

Credit Opinion: Credit Suisse International

Global Credit Research - 31 Mar 2015

London, United Kingdom

Ratings

Category	Moody's Rating
Outlook	Rating(s) Under Review
Bkd Bank Deposits	*A1/P-1
Issuer Rating	**A1
Senior Unsecured	**A1
Jr Subordinate -Dom Curr	Baa3 (hyb)
Ult Parent: Credit Suisse Group AG	
Outlook	Rating(s) Under Review
Senior Unsecured MTN	** (P)A2
Subordinate MTN	*** (P)Baa3
Jr Subordinate MTN	(P)Ba1
Parent: Credit Suisse AG	
Outlook	Rating(s) Under Review
Bank Deposits	*A1/P-1
Baseline Credit Assessment	baa1
Adjusted Baseline Credit Assessment	baa1
Issuer Rating	**A1
Senior Unsecured	**A1
Subordinate -Dom Curr	Baa2
Jr Subordinate MTN	(P)Baa3
Commercial Paper	**P-1
Other Short Term	** (P)P-1

* Rating(s) within this class was/were placed on review on March 17, 2015

** Placed under review for possible downgrade on March 17, 2015

*** Placed under review for possible upgrade on March 17, 2015

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Opinion

SUMMARY RATING RATIONALE

Credit Suisse International (CSI), formerly Credit Suisse First Boston International, is a UK-domiciled bank specializing mainly in OTC derivatives trading and market making. CSI is the principal risk taker for derivatives within the Credit Suisse Group. As such, it is a fully integral part of Credit Suisse's operations. The bank is owned

80% by Credit Suisse AG and 20% by Credit Suisse Group AG (the parent holding company of Credit Suisse AG).

CSI is an unlimited liability company and, as such, its shareholders have a joint, several and unlimited obligation to meet any insufficiency in the assets of CSI in the event of its liquidation. This obligation does not constitute a direct guarantee by Credit Suisse of CSI's liabilities, and prior to any liquidation of CSI, creditors of CSI have no legal recourse to Credit Suisse AG or Credit Suisse Group AG. However, we believe that the unlimited liability, as well as the operational importance of CSI to Credit Suisse, provide a very strong incentive for Credit Suisse to service the obligations of CSI as if they were direct obligations of Credit Suisse AG. Based upon these factors, Moody's rates the debt of CSI at the same level as those direct obligations of Credit Suisse AG with a similar priority of claim.

On 17 March 2015, we placed the A1 long-term deposit rating of Credit Suisse AG on review for upgrade. Concurrently we placed its A1 long-term issuer and senior unsecured debt ratings on review for downgrade. The rating action reflects the reduced likelihood of government support for senior creditors in Switzerland as well as the introduction of our new bank rating methodology and specifically our advanced Loss Given Failure (LGF) approach to rating different classes of bank obligations based upon loss severity. Credit Suisse AG's junior instruments were not affected by the action. The deposit, issuer, and senior unsecured debt ratings of CSI, which are rated at the same level as those of Credit Suisse AG based on the unlimited liability of its shareholder Credit Suisse AG, was also placed on review (A1 deposit rating on review for upgrade, A1 issuer and senior debt ratings on review for downgrade). CSI's junior instruments were not affected by the action.

For a detailed discussion of the rating rationale for Credit Suisse AG, please see Moody's published research on Credit Suisse AG and Credit Suisse Group AG.

Rating Outlook

The review on CSI's deposit and senior unsecured debt ratings was triggered by the introduction of our new methodology, and specifically our advanced Loss Given Failure analysis that applies to Credit Suisse AG given that it is subject to an Operational Resolution Regime under the Swiss bank resolution framework.

The review will also take into account the evolution of the Swiss bank resolution regime and the accelerating global trend towards the use of burden-sharing tools with creditors (i.e. bail-in) to resolve failing banks. In particular, we consider that, with the Swiss resolution regime being largely adopted, the likelihood of support for senior creditors from the Swiss government in the event of need is diminished. We also believe that the efforts on making the larger Swiss banks resolvable by issuing debt out of holding company structures and creating a Swiss banking subsidiary are important steps in overcoming the main obstacles to their resolvability, namely their global reach and their complex interconnection with other parts of the financial system. These factors have resulted in greater likelihood that creditors will be bailed in and have prompted us to reconsider the systemic support assumptions that we factor into our credit ratings of Swiss banks.

As obligations which benefit from an unlimited liability of Credit Suisse AG to meet any insufficiency in the assets of CSI in the event of its liquidation, we believe the rated debt obligations of CSI are similarly exposed to such developments.

The review on Credit Suisse AG's deposit and senior unsecured debt will focus on the amount and permanence of senior long-term debt outstanding at Credit Suisse AG and its branches as well as the amount of debt subordinated to it, including senior debt at the parent holding company Credit Suisse Group AG. Based on our initial LGF analysis, we expect Credit Suisse AG's deposits to be upgraded by one notch, reflecting our expectations for three notches of uplift from the BCA due to an extremely low loss-given-failure for Credit Suisse AG junior deposits given Swiss depositor preference, plus one notch of uplift due to a moderate likelihood of government support. Given the smaller amount of subordination protecting senior creditors (as compared to depositors), our initial LGF analysis indicates a potential downgrade of one notch for bank-level senior debt at Credit Suisse AG, reflecting our expectations for one notch of uplift from the BCA due low loss-given-failure plus one notch of uplift due to moderate government support.

Since Moody's ratings for CSI are based on the unlimited liability of Credit Suisse AG for the liabilities of CSI and the close linkages between CSI and Credit Suisse AG, we believe a similar outcome is likely for the deposit and senior unsecured debt ratings of CSI.

Recent Developments

In November 2013, Credit Suisse unveiled a plan that would modify its legal entity structure in connection with efforts to simplify its operating infrastructure and address existing and anticipated regulatory requirements for global recovery and resolution planning by systemically important banks such as Credit Suisse. As a part of this plan, Credit Suisse would consolidate its two principal UK operating subsidiaries - CSI and Credit Suisse Securities Europe Limited (CSSEL) - into a single subsidiary which would be the hub of the bank's European investment banking business. Another part of the plan would transfer the bank's US derivatives business, which is currently booked in CSI or CSSEL, to the bank's existing US broker-dealer.

The implementation of the full program, which has already been approved by the Board of Directors of the Group but is subject to regulatory approval, is planned from mid-2015. The prospects for a limited reduction in the Group's consolidated regulatory capital requirements, provided for under Swiss banking law if Credit Suisse's resolvability is improved, is one main driver underpinning the changes. Also, we believe that the increasing emphasis of the UK bank regulator (the Prudential Regulation Authority) on the "self-sufficiency" (ie. adequate capital and liquidity resources) of UK affiliates of foreign banks is another factor driving the changes.

We believe it is too soon to assess the potential impact of these proposed changes on the issuer ratings of CSI. Key considerations will be which subsidiary is the surviving entity following the merger as well as the legal structure of that entity and the extent to which its shareholders will continue to have a joint, several and unlimited obligation to meet any insufficiency in the assets of the entity in the event of its liquidation as they currently do with CSI.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on <http://www.moody's.com> for the most updated credit rating action information and rating history.



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