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

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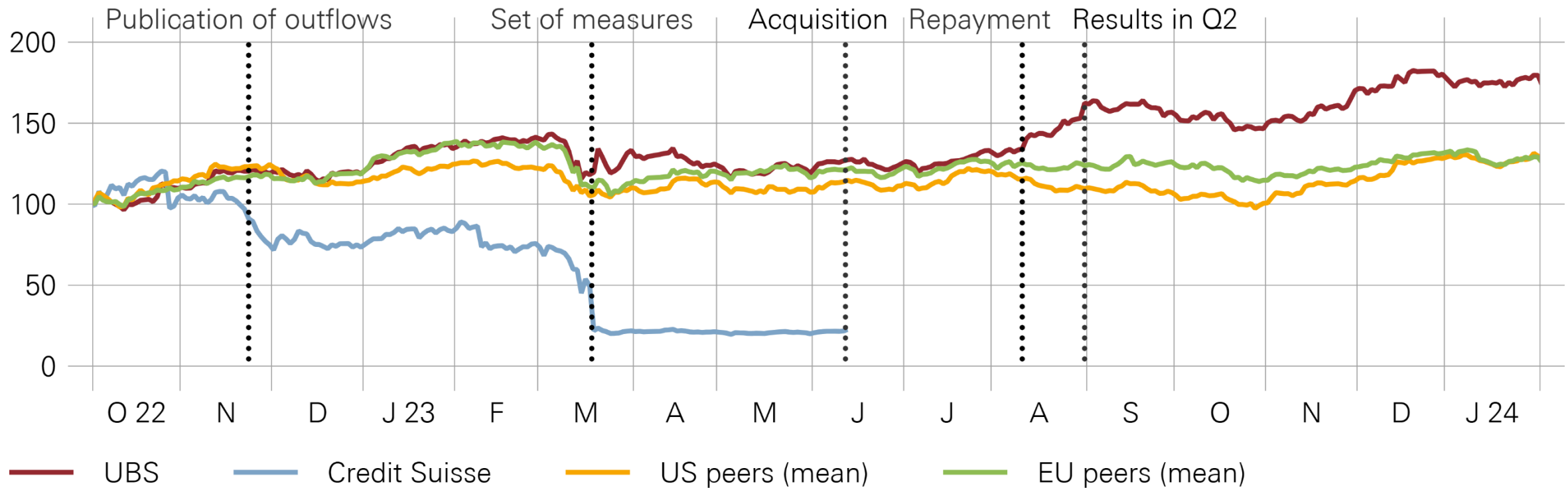
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SWISS NATIONAL BANK



Confidence crisis ends with acquisition of Credit Suisse by UBS

EQUITY PERFORMANCE

Index, October 2022 = 100



Source(s): Bloomberg



16 March 2023

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

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



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?

The credit crunch on the Swiss real estate market is weighing on investors – and will likely soon weigh on tenants as well.

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

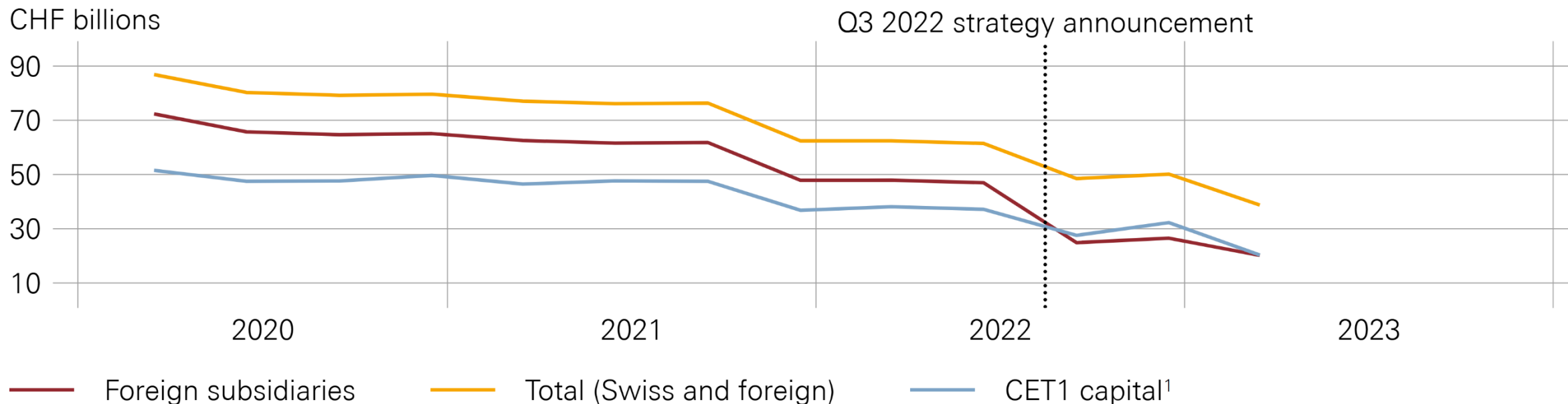
3

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

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DEVALUATION OF PARTICIPATIONS AT CREDIT SUISSE PARENT BANK DURING CRISIS

Q1 2020 to Q1 2023



¹ Excluding the effects of the AT1 write-down in Q1 2023.

Source(s): SNB

CS acquisition by UBS



Introduction of
Basel III Final



Monetary policy
stance



Interviews with
market participants



Refinancing and
funding needs



Findings



CS acquisition by UBS

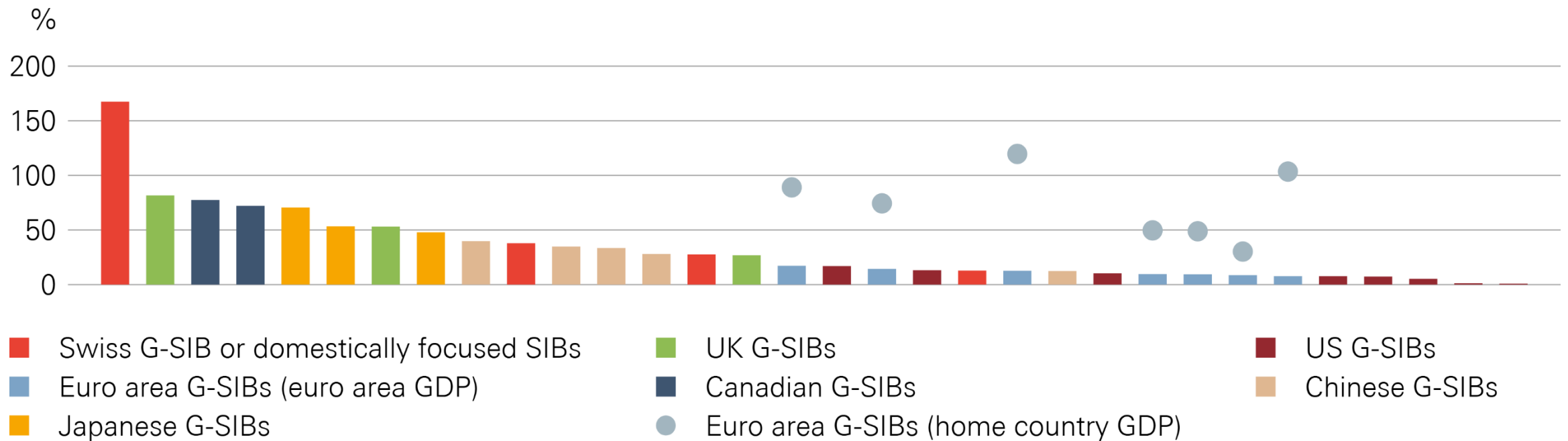


1. UBS' and CS' role in the Swiss credit market
2. Aggregate credit volumes and growth
3. Credit usage and limit
4. Credit reallocation
5. Capital and liquidity buffers

Systemic importance of UBS in Switzerland has increased...

SIZE OF INDIVIDUAL BANKS RELATIVE TO GDP, BY JURISDICTION¹

G-SIBs and Swiss domestically focused SIBs, leverage ratio exposure to GDP



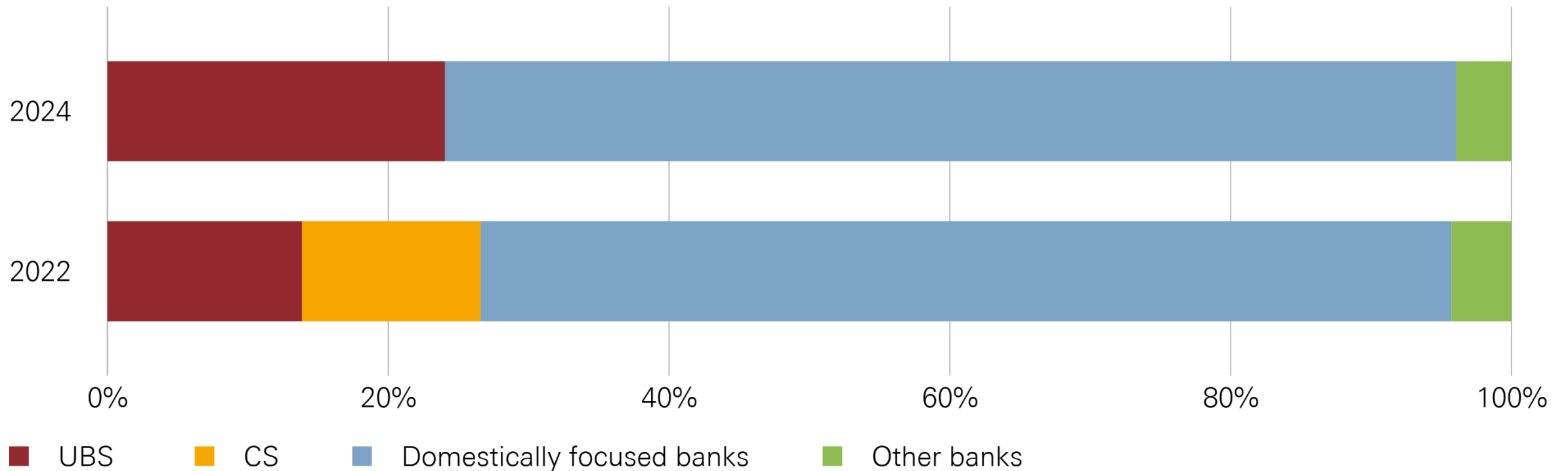
¹ GDP data as at 2024, if available. Bank exposures as at Q1 2025.

Source(s): Bank disclosures, IMF, SNB calculations

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

SWISS DOMESTIC LOAN MARKET

Shares

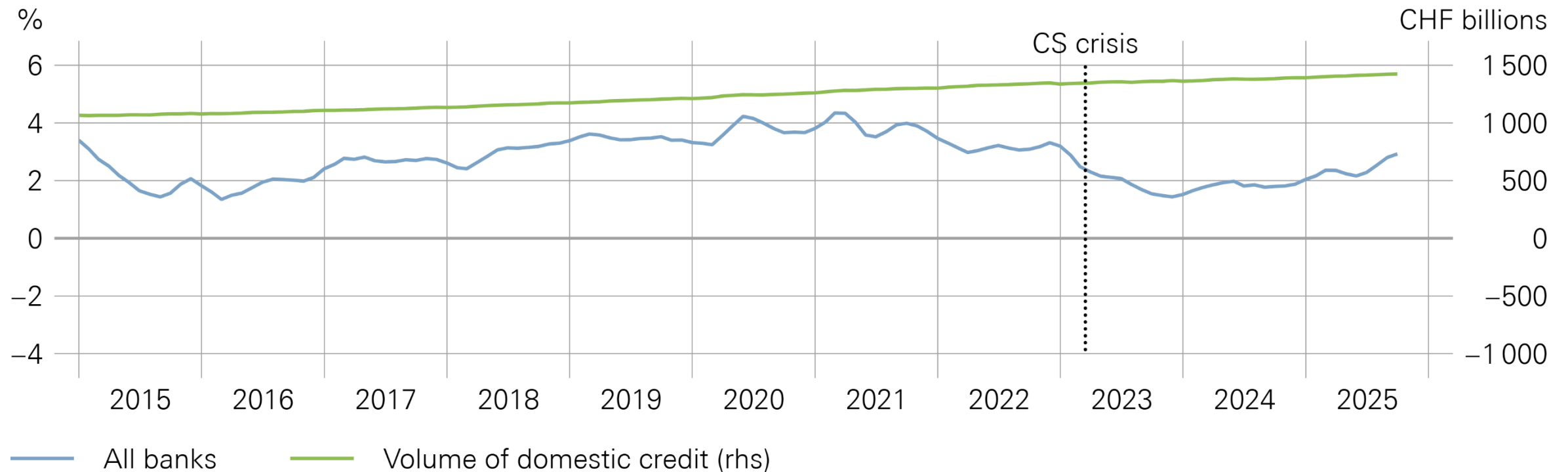


Source(s): SNB, bank annual reports

Volume of domestic credit still expanded on aggregate

TOTAL DOMESTIC CREDIT

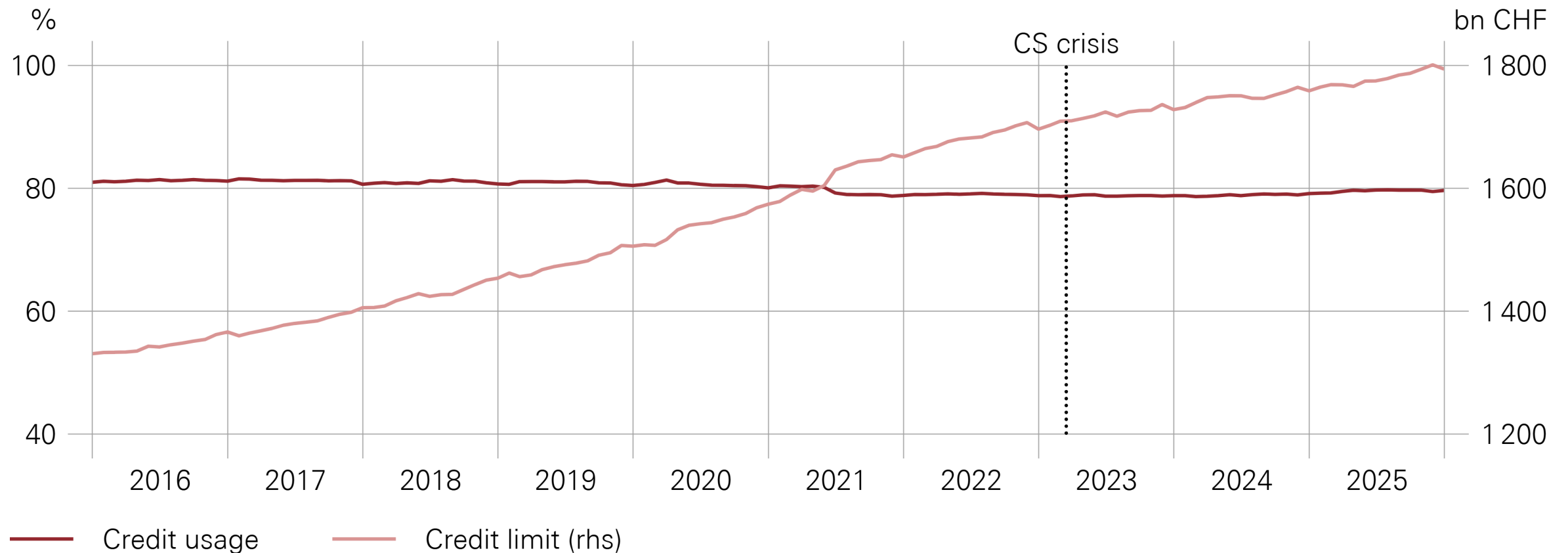
Nominal year-on-year growth rate (three-month average)



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

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

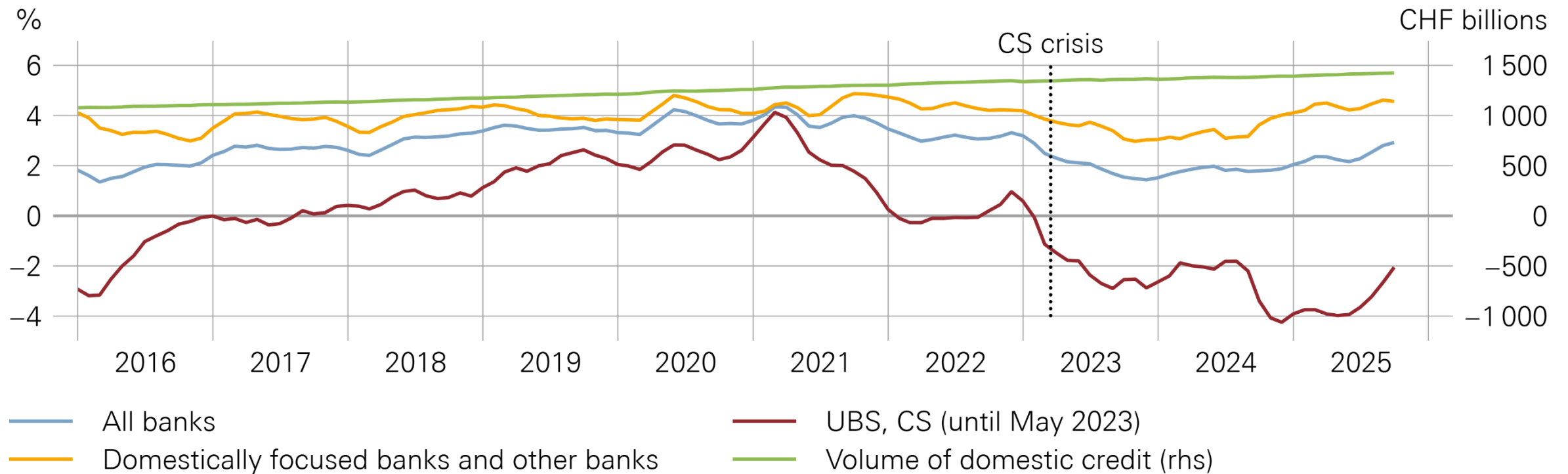
CREDIT USAGE AND LIMIT



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

TOTAL DOMESTIC CREDIT

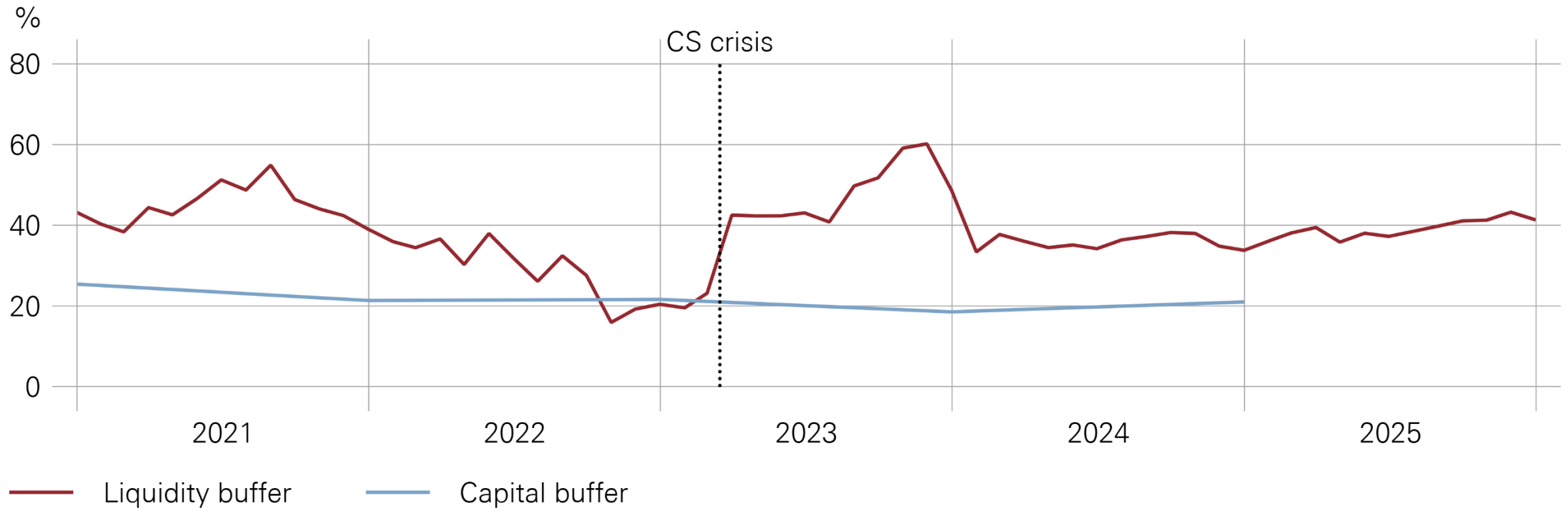
Nominal year-on-year growth rate (three-month average) and volume



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

CS acquisition by UBS



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Interviews with
market participants



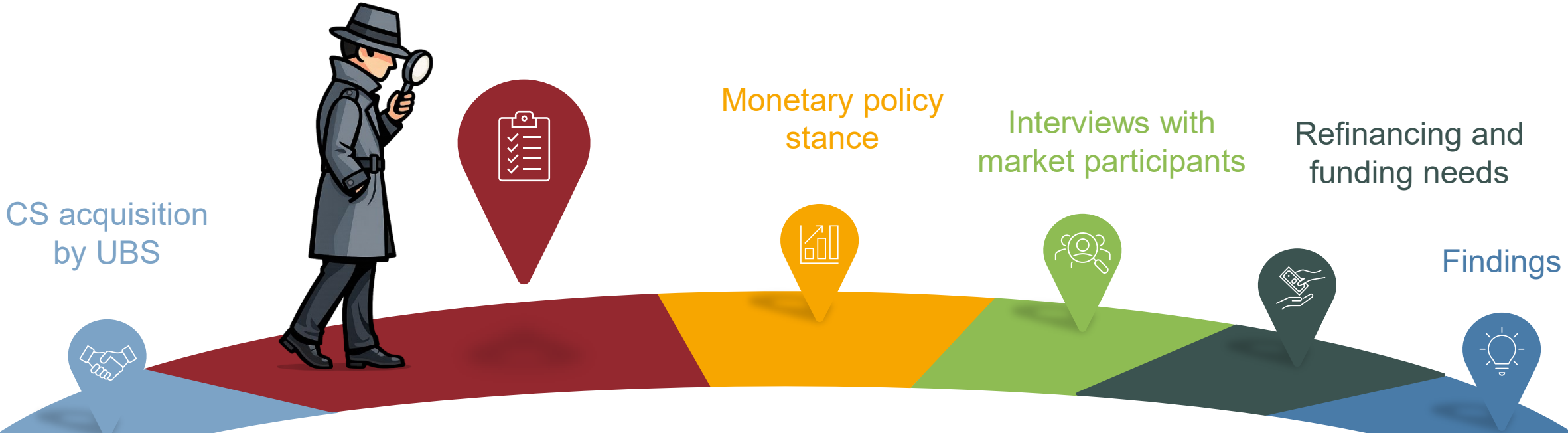
Refinancing and
funding needs



Findings



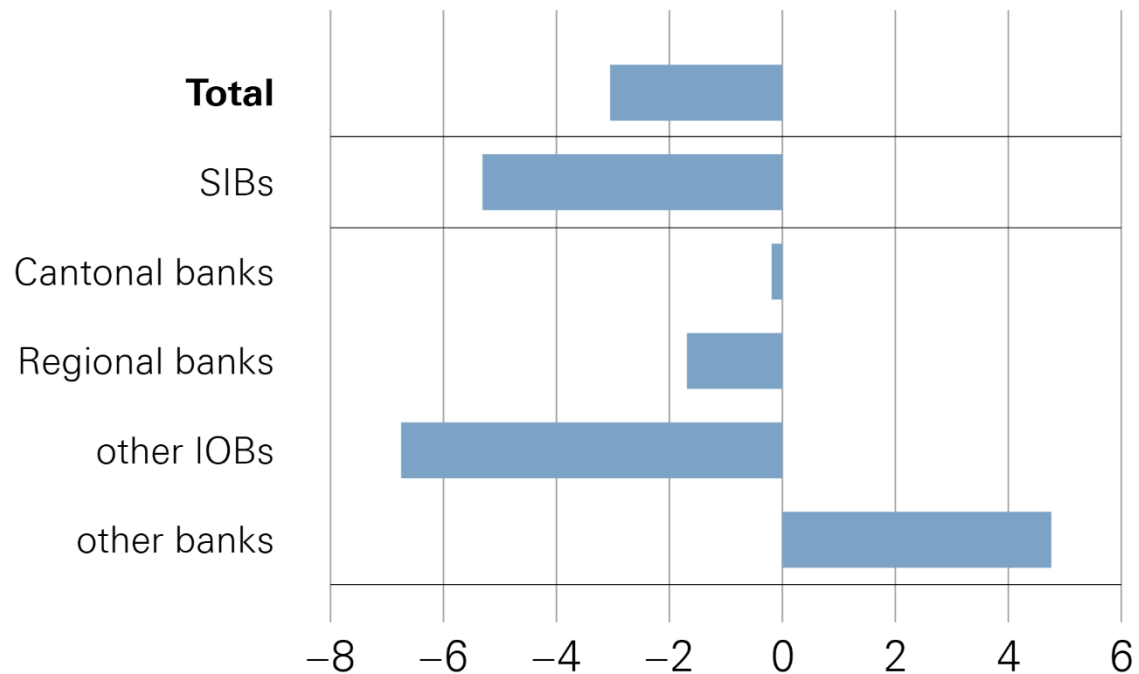
Introduction of Basel III Final



Introduction of Basel III Final increases lending capacity and risk sensitivity

BASEL III FINAL: CHANGES IN RWA

in %, 25Q1 vs. 24Q4

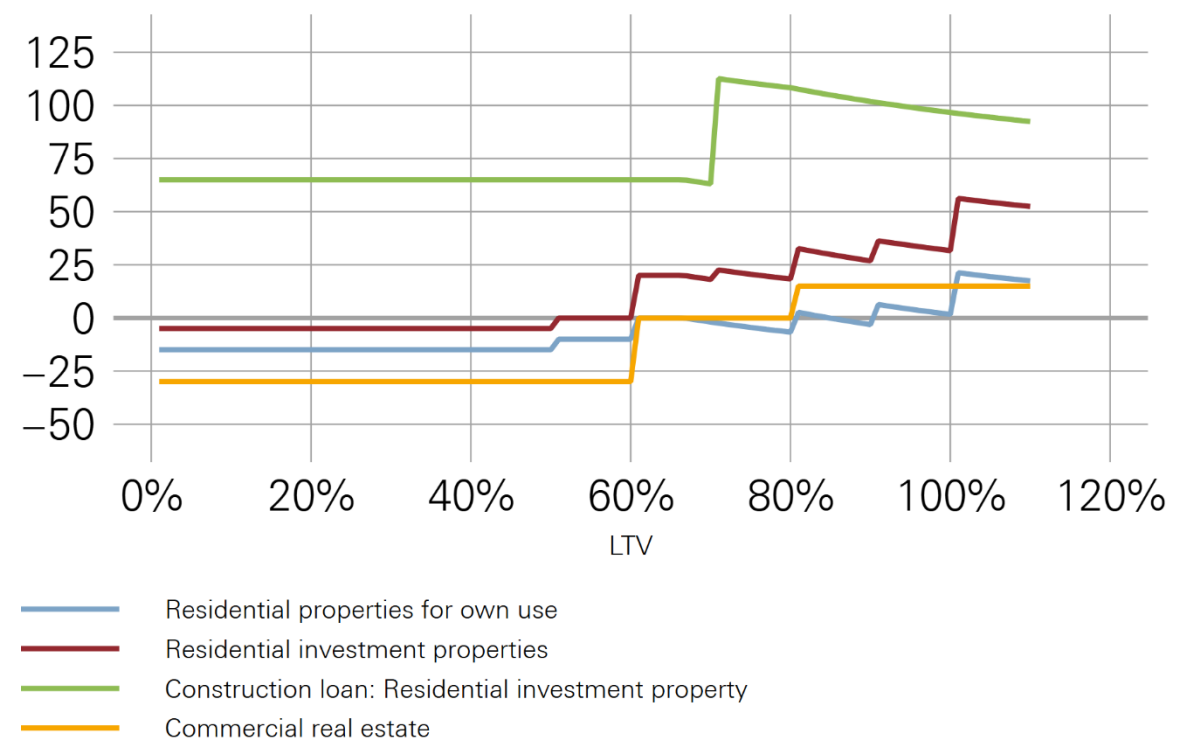


SIBs excluding Postfinance, cantonal banks excluding ZKB

Sources: FINMA proof of own funds, disclosure of SIBs

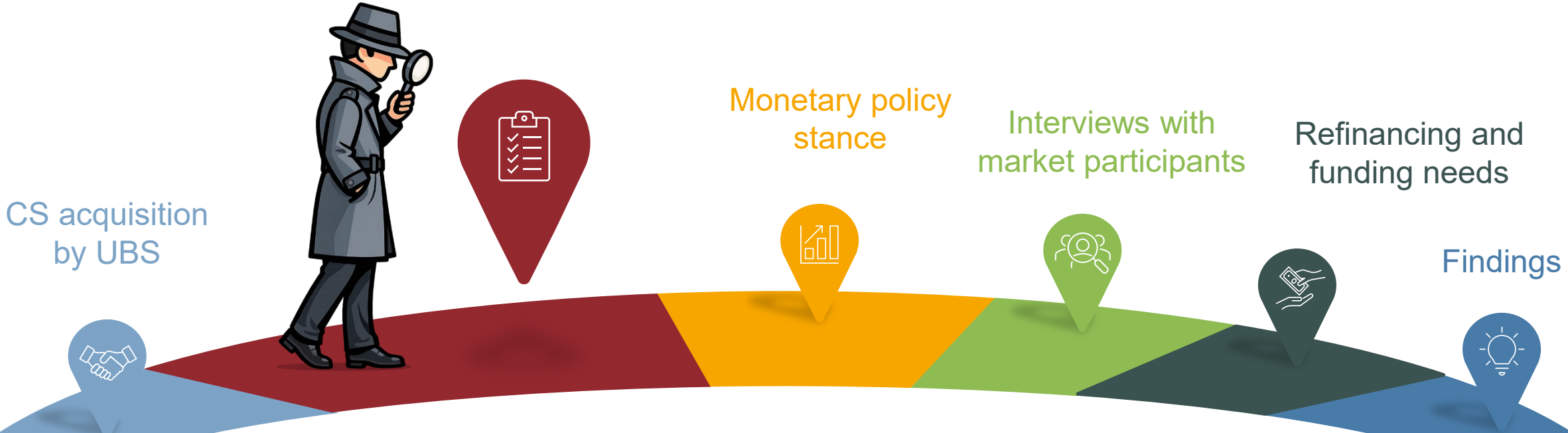
CHANGE IN RISK WEIGHTS

Change in percentage points due to Basel III Final



Sources: ERV, own calculations

Introduction of Basel III Final



Monetary policy stance



CS acquisition
by UBS

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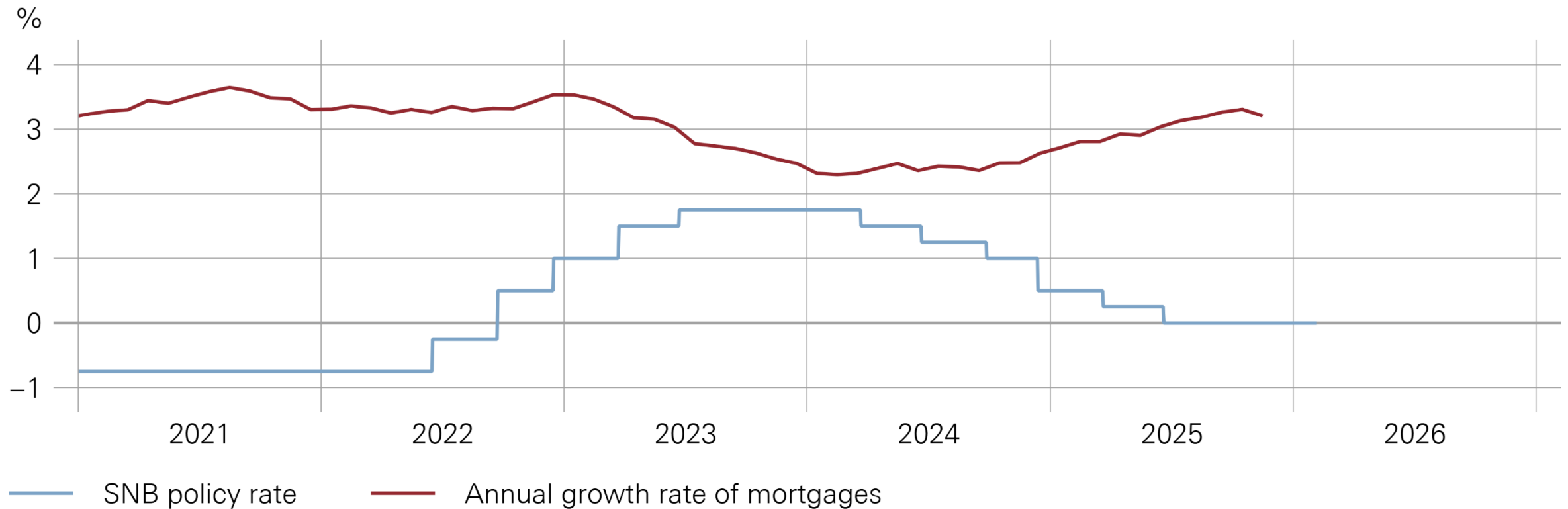
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Monetary policy transmission via the credit market is working

SNB POLICY RATE AND MORTGAGE GROWTH



Source(s): SNB

Monetary policy stance



CS acquisition
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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

Interviews with market participants



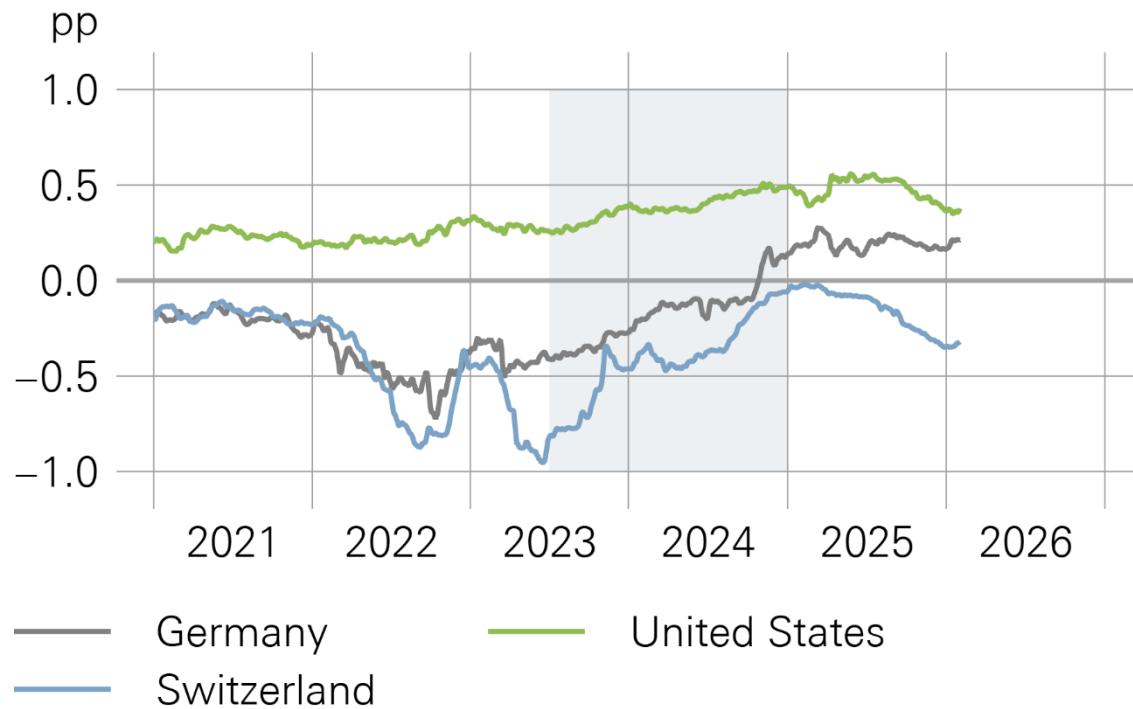
Refinancing and funding needs



Meanwhile refinancing costs increased globally and in Switzerland

GOVERNMENT BOND SPREADS

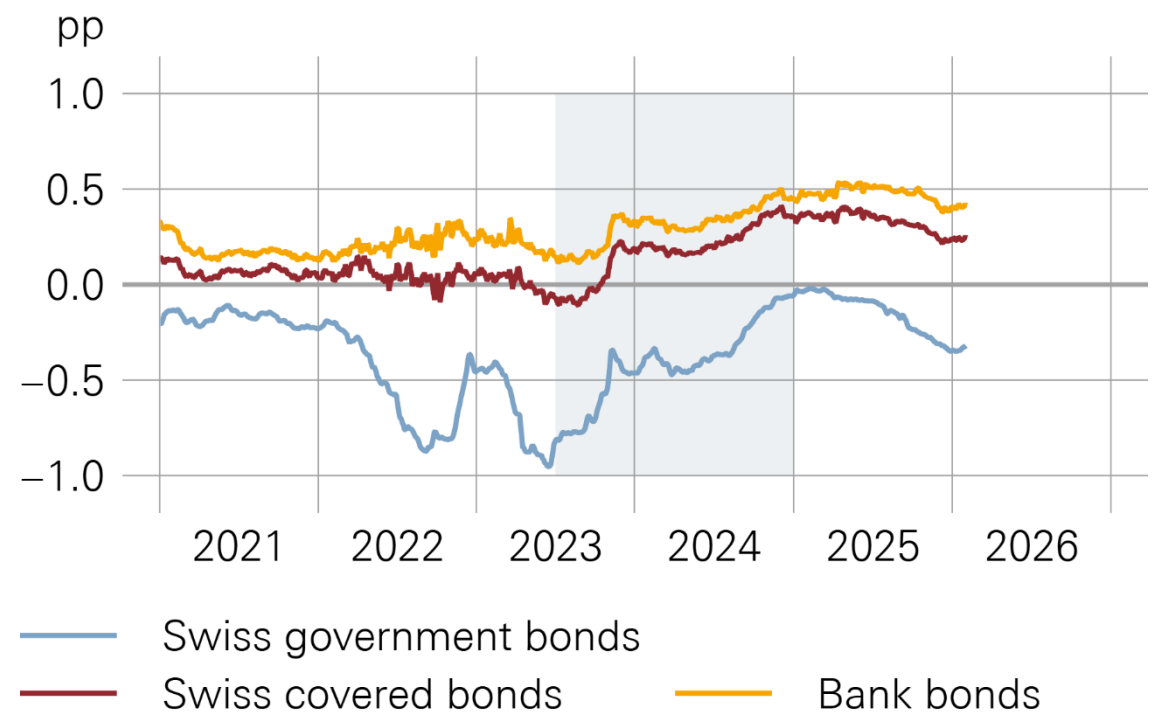
Bond yield minus swap rate (10-year terms)



Source(s): Bloomberg, SNB

CAPITAL MARKET SPREADS IN CHF

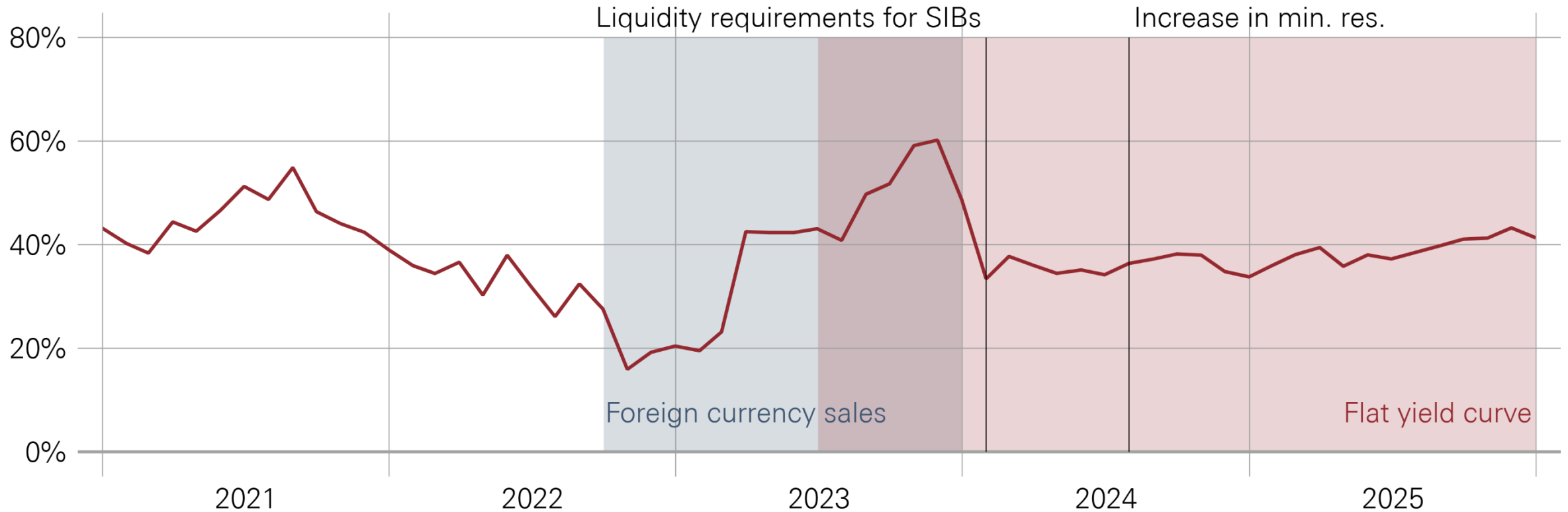
Bond yield minus swap rate (10-year terms)



Source(s): Bloomberg, SNB

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

LIQUIDITY BUFFERS

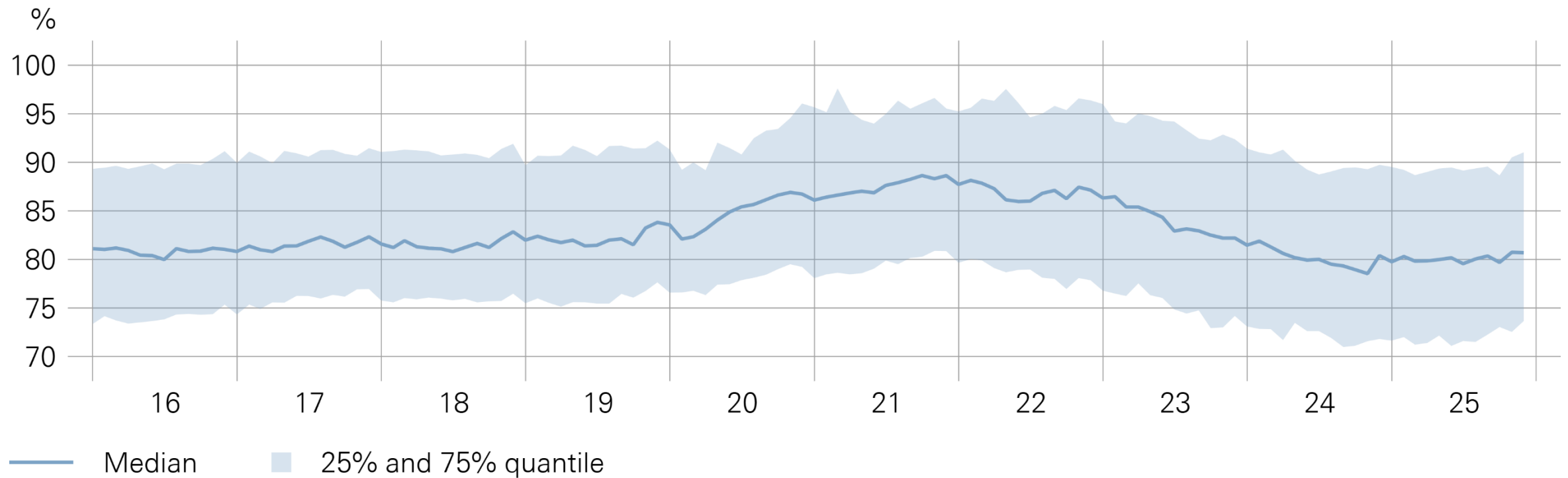


Source(s): SNB, own calculations

Increased refinancing costs do not impact lending yet

REFINANCING RATIO

Ratio of deposits to credit, domestically focused banks



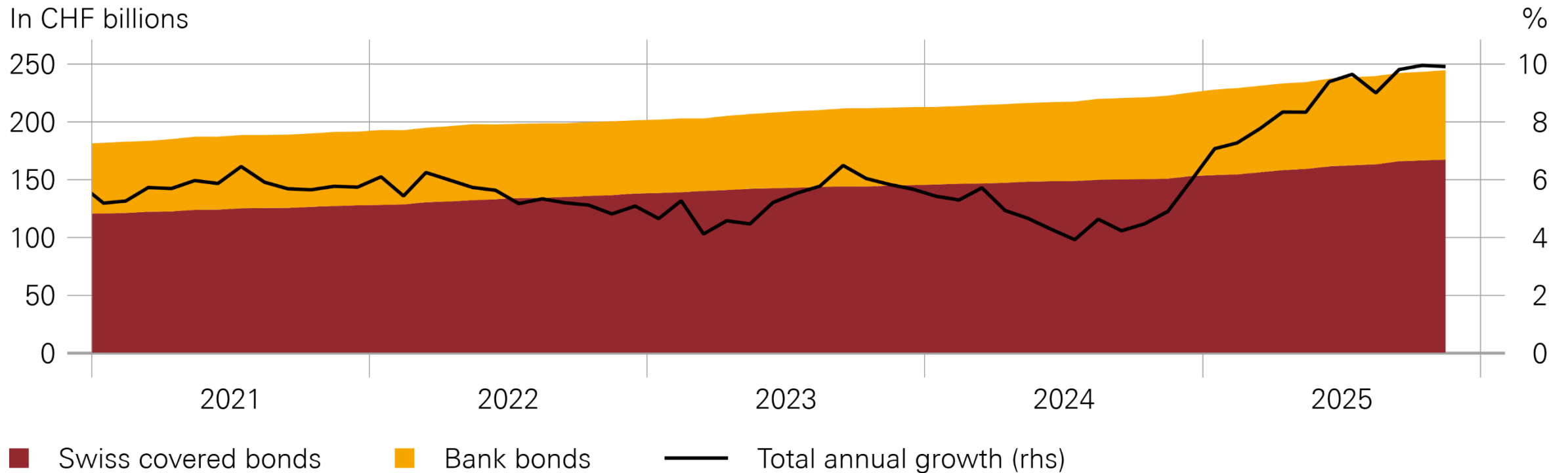
Source: SNB

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)

Refinancing and funding needs



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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

Thank you for your attention!

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