

# RatingsDirect®

---

## Research Update:

# Credit Suisse (Schweiz) AG Assigned 'A/A-1' Ratings; Outlook Stable

### Primary Credit Analyst:

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

### Secondary Contact:

Giles Edwards, London (44) 20-7176-7014; giles.edwards@spglobal.com

## Table Of Contents

---

Overview

Rating Action

Rationale

Outlook

Related Criteria

Related Research

Ratings List

## Research Update:

# Credit Suisse (Schweiz) AG Assigned 'A/A-1' Ratings; Outlook Stable

## Overview

- Credit Suisse (Schweiz) AG (CSSAG) is the main entity of global banking group Credit Suisse responsible for the Swiss business, and we regard it as fully integrated into the group.
- In our view, CSSAG is core to its direct owner, Credit Suisse AG, and like its parent, would be recapitalized in the unlikely event of a resolution of the group.
- We are assigning our 'A' long-term and 'A-1' short-term issuer credit ratings to CSSAG.
- The stable outlook on CSSAG reflects that on Credit Suisse AG.

## Rating Action

On May 25, 2018, S&P Global Ratings assigned its 'A/A-1' long- and short-term issuer credit ratings to Switzerland-based Credit Suisse (Schweiz) AG (CSSAG). The outlook is stable.

## Rationale

CSSAG is the main Swiss subsidiary of Credit Suisse AG (A/Stable/A-1), the lead operating entity of the Credit Suisse group. CSSAG started operations in November 2016 after receiving a transfer of assets and liabilities from Credit Suisse AG, mainly the businesses comprising the group's Swiss Universal Bank division.

We align our ratings on CSSAG with the 'A/A-1' ratings on Credit Suisse AG and other core operating bank subsidiaries of the Credit Suisse group, reflecting the 'a' group credit profile (GCP). This approach stems from our view that CSSAG is a substantial Swiss banking entity in its own right, and is aligned with the group's core strategy. In addition, CSSAG is likely to benefit from capital and liquidity support from its parent in the remote scenario in which Swiss regulators invoked a bail-in resolution to restore the group's viability. This is underpinned by the downstreaming of substantial internal loss-absorbing capacity from the parent to CSSAG, which could be used to recapitalize CSSAG in the event of a group resolution. Furthermore, we regard CSSAG's Swiss domestic business as integral to the group's global franchise, and CSSAG as fully integrated and connected with the group. We therefore do not determine a stand-alone credit profile for CSSAG.

Credit Suisse set up CSSAG as part of a wider program of legal entity restructuring, largely to improve the group's resolvability, a key objective of its regulators. That said, in our view, CSSAG plays an integral role for Credit Suisse because it houses one of the largest Swiss banking and wealth management franchises in the group's home country. CSSAG is adequately capitalized, with regulatory common equity tier 1 ratios slightly above that of the consolidated group, and exhibits a well-balanced funding profile underpinned by stable customer deposits. CSSAG lacks the geographic diversity of the broader group. However, we anticipate that its blend of businesses could yield a pattern of steady, predictable performance.

Given the underlying aim of improving Credit Suisse's resolvability, we anticipate that CSSAG will be disciplined in its financial interactions with, and exposures to, group affiliates, and that these interactions will be on market terms. However, for several reasons, we do not regard CSSAG as insulated from the rest of the group. For example, we understand that it will continue to receive short-term funding from its parent, upstream term liquidity to the parent, and enter into market-risk hedge transactions with group entities. Also, CSSAG shares the group's name and brand, and draws on the group's service functions.

All these points underpin our assumption that the sale of a majority stake in CSSAG is highly unlikely, although Credit Suisse temporarily contemplated selling a minority stake in CSSAG to raise capital for the group, a plan it later abandoned in early 2017. They also support our assumption that Credit Suisse would support CSSAG under any foreseeable circumstances. Moreover, we consider that a default of CSSAG would likely damage Credit Suisse's reputation.

On April 19, 2018, we published new criteria for assigning resolution counterparty ratings (RCRs) to certain financial institutions. We consider that there is an effective resolution regime in Switzerland and that an RCR may be relevant to CSSAG under these criteria. In the coming weeks, we will be reviewing our analysis of the resolution regime across 26 countries, including Switzerland. This review will identify liability categories, if any, that are protected from default risk by structural or operational features of a given resolution framework. Upon completion of this review, we may assign RCRs under our new criteria to banks located in Switzerland, including CSSAG.

## **Outlook**

The stable outlook on CSSAG reflects that on Credit Suisse AG and other core operating bank entities of the Credit Suisse group, as well as our view that Credit Suisse group has both the capacity and willingness to provide full support to CSSAG if needed. Therefore, a rating action on CSSAG over the next 12-24 months would most likely follow a revision, upward or downward, of the 'a' GCP of Credit Suisse.

Although we consider the following to be highly unlikely, we could lower the ratings if we no longer considered CSSAG to be a core subsidiary of Credit Suisse, for example, because its links with the group were weakening.

## **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
- 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: Group Rating Methodology, Nov. 19, 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

## **Related Research**

- Credit Suisse Group AG, July 3, 2017

## **Ratings List**

New Rating

Credit Suisse (Schweiz) AG

Issuer Credit Rating                      A/Stable/A-1

### **Additional Contact:**

Financial Institutions Ratings Europe; FIG\_Europe@spglobal.com

Certain terms used in this report, particularly certain adjectives used to

express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.standardandpoors.com](http://www.standardandpoors.com) for further information. Complete ratings information is available to subscribers of RatingsDirect at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public website at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column. Alternatively, call one of the following S&P Global Ratings numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow 7 (495) 783-4009.

Copyright © 2018 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, [www.standardandpoors.com](http://www.standardandpoors.com) (free of charge), and [www.ratingsdirect.com](http://www.ratingsdirect.com) and [www.globalcreditportal.com](http://www.globalcreditportal.com) (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at [www.standardandpoors.com/usratingsfees](http://www.standardandpoors.com/usratingsfees).

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.