

EMMEC

March 2026 – Brussels

Credit Suisse - Insights into the liquidity crisis



Credit Suisse

Some Facts

Inception and History

Founded: 1856 by Alfred Escher in Zurich, Switzerland.

Original Purpose: Established to fund the expansion of Switzerland's railway system and support industrial development.

Global Expansion: Grew into one of the world's leading financial institutions with a strong international presence.

Core Activities

Wealth Management: Focuses on providing financial advisory, investment solutions, and private banking services to high-net-worth individuals.

Investment Banking: Offers services such as capital raising, mergers and acquisitions (M&A), and trading in financial markets.

Asset Management: Manages investments for institutional and retail clients globally.

Retail and Corporate Banking: Provides banking services to individuals and businesses, primarily in Switzerland.

Main Facts

Headquarters: Zurich, Switzerland.

Global Presence: Operates in over 50 countries with a strong focus on Europe, Asia, and the Americas.

Employees: Tens of thousands of employees worldwide (exact numbers vary over time).

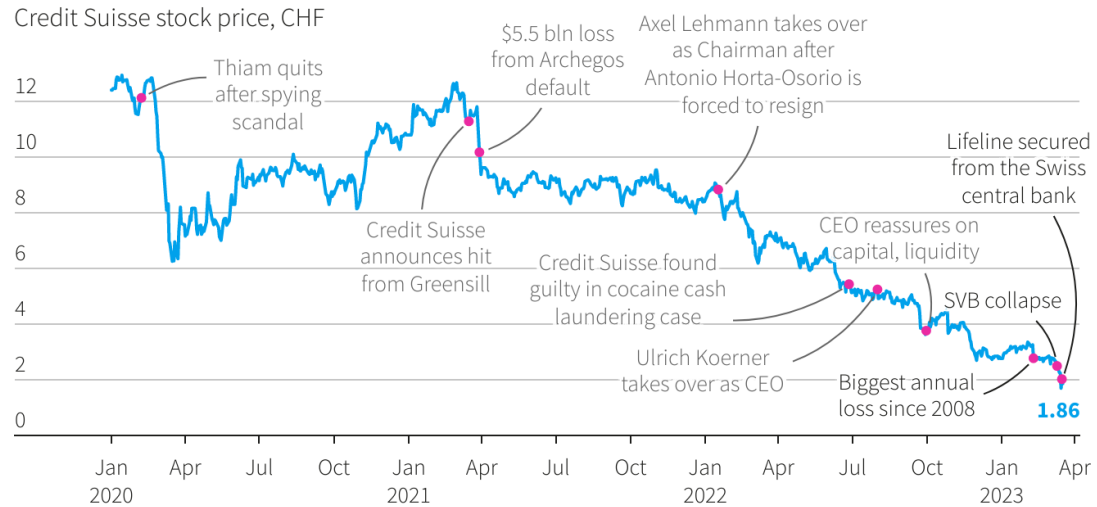
Reputation: Known for its expertise in wealth management and private banking, serving some of the world's wealthiest clients.

Challenges: Faced financial and reputational challenges in recent years, including involvement in scandals and regulatory issues.

Acquisition by UBS: In 2023, Credit Suisse was acquired by UBS in a government-brokered deal following financial instability.

CS Stock price evolution

Credit Suisse goes off piste



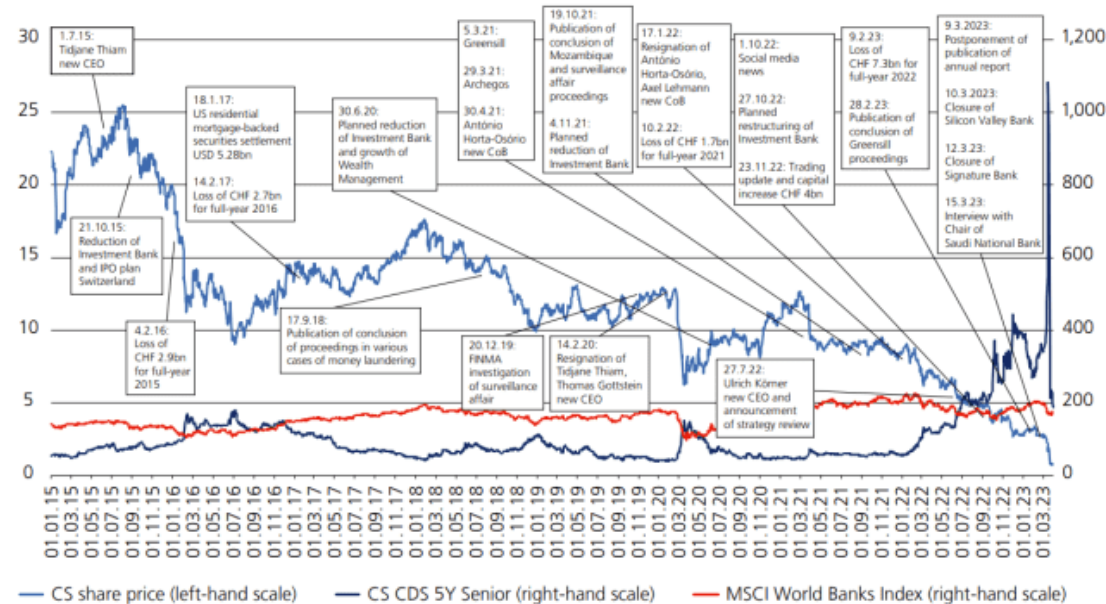
Source: Refinitiv Datastream | Reuters, March 17, 2023 | By Vincent Flasseur

Years of Scandals and Mismanagement: Credit Suisse faced a series of scandals, top management changes, and multi-billion-dollar losses over the years, leading to a steady decline in its reputation and financial health.

- **2021 Losses:** Significant financial losses linked to the collapse of Archegos Capital and Greensill Capital triggered a sell-off in Credit Suisse shares.
- **Leadership Instability:** In January 2022, Chairman Antonio Horta-Osorio resigned after just eight months for breaching COVID-19 rules, further shaking investor confidence.
- **Failed Strategic Review:** In July 2022, CEO Ulrich Koerner unveiled a strategic review, but it failed to reassure investors, leading to further uncertainty.
- In late 2022, unsubstantiated rumors of the bank's impending failure caused a customer exodus.
- In March 2023, the collapse of Silicon Valley Bank and other U.S. lenders exacerbated fears, leading to a 24% drop in Credit Suisse's stock in a single day.
- The bank secured a 50 billion Swiss franc liquidity backstop from the Swiss National Bank, but this failed to restore confidence.

Credit Default Swaps spike

Share price trend, CDS CS Group and MSCI World Banks Index



Record CDS Spikes: Credit Suisse's credit default swaps (CDS) hit record highs in **October 2022** and **March 2023**, reflecting extreme market fears of default.

October 2022 Surge:

- 5-Year CDS:** Surpassed 350 basis points.

- 1-Year CDS:** Reached 550 basis points.

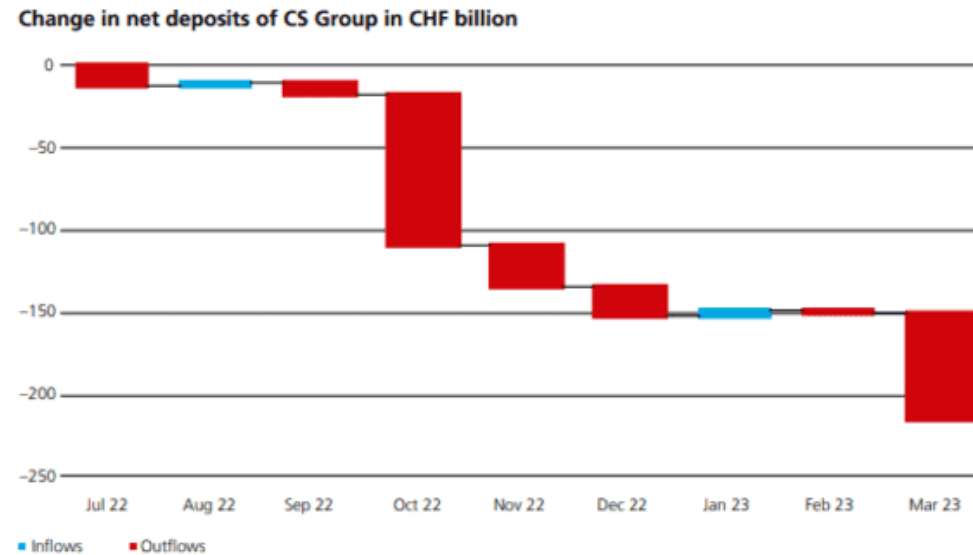
driven by the concerns over the bank's balance sheet, heavy financial losses, and restructuring challenges.

March 2023 Peak:

- CDS Levels:** Spiked to ~1,000 basis points.

The dramatic rise in CDS spreads prompted executives to issue reassuring memos, reminiscent of the 2008 financial crisis.

Deposit flight



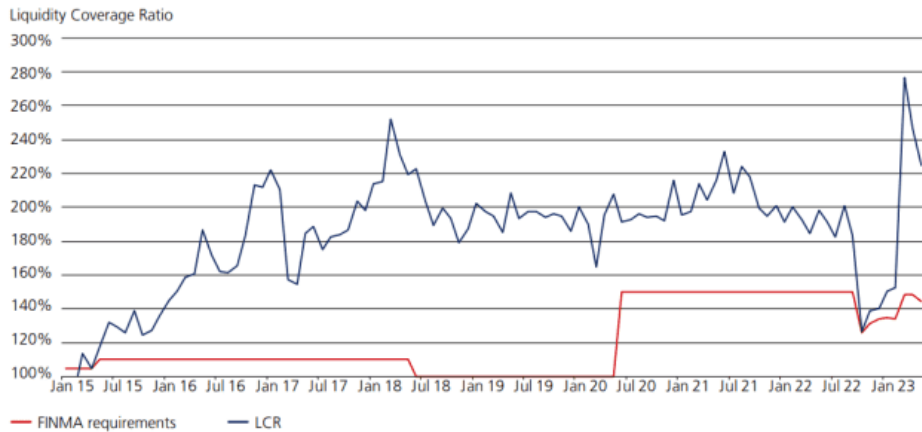
Source: MarketWatch

In October 2022, Credit Suisse experienced a **significant wave of customer withdrawals**, triggered by rumors circulating on social media that the bank was on the **verge of collapse**. These rumors, which spread rapidly, particularly in Asia, exacerbated existing concerns about the bank's stability. The situation escalated into a digital bank run, as customers withdrew funds through electronic channels.

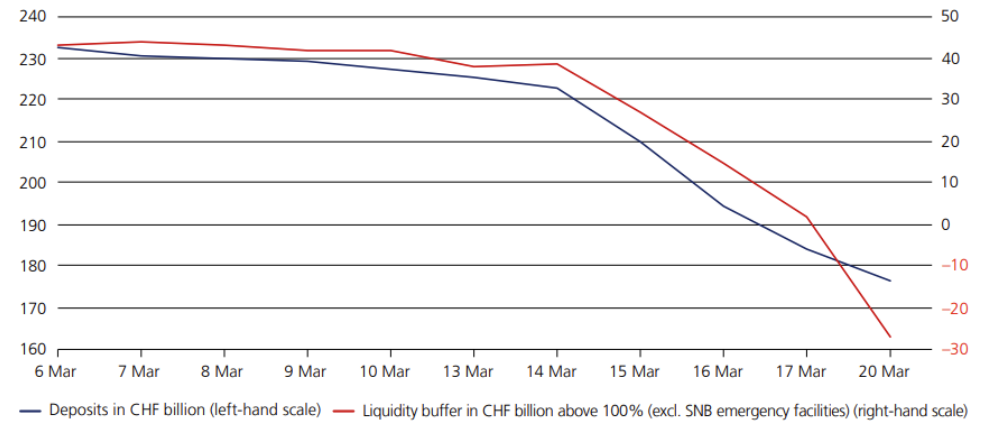
The crisis deepened in March 2023 following the collapse of **Silicon Valley Bank** in the United States, which further eroded confidence in the global banking sector. Compounding the issue, media reports revealed that Credit Suisse's largest shareholder, Saudi National Bank, had ruled out providing additional capital support. These events collectively intensified the crisis of confidence, leading to a critical period of financial instability for the bank.

Liquidity

CS Group LCR and FINMA requirements



CS Group: deposits and liquidity buffers above 100% LCR



Source: FINMA Report

In response to regulatory measures introduced during the COVID-19 pandemic in 2020, Credit Suisse had significantly **bolstered its liquidity reserves**. These enhanced reserves initially provided a critical buffer during the first wave of significant customer withdrawals in October 2022, allowing both the bank and Swiss regulators time to respond to the escalating crisis.

However, the scale of the withdrawals proved overwhelming, with **138 billion Swiss francs withdrawn in the fourth quarter of 2022** alone. Despite the initial safeguards, the bank's liquidity buffers were ultimately insufficient to withstand the magnitude of the outflows. Swiss authorities were compelled to intervene to prevent a potential global financial crisis.

Insights into the bank run – operational, organizational and other consequences

- Ever increasing willingness to **“pay up”** for customer deposits re-enforces downward spiral: bad news and profitability issues lead to cost pressure, in turn less profitability, more bad news etc.
- Legal entity split in 2019 was not thought through fully and understood – the **“lifeboat”** was funded mostly through the group, the banks still fully intertwined in staff, IT, processes etc. – the lifeboat tied to the mothership inseparably.
- **Operational setup** prone to make things worse: CS Switzerland providing correspondence banking services to CS AG Zurich branch (limit breaches, stop of payments w/o operational readiness for this type of scenario).
- **Culture and people** are put to the test – who can stand the pressure and the stress, who loses their nerves, when does cooperation become aggression, etc.
- When bad news hit, **“partners”** are no longer partners, and all market participants will either cut all ties and act extremely defensive (Scandies clearer) or become very aggressive and exploit opportunities in a reckless manner.
- Emergency and need open ways for **unconventional and new ideas** (retained covered bond as a tool to raise liquidity).

Lessons Learned

- Once the bank’s reputation was damaged as badly and the outflows were known, the collapse was inevitable – as a key lesson, any bank needs to always ensure that NO BAD NEWS are produced
 - **Be profitable**
 - **Be stable**
 - **Be compliant**
 - **Never seem desperate**
 - **Fix problems early at the roots** (broken window theory is real, especially in banking) – keep the house in order
 - **Address organizational issues – CULTURE** – with full priority and implement measurable metrics to track improvements

- **Role of the owners** must be considered critically: very widely distributed ownership with no active investors and strict sparring on strategy, implementation and results will have consequences at some point (“when the cat’s away, the mice will play”)

Annex VI. Table 2. Euro Area: Deposit Outflow Rates in Liquidity Crisis Episodes (Percent)

Bank	Observed deposit outflow rate	Period	Daily
Silicon Valley Bank (2023)	85	2 days	43
Northern Rock (2007)	20	4 days	5
Wamu (2008)	10	10 days	1
First Republic Bank (2023)	57	90 days	0.6
IndyMac (2008)	8	14 days	0.6
Icesave (2008)	20	75 days	0.3
Credit Suisse (2023)	21	90 days	0.2
LCR assumption			
Retail stable	5	30 days	0.2
Retail less stable	10	30 days	0.3
Operational	25	30 days	0.8
Non-Financial Corporate	40	30 days	1.3
Average (net) outflows for the euro area SIs	4.2	30 days	0.1
IMF ST daily (ex SVB and CS)			1.5
Sources: BCBS report on the 2023 banking turmoil; IMF, ECB calculations			

- **Basel 3 regulation** around liquidity proved very effective – however, there are limits to everything, especially to liquidity in a bank.

- **Regulator:** be more pro-active, forceful and address the real problems / life in reality not in models and ivory towers / acknowledge risks can never be fully avoided nor mitigated and implement tools to deal with this (in Switzerland: PLB)

- Implement proper **stress tests** and document accordingly in ILAAP