S&P Global Ratings

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Credit Suisse Group AG (Holding Company)

Credit Suisse AG (Lead Bank)

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SACP	a-

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

\+

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

\+

Additional Factors	-1

Issuer Credit Rating	A/Positive/A-1
Resolution Counterparty Rating	A+/--/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 global wealth management and Swiss retail, private, and corporate banking. • Demonstrated sound asset quality and a highly collateralized lending book.	• Profitability still burdened by ongoing restructuring and run-off of illiquid non-strategic activities. • Limited track record of sustainable earnings improvement post-restructuring. • Complexity and elevated market and operational risk from the high share of capital markets-related businesses and non-strategic assets.

Outlook: Stable

Credit Suisse AG and operating subsidiaries: Positive outlook

The positive outlook reflects the likelihood that the group will achieve sustainably stronger levels of profitability from 2019 while containing risk, maintaining strong capitalization, and further rebalancing its business mix toward wealth management activities.

We could raise the ratings on Credit Suisse AG (CSAG) and the group's core operating subsidiaries over the next 12-24 months if the group demonstrates that its earnings have sustainably recovered and become more in line with peers'. This could be the case if the group demonstrates its ability to broadly achieve management's profitability objectives of combined net income generation between Swiss franc (CHF) 9 billion and CHF10 billion in 2019 and 2020 while further reducing reliance on revenues from trading and investment banking. Sustainably restoring profitability of its currently underperforming Global Markets division to its stated target of an adjusted return on regulatory capital of 10%-15% by 2018 would underpin an upgrade. All else being equal, these developments could lead us to remove our one-notch negative adjustment from the ratings.

We could revise the outlook to stable if the group were to miss its earnings objectives materially or took actions that would put into question the sustainability of its earnings recovery. This could occur if, contrary to our expectations, the bank aggressively changes the sound profile of its loan book, or takes materially higher market or loan underwriting risks to achieve its goals. Continued low earnings in its Global Markets division could also prevent an upgrade.

Credit Suisse Group AG: Stable outlook

The stable outlook on the group's holding company, Credit Suisse Group AG (CSG), compared with the positive outlook on its operating bank subsidiaries, reflects that we do not make the one-notch negative adjustment for the group's current underperformance at CSG's lower rating level. Therefore, its ratings would not benefit from these more near-term positive developments. The factors behind our outlook on CSG contribute to our unsupported group credit profile (UGCP) of 'a-'. Changes in the UGCP could also have implications on our ratings on CSAG and the group's hybrid debt instruments (see section "Hybrid issue ratings" below).

Specifically, our stable outlook considers that over the next 12-24 months the group's franchises in global wealth management and domestic corporate retail banking will continue to provide favorable growth to group earnings and that the period of successive restructurings at Credit Suisse will come to an end. It further reflects our assessment of reduced risk of major one-off charges such as from litigation, and that the group will sustain capitalization near current levels.

We see an upgrade of CSG based on a stronger UGCP as unlikely over the two-year outlook horizon. We consider that peers with higher UGCPs typically have more diversified and larger franchises than Credit Suisse and show longer track records of sound profitability.

We could lower the ratings on CSG based on a weaker UGCP in case of any large unexpected charges or litigation risk, in particular if they jeopardized our projection of a risk-adjusted capital (RAC) ratio comfortably above 10%. We could also lower our ratings if, contrary to our expectations, the group were to embark on a more aggressive lending strategy over the next 12-24 months, materially boosting exposures to higher risk economies or exposures with weak collateralization.

Rationale

We base our ratings on Credit Suisse on its globally diversified business mix with a strong footprint and domicile in Switzerland. Offsetting factors are the low profitability of Credit Suisse's markets-related activities, which altogether contribute about 40% of core adjusted revenues.

We view the group's capitalization as a strength, reflecting our projection that its RAC ratio will remain firmly above 10%, standing at 11.7% at year-end 2017. The strong RAC ratio is offset by our assessment that Credit Suisse's risk profile remains complex. Market and operational risks remain material components of Credit Suisse.

We anticipate that the group will retain a sound liquidity and funding profile. This remains underpinned by high amounts of customer deposits and excess coverage of potential outflows of short-term wholesale funding by liquid assets.

These factors lead to an 'a-' UGCP. We add two notches of uplift to arrive at the long-term issuer credit rating (ICR) on Credit Suisse AG and the other operating subsidiaries to reflect that Credit Suisse has built substantial buffers of bail-in-able debt instruments. However, in our ICR on these entities, this is partly offset by the negative one-notch adjustment to the rating that we make to reflect that Credit Suisse's earnings will remain below similarly rated peers' until it fully emerges from its restructuring.

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

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

The 'a-' anchor reflects Credit Suisse's regulatory domicile, Switzerland, and its mix of credit exposure mainly in Switzerland (about 40%), other European and Middle Eastern countries (about 30%), North America (about 20%), and Asia-Pacific (APAC; about 10%). Our bank criteria use our Banking Industry Country Risk Assessment economic risk and industry risk scores to determine a bank's anchor, the starting point in assigning an issuer credit rating. We establish a weighted-average economic risk score for Credit Suisse's mix of exposures of '3' (rounded from 3.4) on a scale of 1-10 (1 is the lowest risk and 10 is the highest). This is weaker than the '2' score for banks operating in Switzerland only, but not to an extent that it would negatively affect the anchor. This could be the case if the weighted average score were to deteriorate toward '4'.

Our economic risk score of '2' for Switzerland is supported by the country's highly diversified and competitive economy, very high household income levels, and banks' prudent loan underwriting standards. However, it also reflects remaining risks, owing to the cumulative rise in Swiss house prices and domestic lending over the past several years. Although these imbalances are still low in a global context, they have also led the regulator to enact macroprudential measures to rein in robust growth in mortgage indebtedness. We recognize that house price and lending growth have cooled since the beginning of 2014. However, in our view, house prices and household indebtedness remain historically high, in particular when considering the low rate of home ownership in Switzerland. The very high mortgage debt level is mitigated by the large amount of financial assets, including pensions, held by households in Switzerland.

Our industry risk score of '2' primarily reflects the banking sector's stability and high share of deposit funding. Banks' net interest margins continue to decline gradually, given the pressure on deposit margins from the negative yield environment. This is partly offset, however, by higher margins on lending products, fee income from investment advisory-related activities, and cost management. As a result, banks are still able to generate returns on core banking products that are adequate to meet their cost of capital. Moreover, in our view, the Swiss regulator's initiatives are more stringent than those in other European banking industries.

Table 1

Credit Suisse Group AG Key Figures

		--Year-ended Dec. 31--			
(Mil. CHF)	**2018***	**2017**	**2016**	**2015**	**2014**
Adjusted assets	804,173.0	791,324.0	814,735.0	815,801.0	912,569.0
Customer loans (gross)	282,883.0	277,894.0	273,871.0	269,855.0	268,888.0
Adjusted common equity	34,309.4	34,366.4	31,050.0	36,063.9	31,889.0
Operating revenues	5,219.0	19,483.0	18,444.0	21,878.0	24,136.0
Noninterest expenses	3,958.0	16,502.0	17,627.0	19,281.0	19,226.0
Core earnings	797.4	2,024.0	124.0	1,750.0	2,900.1

*Data as of March 31.

CHF--CHF-Swiss Franc. N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

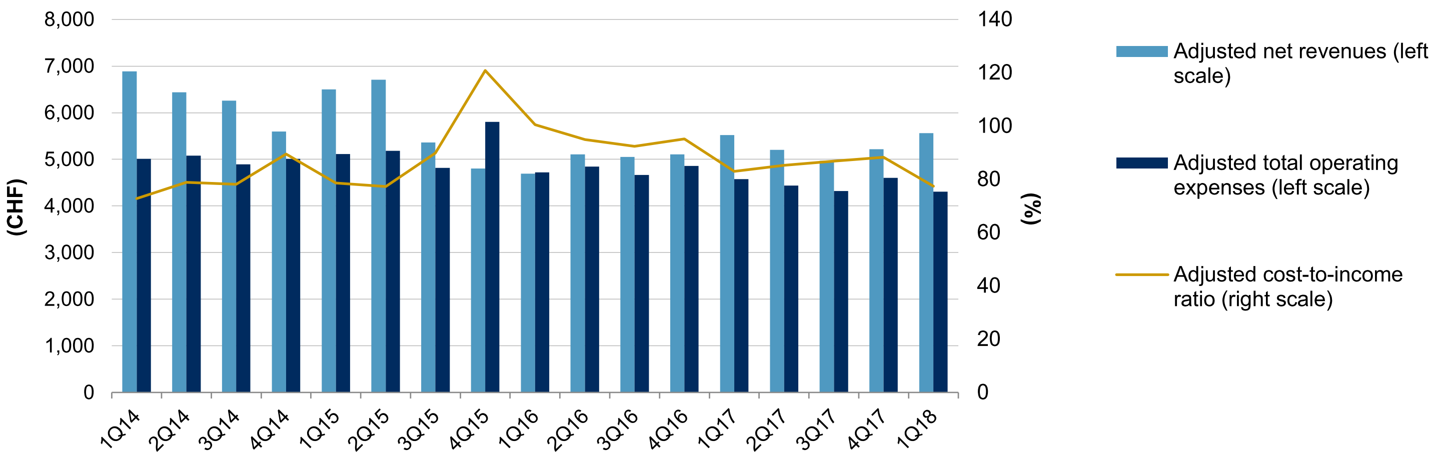
Business position: Finalization of restructuring in 2018

Credit Suisse is a universal banking group that ranks among the largest global wealth managers 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. In late 2015, Credit Suisse embarked on a strategic shift away from badly performing and highly capital intensive areas of investment banking and toward an increased focus on growth in wealth management activities and in APAC. This entailed the creation of a Strategic Resolution Unit (SRU) tasked with winding down noncore operations, mainly former sales and trading positions. Management also announced wide-ranging cost cuts and exposure reductions, mainly targeted at its global markets division and central services. Some of the cost savings are being allocated to growth initiatives in its other business divisions.

Credit Suisse started later than many peers in adapting its business model and cost structure to a changing regulatory and market environment affecting mainly its investment banking business. Therefore, the group's earnings have been more strongly affected by the slump in capital markets activities since end-2015 than many of its peers, and by exit costs from winding down non-strategic businesses. That said, the bank has made steady progress on its announced restructuring initiatives since October 2015, lifting operating revenues (excluding seasonal quarterly effects) while cutting costs in 2017. This trend might continue in 2018 as suggested by first-quarter results.

Chart 1

Credit Suisse Group (Consolidated) -- Revenues 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 revenues.
CHF--Swiss franc.

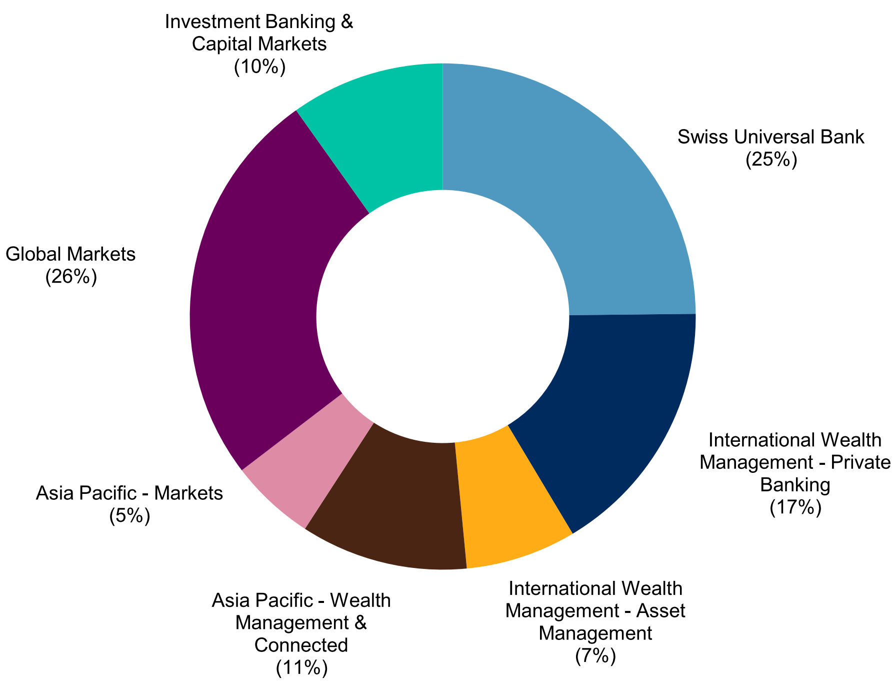
Moreover, since 2015 it has trimmed noncore operations, mainly former sales and trading positions in its SRU, by about 80%, at lower exit costs than initially planned. Overall, we expect the restructuring to be completed by the end of 2018, with further cost cutting, redemption of expensive callable hybrid capital instruments in the second half of the year, and the closing of the SRU at year-end.

Management has guided investors that it aims to achieve combined net income of CHF9 billion-CHF10 billion over the two-year period in 2019 and 2020, which would equal a return on tangible equity of 10%-11% in 2019 and 11%-12% in 2020. We anticipate that Credit Suisse will make further material progress toward these targets without aggressive risk-taking. However, our business position assessment is not dependent on the assumption that it will fully achieve these targets.

We view the group's domestic position in corporate and private banking and its geographically diverse revenues from wealth management as material stabilizing factors to our assessment. They have been a source of fairly reliable and low-risk revenues during the restructuring. Despite negative media headlines related to the restructuring, the businesses demonstrated low volatility in quarterly revenues and earnings, sound net inflows of assets under management, and a stable trend in net earnings margin on assets under management. The still-low profitability of the group's markets-related activities is an offsetting factor. Altogether, investment banking divisions still contribute a material share to group revenues of slightly above 40% (adjusted for one-off effects, and excluding SRU revenues). In our ratings, we anticipate that the earnings contribution from wealth management and Swiss businesses will continue to increase gradually in light of allocation of further resources to these divisions. We also believe that the businesses are set to benefit from the eventual reversal of global monetary stimulus and low interest rates.

Chart 2

Credit Suisse Group (Consolidated) -- Divisional Adjusted Net Revenues 2017 (Excluding SRU And Corporate Center)



Source: S&P Global Ratings' estimates.

In our assessment, we compare Credit Suisse with other banks that have major global franchises in wealth management and investment banking. This includes UBS, Deutsche Bank, Barclays, Morgan Stanley, BNP Paribas, Societe Generale, and large U.S. universal banks. Our adequate score for business position also reflects that Credit Suisse is exposed to similar competitive dynamics in its investment banking activities as its global peers, while the starting point for our ratings (the 'a-' anchor) on Credit Suisse is higher because it is domiciled in Switzerland.

Table 2

Credit Suisse Group AG Business Position

	--Year-ended Dec. 31--				
(%)	**2018***	**2017**	**2016**	**2015**	**2014**
Total revenues from business line (currency in millions)	5,292.0	19,483.0	18,868.0	22,174.0	24,783.0
Commercial banking/total revenues from business line	12.6	12.8	10.9	8.7	8.0
Retail banking/total revenues from business line	42.7	41.6	42.6	35.5	33.4
Commercial & retail banking/total revenues from business line	55.3	54.4	53.4	44.2	41.4
Trading and sales income/total revenues from business line	29.2	28.5	29.1	41.0	38.6
Corporate finance/total revenues from business line	20.1	20.7	22.2	14.3	13.7

Table 2

Credit Suisse Group AG Business Position (cont.)					
		--Year-ended Dec. 31--			
(%)	2018*	2017	2016	2015	2014
Asset management/total revenues from business line	6.8	7.7	7.0	6.0	7.5
Other revenues/total revenues from business line	(11.5)	(11.4)	(11.8)	(5.5)	(1.1)
Investment banking/total revenues from business line	49.3	49.2	51.4	55.2	52.3
Return on average equity	6.6	(2.3)	(6.3)	(6.7)	4.2

*Data as of March 31.

N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

Capital and earnings: Sound regulatory CET1 and S&P Global risk-adjusted capital ratios

Credit Suisse's capitalization is a ratings strength. Its RAC ratio of 11.7% as of Dec. 31, 2017, is higher than the ratio of several international peers. The decline compared with the previous year is mainly because we now consider additional exposures in our RAC calculation following a criteria update in 2017. Fundamentally, capitalization has improved from last year, considering a capital increase by Credit Suisse of CHF4.1 billion in June 2017. The group also shows a sound 12.9% regulatory risk-weighted common equity tier 1 (CET1) ratio at March 31, 2018.

We estimate that the RAC ratio will range between 11.5% and 12.0% over the next two years. In our forecast, we consider management's dividend goals and target to operate at a CET1 ratio above 12.5%. We also consider management's intention to exercise call rights later in 2018 on a range of hybrid capital instruments, most of which currently benefit the group's RAC ratio, and associated additional tier 1 (AT1) capital issuance plans to replace them. These factors mean that our ratio is likely to decline slightly in 2018 before improving again in 2019.

We consider management's risk-weighted CET1 target to operate above 12.5% as a realistic basis for our projection. It is well above the 10% regulatory minimum requirement effective Jan. 1, 2020. However, in setting its capital target, the bank anticipates potential negative effects of inflation in regulatory risk-weighted assets stemming from the Basel III reform. Management's dividend guidance indicates about 30% of net profits by 2020 will be allocated to support potential further risk-weight increases related to regulatory changes. This suggests a slight positive effect on our RAC ratio, since our S&P Global risk-weighted assets would generally not mirror these increases in regulatory risk-weighted assets. Our forecast also incorporates that Credit Suisse intends to pay out a further 50% of cumulative net income by 2020 through dividends or share buybacks, and invest 20% in growth of its wealth management businesses. As earnings of Credit Suisse are improving, it should have stronger flexibility to balance capital levels, shareholders' dividend expectations, and growth investments.

Junior subordinated hybrid capital instruments, such as AT1, which we regard as weaker forms of capital, represented a high 25% of Credit Suisse's total adjusted capital (TAC), the numerator of our RAC ratio, as of March 31, 2018. Slightly more than half of this stock of AT1s in TAC, equivalent to about CHF6.3 billion, has call dates in the second half of 2018 subject to regulatory approval. Exercising these calls is a key element of management's strategy to bolster the group's earnings in light of high coupons on these instruments. Our RAC forecast assumes that management will exercise these calls but equally that the bank will continue issuance of new AT1s over the next couple of years including a recent US$2 billion placement in July 2018, in line with its issuance plan. By 2019, we assume that AT1s will represent about 20% of TAC, a ratio comparable with most peers.

Table 3

Credit Suisse Group AG Capital And Earnings

		--Year-ended Dec. 31--			
(%)	**2018***	**2017**	**2016**	**2015**	**2014**
Tier 1 capital ratio	18.4	18.9	18.0	18.0	17.1
S&P RAC ratio before diversification§	N/A	11.7	12.4	12.0	10.2
S&P RAC ratio after diversification§	N/A	13.0	14.7	14.3	11.8
Adjusted common equity/total adjusted capital	75.2	75.2	75.2	75.2	75.2
Net interest income/operating revenues	30.4	33.7	41.0	42.5	37.4
Fee income/operating revenues	51.8	53.3	52.3	47.6	47.6
Market-sensitive income/operating revenues	13.5	7.2	1.7	6.8	9.7
Noninterest expenses/operating revenues	75.8	84.7	95.6	88.1	79.7
Preprovision operating income/average assets	0.6	0.4	0.1	0.3	0.5
Core earnings/average managed assets	0.4	0.3	0.0	0.2	0.3

*Data as of March 31. §2016 and earlier is based on our previous criteria.

N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

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 and central banks	118,720	3,130	3	489	0
Institutions and CCPs	55,102	11,219	20	14,819	27
Corporate	179,840	87,146	48	141,661	79
Retail	192,751	28,022	15	61,413	32
Of which mortgage	110,066	16,144	15	35,854	33
Securitization§	41,311	10,725	26	18,454	45
Other assets†	16,652	22,233	134	27,895	168
Total credit risk	604,376	162,475	27	264,730	44
Credit valuation adjustment					
Total credit valuation adjustment	--	5,548	--	7,212	--
Market risk					
Equity in the banking book	2,063	8,218	398	17,486	848
Trading book market risk	--	21,290	--	31,916	--
Total market risk	--	29,508	--	49,402	--
Operational risk					
Total operational risk	--	75,013	--	69,564	--

Table 4

Credit Suisse Group AG Risk-Adjusted Capital Framework Data (cont.)				
(Mil. CHF)	**Basel III RWA**		**S&P Global RWA**	**% of S&P Global RWA**
Diversification adjustments				
RWA before diversification	272,544		390,909	100
Total Diversification/Concentration Adjustments	--		(40,115)	(10)
RWA after diversification	272,544		350,794	90
(Mil. CHF)	**Tier 1 capital**	**Tier 1 ratio (%)**	**Total adjusted capital**	**S&P Global RAC ratio (%)**
Capital ratio				
Capital ratio before adjustments	51,482	18.9	45,707	11.7
Capital ratio after adjustments‡	51,482	18.9	45,707	13.0

*Exposure at default. §Securitisation Exposure includes the securitisation tranches deducted from capital in the regulatory framework. †Other assets includes Deferred Tax Assets (DTAs) not deducted from ACE. ‡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, 2017, S&P Global.

Risk position: Exposure to capital market fluctuations, limited litigation risk

Credit Suisse's risk profile still includes a relatively high share of market and operational risk, despite material risk exposure reductions achieved since October 2015, when the company announced its new strategy. The group retains a relatively high share of investment banking businesses compared with peers, and residual risks related to the SRU wind-down portfolios and litigation. Credit Suisse also holds a large loan book. However, compared with most international peers, we expect provisioning requirements to remain very low. This reflects the high share of exposures to Swiss residents and ultra high net-worth individuals. This has resulted in low levels of nonperforming assets and high collateralization of large parts of the loan book.

The bank has significant trading portfolios, given its position as a major global investment bank, a significant issuer of securitized instruments, and an alternative asset manager. We estimate that investment banking and trading-related revenues will continue to represent a sizable 40% of revenues and capital usage of the core group excluding the SRU. The bank has made significant efforts to reduce the size of its balance sheet, and the magnitude of market making and position taking. This should reduce revenue volatility and revaluation risk on the bottom line. However, we believe that volatility in capital markets and assumptions for modeling asset valuations can significantly affect Credit Suisse's profits. Also, Credit Suisse is exposed to underwriting risk as one of the leading banks in leveraged finance.

Credit Suisse also still holds a sizable CHF43 billion leverage exposure to nonstrategic assets in its SRU as of March 31, 2018. This is about 5% of the group's total leverage exposure and relates mainly to long-dated, exotic or uncollateralized derivatives and riskier loan and financing facilities. However, exposure in U.S. dollar terms has shrunk by 76% compared with fourth-quarter 2015. Accordingly, Credit Suisse plans to close the SRU at the end of 2018, one year earlier and at a lower cost than it initially expected. Reflecting this progress, we assume that the SRU poses a materially smaller risk to the group than previously. Nevertheless, Credit Suisse will retain a decent amount of long-term exposures since it is unlikely to wind down the portfolios entirely by year-end.

Finally, the group also remains exposed to litigation risk. Credit Suisse estimates that the aggregate amount of reasonably possible losses that are not covered by existing provisions for identified cases could be up to CHF1.4 billion. The risk is mitigated by our understanding that none of the pending litigation matters represents a material concentration risk.

The asset quality of the predominantly domestic lending book remains very strong, and we expect it will remain so over our two-year projection period given the resilience of the Swiss economy and high collateral levels including mortgage and Lombard loans. Even at the peak of the 2008-2009 financial crisis, Credit Suisse's impaired loans and provisions were minimal.

Table 5

Credit Suisse Group AG Risk Position					
		--Year-ended Dec. 31--			
(%)	**2018***	**2017**	**2016**	**2015**	**2014**
Growth in customer loans	7.2	1.5	1.5	0.4	10.7
Total diversification adjustment / S&P RWA before diversification	N/A	(10.3)	(15.3)	(15.6)	(13.7)
Total managed assets/adjusted common equity (x)	23.6	23.2	26.4	22.8	28.9
New loan loss provisions/average customer loans	0.1	0.1	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	0.6	0.6	0.7	0.6	0.4
Loan loss reserves/gross nonperforming assets	55.1	56.5	50.5	56.3	63.0

*Data as of March 31.

N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

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.

We believe that the bank adequately manages its asset and liability mismatches including extensive stress testing and forward-looking modeling of its liquidity position, both at group and subsidiary levels. It also adopted the regulatory net stable funding ratio early. Its ratio of S&P Global Ratings-adjusted broad liquid assets to short-term wholesale funding was a comfortable 1.7x on March 31, 2018, and its adjusted stable funding ratio is 111%. Both ratios compare well with other large European banks. By comparison, Credit Suisse reported a weighted average regulatory liquidity coverage ratio of 208% during the first quarter of 2018. The ratios indicate sound matching of assets and liabilities.

Despite adequate ratios, there are additional factors that we consider in our assessment of Credit Suisse's funding. We generally consider wealth management deposits to be more sensitive to bank-specific risk than those in mass-market retail banking, given the lack of guaranteed deposits and higher proportion of high net worth and ultra-high net worth individuals in the depositor base. Moreover, we consider the risk from funding through structured notes to be higher, given uncertain maturity, which could significantly shorten the anticipated duration of about 10% of its funding base.

Finally, we consider investment banking to be an activity that relies 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					
		--Year-ended Dec. 31--			
(%)	**2018***	**2017**	**2016**	**2015**	**2014**
Core deposits/funding base	48.5	50.1	46.8	46.4	44.1
Customer loans (net)/customer deposits	86.5	84.7	87.5	88.2	84.6
Long term funding ratio	76.0	77.3	76.0	77.5	69.0
Stable funding ratio	110.5	110.3	114.8	108.2	97.9
Short-term wholesale funding/funding base	25.7	24.4	25.7	24.3	33.1
Broad liquid assets/short-term wholesale funding (x)	1.7	1.8	1.9	1.8	1.5
Net broad liquid assets/short-term customer deposits	89.6	40.9	50.7	43.9	34.7
Short-term wholesale funding/total wholesale funding	48.3	47.2	46.9	43.8	57.4
Narrow liquid assets/3-month wholesale funding (x)	2.3	2.4	2.4	2.2	1.7

*Data as of March 31.

N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

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 arrive at the long-term ICRs on CSAG and other operating bank subsidiaries, to reflect the substantial buffers of subordinated bail-in-able capital (additional loss-absorbing capacity; ALAC), which now largely reside at the holding company, CSG. We believe that these ALAC buffers would enable FINMA, the Swiss financial services regulator, to recapitalize Credit Suisse and keep the operating bank a going concern 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.

We calculate that the group's ALAC buffer was 12.1% of S&P Global risk-weighted assets as of Dec. 31, 2017, 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, potentially up to 15% based on the group's issuance plans and regulatory requirements. Swiss globally systemic important banks such as Credit Suisse are subject to high requirements to build regulatory bail-in ("gone concern") capital by Jan. 1, 2020.

Table 7

Credit Suisse - Swiss Regulatory Total Gone Concern Loss-Absorbing Requirement As Of Jan. 1, 2020			
Risk-weighted assets (%)		**Leverage ratio (%)**	
Requirement	**Actual Dec. 31, 2017***	**Requirement**	**Actual Dec. 31, 2017***
14.30	12.90	5.00	3.80

*Actual figures are on a look-through basis. Requirements do not include potential add-on for countercyclical buffer requirement and potential regulatory rebates, which may raise or lower the requirement and might influence Credit Suisse’s issuance plans in our view.

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., and in CSAG, the main operating bank itself. Prepositioning could make it more challenging for Credit Suisse to deploy ALAC flexibly in a stress scenario than for banking groups without such requirements. As regulatory requirements and common practices emerge in this area, we may raise or lower these thresholds.

Additional Factors

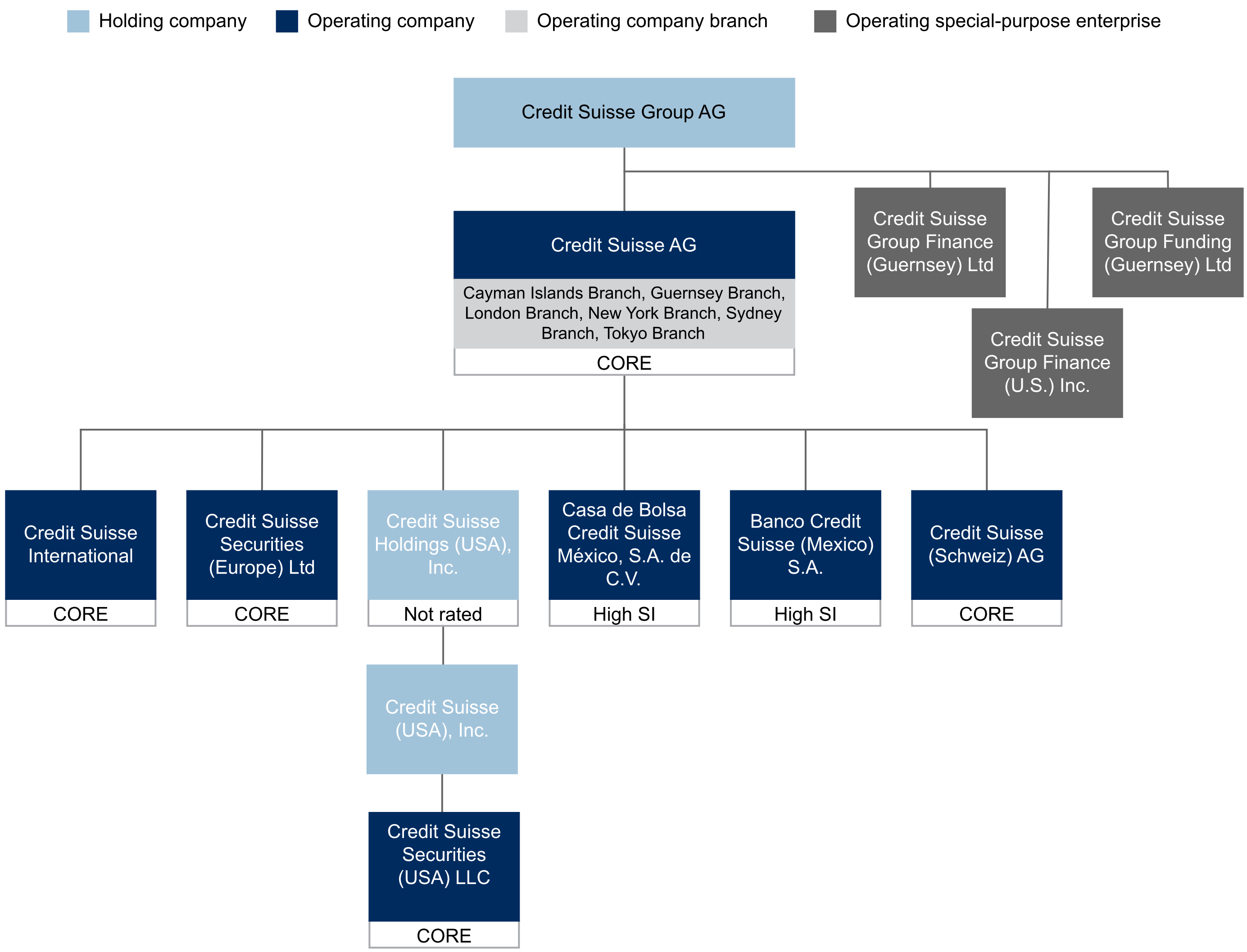
Additional rating factors: Negative adjustment due to weak earnings

To arrive at our ICR on CSAG and other operating subsidiaries, we deduct one notch to balance Credit Suisse's improving but still low earnings--as it emerges from its strategic repositioning--against its strong capital and ALAC levels. Without this adjustment, the ICR on the bank would be 'A+', at the upper end of its peer group and of banks globally excluding certain government-related entities. However, we think that its earnings will remain weaker at least during 2018 compared with many global peers with similar UGCPs when measured by cost-to-income, return on equity, or our earnings buffer metrics. Therefore, we view its financial profile as not yet being commensurate an 'A+' rating despite progress in its restructuring.

Group Ratings: CSG and subsidiaries

CSG is the group's holding company and parent company of CSAG, which is by far CSG's largest subsidiary. CSAG and its subsidiaries conduct the majority of the group's banking business, and CSAG owns stakes in most other group subsidiaries.

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



SI--Strategic importance.

CSG is rated one notch below the UGCP, which leads to us rating it two notches lower than its core operating companies. This reflects structural subordination as a non-operating holding company, and our view that it would not benefit from ALAC support. CSG 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 CSG count into bail-in-able gone concern capital under Swiss too-big-to-fail bank regulation. It is our understanding of Swiss regulatory approaches that 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. With the ICR on CSG being one notch below the UGCP, our ratings approach on its senior unsecured issuances is consistent with how we rate bail-in bonds by other European banks, where the issuer is an operating group parent bank instead of a holding company.

We also rate a number of subsidiaries and branches:

- We rate Credit Suisse's New York and Cayman Islands branches, and debt obligations issued by various other branches, at the same level as the ICR on CSAG. Our ratings are not constrained by the respective host sovereign foreign currency ratings, and we regard Cayman Islands as an offshore branch.
- We view four operating bank subsidiaries as core to the group and therefore equalize the ratings on these with those on CSAG.
- We similarly rate Credit Suisse (USA) Inc., an intermediate holding company in run-off, at the level of Credit Suisse. This reflects that Credit Suisse has guaranteed fully and unconditionally on a senior basis all outstanding U.S.-.registered debt securities issued by Credit Suisse (USA) Inc. and we expect parental support for its subsidiaries would be routed through Credit Suisse (USA) Inc.
- 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, Credit Suisse Group (Finance) Guernsey Ltd, and Credit Suisse Finance (U.S.) Inc. at the level of CSG, based on guarantees provided by the group parent.

Hybrid issue ratings

Hybrid capital instruments are notched down from the 'a-' UGCP 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 CSG, we also deduct one notch to reflect the structural subordination of holding company creditors.

We further notch down the hybrids due to their contractual subordination to senior obligations and the risk of write-down ahead of resolution, if the Swiss government were to recapitalize the group to prevent it from becoming 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. Given the group's capital target of a CET1 ratio above 12.5%, we consider that the ratio will remain 301–700 basis points above the 7% threshold over the next 12-24 months, which is commensurate with deducting one notch.

Resolution Counterparty Ratings

We set the RCRs on Credit Suisse AG and subsidiaries in Switzerland and the U.K. one notch above our 'A' long-term ICRs, reflecting 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 nonviability.

Related Criteria

- 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
- Criteria - Financial Institutions - Banks: Bank Hybrid Capital And Nondeferrable Subordinated Debt Methodology And Assumptions, Jan. 29, 2015
- General Criteria: Principles For Rating Debt Issues Based On Imputed Promises, Dec. 19, 2014
- General Criteria: Group Rating Methodology, 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
- Criteria - Financial Institutions - General: Methodology: Hybrid Capital Issue Features: Update On Dividend Stoppers, Look-Backs, And Pushers, Feb. 10, 2010
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Criteria - Financial Institutions - Banks: Commercial Paper I: Banks, March 23, 2004

Related Research

- Credit Suisse AG Outlook To Positive On Restructuring Progress; 'A+/A-1' Resolution Counterparty Ratings Assigned, Jun. 25, 2018
- Banking Industry Country Risk Assessment: Switzerland, Nov. 6, 2017

- Resolution Counterparty Ratings Jurisdiction Assessment For Switzerland Completed, June 25, 2018
- Resolution Counterparty Ratings Jurisdiction Assessment For The U.S. Completed, June 7, 2018
- Resolution Counterparty Ratings Jurisdiction Assessment For The U.K. Completed, April 30, 2018

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 July 12, 2018)

Credit Suisse Group AG		
Issuer Credit Rating		BBB+/Stable/NR
Junior Subordinated		BB
Junior Subordinated		BB-
Issuer Credit Ratings History		
03-Feb-2015	*Foreign Currency*	BBB+/Stable/NR
29-Apr-2014		A-/Negative/NR
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/Positive/A-1

Ratings Detail (As Of July 12, 2018) (cont.)	
Resolution Counterparty Rating	A+/--/A-1
Commercial Paper	
Foreign Currency	A-1
Senior Unsecured	A
Subordinated	BBB
Credit Suisse AG (Cayman Islands Branch)	
Issuer Credit Rating	A/Positive/A-1
Resolution Counterparty Rating	A+/--/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/Positive/A-1
Resolution Counterparty Rating	A+/--/A-1
Senior Unsecured	A
Subordinated	BBB
Credit Suisse AG (Sydney Branch)	
Senior Unsecured	A
Credit Suisse AG (Tokyo Branch)	
Commercial Paper	
Foreign Currency	A-1
Credit Suisse International	
Issuer Credit Rating	A/Positive/A-1
Resolution Counterparty Rating	A+/--/A-1
Senior Unsecured	A
Credit Suisse (Schweiz) AG	
Issuer Credit Rating	A/Positive/A-1
Resolution Counterparty Rating	A+/--/A-1
Credit Suisse Securities (Europe) Ltd.	
Issuer Credit Rating	A/Positive/A-1
Resolution Counterparty Rating	A+/--/A-1
Credit Suisse Securities (USA) LLC	
Issuer Credit Rating	A/Positive/A-1
Resolution Counterparty Rating	A/--/A-1
Credit Suisse (USA) Inc.	
Issuer Credit Rating	A/Positive/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.