.4	13.0	11.5	11.7
S&P Global Ratings' RAC ratio after diversification	N/A	13.7	14.3	12.9	13.0
Adjusted common equity/total adjusted capital	75.2	75.2	75.2	78.1	75.2
Net interest income/operating revenues	26.2	28.2	33.5	35.8	33.7
Fee income/operating revenues	53.5	50.2	47.1	54.3	53.3
Market-sensitive income/operating revenues	16.9	19.2	13.7	4.9	7.2
Cost-to-income ratio	65.9	72.8	74.7	77.2	84.7
Preprovision operating income/average assets	1.0	0.7	0.7	0.6	0.4
Core earnings/average managed assets	0.1	0.4	0.5	0.4	0.3

*Data as of Sept. 30. N/A--Not applicable. RAC--Risk-adjusted capital.

Table 4

Credit Suisse Group AG--Risk-Adjusted Capital Framework Data

(Mil. CHF)	**Exposure***	**Basel III RWA**	**Average Basel III RW(%)**	**S&P Global Ratings' RWA**	**Average S&P Global Ratings' RW (%)**
Credit risk					
Government and central banks	139,300.0	2,216.0	2.0	6.0	0.0
Of which regional governments and local authorities	0.0	0.0	0.0	0.0	0.0
Institutions and CCPs	59,409.0	11,759.0	20.0	13,009.0	22.0
Corporate	187,228.0	101,658.0	54.0	142,567.0	76.0
Retail	206,213.0	35,010.0	17.0	61,186.0	30.0
Of which mortgage	114,342.0	20,549.0	18.0	39,433.0	34.0
Securitization§	56,744.0	12,963.0	23.0	22,546.0	40.0
Other assets†	17,134.0	18,503.0	108.0	27,635.0	161.0
Total credit risk	666,028.0	182,109.0	27.0	266,950.0	40.0

Table 4

Credit Suisse Group AG--Risk-Adjusted Capital Framework Data (cont.)

Credit valuation adjustment					
Total credit valuation adjustment	--	8,500.0	--	11,050.0	--
Market risk					
Equity in the banking book	1,942.0	8,000.0	412.0	15,469.0	797.0
Trading book market risk	--	18,317.0	--	22,565.0	--
Total market risk	--	26,317.0	--	38,033.0	--
Operational risk					
Total operational risk	--	58,650.0	--	63,632.0	--
	Exposure	**Basel III RWA**	**Average Basel II RW (%)**	**S&P Global Ratings' RWA**	**% of S&P Global Ratings' RWA**
Diversification adjustments					
RWA before diversification	--	275,576.0	--	379,666.0	100.0
Total diversification/ Concentration adjustments	--	--	--	(36,900.0)	(10.0)
RWA after diversification	--	275,576.0	--	342,766.0	90.0
		Tier 1 capital	**Tier 1 ratio (%)**	**Total adjusted capital**	**S&P Global RAC ratio (%)**
Capital ratio					
Capital ratio before adjustments		51,192.0	18.6	46,965.0	12.4
Capital ratio after adjustments‡		51,192.0	18.6	46,965.0	13.7

*Exposure at default. §Securitization exposure includes the securitization tranches deducted from capital in the regulatory framework. †Exposure and S&P Global Ratings' risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions. ‡Adjustments to tier 1 ratio are additional regulatory requirements (e.g. transitional floor or pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. CHF--Swiss franc. Sources: Company data as of Dec. 31, 2020, S&P Global Ratings.

Table 5

Credit Suisse Group AG--Risk Position

	--Year ended Dec. 31--				
(%)	**2021***	**2020**	**2019**	**2018**	**2017**
Growth in customer loans	3.2	(1.7)	2.8	3.6	1.5
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	(9.7)	(9.3)	(11.1)	(10.3)
Total managed assets/adjusted common equity (x)	21.7	22.8	21.7	21.8	23.2
New loan loss provisions/average customer loans	1.9	0.4	0.1	0.1	0.1
Net charge-offs/average customer loans	0.1	0.1	0.1	0.1	0.1
Gross nonperforming assets/customer loans + other real estate owned	0.8	0.8	0.6	0.6	0.6
Loan loss reserves/gross nonperforming assets	54.6	65.3	50.9	50.1	56.5

*Data as of Sept. 30. N/A--Not applicable. RWA--Risk-weighted assets.

Table 6

Credit Suisse Group AG--Funding And Liquidity

	--Year ended Dec. 31--				
(%)	**2021***	**2020**	**2019**	**2018**	**2017**
Core deposits/funding base	58.5	52.4	48.8	53.4	50.1

Table 6

Credit Suisse Group AG--Funding And Liquidity (cont.)

	--Year ended Dec. 31--				
(%)	**2021***	**2020**	**2019**	**2018**	**2017**
Customer loans (net)/customer deposits	74.1	81.3	91.0	84.2	84.7
Long-term funding ratio	81.8	79.7	74.7	80.0	77.3
Stable funding ratio	118.1	114.9	105.3	112.6	110.3
Short-term wholesale funding/funding base	19.7	22.0	27.3	21.6	24.4
Broad liquid assets/short-term wholesale funding (x)	2.1	1.9	1.5	2.0	1.8
Net broad liquid assets/short-term customer deposits	36.8	37.3	28.1	39.1	40.9
Short-term wholesale funding/total wholesale funding	44.9	44.0	51.3	44.8	47.2
Narrow liquid assets/3-month wholesale funding (x)	3.3	2.3	1.8	2.4	2.4

*Data as of Sept. 30.

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Financial Institutions | General: Methodology For Assigning Financial Institution Resolution Counterparty Ratings, April 19, 2018
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Financial Institutions | Banks: Bank Rating Methodology And Assumptions: Additional Loss-Absorbing Capacity, April 27, 2015
- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- Criteria | Financial Institutions | Banks: Assessing Bank Branch Creditworthiness, Oct. 14, 2013
- Criteria | Financial Institutions | Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Criteria | Financial Institutions | Banks: Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- Criteria | Financial Institutions | Banks: Commercial Paper I: Banks, March 23, 2004

Related Research

- Bulletin: Credit Suisse AG's Sharpened Focus On Sustainable Returns Supports Credit Metrics, For Now, Nov. 9, 2021
- 2021 EU Bank Stress Test: More Demanding, Better Resilience, Aug. 2, 2021
- Global Banking Country Outlook Midyear 2021: Tantalizing Signs Of Stability, July 22, 2021
- A Little More Clarity, A Little Less Gloom: An Update On Our Bank Credit Loss Forecasts, July 15, 2021
- As Near-Term Risks Ease, The Relentless Profitability Battle Lingers For European Banks, June 24, 2021
- Banking Industry Country Risk Assessment: Switzerland, Jan. 6, 2021

Anchor Matrix

Industry Risk	Economic Risk									
	1	2	**3**	4	5	6	7	8	9	10
1	a	a	a-	bbb+	bbb+	bbb	-	-	-	-
2	a	a-	**a-**	bbb+	bbb	bbb	bbb-	-	-	-
3	a-	a-	bbb+	bbb+	bbb	bbb-	bbb-	bb+	-	-
4	bbb+	bbb+	bbb+	bbb	bbb	bbb-	bb+	bb	bb	-
5	bbb+	bbb	bbb	bbb	bbb-	bbb-	bb+	bb	bb-	b+
6	bbb	bbb	bbb-	bbb-	bbb-	bb+	bb	bb	bb-	b+
7	-	bbb-	bbb-	bb+	bb+	bb	bb	bb-	b+	b+
8	-	-	bb+	bb	bb	bb	bb-	bb-	b+	b
9	-	-	-	bb	bb-	bb-	b+	b+	b+	b
10	-	-	-	-	b+	b+	b+	b	b	b-

Ratings Detail (As Of December 6, 2021)*

Credit Suisse Group AG		
Issuer Credit Rating		BBB+/Negative/NR
Junior Subordinated		BB
Junior Subordinated		BB-
Senior Unsecured		BBB+
Issuer Credit Ratings History		
30-Mar-2021	*Foreign Currency*	BBB+/Negative/NR
03-Feb-2015		BBB+/Stable/NR
29-Apr-2014		A-/Negative/NR
30-Mar-2021	*Local Currency*	BBB+/Negative/NR
03-Feb-2015		BBB+/Stable/NR
29-Apr-2014		A-/Negative/NR
Sovereign Rating		
Switzerland		AAA/Stable/A-1+

Ratings Detail (As Of December 6, 2021)*(cont.)	
Related Entities	
Banco Credit Suisse Mexico S.A.	
Issuer Credit Rating	
CaVal (Mexico) National Scale	mxAAA/Stable/mxA-1+
Casa de Bolsa Credit Suisse Mexico S. A. de C. V.	
Issuer Credit Rating	
CaVal (Mexico) National Scale	mxAAA/Stable/mxA-1+
Credit Suisse AG	
Issuer Credit Rating	A+/Negative/A-1
Resolution Counterparty Rating	AA-/--/A-1+
Senior Unsecured	A+
Subordinated	BBB
Credit Suisse AG (Cayman Islands Branch)	
Issuer Credit Rating	A+/Negative/A-1
Resolution Counterparty Rating	AA-/--/A-1+
Credit Suisse AG (Guernsey Branch)	
Senior Unsecured	A+
Credit Suisse AG (London Branch)	
Senior Unsecured	A+
Subordinated	BBB
Credit Suisse AG (New York Branch)	
Issuer Credit Rating	A+/Negative/A-1
Resolution Counterparty Rating	AA-/--/A-1+
Commercial Paper	
Local Currency	A-1
Senior Unsecured	A+
Credit Suisse AG (Sydney Branch)	
Senior Unsecured	A+
Credit Suisse AG (Tokyo Branch)	
Senior Unsecured	A+
Credit Suisse Bank (Europe) S.A.	
Issuer Credit Rating	A+/Negative/A-1
Resolution Counterparty Rating	AA-/--/A-1+
Credit Suisse (Deutschland) AG	
Issuer Credit Rating	A+/Negative/A-1
Resolution Counterparty Rating	AA-/--/A-1+
Credit Suisse International	
Issuer Credit Rating	A+/Negative/A-1
Resolution Counterparty Rating	AA-/--/A-1+
Senior Unsecured	A+
Credit Suisse (Schweiz) AG	
Issuer Credit Rating	A+/Negative/A-1
Resolution Counterparty Rating	AA-/--/A-1+

Ratings Detail (As Of December 6, 2021)*(cont.)	
Credit Suisse Securities (Europe) Ltd.	
Issuer Credit Rating	A+/Negative/A-1
Resolution Counterparty Rating	AA-/--/A-1+
Credit Suisse Securities (USA) LLC	
Issuer Credit Rating	A+/Negative/A-1
Resolution Counterparty Rating	A+/--/A-1
Credit Suisse (Singapore Branch)	
Senior Unsecured	A+
Credit Suisse (USA) Inc.	
Issuer Credit Rating	A+/Negative/A-1
Senior Unsecured	A+

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.