MOODY'S INVESTORS SERVICE

Credit Opinion: Clariden Leu AG

Global Credit Research - 22 Nov 2011

Zurich, Switzerland

Ratings

Category	**Moody's Rating**
Outlook	Rating(s) Under Review
Bank Deposits	*Aa2/P-1
Bank Financial Strength	*B-
Ult Parent: Credit Suisse Group AG	
Outlook	Rating(s) Under Review
Senior Unsecured MTN	*(P)Aa2
Subordinate MTN	*(P)Aa3
Jr Subordinate MTN	*(P)A2
Other Short Term	(P)P-1

* Placed under review for possible downgrade on November 14, 2011

Contacts

Analyst	**Phone**
David Fanger/New York City	1.212.553.1653
Elisabeth Rudman/London	44.20.7772.5454
Johannes Wassenberg/London	
Bineesha Wickremarachchi/London	

Key Indicators

Clariden Leu AG (Consolidated Financials)[1]

	[2]**12-10**	[2]**12-09**	[2]**12-08**	[2]**12-07**	[3]**12-06**	**Avg.**
Total Assets (CHF million)	**23,306.0**	**25,289.0**	**29,099.0**	**33,933.0**	**24,982.0**	[4]**-1.7**
Total Assets (EUR million)	**18,638.0**	**17,050.7**	**19,668.2**	**20,500.1**	**15,519.9**	[4]**4.7**
Total Assets (USD million)	**25,003.8**	**24,463.4**	**27,339.7**	**29,972.2**	**20,465.3**	[4]**5.1**
Tangible Common Equity (CHF million)	**1,537.0**	**1,531.0**	**1,244.0**	**1,546.0**	**1,456.0**	[4]**1.4**
Tangible Common Equity (EUR million)	**1,229.2**	**1,032.3**	**840.8**	**934.0**	**904.5**	[4]**8.0**
Tangible Common Equity (USD million)	**1,649.0**	**1,481.0**	**1,168.8**	**1,365.5**	**1,192.8**	[4]**8.4**
Net Interest Margin (%)	**0.7**	**0.8**	**1.0**	**1.5**	**1.5**	[5]**1.1**
PPI / Avg RWA (%)	**4.0**	**3.5**	**4.3**	**6.0**	**--**	[6]**4.5**
Net Income / Avg RWA (%)	**3.1**	**3.9**	**1.7**	**4.7**	**--**	[6]**3.4**
(Market Funds - Liquid Assets) / Total Assets (%)	**-35.2**	**-49.1**	**-47.6**	**-30.6**	**-14.5**	[5]**-35.4**
Core Deposits / Average Gross Loans (%)	**201.8**	**258.4**	**246.9**	**209.5**	**126.9**	[5]**208.7**
Tier 1 Ratio (%)	**19.0**	**19.0**	**13.0**	**9.0**	**--**	[6]**15.0**
Tangible Common Equity / RWA (%)	**24.1**	**24.9**	**11.3**	**13.1**	**--**	[6]**18.3**
Cost / Income Ratio (%)	**70.8**	**66.8**	**57.1**	**49.9**	**48.9**	[5]**58.7**
Problem Loans / Gross Loans (%)	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**	[5]**0.3**
Problem Loans / (Equity + Loan Loss Reserves) (%)	**1.4**	**1.2**	**1.6**	**1.8**	**1.5**	[5]**1.5**

Source: Moody's

[1] All ratios are adjusted using Moody's standard adjustments [2] Basel II; US GAAP [3] Basel I; US GAAP [4] Compound Annual Growth Rate based on US GAAP reporting periods [5] US GAAP reporting periods have been used for average calculation [6] Basel II & US GAAP reporting periods have been used for average calculation

Opinion

RECENT CREDIT DEVELOPMENTS

On 14 November 2011, Clariden Leu AG's (Clariden Leu) bank financial strength rating (BFSR) of B- and its long term deposit rating of Aa2 were placed on review for possible downgrade. The ratings review was in line with the rating action taken on its parent, Credit Suisse Group and Credit Suisse AG. The review was initiated in response to profitability pressures Credit Suisse is facing due to continued global macroeconomic uncertainty and heightened market volatility, together with the strong Swiss franc and the low interest rate environment. The review will focus on the restructuring steps announced by Credit Suisse and its implementation, as well as on the underlying profitability trends, particularly in its Investment Banking and Wealth Management divisions, going forward.

On 15 November 2011, Credit Suisse announced that it plans to fully integrate Clariden Leu into Credit Suisse and discontinue the Clariden Leu brand as part of the previously announced target to increase Private Banking's contribution to the Group's pre-tax income by CHF 800million by 2014. The legal merger of Clariden Leu AG into Credit Suisse AG is expected to be completed by the end of 2012, subject to regulatory approvals. Moody's expects that as a part of the merger the deposits of Clariden Leu will become direct obligations of Credit Suisse AG. Therefore, once all approvals have been received and the merger is completed, we expect that the ratings of Clariden Leu would be aligned with that of Credit Suisse AG and withdrawn.

SUMMARY RATING RATIONALE

Moody's assigns a BFSR of B- to Clariden Leu, which maps to an unsupported or standalone baseline credit assessment (BCA) of A1 on Moody's long-term rating scale. The rating derives from the bank's strong franchise in Swiss on-shore and global off-shore wealth management, its solid financial fundamentals, low financial risk profile, and takes into account the moderate business risks inherent in the private client wealth and asset management industry within which Clariden Leu operates.

Moody's believes that the probability of support for Clariden Leu from its parent, Credit Suisse Group AG, (rated (P)Aa2 on review for possible downgrade) in the event of need is very high. Credit Suisse Group AG holds 89% of the capital and 100% of the voting rights of Clariden Leu Holding (which fully owns Clariden Leu). This parental support is reflected in a two-notch uplift to Clariden Leu's deposit ratings to Aa2 from the bank's BCA of A1. Systemic support is indirectly included in this uplift, as Moody's incorporates systemic support into the rating of Credit Suisse Group when evaluating the Credit Suisse Group's ability to support Clariden Leu.

Thus, the deposit rating of Clariden Leu incorporates three main elements: (1) the bank's BFSR of B-, which maps to a BCA of A1; (2) Moody's assessment of a very high probability of support from the bank's parent and (3) the seniority of its deposits.

Clariden Leu was formed from the merger of four private banks within the Credit Suisse Group - Clariden Bank, Bank Leu, Bank Hofmann and BGP Banca di Gestione Patrimonial - together with Credit Suisse Fides. Among the forerunner banks, Moody's had only rated Bank Leu prior to this merger. The key indicators shown above for 2006 are the numbers related to the opening balance sheet of Clariden Leu as at 31 December 2006.

Credit Strengths

- Well-established franchise in Swiss on-shore and European off-shore private banking and wealth management

- Robust financial profile, including good economic and regulatory capitalisation, sound asset quality and excellent liquidity.

- Conservative risk appetite and culture.

- Broad range of investment products and advisory services, with an emphasis on product customisation, and personalised client service, both in Switzerland and abroad.

- Although functionally independent, Clariden Leu utilises many of the same financial, risk control and treasury management processes and reports as Credit Suisse, and is fully integrated into the IT platform of Credit Suisse.

- A revenue structure with a solid base of annuity-based fee and commission income.

- Deposit ratings benefit from very high likelihood of support from parent, Credit Suisse Group.

Credit Challenges

- Business risks generally related to private banking and wealth managers including (i) reputation risk (ii) legal risks and (iii) increasing sensitivity of clients' assets under management (AUM) to investment performance, which in turn is dependent on global financial markets conditions.

- Highly competitive and fragmented global wealth management market.

- Increasing international pressure on the Swiss offshore wealth management sector, which Moody's believes are likely leading to lower growth rates in the offshore segment and higher compliance costs

- Dependence of a large portion of revenues and earnings on capital markets' activity and valuations.

--Vulnerability to Swiss franc currency appreciation, given largely franc-based operating expenses versus revenues which are generated based on assets under management denominated in a variety of currencies, most notably the euro and the US dollar.

- A substantial unauthorised trading loss in 2008 resulting from the closing of a client position in Asia highlights some weaknesses in Clariden Leu's risk control framework.

- Limited financial disclosure

Rating Outlook

On 14 November 2011, the Clariden Leu's BFSR and its long term deposit ratings were placed on review for possible downgrade, in line with the rating action taken on its parent, Credit Suisse Group.

What Could Change the Rating - Up

An upgrade of Clariden Leu's ratings is unlikely given the November 2011 rating action on Credit Suisse Group, whereby its ratings were placed on review for possible downgrade.

What Could Change the Rating - Down

Downward pressure on the BFSR of the bank would likely arise from (i) damage to Clariden Leu's franchise and reputation and a material, prolonged erosion in AUM, especially if accompanied by an attrition of clients or advisors, (ii) net new money outflows as a result of increasing international pressure on the Swiss offshore wealth management sector following Switzerland's adoption of the OECD guidelines for information exchange, or (iii) a deterioration in the financial strength of Credit Suisse, in light of Clariden Leu's strong integration with, and sizeable exposures to Credit Suisse.

A downgrade of Clariden Leu's deposit rating could be triggered by (i) a downgrade in Clariden Leu's A1 BCA; (ii) a change in parental support assumptions, or (iii) a downgrade in the rating of Credit Suisse Group.

Recent Results and Developments

Clariden Leu reported pre-tax profit of CHF 244million for the year ended 31 December 2010 (FYE2010), a 20% decline from the CHF 305million of pre-tax profit reported in the previous year (the FYE2009 pre-tax profit excludes a CHF 91million write-back of provisions / losses relating to the close out of a client position and associated unauthorised trading in Asia; the bank reported a loss of approximately CHF 191million in FYE2008 in relation to this event). The decline was mainly driven by lower net interest income (24% decline to CHF 156million) and lower fee and commission income (4.5% decline to CHF 547million), partly offset by increased trading revenue (14.4% increase to CHF 143million). The decline in net interest income was due to the prevailing low interest rate environment and the weakening of the US Dollar against the Swiss Franc, while the growth in trading revenue was entirely attributable to income from trading in foreign exchange and notes.

Total assets declined to CHF 23.3billion as at 31 December 2010 from CHF 25.3billion as at 31 December 2009, driven by a fall in loans to banks and financial institutions (CHF 3.7billion decline to CHF 5.6billion as at 31 December 2009) partly offset by the increase in financial assets held for trading (CHF 2.6billion increase to CHF 4.2billion) as a result of the growth in structured investment product activities. Customer deposits continued its declining trend, amounting to CHF 13.6billion as at 31 December 2010 compared to CHF 17.8billion as at 31 December 2009. During the financial year ended 31 December 2010, Clariden Leu raised new debt amounting to CHF 1.5 billion through the issuance of structured products, resulting in an increase in short-term and long-term debt to CHF 4.0billion (as at 31 December 2009: CHF 2.4billion).

Total AUM declined marginally to CHF 95.6billion as at 31 December 2010 (CHF 102.1billion as at 31 December 2009).

Clariden Leu's credit profile continues to be supported by a strong liquidity and capital position. The bank's tier 1 ratio remained stable at 19% at year-end 2010 on a Basel II basis. Clariden Leu is a net provider of liquidity to the Credit Suisse Group, reporting a cash position which far exceeds its short-term funding position, and liquid assets at 67.9% of total assets as at 31 December 2010. At year-end 2010 nearly half of the bank's balance sheet (or CHF 11.1 billion) consisted of assets from other companies belonging to the Credit Suisse Group, including CHF 10.1 billion in cash and due from and interest bearing deposits with banks.

Clariden Leu's results are reported as part of the wealth management business line of the Credit Suisse Group, which, for the first nine months of 2011, reported a pre-tax profit of CHF 1.2 billion compared to CHF 1.9 billion for the first nine months of 2010. Net new assets were CHF 33.8billion over the period, although the gross margin declined by 4 basis points from the same period in 2010 to 116. Gross margins remain under pressure as a result of the low interest rate environment, which leads to compression in the net interest margin.

DETAILED RATING CONSIDERATIONS

Detailed rating considerations for Clariden Leu's currently assigned ratings are as follows:

Bank Financial Strength Rating

Moody's assigns a BFSR of B- to Clariden Leu. The rating is underpinned by the bank's attractive private banking franchise, its growing international presence, strong customer relationships, sound financial fundamentals, and the secure regulatory and operating environment in Switzerland.

As a point of reference, the assigned BFSR is one notch below the Moody's bank financial strength scorecard outcome of B. Moody's is cognisant of the shortcomings the bank financial strength scorecard may display for certain banks, especially with regard to their business model. In particular, Moody's is of the opinion that the scorecard does not fully capture the business and financial risks inherent in private banking. Inter alia, these include the fragmented nature of the global wealth management market and the strategic risk this poses to private banks such as Clariden Leu, clients' heightened sensitivity to the investment performance of their assets managed, reputation risk, legal risk or risks of undue operational leverage. As a result, the scorecard-derived BFSRs may over-estimate a private bank's intrinsic creditworthiness and may be adjusted accordingly where appropriate.

QUALITATIVE FACTORS (50%)

FACTOR 1: FRANCHISE VALUE

Trend: Neutral

Clariden Leu was formed following the merger of four private banks within the Credit Suisse Group - Clariden Bank, Bank Leu, Bank Hofmann and BGP Banca di Gestione Patrimonial - together with Credit Suisse Fides. The merger took place on January 26, 2007, with retroactive effect from January 1, 2007. Clariden Leu's CHF 95.6 billion of client AUM as at 31 December 2010 places it as one of the largest private banks in Switzerland.

Credit Suisse Group owns 89% of the capital and 100% of the voting rights of Clariden Leu Holding (which fully owns Clariden Leu). Credit Suisse AG is also owned directly by the Group, and thus has the status of a much larger "sibling" rather than a parent. Although there may be some competition between Clariden Leu and Credit Suisse's own private bank, Clariden Leu has traditionally focussed on higher net worth customers and is favoured by customers who prefer a smaller institution which can provide a more specialised service. Clariden Leu offers a full range of wealth management services, including portfolio management, advisory, custody and execution, with a focus on third party distribution.

The bank provides local and offshore private banking from all the main centres in Switzerland. Its domestic and Swiss-based offshore franchise is strongest with German speaking clients but it also has an important footprint with Italian and French speaking clients. Outside Switzerland, there is a historically strong presence in Hong Kong and growing operations out of Singapore and Dubai, all complemented by representative offices targeted to develop selected onshore markets, most notably in Latin America and Russia. Approximately 70% of the bank's revenue is generated through offshore customers.

At this point, the bank's single brand is very young. The bank's management has been able to integrate the collection of independent operations inherited following the merger, and although Clariden Leu does enjoy a good reputation, this has not yet been reflected in net new money flows, which have been lower than the bank's peers. The moderate scores for the market share and sustainability and geographical diversification sub-factors in part reflect this.

Historically, Clariden Leu's earnings have proved to be relatively resilient, although net income has shown some volatility over the past three years. A revenue structure with a solid base of annuity-based fee and commission income is clearly helpful and underpins an excellent score for the earnings stability sub-factor. Moody's notes that a strengthening of the Swiss franc versus other major currencies may expose Clariden Leu's operating revenues to some, albeit manageable, earnings volatility (as was the case for FYE2009 and FYE2010).

The above-mentioned characteristics are appropriately captured by a score of B- on franchise value.

FACTOR 2: RISK POSITIONING

Trend: Neutral

Whilst functionally operating as a separate entity, Clariden Leu utilises many of the same risk, control and liquidity management structures as Credit Suisse, and has a credit policy which is set within the Credit Suisse Global Credit Policy. Although Clariden Leu has a more conservative risk appetite when compared to its parent, Moody's has assigned the same risk management and liquidity management sub-factor scores that have been assigned to Credit Suisse, because Clariden Leu uses many of the same processes and procedures in managing these functions.

Moody's also notes that the unauthorised trading loss of CHF 190million in FYE2008, which occurred in one of Clariden Leu's Asian booking centres was a significant amount relative to the bank's revenues and profits. The loss highlights operational control shortcomings in Clariden Leu's risk management framework. While the bank has taken a number of steps to correct the control failures revealed by the loss, Moody's is generally cautious about the time it can take before such changes are fully effective. Accounting for these shortcomings leads to a score of C for Controls and Risk Management in the BFSR scorecard.

Credit Suisse's liquidity is managed to ensure access to multiple sources of funds that would ensure that the firm can withstand, without business reduction, various extreme scenarios of prolonged non-access to markets as well as accelerated draw-downs on commitments provided. Clariden Leu's liquidity management is further enhanced by sizeable volumes of sticky customer deposits and a very liquid balance sheet, which is funding positive for the overall Credit Suisse group.

Clariden Leu's risk profile is predominantly determined by business risks common to private banks in general. Lending is focussed on Lombard lending against marketable collateral and Swiss residential mortgage lending, but is underwritten on a very conservative basis. Additionally, Clariden Leu's business model traditionally involved relatively low levels of market risk, although with the bank's trading book nearly trebling during 2010 due to increased offerings of structured products, we believe the bank's exposure to market risk will likely increase in the future.

The score for risk positioning is also negatively affected by some sizeable Lombard and mortgage loans to individuals. The scorecard reflects Moody's conviction that borrower credit risk concentrations may pose a challenge for banks' credit quality. Adjusting for individual credit exposure concentrations that are rated above A3 would result in the overall risk positioning factor score being less affected by borrower concentration, although Moody's notes that such an adjustment would be relatively minor in the case of Clariden Leu. While previously Clariden Leu also scored poorly on industry concentration risk due to the large exposure it had to other banks, this risk has been reduced. Clariden Leu now places nearly all of its excess funds with Credit Suisse.

A further consideration which weighs upon the risk positioning score relates to very limited financial transparency. Published reports are only done on an annual basis with disclosure being limited. Credit Suisse Group has better financial transparency. However, Clariden Leu is a small part of the Group so that the Group level disclosure does little to inform investors about the performance and stand-alone credit quality of Clariden Leu.

Clariden Leu's overall score for risk positioning is D+.

FACTOR 3: REGULATORY ENVIRONMENT

Trend: Neutral

All banks in Switzerland are subject to the same score on the regulatory environment. This factor does not address bank-specific issues; instead, it evaluates whether regulatory bodies are independent and credible, demonstrate enforcement powers and adhere to global standards of best practice for risk control.

FACTOR 4: OPERATING ENVIRONMENT

Trend: Neutral

This factor is also common to all Swiss banks. Moody's assigns an A score for the overall Swiss operating environment. However, Moody's adjusts this score to also reflect the assessment of key markets beyond Switzerland (particularly some of the targeted growth regions) that contribute to Clariden Leu's revenues and earnings and assets; these would lead to a marginally lower weighted average score of B+ for the overall operating environment.

QUANTITATIVE FACTORS (50%)

FACTOR 5: PROFITABILITY

Trend: Weakening

Historically, Clariden Leu has enjoyed excellent profitability metrics, reflecting the bank's relatively low risk asset base and excellent cost management. However, the challenging market conditions in the past three years, as well as some one-off negative items, resulted in relatively poor results for the bank, as well as increased volatility in earnings performance.

Clariden Leu reported pre-tax profit of CHF 244million for FYE2010, a 20% decline from the CHF 305million of pre-tax profit reported in the previous year (the FYE2009 pre-tax profit excludes a CHF 91million write-back of provisions / losses relating to the close out of a client position and associated unauthorised trading in Asia; the bank reported a loss of CHF 191million in FYE2008 in relation to this event). The decline was mainly driven by lower net interest income (24% decline to CHF 156million) and lower trading fee and commission income (4.5% decline to CHF 547million), partly offset by increased trading revenue (14.4% increase to CHF 143million). The decline in net interest income was due to the prevailing low interest rate environment and the weakening of the US Dollar against the Swiss Franc, while the growth in trading revenue was attributable to increased revenue from trading in foreign exchange products. The stronger Swiss franc also hurt the bank's cost/income ratio, since most of the banks expenses are denominated in francs, while its revenues are generated based primarily on fees and net interest income on assets denominated in a variety of currencies, most notably the euro and the US dollar.

Clariden Leu's risk weighted asset based metrics benefit from the preponderance of commission-generating, off-balance sheet business and the positive impact this has on Moody's key ratios. Furthermore, they reflect the low risk content of its balance sheet.

Given the economic headwinds in many of Clariden Leu's key markets, the volatility in global investment markets, and the continued appeal of the Swiss franc as a safe haven currency, Moody's expects a weakening trend for Clariden Leu's profitability over the medium term. We also expect some asset outflows as a result of the recently completed tax withholding agreements between Switzerland and the UK and Germany, agreements that we expect will serve as models for agreements with other European countries. In Moody's opinion, this is likely to pressure margins for Swiss private banks over the medium term. However, we believe that the benefits of these new agreements will likely outweigh the negative impact on Swiss private banks over the long run. A tax compliant framework might even attract further declared clients (those that have fully declared their wealth to the responsible tax authorities). Moody's expects Clariden Leu to cope with this transitionary environment and be able to maintain its core earnings strength in the long term.

FACTOR 6: LIQUIDITY

Trend: Neutral

Clariden Leu benefits from a resilient base of deposits and from substantial volumes of high-quality, liquid assets. The score of A also reflects the excellent liquidity management score assigned to Credit Suisse. Credit Suisse's liquidity management is based on a prudent liquidity model which incorporates a severe stress scenario. Over the past year, in conjunction with balance sheet de-leveraging and capital raising initiatives, Credit Suisse has been able to take advantage of its well diversified funding capabilities to strengthen its liquidity profile. Although liquid assets at Clariden Leu declined in 2010, falling from CHF 17.7billion to CHF 15.8billion, this decline was in step with the reduction in the overall balance sheet and the proportion of liquid assets has held steady at approximately 70% - 68%.

Based upon its robust liquidity profile and good liquidity management, Clariden Leu scores A for liquidity. We do not expect the bank to deviate from its current prudent practices in the foreseeable future.

FACTOR 7: CAPITAL ADEQUACY

Trend: Neutral

Clariden Leu's disclosed tier I capital ratio is high, at 19% as at 31 December 2010 (on a Basel II basis), and as such, remains at level consistent with a capital adequacy score of A. We also note the excellent quality of the capital, which does not include hybrid capital instruments. Leverage is also strong, with assets-to-tangible equity at 15 times and a FINMA leverage ratio of 6.5%. But, as is the case at other private banks, traditional capital metrics may not fully capture the business-specific risks inherent in private banking.

FACTOR 8: EFFICIENCY

Trend: Weakening

Clariden Leu has historically maintained very strong efficiency measures, with cost-to-income ratios below 50% for 2005 - 2007 and thus comfortably in the B range in the BFSR scorecard. These ratios compare very favourably to other Swiss private banks, and Moody's notes the benefits that Clariden Leu derives from utilising the IT infrastructure of Credit Suisse on a shared service basis. However, the bank's most recent results, which incorporates the fall in Clariden Leu's revenues, leads to a rise in the 3-year average cost-to-income ratio to 64.9%, and hence an efficiency score of C.

Moody's notes that the FYE2010 cost-to-income ratio increased to 70.8% from 66.8% for FYE2009, as a result of the fall in net operating revenue (6.3% decline to CHF 857million), partly offset by the fall in operating expenses (0.5% decline to CHF 697million).

The ability to reduce costs at a private bank is constrained by the need to maintain high quality customer service levels, which will restrict management's ability to adjust the banks' cost base. In addition, the bank's operating expenses are largely Swiss franc based, whereas its revenues are predominantly from fees based on assets under management denominated in a variety of currencies, most notably the euro and the US dollar. Thus the strong Swiss franc has also contributed to the weakening efficiency ratios - a trend common to most Swiss private banks. Moody's does not expect Clariden Leu's cost efficiency to return to pre-crisis levels until strong market-based revenues return and the Swiss franc retreats from its lofty levels. Nonetheless, the bank continues to demonstrate greater efficiency than many of its private banking peers.

FACTOR 9: ASSET QUALITY

Trend: Neutral

Asset quality metrics for Clariden Leu compare very favourably to those of banks globally and are in line with its private banking peers. Apart from a small amount of mortgage loans, typically granted to private banking clients and secured against Swiss residential property (primarily in the greater Zurich area), the bank has engaged almost exclusively in highly collateralised Lombard lending. Consequently, Clariden Leu has recorded only negligible amounts of non-performing loans, and to date, is yet to experience a loan loss in mortgages. The bulk of loan books are covered by cash collateral or portfolios of securities. Clariden Leu scores an A for asset quality.

We see signs of overheating in regional property markets in Switzerland, and therefore a risk of price reversals in those markets. Banks with exposure to regional "hotspots" are in our view at risk of moderate asset quality deterioration in their mortgage loan books. This includes Clariden Leu, in as much as Zurich is one of the regional hotspots. Although Moody's expects problem loans to rise as credit conditions deteriorate, in light of the bank's generally conservative credit underwriting and the limited growth in its mortgage loan portfolio over the past three years, we would expect the cost of credit risk to remain low.

Global Local Currency Deposit Rating (Joint Default Analysis)

Moody's assigns global local currency (GLC) deposit ratings of Aa2 / Prime-1 to Clariden Leu.

The long-term GLC deposit rating is supported by Clariden Leu's BCA of A1, Moody's assessment of a very high probability of parental support from Credit Suisse Group as well as the very high likelihood that any systemic support provided to Credit Suisse would also benefit Clariden Leu. Based upon the bank's A1 BCA and Credit Suisse Group's (P)Aa2 senior debt rating (which itself incorporates two notches of uplift due to systemic support), Clariden Leu receives a two -notch uplift from its BCA, bringing the GLC to Aa2. The assumption of parental support from Credit Suisse Group is based on the integration of the financial, risk and liquidity management structures and platforms and the close involvement of the parent in the management of Clariden Leu.

Foreign Currency Deposit Rating

The foreign currency deposit ratings of Clariden Leu are unconstrained given that the country ceiling is Aaa, thus the foreign currency deposit rating is, at Aa2, the same as the global local currency deposit ratings.

ABOUT MOODY'S BANK RATINGS

Bank Financial Strength Rating

Moody's Bank Financial Strength Ratings (BFSRs) represent Moody's opinion of a bank's intrinsic safety and soundness and, as such, exclude certain external credit risks and credit support elements that are addressed by Moody's Bank Deposit Ratings. Bank Financial Strength Ratings do not take into account the probability that the bank will receive such external support, nor do they address risks arising from sovereign actions that may interfere with a bank's ability to honor its domestic or foreign currency obligations. Factors considered in the assignment of Bank Financial Strength Ratings include bank-specific elements such as financial fundamentals, franchise value, and business and asset diversification. Although Bank Financial Strength Ratings exclude the external factors specified above, they do take into account other risk factors in the bank's operating environment, including the strength and prospective performance of the economy, as well as the structure and relative fragility of the financial system, and the quality of banking regulation and supervision.

Moody's uses the Baseline Credit Assessment (BCA) to map BFSRs onto the 21-point Aaa-C rating scale and like the BFSR, it reflects a bank stand- alone default risk. Each point on the Aaa-C scale represents a specific probability of default and therefore allows Moody's to use the BCA as an input to Moody's Joint Default Analysis (JDA), described below. The baseline credit assessment reflects what the local currency deposit rating of the bank with the given BFSR would be without any assumed external support from a government or third party

Global Local Currency Deposit Rating (Joint Default Analysis)

A deposit rating, as an opinion of relative credit risk, incorporates the Bank Financial Strength Rating as well as Moody's opinion of any external support. Specifically, Moody's Bank Deposit Ratings are opinions of a bank's ability to repay punctually its deposit obligations. As such, Moody's Bank Deposit Ratings are intended to incorporate those aspects of credit risk relevant to the prospective payment performance of rated banks with respect to deposit obligations, and includes: intrinsic financial strength, sovereign transfer risk (in the case of foreign currency deposit ratings), and both implicit and explicit external support elements. Moody's Bank Deposit Ratings do not take into account the benefit of deposit insurance schemes which make payments to depositors, but they do recognize the potential support from schemes that may provide assistance to banks directly.

According to Moody's joint default analysis (JDA) methodology, the global local currency deposit rating of a bank is determined by the incorporation of any external elements of support into the bank's Baseline Credit Assessment. In assigning the local currency deposit rating to a bank, the JDA methodology also factors in the rating of the various potential support providers (parent company, cooperative group, regional or national governments), as well as the degree of dependence that may exist between each one of them and the bank. Moody's assessment of the probability of systemic support (by a national government) is derived from the analysis of the capacity of a government and its central bank to provide support on a system-wide basis. The systemic support indicator is determined for a particular country and serves as an input for all bank ratings in that country. The support indicator can be set at, above or, in rare cases, below the government's local currency bond rating for that country.

National Scale Rating

National scale ratings are intended primarily for use by domestic investors and are not comparable to Moody's globally applicable ratings; rather they address relative credit risk within a given country. A Aaa rating on Moody's National Scale indicates an issuer or issue with the strongest creditworthiness and the lowest likelihood of credit loss relative to other domestic issuers. National Scale Ratings, therefore, rank domestic issuers relative to each other and not relative to absolute default risks. National ratings isolate systemic risks; they do not address loss expectation associated with systemic events that could affect all issuers, even those that receive the highest ratings on the National Scale.

Foreign Currency Deposit Rating

Moody's ratings on foreign currency bank obligations derive from the bank's local currency rating for the same class of obligation. The implementation of JDA for banks can lead to high local currency ratings for certain banks, which could also produce high foreign currency ratings. Nevertheless, it should be noted that foreign currency deposit ratings are in all cases constrained by the country ceiling for foreign currency bank deposits. This may result in the assignment of a different, and typically lower, rating for the foreign currency deposits relative to the bank's rating for local currency obligations.

Foreign Currency Debt Rating

Foreign currency debt ratings are derived from the bank's local currency debt rating. In a similar way to foreign currency deposit ratings, foreign currency debt ratings may also be constrained by the country ceiling for foreign currency bonds and notes; however, in some cases the ratings on foreign currency debt obligations may be allowed to pierce the foreign currency ceiling. A particular mix of rating factors are taken into consideration in order to assess whether a foreign currency bond rating pierces the country ceiling. They include the issuer's global local currency rating, the foreign currency government bond rating, the country ceiling for bonds and the debt's eligibility to pierce that ceiling.

About Moody's Bank Financial Strength Scorecard

Moody's bank financial strength model (see scorecard below) is a strategic input in the assessment of the financial strength of a bank, used as a key tool by Moody's analysts to ensure consistency of approach across banks and regions. The model output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

Rating Factors

Clariden Leu AG

Rating Factors [1]	**A**	**B**	**C**	**D**	**E**	**Total Score**	**Trend**
Qualitative Factors (50%)						**C+**	
Factor: Franchise Value						**B-**	**Neutral**
Market Share and Sustainability			**x**				
Geographical Diversification			**x**				
Earnings Stability	**x**						
Earnings Diversification [2]							
Factor: Risk Positioning						**D+**	**Neutral**
Corporate Governance [2]							
- Ownership and Organizational Complexity							
- Key Man Risk							
- Insider and Related-Party Risks							
Controls and Risk Management			**x**				
- Risk Management		x					
- Controls			x				
Financial Reporting Transparency				**x**			
- Global Comparability	x						
- Frequency and Timeliness					x		
- Quality of Financial Information					x		
Credit Risk Concentration				**x**			
- Borrower Concentration				x			
- Industry Concentration	x						
Liquidity Management	**x**						
Market Risk Appetite	**x**						
Factor: Operating Environment						**B+**	**Neutral**
Economic Stability		**x**					
Integrity and Corruption		**x**					
Legal System	**x**						
Financial Factors (50%)						**A-**	
Factor: Profitability						**A**	**Weakening**
PPI / Average RWA - Basel II	3.93%						
Net Income / Average RWA - Basel II	2.95%						
Factor: Liquidity						**A**	**Neutral**
(Mkt funds-Liquid Assets) / Total Assets	-43.99%						
Liquidity Management	x						
Factor: Capital Adequacy						**A**	**Neutral**
Tier 1 Ratio - Basel II	17.00%						
Tangible Common Equity / RWA - Basel II	20.08%						
Factor: Efficiency						**C**	**Weakening**
Cost / Income Ratio			64.89%				
Factor: Asset Quality						**A**	**Neutral**
Problem Loans / Gross Loans	0.29%						

Problem Loans / (Equity + LLR)	1.39%						
Lowest Combined Score (15%)						**B+**	
Economic Insolvency Override						**Neutral**	
Aggregate Score						**B**	
Assigned BFSR						**B-**	

[1] - Where dashes are shown for a particular factor (or sub-factor), the score is based on non public information [2] - A blank score under Earnings diversification or Corporate Governance indicates the risk is neutral