S&P Global
Ratings

RatingsDirect®

Credit Suisse Group AG (Holding Company)

Credit Suisse AG (Lead Bank)

Primary Credit Analyst:
Anna Lozmann, Frankfurt (49) 69-33-999-166; anna.lozmann@spglobal.com

Secondary Contact:
Bernd Ackermann, Frankfurt (49) 69-33-999-153; bernd.ackermann@spglobal.com

Support Analyst:
Gabriel Zwicklhuber, Frankfurt + 49(0)6933999169; gabriel.zwicklhuber@spglobal.com

Table Of Contents

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+/Stable/A-1
Resolution Counterparty Rating
AA-/--/A-1+
Bank Holding Company ICR
BBB+/Stable/NR

Major Rating Factors

Strengths:	Weaknesses:
• High levels of capital to absorb losses as a going concern and in a resolution scenario. • Stable and low-risk earnings from leading global wealth management franchise and Swiss retail, private, and corporate banking. • Demonstrated sound asset quality and a highly collateralized lending book.	• Market and operational risks from large markets-related businesses represent a high share of revenues. • Material exposure to leveraged finance and some areas of structured products, which could be particularly hit by the pandemic. • Activities are less diverse by geography and business line than higher rated peers.

Outlook : Stable

The stable outlooks reflect our view that the group's strong franchise in global wealth management and domestic corporate and retail banking will continue to support earnings, despite adverse global economic and market conditions. In addition, the group's strong capital reserves and prudent risk management will help to buffer against these increasing risks. This includes our expectation that economic risk for some countries of operations could increase as a result of the pandemic.

Our stable outlook also reflects continued gradual rebalancing of the group's revenue mix away from investment banking and trading-related activities and our expectations of only low litigation costs.

Downside scenario

We could lower the ratings on Credit Suisse Group AG, Credit Suisse AG, and other operating subsidiaries if credit losses and fair value adjustments for loans materially exceed our current base-case projections, or if material new litigation risks emerge. This could be followed by downward rating pressure if these risks jeopardized our projection of a risk-adjusted capital (RAC) ratio comfortably above 10%. The group was affected by high-profile governance issues in the second half of 2019, which culminated with the departure of its CEO. Even if we do not expect these issues to impact the group's strategy or weaken its reputation, we could also lower the rating if a fundamental management control failure was revealed as a result of the ongoing regulatory investigation into the recent corporate espionage episode, or if we saw a repetition of other governance-related issues.

Upside scenario

We consider an upgrade of holding company Credit Suisse Group AG and its operating subsidiaries including Credit Suisse AG as unlikely over our 12-24 month outlook horizon in light of macroeconomic pressures and potential market volatility from the COVID-19 pandemic. We consider banking groups with higher group stand-alone credit profiles (group SACPs) typically have more diversified and larger franchises than Credit Suisse and show longer records of sound profitability across their business lines.

Rationale

We base our ratings on Credit Suisse on its globally diversified business mix with a high and growing share of wealth management activities. We also take into account its strong footprint and domicile in Switzerland, which contributes to about half of the group's pre-tax income and which we continue to regard as one of the most resilient countries worldwide. We think the group's focus on Switzerland and wealth management clients significantly mitigates the risk to revenues and from certain pockets of credit exposure amid the COVID-19 pandemic, which has led to a weakened economic and operating environment for some of Credit Suisse's main markets.

The rating is constrained by the relatively large size of Credit Suisse's markets-related activities. These still represent a high share of revenues and there is a material exposure to leveraged finance and structured credits, which we generally regard as activities with relatively high risks. These activities may be particularly hit during downturns. The group's

business mix also results in a range of market, litigation, and other nonfinancial risks, similar to its main peers. At the same time, Credit Suisse has reduced the risk profile of its investment banking activities and strengthened its risk management and compliance functions over the past few years, which we think help to limit the losses amid the current downturn.

In our view, Credit Suisse is appropriately capitalized for the risks it faces. It shows strong capital ratios, underpinned by our projection of its RAC ratio at 11.5%-12.0% by 2021. We also anticipate that the group will retain an adequately matched liquidity and funding profile amid the challenging environment.

These factors lead to an 'a-' group SACP. In our assessment, we compare Credit Suisse with other banks that have major global franchises in wealth management and investment banking. This includes BNP Paribas (group SACP of 'a'), UBS ('a'), Morgan Stanley ('a-'), Barclays ('bbb+'), Societe Generale ('bbb+'), Deutsche Bank ('bbb'), and some further large U.S. investment and universal banks. Compared with UBS--its closest peer that we assess in a higher business position category--we regard Credit Suisse's wealth management franchise as smaller and more narrowly focused. We consider that other international banking groups with higher group SACPs typically have more diversified and larger franchises than Credit Suisse and longer records of sound profitability across their business lines.

We apply two notches of uplift to the group SACP to arrive at the 'A+' long-term issuer credit rating (ICR) on Credit Suisse AG and the other operating subsidiaries to reflect that Credit Suisse will maintain substantial buffers of bail-in-able debt instruments.

We set the resolution counterparty ratings (RCRs) on Credit Suisse AG and subsidiaries in Switzerland and the U.K. at 'AA-', one notch above our long-term ICRs, while we align our RCR on U.S.-based Credit Suisse Securities (USA) LLC with the 'A+' ICR.

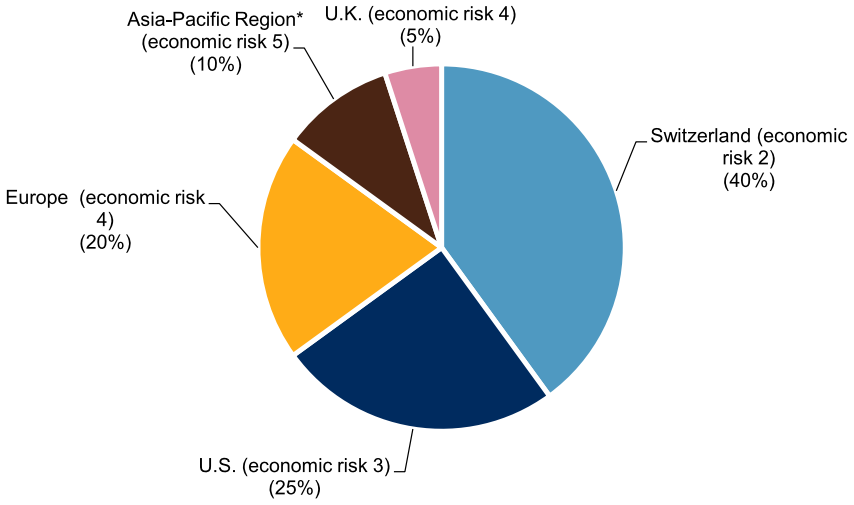
Anchor: 'a-', owing to the Swiss home market and a global blend of exposures

The 'a-' anchor (the starting point in assigning an ICR) reflects Credit Suisse's regulatory domicile, Switzerland, and its geographic mix of credit exposure. It benefits from the high share of exposure to Switzerland, which counts 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 worldwide.

We use our Banking Industry Country Risk Assessment (BICRA) economic risk and industry risk scores to determine a bank's anchor. We establish a weighted-average economic risk score of '3' for Credit Suisse's mix of exposures, on a scale of 1-10 (1 being the lowest risk and 10 the highest). The '3' score for Credit Suisse is weaker than the '2' that we assign for banks operating in Switzerland only, but not to the extent that it would negatively affect the anchor. This could be the case if the weighted-average score were to deteriorate toward '4'. As we see rising economic risks in many countries where the group is active, in our base case we expect the weighted-average to deteriorate, but not to the extent that it would lead us to revise downward the anchor.

Chart 1

Credit Suisse Group's Weighted-Average Economic Risk Score Benefits From Switzerland's Strength



Note: Data reflects gross credit exposure by geography as of Dec. 31, 2019 (rounded to nearest 5%). *Includes also some countries outside the region, which economic risk is similar to that of Asia-Pacific-Region. Sources: Credit Suisse disclosure and S&P Global Ratings.

We expect Switzerland's economy to contract materially in 2020 due to the spread of COVID-19, but to fully recover over the coming two years. Under this base case, we think the Swiss banking sector will remain resilient, supported by the country's diversified and competitive economy, very high household income levels, and a proven stress-resilient corporate sector. We think Swiss authorities' material support measures for domestic firms and households should cushion the short-term effect on Swiss banks' loan books. Additionally, we view positively banks' prudent loan underwriting standards and high collateralization of the residential mortgage loans, which dominate most banks customer portfolios. Considering these factors, we expect only a limited increase in credit losses, from historical low levels. We also expect that affordability risk in the housing market could slightly reduce over the coming years as price growth in the owner-occupied segment is likely to remain muted in the wake of the pandemic. However, we note that a particular, ongoing risk is the investment property segment (estimated 30% of the market), where we already observed signs of a price correction before the COVID-19 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 contained. We view positively the limited presence of foreign players, the banks' high capitalization levels in an international comparison, and their low reliance on capital markets for funding. In our view, the Swiss regulator's initiatives remain more stringent than those in other European banking sectors. We expect that banks' net interest margins will further decline gradually in a permanent low interest-rate

environment, as higher-yield assets mature and retail deposit rates remain floored at zero. However, we expect that repricing of lending products, additional fee income from investment advisory-related activities, and ongoing cost management can offset some of the pressure. We consider risk for Swiss banks from tech disruption as limited as of today, given the population's preference for cash payments, the small size of the market with high barriers of entry, and technologically well-equipped banks.

Table 1

Credit Suisse Group AG Key Figures

	2020*	2019	2018	2017	2016
		--Year ended Dec. 31--			
Adjusted assets	827,283	782,341	763,931	791,324	814,735
Customer loans (gross)	302,888	295,884	287,887	277,894	273,871
Adjusted common equity	36,384	36,216	35,295	34,366	31,050
Operating revenues	5,431	20,959	19,590	19,483	18,444
Noninterest expenses	3,647	15,657	15,114	16,502	17,627
Core earnings	1,326	3,615	3,191	2,024	124

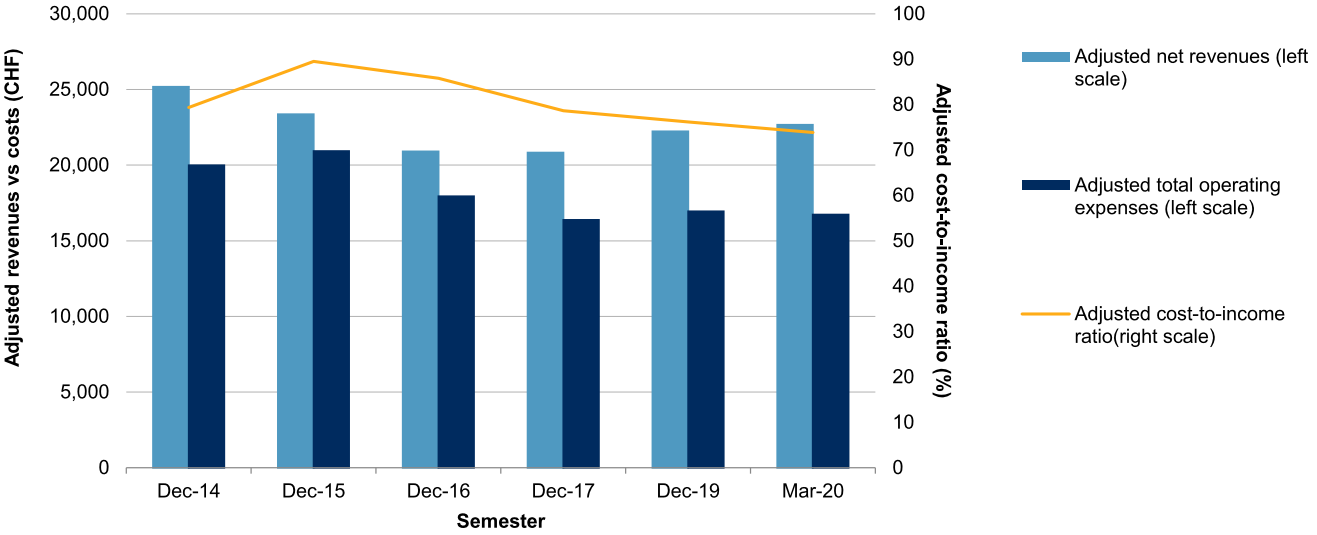
*As of March 31.

Business position: One of the largest global wealth managers

Credit Suisse is a diversified universal banking group that ranks among the largest global wealth managers, having a particular focus on ultra-high-net-worth individuals, and among the top 10 banks globally in terms of aggregate capital market revenues. Next to UBS AG, it is also the leading retail, private, and corporate bank in Switzerland. Credit Suisse recently rebalanced its revenue and capital resources away from confidence-sensitive and volatile investment banking and trading-related activities toward wealth management and domestic activities. This resulted in stronger efficiency and de-risking, which supports our view of the group's resilience in the current downturn.

Chart 2

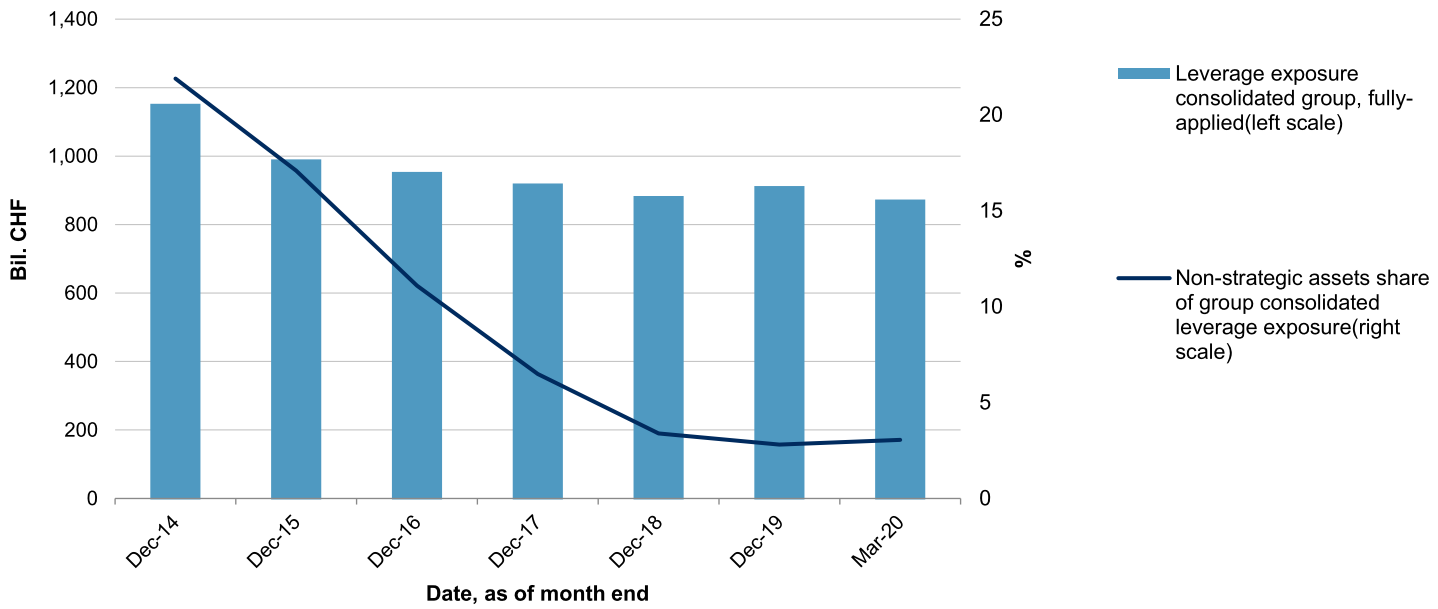
Restructuring Trimmed Costs, Lifted Revenues, And Reduced Risk Exposure
Credit Suisse Group (consolidated)--RTM revenues and expenses



Source: Credit Suisse disclosure and S&P Global Ratings. 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 revenues. CHF--Swiss franc. RTM--Rolling 12 months.

Chart 3

Restructuring Cut Leverage Exposure And Non-Strategic Assets
Evolution of Credit Suisse Group's leverage exposure and non-strategic assets

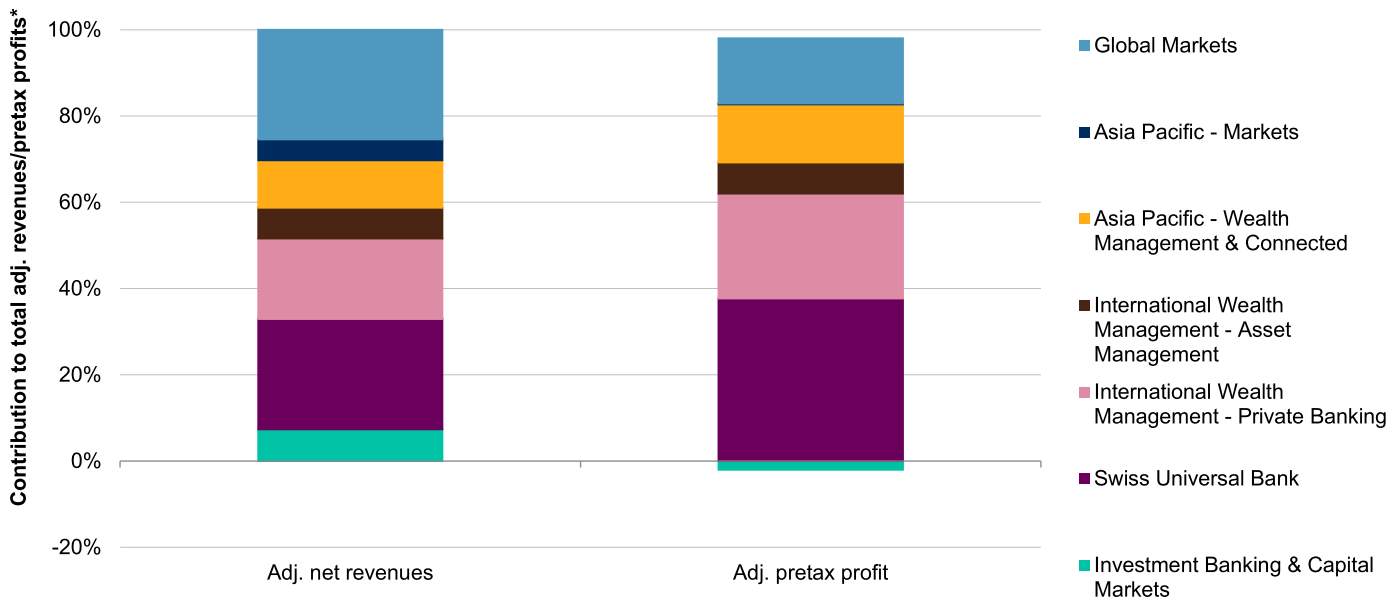


Source: Credit Suisse disclosure and S&P Global Ratings. Leverage exposure metric on a regulatory look-through basis. CHF--Swiss franc.

Domestic business and wealth management activities contribute to about 60% of revenues and more than two thirds of risk-weighted assets. As of end-March 2020, wealth management and asset management divisions managed assets worth approximately Swiss franc (CHF) 1.4 trillion and demonstrate low volatility in revenues, sound recurring net inflows of assets under management, and a stable trend in net earnings margin.

Chart 4

Wealth Management And Swiss Business Are The Biggest Revenue Sources
Credit Suisse group's operating revenues by division for 2019*



Sources: Credit Suisse disclosure and S&P Global Ratings. *Based on adjusted revenues and adjusted pretax profits for each division (excludes Corporate Center).

A competitive investment bank offering is a key part of Credit Suisse's business model. It allows the group to service ultra-high-net-worth individuals and corporate customers globally. Rising revenues from collaboration between business divisions support group profitability. However, we still consider the share of group revenues from investment banking and global markets divisions, including Asia-Pacific markets, as above peer average. Since the restructuring, the share has been gradually reducing, but remains relatively high at 40% of total operating revenues.

Our business position assessment also reflects that the starting point for our ratings (the 'a-' anchor) on Credit Suisse is higher than for its global peers because it is domiciled in Switzerland, while it is exposed to a similar competitive dynamic in its investment banking activities as these peers.

Environmental and social governance (ESG)

Overall, we see ESG credit factors for Credit Suisse as broadly in line with industry and country peers. We believe that management has demonstrated a sound ability to execute its operational plans of enhancing earnings sustainably while reducing its risk profile. We do not expect recent high-profile governance issues, relating to observation allegations, to hinder the group's strategy or weaken its reputation. We don't see the incident as evidence of a fundamental management control failure. Internal and external investigations did not find any indication that members of the executive board (except the former COO) or board of directors had any knowledge of the surveillance activity. That

said, as with Credit Suisse's peers, structural governance risk remains an issue in large, complex organizations and could cause reputational damage. The recent departures of executive board members, including the group's CEO, and tensions between some shareholders and the group's chairman, are negative for the group. We view Credit Suisse's franchise as solid enough to withstand the developments, although we also believe there is a rising risk that credit quality could be more sensitive to this governance risk.

Social factors are important due to 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 since the end of 2015. We think the bank is now well advanced in its compliance tools and policies, particularly concerning data intelligence. Separately, Credit Suisse is subject to a wide range of pending litigation matters, mainly related to transactions from before the financial crisis. None of them represents a material financial or franchise risk, however.

We see environmental risks as less likely to affect the group's credit quality. Credit Suisse's wealth management clients might increasingly consider such factors in their investment decisions. 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. It incorporates climate change and environmental factors in its risk management practices and has tightened its respective policies on some sensitive industries in recent years.

Table 2

Credit Suisse Group AG Business Position

	2020*	2019	2018	2017	2016
		--Year ended Dec. 31--			
Total revenues from business line (currency in millions)	5,776	22,484	20,920	19,483	18,868
Commercial banking/total revenues from business line	12.31	12.23	12.31	12.83	10.89
Retail banking/total revenues from business line	41.55	41.52	40.59	41.61	42.55
Commercial & retail banking/total revenues from business line	53.86	53.75	52.90	54.44	53.44
Trading and sales income/total revenues from business line	36.60	33.56	32.32	28.49	29.13
Corporate finance/total revenues from business line	3.17	7.41	10.41	20.72	22.23
Asset management/total revenues from business line	7.64	7.20	7.28	7.74	7.03
Other revenues/total revenues from business line	(1.26)	(1.92)	(2.91)	(11.38)	(11.85)
Investment banking/total revenues from business line	39.77	40.97	42.72	49.21	51.37
Return on average common equity	11.39	7.81	4.72	(2.35)	(6.28)

*As of March 31.

Capital and earnings: Strong capitalization and risk return in line with the peer average

Credit Suisse shows strong capital ratios. In our base case, we project that our main capital indicator, our RAC ratio, for Credit Suisse will mildly dilute to a still comfortable 11.5%-12.0% in the next 12-24 months, from 13% at end-2019, which is higher than that of most peers. However, we expect peer relativities to persist. We anticipate that capital consumption will mainly be the result of loan exposure growth and higher market risk-weighted assets, which we think

will exceed internal capital accumulation medium term. As is also the case for peers, the latter is likely to remain depressed in the next two years on the back of a material increase in loan-loss provisions as well as an increase in losses for the fair valued part of the loan portfolio. We also expect revenue declines due to generally lower transaction volumes and interest margin compression in light of lower market rates.

At the same time, the overall effect on the bottom line is likely to remain contained. We expect net income for 2020 to drop by only about 25% compared with 2019. In our base case, we assume Credit Suisse will achieve a pretax profit of CHF2.5 billion-CHF3.0 billion in 2020, with credit-loss provisions expected to soar by 50 basis points (bps). As with peers, we expect risk costs to remain high in 2021, allowing Credit Suisse to return to growth only slowly. We project return on tangible equity will hover at about 5% in 2020-2021.

Our capital projection takes into account that management has announced its plan to pay out at least 50% of net income through dividends or share buybacks. Credit Suisse paused its share repurchase program and is deferring one-half of the dividend payments until the second half of the year at the request of FINMA, the Swiss regulator. This, however, does not affect our forecast, as payouts are only postponed and not cancelled.

Credit Suisse's projected RAC ratio is underpinned by the bank's issuance plans for Additional Tier 1 (AT1) hybrid capital instruments. We anticipate that the group will continue to moderately increase its stock of AT1 issuances, underpinned by year-to-date new issuance.

Based on our earnings assumptions, Credit Suisse would show an earnings buffer of 70 bps on the group's S&P Global Ratings' risk-weighted assets (RWAs) over the next two years. This is broadly in line with the projected peer average. Our earnings buffer metric compares banks' normalized operating income to S&P Global Ratings RWAs, with normalized operating income representing pre-provision operating income after deducting both one-off items and our estimate of normalized "through the cycle" credit losses.

Given high downside risk to the current operating environment, our forecast is very sensitive to the duration and severity of the lockdown measures. At the same time, we would expect that if profitability were to weaken more than expected, the group would decrease its shareholder payout and accelerate risk mitigation efforts, somewhat mitigating the effect on internal capital generation and the increase in RWAs. We would review our base case if the economic effect of the COVID-19 pandemic is deeper than we currently expect, or if evidence emerges that Credit Suisse is to take a larger hit in revenues and risk costs.

The group also showed a sound 12.1% regulatory risk-weighted Common Equity Tier 1 (CET1) ratio on a fully-loaded basis, as of March 31, 2020. This compares with a 10.268% minimum regulatory requirement (including the assumption of the countercyclical buffer requirement of 0.268%, which has been temporarily lifted). Regulatory capital ratios are likely to deteriorate over 2020, but should remain comfortably above these minimum requirements.

Table 3

Credit Suisse Group AG Capital And Earnings

	2020*	2019	2018	2017	2016
		--Year ended Dec. 31--			
Tier 1 capital ratio	16.90	17.10	16.20	18.90	18.00

Table 3

Credit Suisse Group AG Capital And Earnings (cont.)

	2020*	2019	2018	2017	2016
S&P Global Ratings' RAC ratio before diversification	N/A	12.95	11.51	11.68	12.40
S&P Global Ratings' RAC ratio after diversification	N/A	14.28	12.94	13.02	14.70
Adjusted common equity/total adjusted capital	75.19	75.19	78.12	75.19	75.19
Net interest income/operating revenues	28.25	33.48	35.78	33.65	41.00
Fee income/operating revenues	47.54	47.15	54.27	53.31	52.25
Market-sensitive income/operating revenues	21.27	13.74	4.91	7.17	1.70
Noninterest expenses/operating revenues	67.15	74.70	77.15	84.70	95.57
Preprovision operating income/average assets	0.88	0.68	0.57	0.37	0.10
Core earnings/average managed assets	0.66	0.46	0.41	0.25	0.02

*As of end-March. N/A--Not applicable.

Table 4

Credit Suisse Group AG Risk-Adjusted Capital Framework Data

(Mil. CHF)	Exposure*	Basel III RWA	Average Basel III RW(%)	S&P Global RWA	Average S&P Global RW (%)
Credit risk					
Government & central banks	102,571	2,264	2	27	0
Of which regional governments and local authorities	0	0	0	0	0
Institutions and CCPs	54,919	10,428	19	12,460	23
Corporate	183,678	100,439	55	136,419	74
Retail	202,214	34,057	17	53,136	26
Of which mortgage	114,342	20,549	18	37,508	33
Securitization§	57,522	13,338	23	28,820	50
Other assets†	19,347	28,157	146	29,088	150
Total credit risk	620,251	188,683	30	259,950	42
Credit valuation adjustment					
Total credit valuation adjustment	--	6,888	--	8,954	--
Market Risk					
Equity in the banking book	2,414	10,202	423	19,463	806
Trading book market risk	--	15,192	--	19,579	--
Total market risk	--	25,394	--	39,042	--
Operational risk					
Total operational risk	--	68,325	--	63,899	--
(Mil. CHF)	**Exposure**	**Basel III RWA**	**Average Basel II RW (%)**	**S&P Global RWA**	**% of S&P Global RWA**
Diversification adjustments					
RWA before diversification	--	291,289	--	371,845	100
Total Diversification/ Concentration Adjustments	--	--	--	(34,567)	(9)
RWA after diversification	--	291,289	--	337,278	91

Table 4

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

(Mil. CHF)	Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	S&P Global RAC ratio (%)
Capital ratio				
Capital ratio before adjustments	49,757	17.1	48,167	13.0
Capital ratio after adjustments‡	49,757	17.1	48,167	14.3

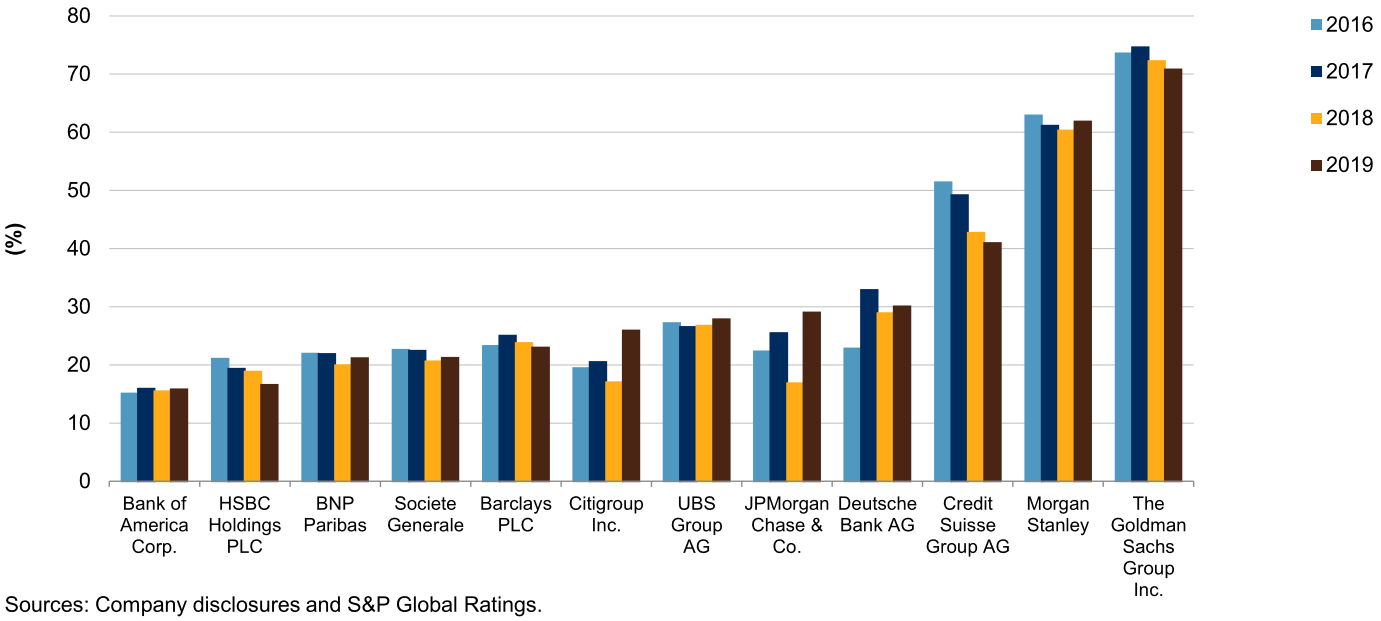
*Exposure at default. §Securitizationexposure includes the securitization tranches deducted from capital in the regulatory framework. †Exposure and S&P Global Ratings' risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions. ‡Adjustments to Tier 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 2019', S&P Global Ratings.

Risk position: A complex risk profile with sensitivities in higher risk segments of corporate loans

Credit Suisse's risk profile remains complex and entails market, operational, and nonfinancial risks that our RAC ratio may not fully capture. Therefore, in combination, our strong capital and earnings and moderate risk position assessments are neutral to the ratings, in line with its main peers. This reflects our view that Credit Suisse is appropriately capitalized for the risks it faces.

Chart 5

Credit Suisse Operates A Reduced But Still Material Investment Banking
Investment banking revenues to total revenues



Sources: Company disclosures and S&P Global Ratings.

Credit Suisse has a high share of investment banking and trading-related exposure. In particular, it is one of the leading banks in leveraged finance, which we generally regard as an activity with elevated risks. Leveraged finance, and some areas of structured credits, and oil and gas exposures may be particularly hit by the current environment. Positively,

Credit Suisse's exposure to sectors with relatively high risks has materially reduced over the past five years, in particular to leveraged finance underwriting, which decreased by 37%. Additionally, we understand that risks are largely related to a relatively small number of clients and do not reflect structural weakness in risk management or exposures profiles.

A limited portfolio of share-backed loans is also exposed to further equity market volatility, but we consider positively that credit loss provisioning requirements year-to-date have been limited to an idiosyncratic situation despite the sharp drop in stock markets globally.

The group's business lines of investment banking and wealth management also generally entail somewhat elevated exposure to litigation risk, and to operational and reputational risks. For instance, risks may arise from potential non-compliance with anti-financial crime regulation or from activities with politically exposed customers. We think the bank is well advanced in its compliance tools and policies, particularly around data intelligence.

Positively, Credit Suisse has reduced the risk profile of its investment banking activities and materially strengthened its risk management and compliance functions over the past few years. We expect these actions will limit the hit from the asset quality deterioration amid the current downturn.

Additionally, the asset quality of Credit Suisse's large and predominantly domestic lending book remains very strong. The group's lending is dominated by well-collateralized exposures that should help maintain adequate asset quality compared with global peers, especially those with a larger share of unsecured consumer lending.

We expect Credit Suisse's asset quality metrics to deteriorate over our two-year projection period as a result of the COVID-19 pandemic, but anticipate that the resilience of the Swiss economy and high collateral levels--including mortgage and Lombard loans--will help to offset the damage. Nonperforming exposures after deducting existing loss reserves, represent a small 1.2% of the group's capital base (total adjusted capital) as of March 31, 2020, an adequately low level to enter the downturn.

Credit Suisse is still subject to a wide range of pending legal matters. Positively, we understand that none of them represents a material concentration risk. The single biggest exposure, in our view, relates to fraud allegations against some of its former employees in connection with syndicated loan arrangements by Credit Suisse and another bank to Mozambique state enterprises.

Table 5

Credit Suisse Group AG Risk Position

	2020*	2019	2018	2017	2016
		--Year ended Dec. 31--			
Growth in customer loans	9.47	2.78	3.60	1.47	1.49
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	(9.30)	(11.11)	(10.28)	(8.85)
Total managed assets/adjusted common equity (x)	22.87	21.74	21.79	23.17	26.40
New loan loss provisions/average customer loans	0.76	0.11	0.09	0.08	0.09
Net charge-offs/average customer loans	0.06	0.09	0.07	0.09	0.08
Gross nonperforming assets/customer loans + other real estate owned	0.66	0.63	0.63	0.56	0.68

Table 5

Credit Suisse Group AG Risk Position (cont.)

	2020*	2019	2018	2017	2016
Loan loss reserves/gross nonperforming assets	71.59	50.86	50.06	56.50	50.46

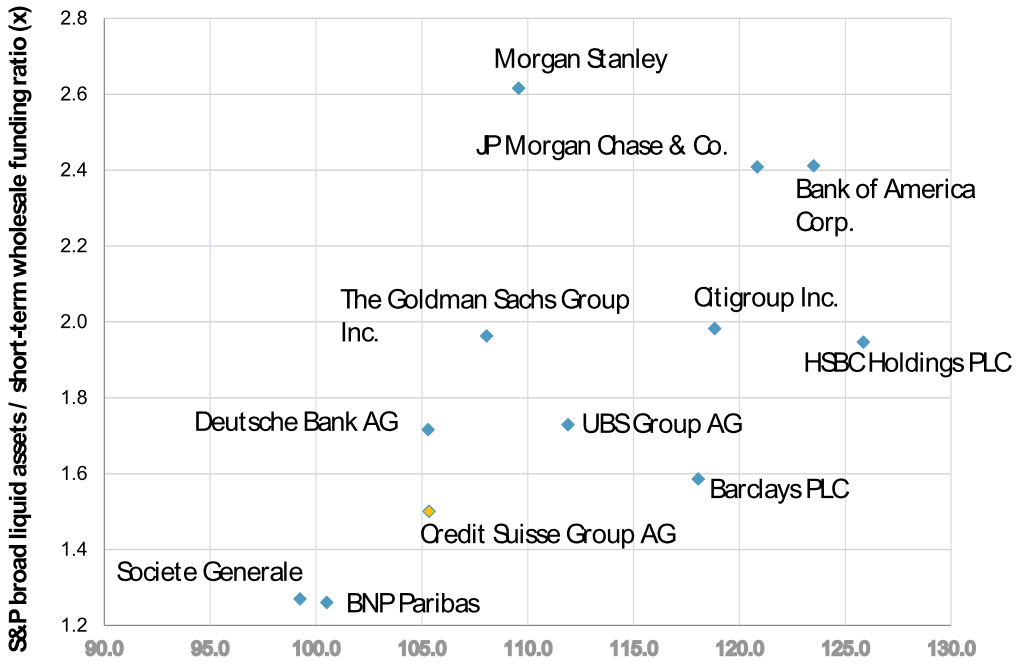
*As of end-March. N/A--Not applicable.

Funding and liquidity: Sustainable profile through balance sheet deleveraging

We view Credit Suisse's funding as average compared with Swiss peers and other banking systems with the same favorable industry risk score. We view the bank's liquidity position as adequate, which is an absolute view on how well placed it appears to be to withstand an extended period of 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. In our view, the group has navigated well through the current period of economic shocks and financial market volatility, which led to higher drawdowns on liquidity facilities by its corporate customers and higher margin requirements for derivatives transactions. Credit Suisse was able to tap the term funding market early in the current crisis, demonstrating its access to investors, albeit at higher costs, similar to peers.

Chart 6

Credit Suisse--Funding And Liquidity Metrics
As of end-2019



Source: S&P Global Ratings.

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 group and subsidiary levels. Its ratio of S&P Global Ratings-adjusted broad liquid assets to short-term wholesale funding was a comfortable 1.3x on March 31, 2020, and its adjusted stable funding ratio was 98% (the decrease from 105% at end-2019 reflects less detailed quarterly disclosure compared with year-end disclosure). Both ratios compare well with other large European banks. By comparison, Credit Suisse reported a weighted-average regulatory liquidity coverage ratio (LCR) of 182% on March 31, 2020. 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 net-worth 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. Finally, we consider investment banking as reliant on the effective functioning of wholesale funding markets, and we therefore see sensitivity to variations in investor confidence and refinancing risk.

Table 6

Credit Suisse Group AG Funding And Liquidity

	2020*	2019	2018	2017	2016
		--Year ended Dec. 31--			
Core deposits/funding base	50.7	48.8	53.4	50.1	46.8
Customer loans (net)/customer deposits	88.1	91.0	84.2	84.7	87.5
Long-term funding ratio	73.6	74.7	80.0	77.3	76.0
Stable funding ratio	98.1	105.3	112.6	110.3	114.8
Short-term wholesale funding/funding base	28.7	27.3	21.6	24.4	25.7
Broad liquid assets/short-term wholesale funding (x)	1.3	1.5	2.0	1.8	1.9
Net broad liquid assets/short-term customer deposits	19.6	28.1	39.1	40.9	50.7
Short-term wholesale funding/total wholesale funding	55.7	51.3	44.8	47.2	46.9
Narrow liquid assets/3-month wholesale funding (x)	2.1	1.8	2.4	2.4	2.4

*As of end-March.

External support: Two notches of uplift for operating entities due to strong buffers of subordinated capital in bail-in resolution

We add two notches of uplift to the group SACP to arrive at the long-term ICRs on Credit Suisse AG and other operating bank subsidiaries. This reflects the group's substantial buffers of subordinated bail-in-able 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 non-viability. In our view, Credit Suisse is subject to a well-defined resolution plan by FINMA due to its status as a global highly systemic financial institution and as Switzerland's second-largest banking group. Conversely, since December 2015, we consider that extraordinary government support for systemically important banks in Switzerland has become uncertain.

The group's ALAC buffer stood at 11.4% of S&P Global Ratings' risk-weighted assets as of Dec. 31, 2019, well above the 8.5% threshold we set for Credit Suisse for two notches of uplift. We consider this level of ALAC to be sustainable and likely to strengthen further. We use 5.25% and 8.5% thresholds for one or two notches of uplift for ALAC support, respectively, for Credit Suisse, because we consider that a material part of the group's loss-absorbing capacity will be pre-positioned in its main subsidiaries in Switzerland, the U.K., and the U.S. Prepositioning could make it more challenging for Credit Suisse to deploy ALAC flexibly in a stress scenario than for banking groups without such requirements.

Additional rating factors:None

There are no additional rating factors.

Group ratings

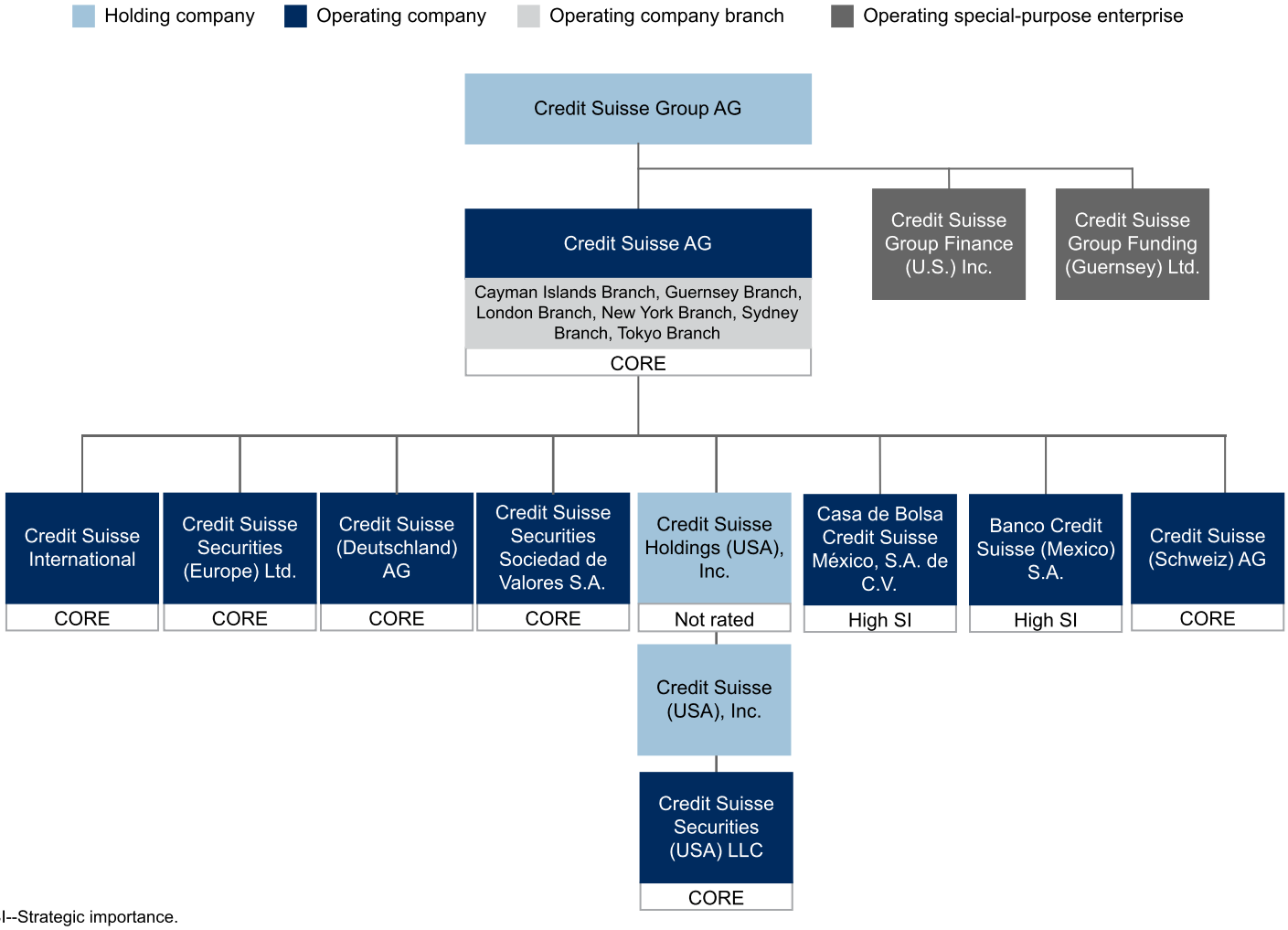
Credit Suisse Group AG is a non-operating holding company (NOHC). It is the parent of Credit Suisse AG, the group's principal operating bank, which in turn owns the group's other operations.

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's structural subordination as a 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-in-able capital. Senior unsecured issuances by Credit Suisse Group AG count into bail-in-able gone 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 New York and Cayman Islands branches, and debt obligations issued by various other branches, at the same level as the ICR on Credit Suisse Group AG. 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 Group 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., as 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.

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



SI--Strategic importance.

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 in a bail-in resolution scenario. 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 non-viable. 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 AT1 instruments, reflecting their status as Tier 1 regulatory capital.

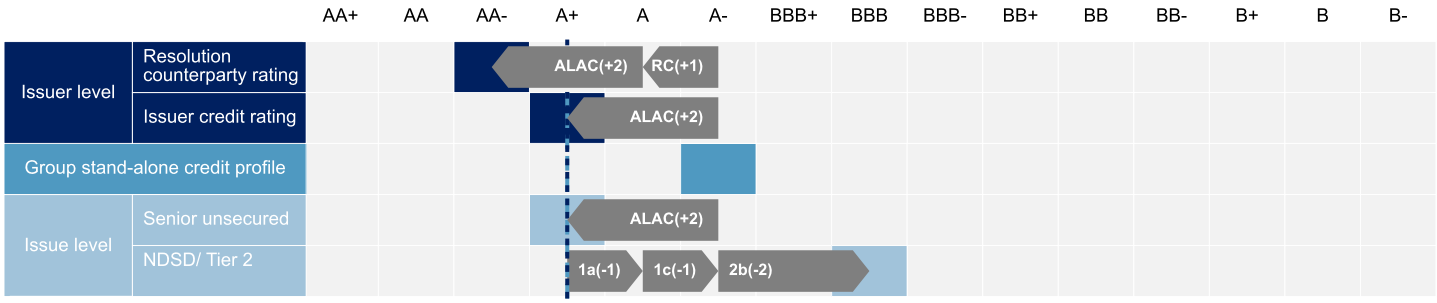
We deduct an additional notch in our ratings on the group's AT1 instruments with a conversion or write-down trigger if the applicable Basel III CET1 ratio falls below 7%. We consider such a high trigger level as a going concern trigger, where we may lower the ratings depending on the distance of the actual ratio above the trigger level. We expect that the group's CET1 ratio is unlikely to fall below 11.5%. We consider that the ratio will remain 301–700 bps above the 7% threshold over the next 12-24 months, which is commensurate with deducting one notch.

Resolution Counterparty Ratings (RCR)

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 concluded 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 nonaviability.

Credit Suisse AG: Notching

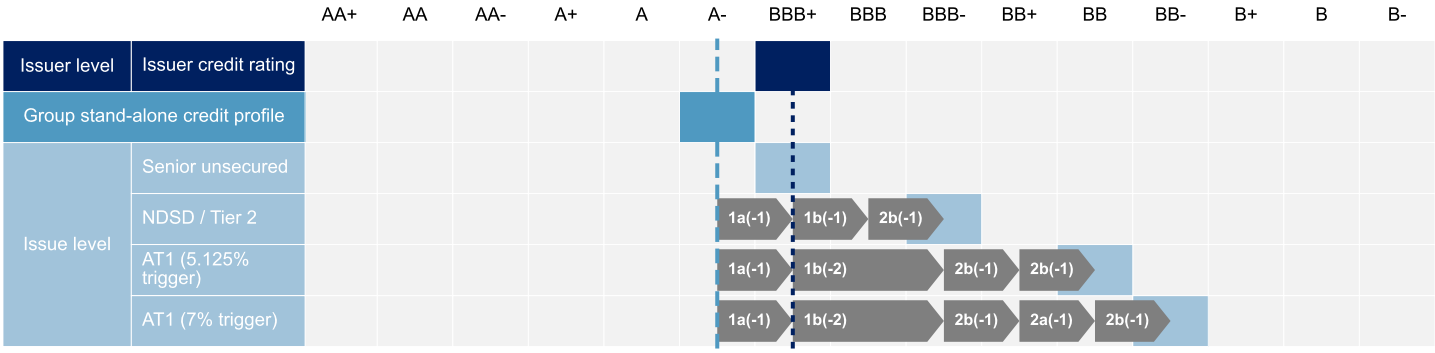


Key to notching

-----	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.

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

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.

Related Criteria

- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Methodology For National And Regional Scale Credit Ratings, June 25, 2018
- 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
- General Criteria: Guarantee Criteria, Oct. 21, 2016
- Criteria | Financial Institutions | Banks: Bank Rating Methodology And Assumptions: Additional Loss-Absorbing Capacity, April 27, 2015
- General Criteria: Principles For Rating Debt Issues Based On Imputed Promises, Dec. 19, 2014
- 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: Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Criteria | Financial Institutions | Banks: Commercial Paper I: Banks, March 23, 2004

Related Research

- How COVID-19 Risks Prompted European Bank Rating Actions, April 29, 2020
- Credit Suisse And UBS Accept Regulator's Request To Partly Defer Dividends Despite Strong First-Quarter Performances, April 9, 2020
- Credit Suisse CEO's Exit May Not Instantly Disperse Clouds Over The Group, Feb. 7, 2020
- Credit Suisse AG Upgraded To 'A+' On Sustained Earnings Improvements; Outlook Stable, May 21, 2019

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 June 8, 2020)*

Credit Suisse Group AG		
Issuer Credit Rating		BBB+/Stable/NR
Junior Subordinated		BB
Junior Subordinated		BB-
Senior Unsecured		BBB+
Issuer Credit Ratings History		
03-Feb-2015	*Foreign Currency*	BBB+/Stable/NR
29-Apr-2014		A-/Negative/NR

Ratings Detail (As Of June 8, 2020)*(cont.)		
02-Jul-2013		A-/Stable/NR
03-Feb-2015	*Local Currency*	BBB+/Stable/NR
29-Apr-2014		A-/Negative/NR
02-Jul-2013		A-/Stable/NR
Sovereign Rating		
Switzerland		AAA/Stable/A-1+
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+/Stable/A-1
Resolution Counterparty Rating		AA-/--/A-1+
Senior Unsecured		A+
Subordinated		BBB
Credit Suisse AG (Cayman Islands Branch)		
Issuer Credit Rating		A+/Stable/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+/Stable/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)		
Commercial Paper		
Local Currency		A-1
Credit Suisse (Deutschland) AG		
Issuer Credit Rating		A+/Stable/A-1
Resolution Counterparty Rating		AA-/--/A-1+
Credit Suisse International		
Issuer Credit Rating		A+/Stable/A-1
Resolution Counterparty Rating		AA-/--/A-1+
Senior Unsecured		A+

Ratings Detail (As Of June 8, 2020)*(cont.)	
Credit Suisse (Schweiz) AG	
Issuer Credit Rating	A+/Stable/A-1
Resolution Counterparty Rating	AA-/--/A-1+
Credit Suisse Securities (Europe) Ltd.	
Issuer Credit Rating	A+/Stable/A-1
Resolution Counterparty Rating	AA-/--/A-1+
Credit Suisse Securities Sociedad de Valores S.A.	
Issuer Credit Rating	A+/Stable/A-1
Resolution Counterparty Rating	AA-/--/A-1+
Credit Suisse Securities (USA) LLC	
Issuer Credit Rating	A+/Stable/A-1
Resolution Counterparty Rating	A+/--/A-1
Credit Suisse (Singapore Branch)	
Senior Unsecured	A+
Credit Suisse (USA) Inc.	
Issuer Credit Rating	A+/Stable/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.