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# The Credit Suisse crisis and its effect on the Swiss credit market

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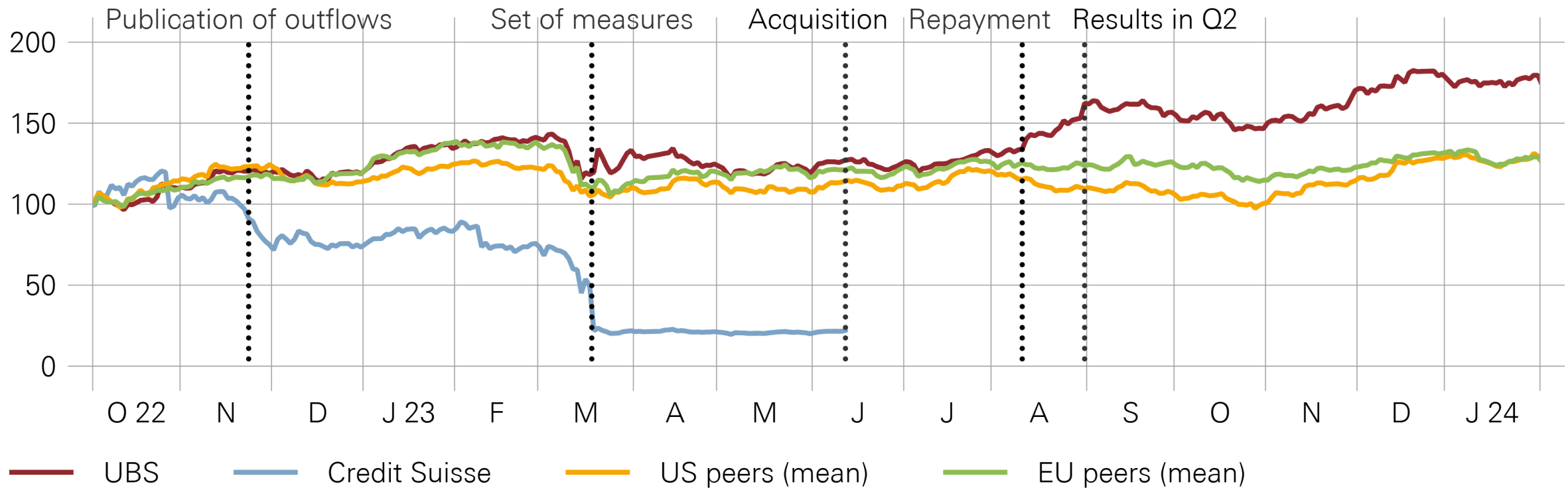
SCHWEIZERISCHE NATIONALBANK  
BANQUE NATIONALE SUISSE  
BANCA NAZIONALE SVIZZERA  
BANCA NAZIUNALA SVIZRA  
SWISS NATIONAL BANK



# Confidence crisis ends with acquisition of Credit Suisse by UBS

## EQUITY PERFORMANCE

Index, October 2022 = 100



Source(s): Bloomberg



# 16 March 2023

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**Following a crisis of confidence and massive deposit outflows, Credit Suisse turned to the SNB for liquidity support**

The crisis was the result of repeated incidents at the bank itself (breaches of legal and supervisory obligations and shortcomings in risk management).



# 19 March 2023

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## **Swiss authorities announce the acquisition by UBS and additional liquidity assistance granted by the SNB**

- SNB had been in close dialogue with Swiss authorities in the months before to find a solution.
- SNB provided a total of CHF 168 billion of liquidity assistance over several days and facilities to enable the acquisition, in part under emergency law.

# 12 June 2023

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## **UBS announces the completion of the acquisition**

Acquisition and measures implemented by the authorities prevented the crisis from spreading to other banks in Switzerland and worldwide.



Swiss regulators need to face up to Credit Suisse failures

**Credit Suisse n'existe plus. Qui peut le remplacer?**

**Did Basel III negatively impend on banks' credit supply?**

**Die Kreditklemme am Schweizer Immobilienmarkt belastet Investoren – und wohl bald auch die Mieter**

# Overview

## Questions:

- Which weaknesses of the Swiss regulatory framework did the CS crisis highlight?
- Which impact does the acquisition of a G-SIB have on the domestic credit market?

## Main findings:

- CS' reported capital did not reflect its true loss absorbing capacity
- Losing a G-SIB leads to structural changes in the credit market, especially to reallocation of credit, but there is no evidence of a credit crunch
- Monetary transmission works well
- If banks have healthy balance sheets as well as sufficient capital and liquidity buffers, they can absorb the shock better and continue to lend

# The CS crisis highlighted weaknesses in the regulatory framework

1

CS' liquidity buffers and the collateral prepared for central bank facilities were not sufficient to cover the massive liquidity outflows

2

CS' reported capital did not reflect its true loss absorbing capacity: The value of its deferred tax assets dropped by 95% in Q3 2022 and UBS recorded substantial valuation adjustment for CS's software (CHF 2bn) and fair value positions (CHF 5bn) following the acquisition

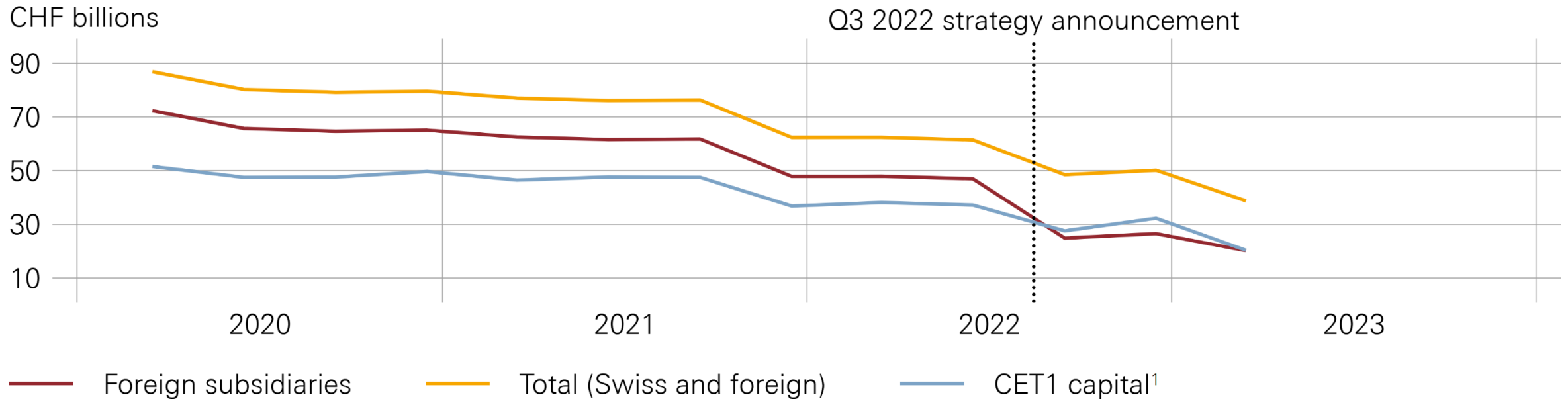
3

The parent bank's CET1 capital fell by 60% mainly due to lower estimated profits in foreign subsidiaries

# The parent bank's CET1 capital fell by 60% mainly due to lower estimated profits in foreign subsidiaries

## DEVALUATION OF PARTICIPATIONS AT CREDIT SUISSE PARENT BANK DURING CRISIS

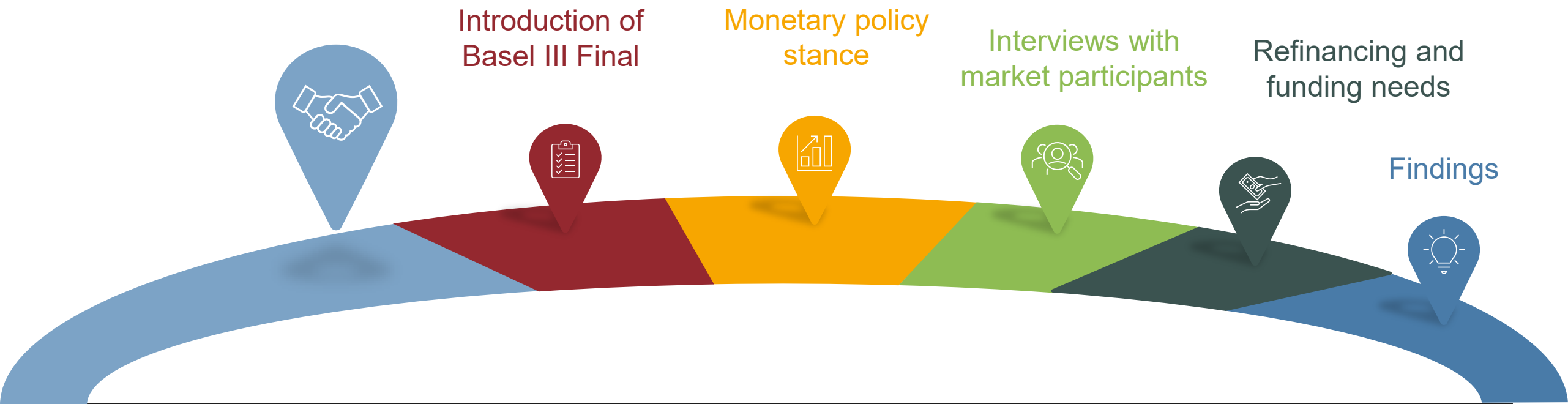
Q1 2020 to Q1 2023



<sup>1</sup> Excluding the effects of the AT1 write-down in Q1 2023.

Source(s): SNB

# CS acquisition by UBS



# CS acquisition by UBS

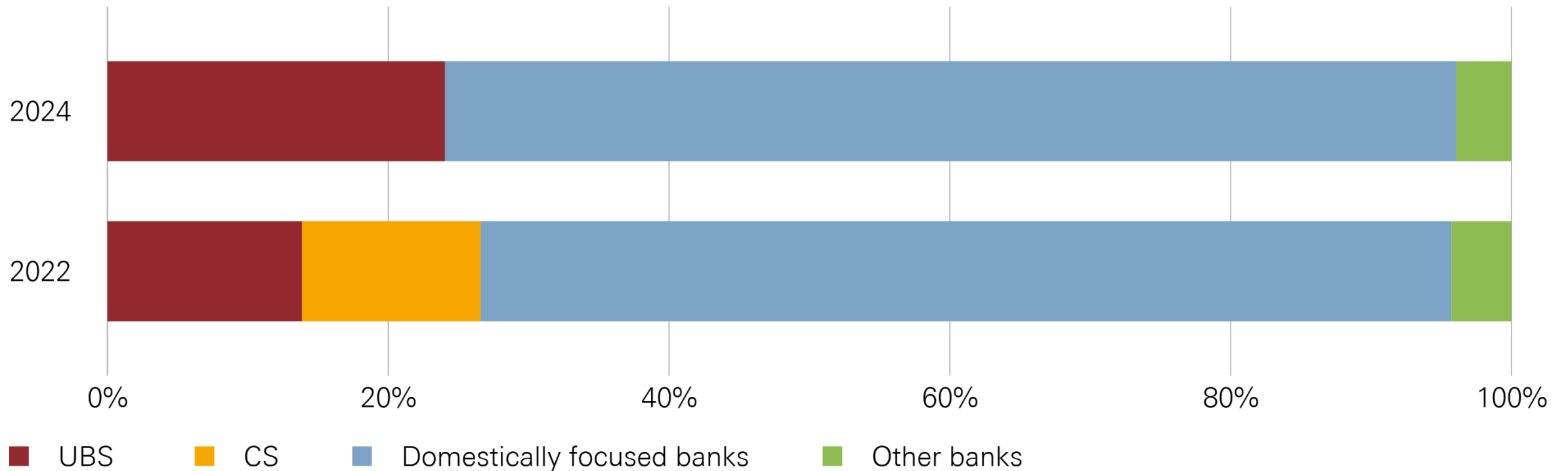
1. UBS' and CS' role in the Swiss credit market
2. Aggregate credit volumes and growth
3. Credit usage and limit
4. Credit reallocation
5. Capital and liquidity buffers



... and has become an even more important player in the Swiss credit market

## SWISS DOMESTIC LOAN MARKET

Shares

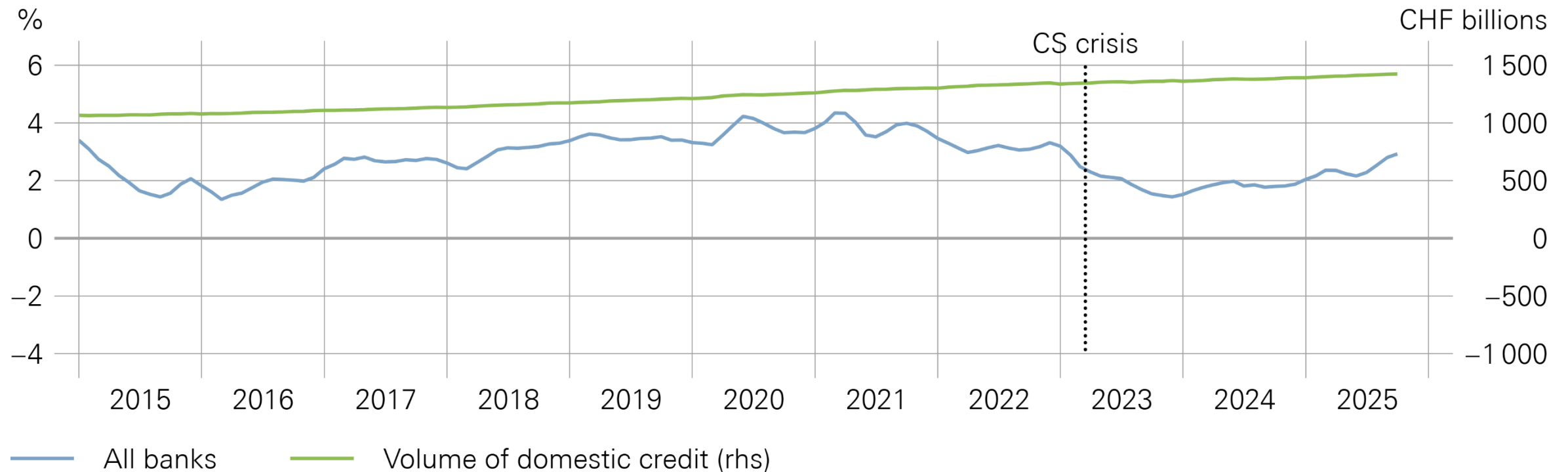


Source(s): SNB, bank annual reports

# Volume of domestic credit still expanded on aggregate

## TOTAL DOMESTIC CREDIT

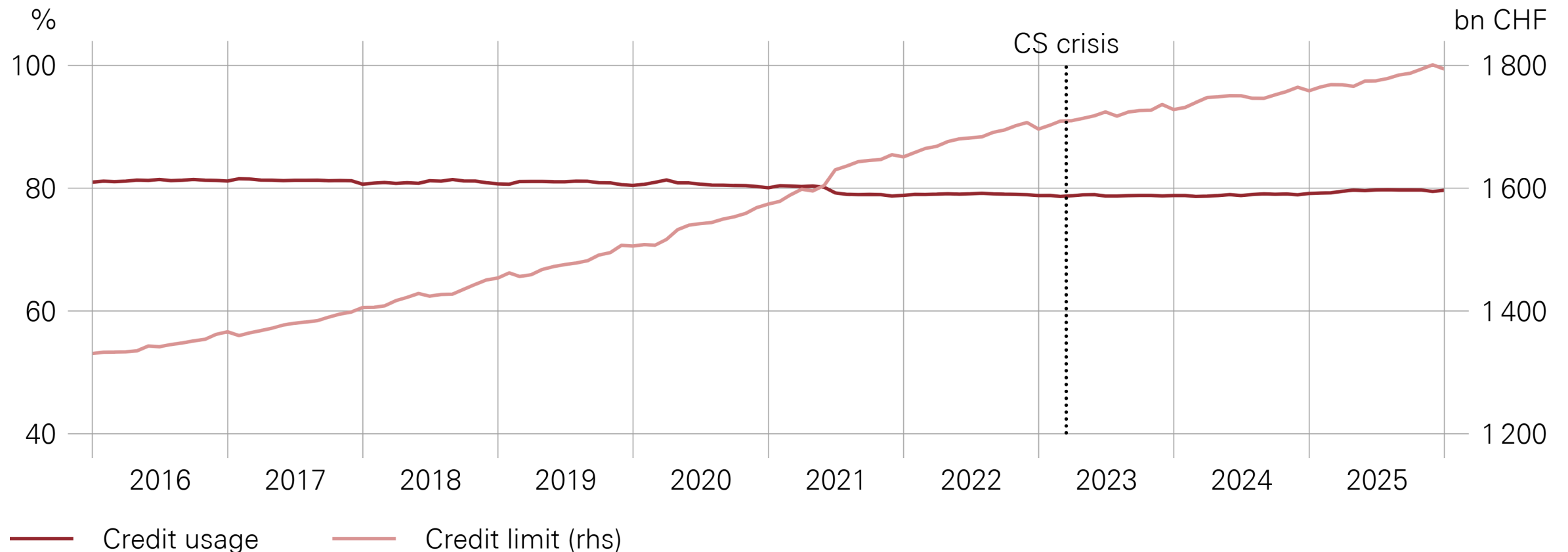
Nominal year-on-year growth rate (three-month average)



Source(s): SNB, UBS (quarterly report)

# There were no signs of bottlenecks in the supply of credit in the Swiss banking system

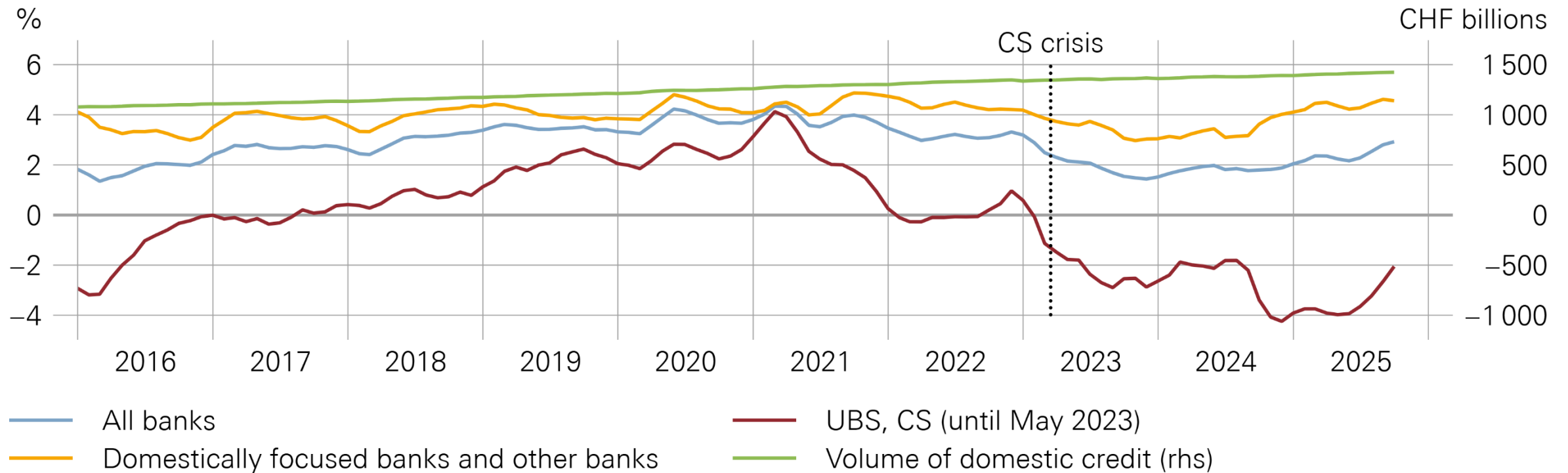
## CREDIT USAGE AND LIMIT



# Decline in lending by UBS and CS has been more than offset by domestically focused banks

## TOTAL DOMESTIC CREDIT

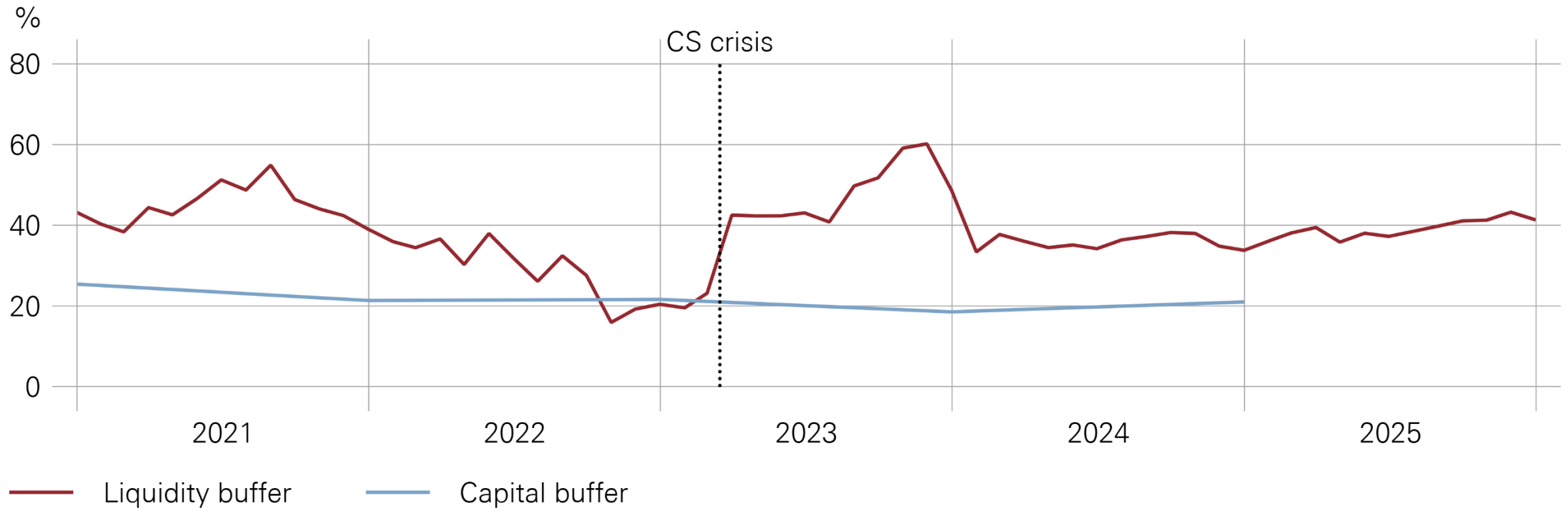
Nominal year-on-year growth rate (three-month average) and volume



Source(s): SNB, UBS (quarterly report)

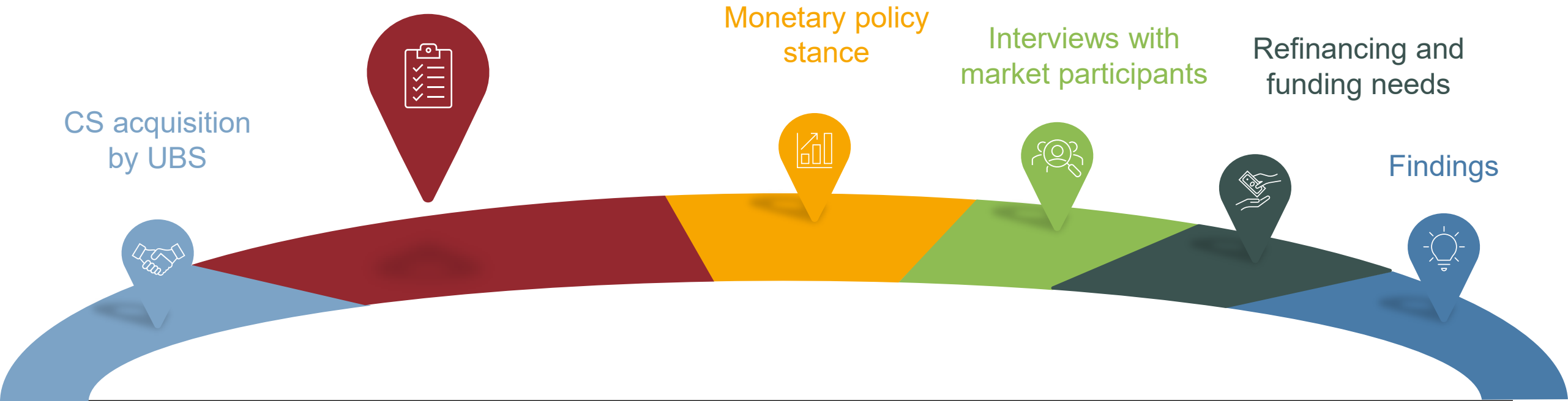
# High capital and liquidity buffers in the Swiss banking system contributed to its lending capacity

## CAPITAL AND LIQUIDITY BUFFERS



Source(s): SNB, FINMA, own calculations

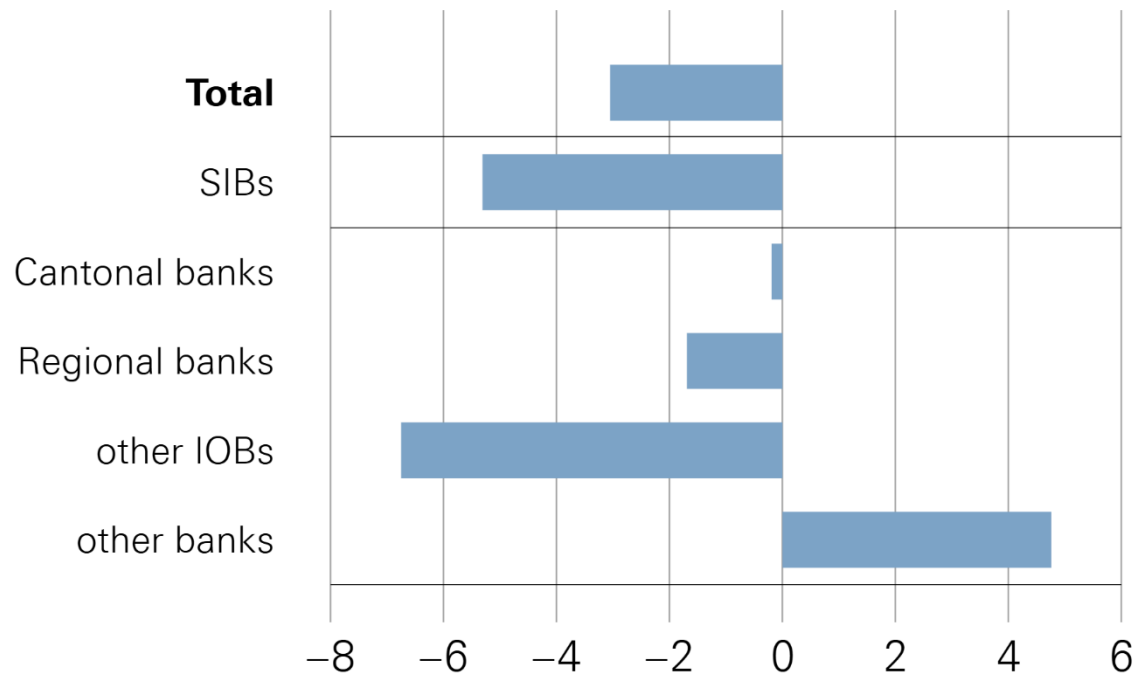
# Introduction of Basel III Final



# Introduction of Basel III Final increases lending capacity and risk sensitivity

## BASEL III FINAL: CHANGES IN RWA

in %, 25Q1 vs. 24Q4

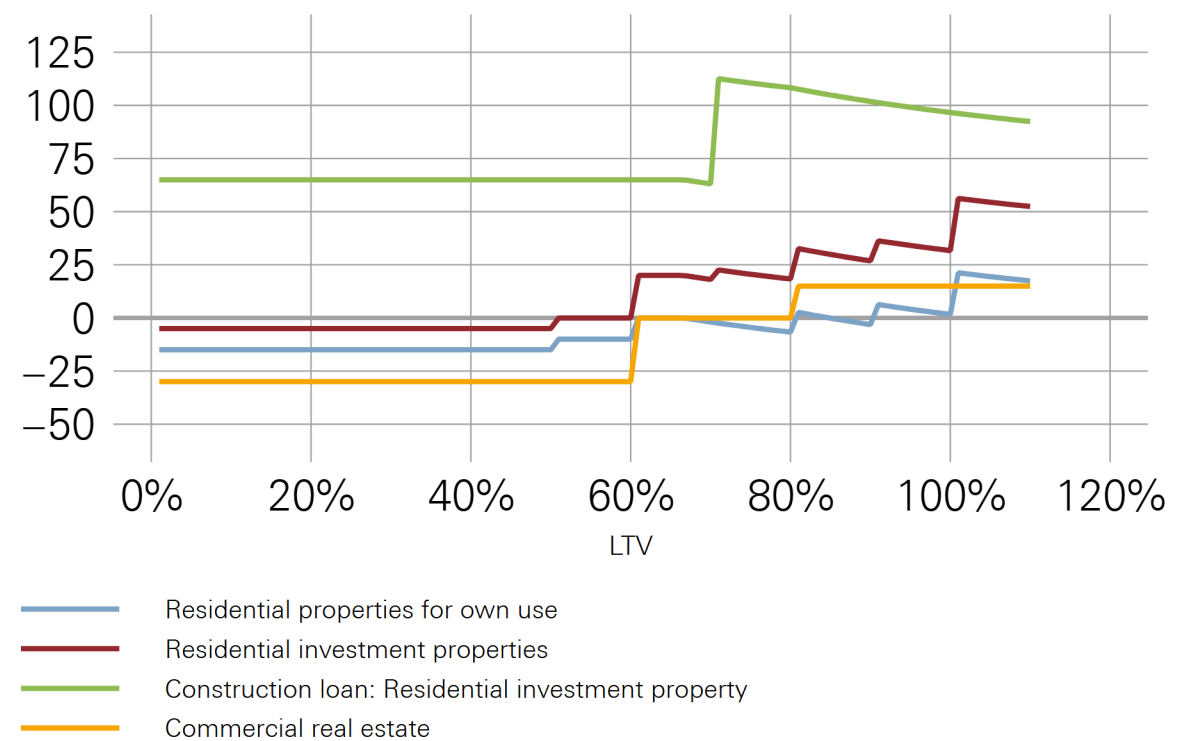


SIBs excluding Postfinance, cantonal banks excluding ZKB

Sources: FINMA proof of own funds, disclosure of SIBs

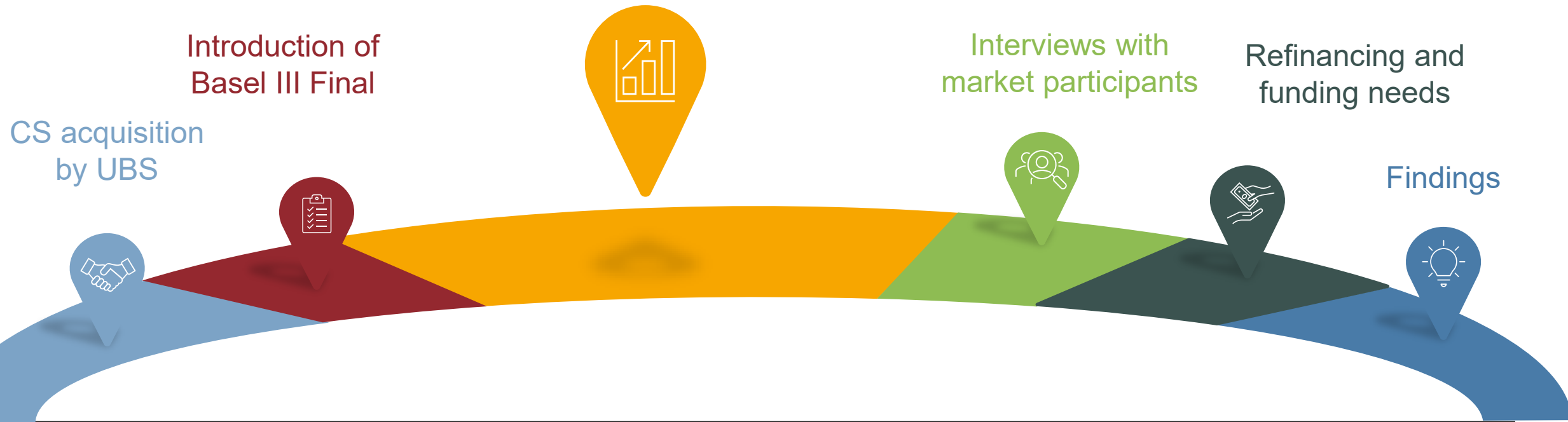
## CHANGE IN RISK WEIGHTS

Change in percentage points due to Basel III Final



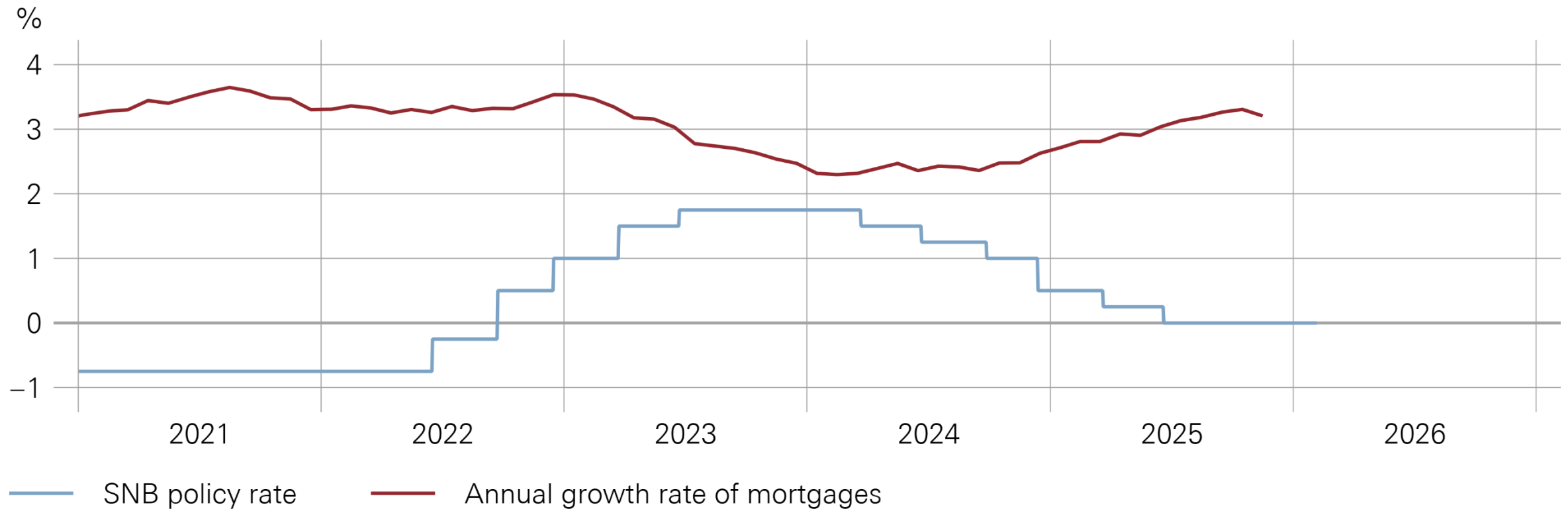
Sources: ERV, own calculations

# Monetary policy stance



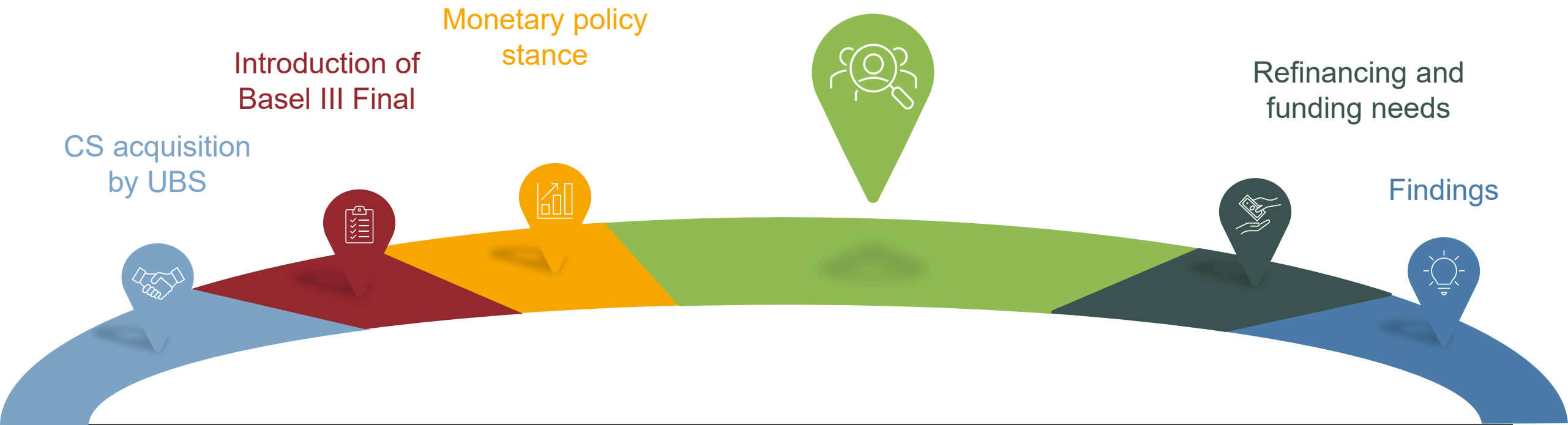
# Monetary policy transmission via the credit market is working

## SNB POLICY RATE AND MORTGAGE GROWTH



Source(s): SNB

## Interviews with market participants



# What do market participants say?

- SNB conducted interviews with domestic banks in 2025 to assess the situation in the credit and funding markets
- Banks do not report a credit crunch, but demand for niche credit products was harder to serve
- Many clients that previously did business with Credit Suisse sought additional credit relationship with domestically focused banks to diversify
- Banks also report increasing refinancing costs and some of them higher funding needs, due to credit growth exceeding the rise in customer deposits
- Recently, the situation has normalised somewhat, although the refinancing conditions remain challenging for banks

CS acquisition  
by UBS

Introduction of  
Basel III Final

Monetary policy  
stance

Interviews with  
market participants

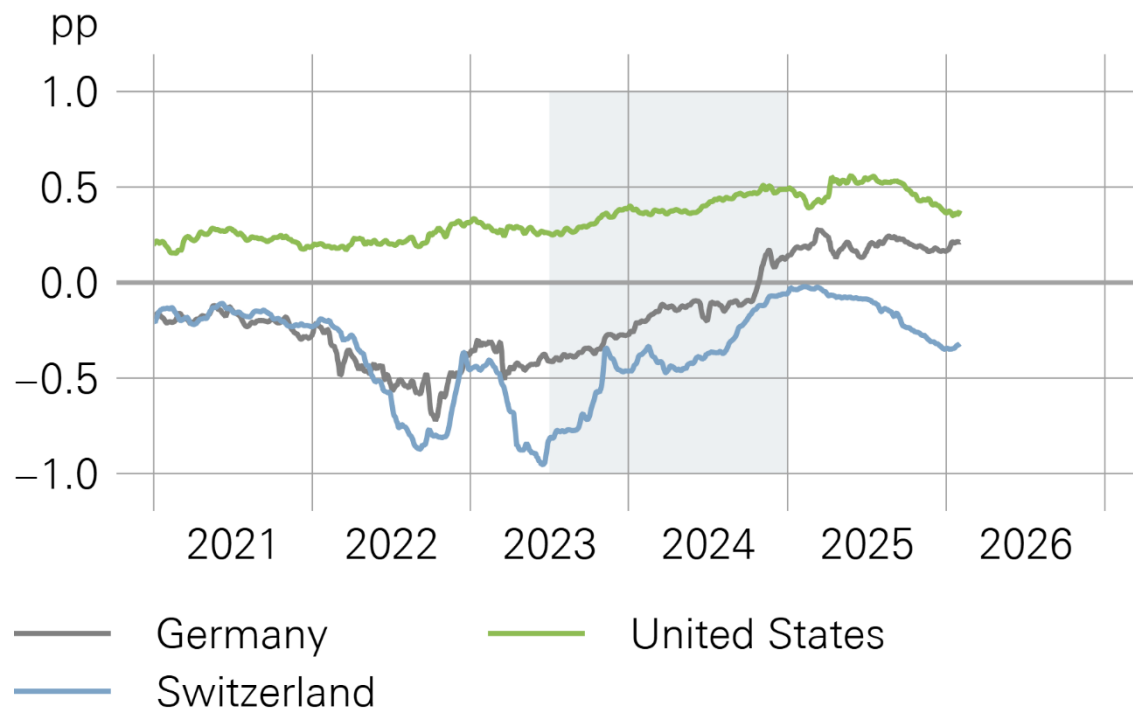
## Refinancing and funding needs

Findings

# Meanwhile refinancing costs increased globally and in Switzerland

## GOVERNMENT BOND SPREADS

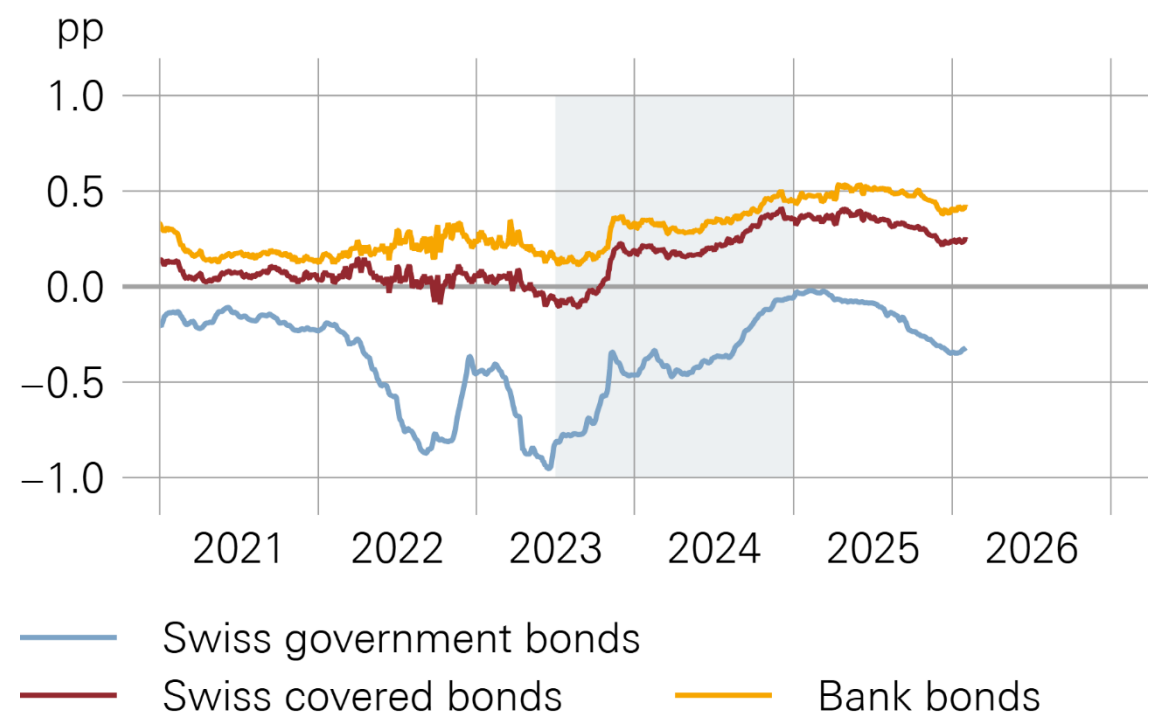
Bond yield minus swap rate (10-year terms)



Source(s): Bloomberg, SNB

## CAPITAL MARKET SPREADS IN CHF

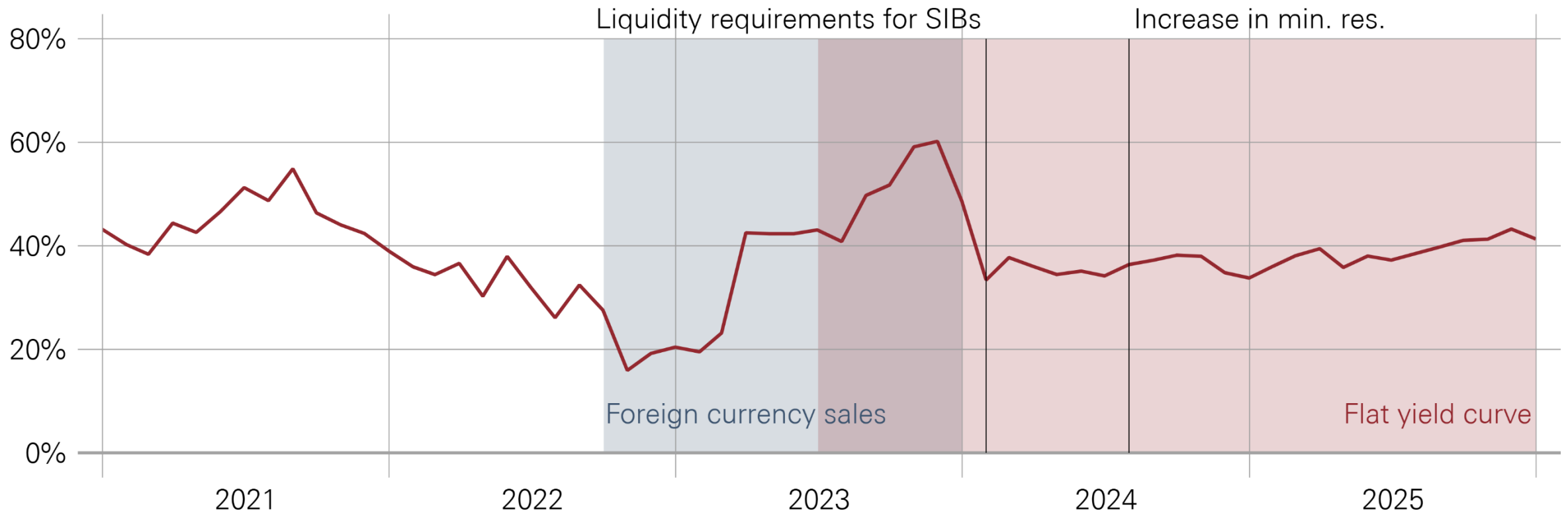
Bond yield minus swap rate (10-year terms)



Source(s): Bloomberg, SNB

# The banks have preserved their liquidity buffers in a more challenging liquidity environment

## LIQUIDITY BUFFERS

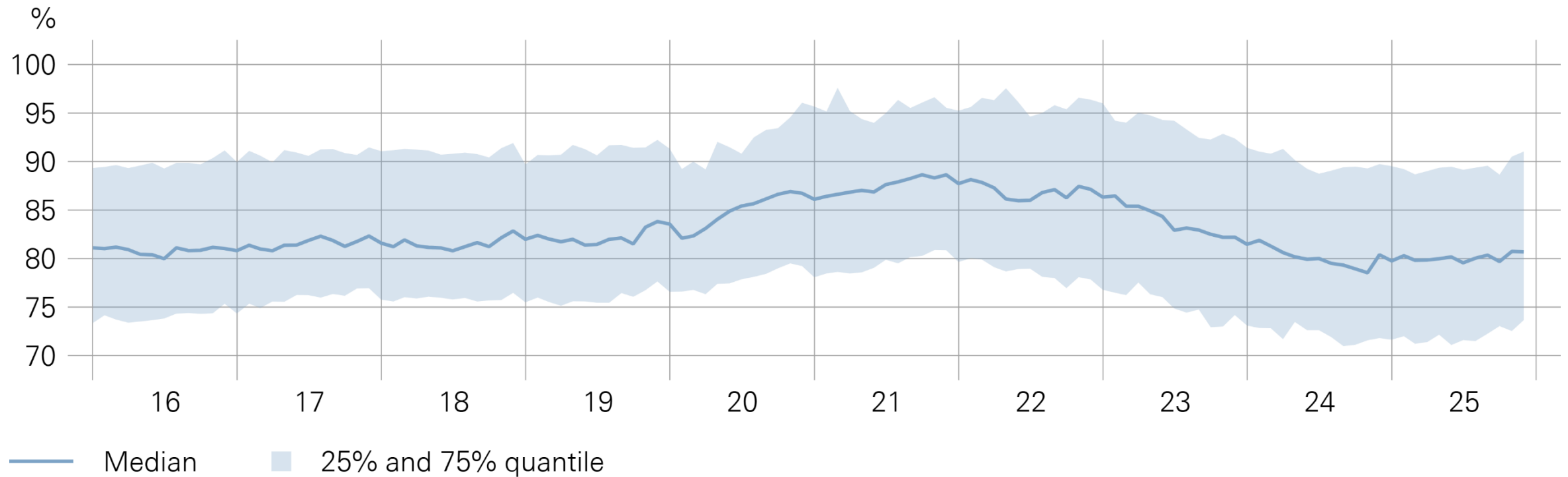


Source(s): SNB, own calculations

# Increased refinancing costs do not impact lending yet

## REFINANCING RATIO

Ratio of deposits to credit, domestically focused banks



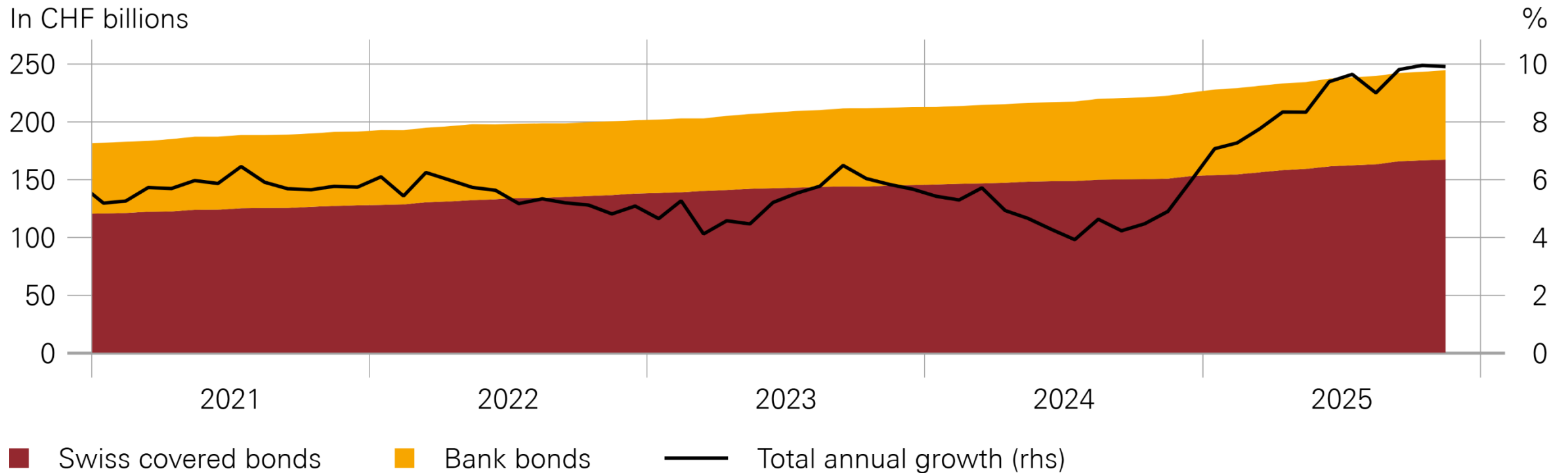
Source: SNB

# Funding needs in the Swiss capital market have increased as a result of the Credit Suisse acquisition

## FUNDING IN SWISS CAPITAL MARKET

Domestically focused banks, all currencies

In CHF billions



Source(s): SNB, UBS (public data), CS (public data)

CS acquisition  
by UBS

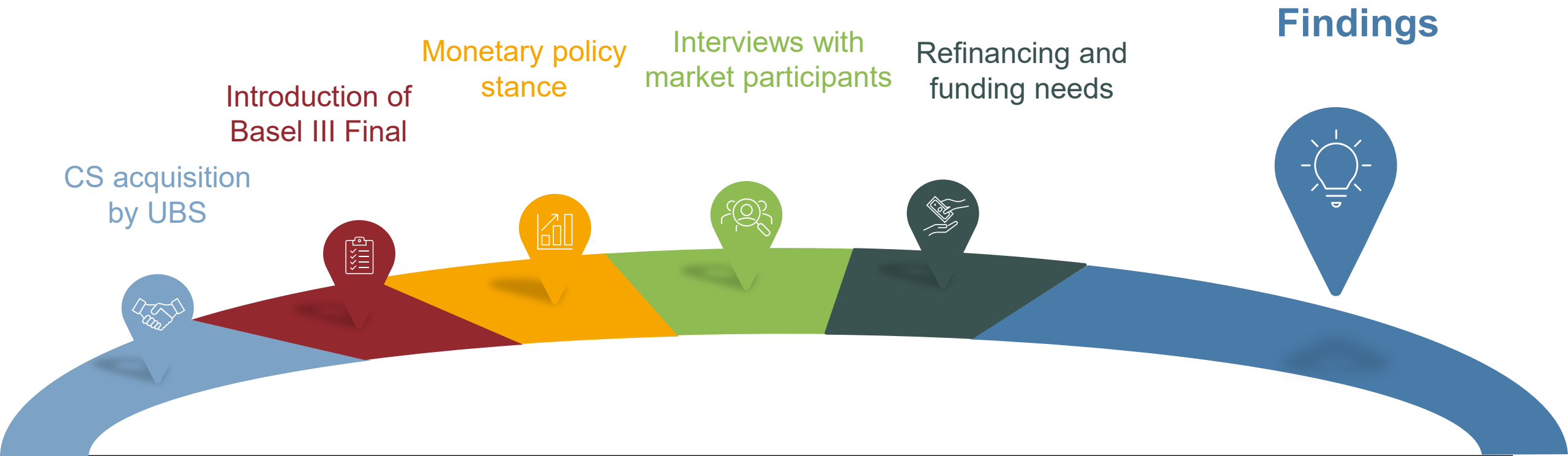
Introduction of  
Basel III Final

Monetary policy  
stance

Interviews with  
market participants

Refinancing and  
funding needs

Findings



# Federal Council announced a package of amendments in June 2025, which SNB supports

1

CS' liquidity buffers and the collateral prepared for central bank facilities were not sufficient to cover the massive liquidity outflows

▶ Regulatory requirement for SIBs to prepare sufficient collateral for obtaining central bank liquidity is planned

2

CS' reported capital did not reflect its true loss absorbing capacity: The value of its deferred tax assets dropped by 95% in Q3 2022 and UBS recorded substantial valuation adjustment for CS's software (CHF 2bn) and fair value positions (CHF 5bn) following the acquisition

▶ Full CET1 deduction of software and deferred tax assets and prudent valuation of fair value assets.

3

The parent bank's CET1 capital fell by 60% mainly due to lower estimated profits in foreign subsidiaries

▶ A full backing of foreign participations with CET1 capital is planned

# CS' acquisition did not lead to a credit crunch in Switzerland

- Losing a G-SIB led to changes in the credit market, especially to reallocation of credit
- While certain adjustment costs for individual companies, households, and banks were to be expected in view of the changing environment, there is no evidence of a credit crunch
- Many customers entered new credit relationships with domestically focused banks
- Banks are reacting to cyclical and structural developments; however the necessary adjustment processes are demanding and take time
- If banks have healthy balance sheets as well as sufficient capital and liquidity buffers, they can absorb the shock better and continue to lend
- Domestic universal banks may have difficulty to serve credit demand for niche products generally granted by large international banks

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# Thank you for your attention!

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