

Bulletin:

Credit Suisse's Structural Changes Reinforce Its Creditworthiness

July 30, 2020

FRANKFURT (S&P Global Ratings) July 30, 2020--S&P Global Ratings today said that the structural changes announced by Credit Suisse Group AG (BBB+/Stable/--; core operating banks rated A+/Stable/A-1) will likely support its earnings and resilience. This reinforces our view of the group's creditworthiness.

In our view, today's announcement confirms our favorable opinion of management's agility amid the changing operating environment, which should enhance the group's ability to deal with emerging risks and help safeguard its long-term competitiveness.

Credit Suisse has reaffirmed that it aims to remain a leading wealth manager with strong global investment banking capabilities. The upcoming restructuring is mainly intended to enhance its revenue potential, with cost savings as a positive side effect. By end-2020, the group's three main targeted actions are to:

- Create one global investment bank by integrating three divisions--Global Markets, Investment Banking & Capital Markets, and APAC Markets;
- Combine risk and compliance functions, including the roles of chief risk officer and chief compliance officer; and
- Combine several separate departments into one new unit called Sustainability, Research & Investment Solutions.

These changes are intended to reduce fragmentation and complexity, and to make better use of Credit Suisse's scale to help it improve efficiency and unlock additional growth potential. The group expects these initiatives, together with some further efficiency measures across other divisions, to generate savings of about Swiss franc (CHF) 400 million per year from 2020 onward, allowing for reinvestment in full.

Credit Suisse also announced its second-quarter earnings today. In the second quarter of 2020, Credit Suisse reported net income attributable to shareholders of CHF1,162 million, compared with CHF937 million in the second quarter of 2019 and CHF1,314 million in the first quarter of 2020. The results were supported by growing operating revenue and a material reduction in risk costs compared with the first quarter. Reported return on tangible equity (RoTE) was 11.0% in the second quarter of 2020. All divisions have been contributing to the results, with broadly similar returns.

Additional provision for credit losses, at CHF296 million in the second quarter, almost halved

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compared with the first quarter. At the same time, as we expected, risk costs remained high in absolute terms, reflecting the difficult economic environment. The group results were supported by continued resilience in its domestic operations and the relatively low risk profile of the International Wealth Management division, as highlighted by low provisioning needs for these two units in the second quarter of 2020.

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