



Rating Action: Moody's affirms Credit Suisse Group's AG senior unsecured debt at Baa2 and downgrades Credit Suisse AG's senior unsecured debt to A3 and deposits to A3/Prime-2; outlook negative

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London, November 01, 2022 -- Moody's Investors Service ("Moody's") today affirmed the senior unsecured debt ratings of Credit Suisse Group AG (CSG) at Baa2. At the same time, the rating agency downgraded the long-term senior unsecured debt and deposit ratings of Credit Suisse AG (CS) by one notch to A3 from A2.

The outlook on these ratings remains negative.

The rating agency further downgraded CS's Baseline Credit Assessment (BCA) and Adjusted BCA to ba1 from baa3 and its long-term Counterparty Risk Assessment to A3(cr) from A2(cr). The long-term senior unsecured debt, issuer as well as deposit ratings of all of CS's subsidiaries - where applicable - have also been downgraded by one notch to A3 from A2. All short-term ratings were downgraded to P-2 from P-1.

Please click on this link https://www.moody's.com/viewresearchdoc.aspx?docid=PBC_ARFTL470914 for the List of Affected Credit Ratings. This list is an integral part of this Press Release and identifies each affected issuer.

RATINGS RATIONALE

--- AFFIRMATION OF THE SENIOR UNSECURED DEBT RATINGS OF CREDIT SUISSE GROUP AG

The affirmation of Credit Suisse Group AG's ratings reflects the downgrade of the BCA of its major subsidiary, Credit Suisse AG, offset by increased support for creditors under Moody's Advanced LGF framework to two notches from one notch, in light of a reduction in tangible banking assets and an expected increase in Total Loss-absorbing Capacity (TLAC) issuance.

--- DOWNGRADE OF THE LONG-TERM DEBT RATINGS OF CREDIT SUISSE AG

The downgrade of Credit Suisse AG's ratings reflects the downgrade of its BCA, as well as unchanged support for creditors under Moody's Advanced LGF framework.

--- DOWNGRADE OF CREDIT SUISSE AG's BCA

The downgrade of CS's BCA, as well as its long-term ratings, reflects Moody's view that the announced strategic plan entails execution risk due to its breadth and complexity. Although these strategic developments could be positive in the long run and lead to a substantially de-risked, more efficient and simplified bank, with materially lower leverage and dependence on the more volatile capital markets and investment banking earnings, Moody's believes that the associated complexity of carving out an independent investment bank, while also winding down a non-core unit and managing ancillary disposals will require a lengthy timeline and lead to high

talent and client attrition risk. In addition to the drivers mentioned above, Moody's notes the added challenges of executing this plan in a deteriorating markets and macroeconomic environment. These factors are partially mitigated by the firm's solid capitalisation, further strengthened in both quantity and quality by the announced CHF4 billion rights issue - bringing the pro-forma Common Equity Tier 1 (CET1) ratio to 14% - which should enhance market confidence despite the deteriorated liquidity position and the uncertainty and lengthy timeline of the restructuring. These are key drivers supporting the rating repositioning and negative outlook.

The new strategic plan includes: (1) finalizing and executing the transfer of the majority of the assets of the securitized products group to investment vehicles managed by affiliates of Apollo and PIMCO, (2) setting-up a non-core unit holding mostly Investment Bank assets, (3) carving out and attracting new external capital for a simplified independent investment bank, headquartered in New York, under the brand CS First Boston, and (4) aligning and streamlining the bank's remaining businesses which will focus primarily on banking in its domestic Swiss market, global Wealth and Asset Management, while retaining a much smaller ancillary markets footprint. In addition, Moody's expects the plan will entail large financial losses in 2022, losses in 2023 and a return to profitability in 2025, due to elevated restructuring and remediation costs and reduced revenue streams, while the risk, compliance and cultural remediation efforts are still underway. Although experienced new management has been appointed, the transformation risks are amplified by the significant turnover which has occurred amongst the senior executive team and board.

Moody's considers the challenges posed by CSG's strategic plan as well as the weaknesses in its risk framework, controls, and compliance which are currently being remediated as governance factors under Moody's environmental, social, and governance (ESG) framework. Moody's reflects such governance deficiencies in CSG's very highly negative Governance Issuer Profile Score (G-5), driven by a Financial Strategy and Risk management category score of 5 (very highly negative). CSG's ESG Credit Impact Score is CIS-5 (very highly negative), whereby its governance risks have a very highly negative impact on current ratings. The uncertainties regarding the bank's ability to successfully execute on the announced strategy within the targeted time frame, significant recent senior executive turnover, and governance and compliance deficiencies under remediation, are captured by a one-notch downward adjustment for Corporate Behavior in the BCA scorecard.

--- NEGATIVE OUTLOOK

The negative outlook on CS's long-term senior unsecured debt, issuer and deposit ratings and on CSG's senior unsecured debt ratings reflects its weakened liquidity position as well the negative pressures stemming from the extended timeframe before the bank is expected to return to sustained profitability and the risks related to the execution of what Moody's views as a broad and complex repositioning of the group's business model. These factors are partly mitigated by the strength of CSG's capital position, giving credit for the announced CHF 4 billion capital increase and other capital enhancing actions, which will provide much needed loss absorbency against the negative financial impact and uncertainties around the restructuring plan, and the complexity associated with carving out an independent investment bank.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

Considering the negative outlook, upward rating pressure in the near term is unlikely. The negative outlook can return to stable if CSG maintains its solid capital position, swiftly improves its liquidity and achieves compliance with regulatory requirements at its operating entities. In addition to these factors, the ratings can be upgraded if CSG restores its client franchise and demonstrates significant progress in successfully execution on the restructuring plan, achieves

greater visibility on its path to near-term sustainable profitability while making substantial progress in addressing and remediating the significant corporate governance, risk, audit or compliance control shortcomings.

The ratings could be downgraded if: (1) CSG is unable to make material progress in executing the strategic plan; (2) CSG's capital position consistently remains below the Common Equity Tier 1 guidance of at least 13% during the restructuring plan; (3) CSG's liquidity position or its funding structure substantially deteriorate; (4) CSG suffers sustained client or franchise impairment in its Wealth Management or Investment Bank divisions leading to further deposits outflow; and (5) enhancements of the bank's risk appetite, frameworks and controls fail to be successfully implemented. The holding company's senior unsecured debt ratings could further be downgraded should there be a larger-than-anticipated decrease in the existing stock of loss-absorbing liabilities without a commensurate reduction in the level of tangible banking assets; this would lead to fewer notches of rating uplift as a result of Moody's Advanced LGF analysis.

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks Methodology published in July 2021 and available at <https://ratings.moodys.com/api/rmc-documents/71997>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

REGULATORY DISCLOSURES

The List of Affected Credit Ratings announced here are a mix of solicited and unsolicited credit ratings. For additional information, please refer to Moody's Policy for Designating and Assigning Unsolicited Credit Ratings available on its website <https://ratings.moodys.com>. Additionally, the List of Affected Credit Ratings includes additional disclosures that vary with regard to some of the ratings. Please click on this link https://www.moodys.com/viewresearchdoc.aspx?docid=PBC_ARFTL470914 for the List of Affected Credit Ratings. This list is an integral part of this Press Release and provides, for each of the credit ratings covered, Moody's disclosures on the following items:

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- Releasing Office

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

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The ratings have been disclosed to the rated entities or their designated agent(s) and issued with no amendment resulting from that disclosure.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://ratings.moody.com/documents/PBC_1288235.

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