IX – Parent company financial statements – Credit Suisse (Bank)

Notes to the financial statements

Report of the statutory auditor
to the General Meeting of Credit Suisse AG, Zurich

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Credit Suisse AG, which comprise the statements of income, balance sheets, statement of changes in equity and notes for the year ended December 31, 2020, including a summary of significant accounting policies.

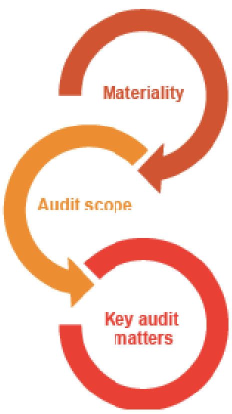
In our opinion, the financial statements as at December 31, 2020 comply with Swiss law and the articles of association.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Overview



Overall materiality: CHF 240 million

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As key audit matters the following areas of focus have been identified:

- Valuation of certain financial instruments
- Litigation provision
- Allowance for loan losses
- Carrying value of participations
- Risk of unauthorized changes to applications and data

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Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall materiality	CHF 240 million
How we determined it	0.7% of net assets
Rationale for the materiality benchmark applied	We chose net assets as a benchmark because, in our view, it is a key indicator used when assessing solvency and stability of Credit Suisse AG.

We agreed with the Audit Committee that we would report to them misstatements above CHF 12 million identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of certain financial instruments

Key audit matter	How our audit addressed the key audit matter
As described in Notes 12, 13 and 18 to the financial statements, Credit Suisse AG carries CHF 60,751 million of its assets held at fair value, which consists of trading assets and positive replacement values of derivative financial instruments. Credit Suisse AG also carries CHF 72,286 million of its liabilities held at fair value, which consists of trading liabilities, negative replacement values of derivative financial instruments, and liabilities from other financial instruments. Included in these balances are assets and liabilities for which no prices are available and which have few or no observable inputs, the determination of fair value may require the use of either industry standard models or internally developed proprietary models as well as require subjective assessment and judgment, depending on liquidity, pricing assumptions, the current economic and competitive environment and the risks affecting the specific instrument. Unobservable inputs used by management to value certain of these financial	We addressed the matter by testing the effectiveness of controls relating to the fair value of these financial instruments, including controls over Credit Suisse AG's models, significant assumptions, and data. These procedures also included, among others (i) the involvement of professionals with specialized skill and knowledge to assist in developing an independent range of prices for a sample of financial instruments and (ii) comparing the independent estimate to management's estimate to evaluate the reasonableness of management's estimate. Developing the independent estimate involved (i) testing the completeness and accuracy of data provided by management, and as appropriate, (ii) evaluating management's unobservable inputs and (iii) independently developing unobservable inputs related to volatility, correlation and credit spreads.

Key audit matter	How our audit addressed the key audit matter
instruments included (i) volatility, (ii) correlation and (iii) credit spreads. The valuation of certain illiquid and/or complex financial instruments may give rise to a significant risk of material misstatement. This risk classification is focused on positions and portfolios with unobservable inputs. The principal considerations for our determination that performing procedures relating to the fair value of certain of these financial instruments is a key audit matter are the significant judgment by management to determine the fair value of these financial instruments due to the use of either industry standard models or internally developed proprietary models, which included unobservable inputs related to (i) volatility, (ii) correlation and (iii) credit spreads. This in turn led to a high degree of auditor subjectivity, judgment and effort to evaluate the audit evidence obtained related to the valuation, and the audit effort involved the use of professionals with specialized skill and knowledge.	

Litigation provision

Key audit matter	How our audit addressed the key audit matter
Credit Suisse AG is involved in a number of judicial, regulatory and arbitration proceedings concerning matters arising in connection with the conduct of its businesses. Credit Suisse AG's aggregate litigation provisions include estimates of losses, additional losses or ranges of loss for proceedings for which such losses are probable and can be reasonably estimated. As described in Note 20 to the financial statements, as of December 31, 2020 Credit Suisse AG has recorded litigation provisions of CHF 160 million. The principal considerations for our determination that performing procedures relating to the provision for losses that may arise from litigation and regulatory proceedings is a key audit matter are the significant judgment on the part of management when assessing the likelihood of a loss being incurred and in determining a reasonable estimate of the loss, which in turn led to a high degree of auditor judgment, subjectivity, and effort in evaluating management's assessment of the provision for losses and related disclosures. The determination of when to recognize a provision for a legal or regulatory exposure and the basis of measurement are case specific and highly judgmental. This increases the inherent risk of an error.	We addressed the key audit matter by testing the design and effectiveness of controls relating to management's estimation of the provision for losses that may arise from litigation and regulatory proceedings, including controls over determining whether a loss is probable and whether the amount of loss can be reasonably estimated, as well as controls over the related financial statement disclosures. These procedures also included, among others, obtaining and evaluating on a sample basis the letters of audit inquiry with internal and external legal counsel, evaluating the reasonableness of management's assessment regarding whether an unfavorable outcome is reasonably possible or probable and reasonably estimable, and evaluating the sufficiency of the Credit Suisse AG's litigation and regulatory proceedings disclosures.

Allowance for loan loss

Key audit matter	How our audit addressed the key audit matter
As disclosed in Note 11 to the financial statements, Credit Suisse AG recorded gross loans held at amortized cost of CHF 178,975 million and has recorded an allowance for loan losses of CHF 1,546 million as of December 31, 2020. An inherent (or general) loss allowance is estimated for all loans not specifically identified as impaired. Credit Suisse AG has an impairment process for loans valued at amortized cost which are specifically classified as potential problem exposure, non-performing exposure, non-interest earning exposure or restructured exposure. Recovery management evaluates the recoverability of the loans granted, if a borrower is expected to default wholly or partly on its contractual payment obligations. Capital value adjustments are made to reflect the estimated realizable value of the loan or any collateral. We identified the assessment of the allowance for loan losses as a key audit matter because it involved complex auditor judgment in the evaluation of Credit Suisse AG's methodologies and assumptions. Specifically, auditor judgment was required to evaluate the recoverable amount and the collateral value for loans that are individually evaluated for impairment. Auditor judgment was also required to examine the general loss allowance.	The primary procedures we performed to address the key audit matter included the following. 1. We tested certain internal controls over Credit Suisse AG's allowance for loan losses process. This included controls over credit monitoring, model risk management and approval of key inputs such as risk ratings. For individually impaired loans we tested controls over the recovery management process, including management's quality control over the process. 2. We tested individually impaired loans on a sample basis. This included obtaining audit evidence for key assumptions such as future cash flow estimates and valuation of underlying collateral. 3. For the collectively evaluated allowance, we involved professionals with specialized skill and knowledge to assist in evaluating model methodologies. We assessed the model output compared to a range of potential outcomes.

Carrying value of participations

Key audit matter	How our audit addressed the key audit matter
As set out in the balance sheet line item "Participations" and as described in Note 2 to the financial statements, Credit Suisse AG held participations with a carrying value of CHF 55,743 million as of December 31, 2020. Participations are carried at acquisition cost less impairment. Due to the high level of sensitivity of the fair value to the assumptions used in the impairment assessment and the significance of the participations to the financial statements of Credit Suisse AG, we identified the impairment assessment of participations as a key audit matter.	We addressed the key audit matter by testing the design and effectiveness of controls relating to management's impairment assessment of participations. We further compared the carrying value with the fair valuation or net asset value of each participation: 1. For a sample of participations, we reviewed management's assumptions such as five-year financial plans and discount rates used under the income approach and market multiples used under the market approach. Professionals with specialized skill and knowledge were used to assist in the evaluation of Credit Suisse AG's market approach and income approach as well as the discount rate and multiples assumptions. 2. For the other participations, we verified the net asset value determined by management with the disclosed capital in the most recent audited financial statement on a sample basis.

Risk of unauthorized changes to applications and data

Key audit matter	How our audit addressed the key audit matter
We identified the risk of unauthorized changes to applications and data as a key audit matter given the extensive reliance within accounting and reporting processes on automated controls enabled by IT systems. Access management controls are critical to mitigate the risk that users can change IT system functionality and data intentionally or through error. We assessed that there is an inherent risk of a material misstatement due to the complexity in the access management control environment and the high degree of manual intervention required to ensure that only authorised users are assigned privileges and are using them in a way that is commensurate with their responsibilities.	The following procedures were performed to address the key audit matter of the risk of unauthorized changes to applications and data: 1. We evaluated the design and operating effectiveness of access management controls for in-scope systems over business users, developers and IT privileged users. 2. For active production servers and databases for the in-scope systems, we validated that they were appropriately included in the CS global asset inventory which forms the basis of the access and change management control landscape. 3. For a sample of user access data being uploaded manually into provisioning tools for the application layer and recertification tools for the infrastructure layers, we tested whether the uploads were complete and accurate. 4. For permanent and temporary privileged access used during the year, we tested the controls in place to assess the appropriateness of user access. 5. For in-scope automated controls we validated whether changes made to the functionality were valid and approved.

Other matter

The financial statements of Credit Suisse AG for the year ended December 31, 2019 were audited by another firm of auditors whose report, dated 25 March 2020, expressed an unmodified opinion on those statements.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and Credit Suisse AG's articles of association, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of retained earnings and capital distribution complies with Swiss law and the Credit Suisse AG's articles of association. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Matthew Falconer	Beresford Caloia
Audit expert Auditor in charge	Audit expert

Zurich, Switzerland
March 18, 2021

Parent company financial statements

Statements of income

	Note	2020	2019
Statements of income (CHF million)			
Interest and discount income		6,427	11,621
Interest and dividend income from trading activities		2,289	2,050
Interest and dividend income from financial investments		356	526
Interest expense		(6,079)	(10,947)
Gross income from interest activities		**2,993**	**3,250**
(Increase)/release of allowance for default risks and losses from interest activities		(849)	(383)
Net income from interest activities	4	**2,144**	**2,867**
Commission income from securities trading and investment activities		2,343	2,208
Commission income from lending activities		743	733
Commission income from other services		164	267
Commission expense		(625)	(557)
Net income from commission and service activities		**2,625**	**2,651**
Net income/(loss) from trading activities and fair value option	5	**1,689**	**(702)**
Income/(loss) from the disposal of financial investments		(7)	(14)
Income from participations		3,636	2,734
Income from real estate		57	61
Other ordinary income		1,335	1,056
Other ordinary expenses		(85)	(44)
Net income from other ordinary activities		**4,936**	**3,793**
Personnel expenses	6	2,120	2,253
General and administrative expenses	7	4,315	4,012
Total operating expenses		**6,435**	**6,265**
Impairment of participations, depreciation and amortization of tangible fixed assets and intangible assets	1	4,834	18,288
Increase/(release) of provisions and other valuation adjustments, and losses	8	108	39
Operating profit/(loss)		**17**	**(15,983)**
Extraordinary income	8	372	4,952
Extraordinary expenses	8	(6)	0
Taxes	9	(52)	(354)
Net profit/(loss)		**331**	**(11,385)**

Balance sheets

	Note	end of 2020	end of 2019
Assets (CHF million)			
Cash and other liquid assets		64,187	34,941
Due from banks		88,246	95,453
Securities borrowing and reverse repurchase agreements	10	71,498	91,275
Due from customers	11	172,051	185,713
Mortgage loans	11	5,378	5,481
Trading assets	12	49,116	51,640
Positive replacement values of derivative financial instruments	13	11,635	8,687
Financial investments	14	25,661	28,540
Accrued income and prepaid expenses		2,525	2,569
Participations		55,743	61,593
Tangible fixed assets		1,926	1,900
Intangible assets		104	151
Other assets	15	605	1,353
Total assets		**548,675**	**569,296**
Total subordinated receivables		13,522	13,564
of which receivables subject to contractual mandatory conversion and/or cancellation		3,105	3,105
Liabilities and shareholders' equity			
Due to banks		55,641	72,651
Securities lending and repurchase agreements	10	70,306	66,255
Customer deposits		180,087	159,355
Trading liabilities	12	5,704	9,041
Negative replacement values of derivative financial instruments	13	11,040	8,206
Liabilities from other financial instruments held at fair value	12, 18	55,542	58,998
Bonds and mortgage-backed bonds		129,446	154,790
Accrued expenses and deferred income		3,472	4,195
Other liabilities	15	1,561	291
Provisions	20	436	395
Total liabilities		**513,235**	**534,177**
Share capital	21	4,400	4,400
Legal capital reserves		38,465	38,475
of which capital contribution reserves		37,901	37,911
Legal income reserves		3,461	3,461
Retained earnings/(accumulated losses) carried forward		(11,217)	168
Net profit/(loss)		331	(11,385)
Total shareholders' equity		**35,440**	**35,119**
Total liabilities and shareholders' equity		**548,675**	**569,296**
Total subordinated liabilities		61,417	59,676
of which liabilities subject to contractual mandatory conversion and/or cancellation		16,781	15,804

Off-balance sheet transactions

end of	2020	2019
CHF million		
Contingent liabilities	16,939	20,525
Irrevocable commitments	93,339	99,925
Obligations for calls on shares and additional payments	44	365

Contingent liabilities include guarantees for obligations, performance-related guarantees and letters of comfort issued to third parties. Contingencies with a stated amount are included in the off-balance sheet section of the financial statements. In some instances, the exposure of Credit Suisse AG (Bank parent company) is not defined as an amount but relates to specific circumstances such as the solvency of subsidiaries or the performance of a service.

Joint and several liability

The Bank parent company entered into a contractual arrangement under which it assumed joint and several liability with respect to liabilities of Credit Suisse (Schweiz) AG arising in connection with Credit Suisse (Schweiz) AG's roles under the covered bonds program.

The Bank parent company is a member of Credit Suisse Group AG's Swiss VAT group and therefore subject to joint and several liability according to the Swiss VAT Act.

Deposit insurance guarantee programs

Deposit-taking banks and securities dealers in Switzerland and certain other European countries are required to ensure the payout of privileged deposits in case of specified restrictions or compulsory liquidation of a deposit-taking bank. In Switzerland, deposit-taking banks and securities dealers jointly guarantee an amount of up to CHF 6 billion. Upon occurrence of a payout event triggered by a specified restriction of business imposed by the Swiss Financial Market Supervisory Authority FINMA (FINMA) or by the compulsory liquidation of another deposit-taking bank, the Bank parent company's contribution will be calculated based on its share of privileged deposits in proportion to total privileged deposits. Based on FINMA's estimate for the Bank parent company, the Bank's share in the deposit insurance guarantee program for the period July 1, 2020 to June 30, 2021 is CHF 40 million. This deposit insurance guarantee is reflected in irrevocable commitments.

→ Refer to "Note 24 – Amounts receivable from and amounts payable to related parties" for further information off-balance sheet transactions.

Statement of changes in equity

	Share capital	Legal capital reserves	Legal income reserves	Retained earnings/ (accumulated losses) carried forward	Net profit/(loss)	Total shareholders' equity
2020 (CHF million)						
Balance at beginning of period	**4,400**	**38,475** [1]	**3,461**	**168**	**(11,385)**	**35,119**
Appropriation of net loss	–	–	–	(11,385)	11,385	–
Dividends and other distributions	–	(10)	–	–	–	(10)
Net profit	–	–	–	–	331	331
Balance at end of period	**4,400**	**38,465** [1]	**3,461**	**(11,217)**	**331**	**35,440**

1 Includes capital contribution reserves of CHF 37,911 million at the beginning of the period and CHF 37,901 million at the end of the period. Distributions from capital contribution reserves are free of Swiss withholding tax.

Notes to the financial statements

1 Company details, business developments and subsequent events

Company details

Credit Suisse AG (Bank parent company) is a Swiss bank incorporated as a joint stock corporation (public limited company) with its registered office in Zurich, Switzerland.

The Bank parent company is a wholly owned subsidiary of Credit Suisse Group AG (Group parent company) domiciled in Switzerland.

Number of employees

end of	2020	2019
Full-time equivalents		
Switzerland	5,350	5,330
Abroad	3,800	3,720
Total	**9,150**	**9,050**

Business developments

Credit Suisse InvestLab AG

Following the completion of the first step of the combination of the Group's open architecture investment fund platform InvestLab and Allfunds Group in September 2019, the Group successfully completed the second and final step of the combination in March 2020 with the transfer of related distribution agreements to Allfunds Group. The Bank parent company recorded a gain of CHF 350 million in 2020 from this second closing, recorded in extraordinary income.

Valuation of participations

In 2020, the Bank parent company recorded an impairment on participations of CHF 4,458 million. This impairment is reflected in the statements of income in "Impairment of participations, depreciation and amortization of tangible fixed assets and intangible assets".

COVID-19 pandemic

The pandemic and the consequences for markets and the global economy affected the Bank parent company's financial performance in 2020, including significant impacts on its provision for credit losses and trading revenues, as well as on net interest income as a result of foreign exchange movements and a sharp reduction in US dollar interest rates. The Bank parent company continues to closely monitor the COVID-19 pandemic and its effects on the bank's operations and businesses. Should current economic conditions persist or continue to deteriorate, the macroeconomic environment could have an adverse effect on these and other aspects of the Bank parent company's business, operations and financial performance, including decreased client activity or demand for its products.

Subsequent events

→ Refer to "Note 3 – Business developments, significant shareholders and subsequent events" in VI – Consolidated financial statements – Credit Suisse Group for information on subsequent events.

2 Accounting and valuation principles

Summary of significant accounting and valuation principles

Basis for accounting

The Bank parent company's standalone financial statements are prepared in accordance with the accounting rules of the Swiss Federal Law on Banks and Savings Banks (Bank Law), the corresponding Implementing Ordinance (Banking Ordinance), the Swiss Financial Market Supervisory Authority's Ordinance on Accounting (FINMA Accounting Ordinance) and FINMA circular 2020/1, "Accounting rules for banks, securities dealers, financial groups and conglomerates" (Swiss GAAP statutory) as applicable for the preparation of reliable assessment statutory single-entity financial statements *(Statutarischer Einzelabschluss mit zuverlässiger Darstellung)*. Supplemental information on unsecured senior debt and structured notes as provided in Note 19 is not a required disclosure under these rules.

The financial year for the Bank parent company ends on December 31.

The consolidated financial statements of Credit Suisse AG and its subsidiaries (Bank) are prepared in accordance with accounting principles generally accepted in the US (US GAAP), which differ in certain material respects from Swiss GAAP statutory.

→ Refer to "Note 1 – Summary of significant accounting policies" in VIII – Consolidated financial statements – Credit Suisse (Bank) for a detailed description of the Bank's accounting and valuation principles.

→ Refer to "Note 41 – Significant valuation and income recognition differences between US GAAP and Swiss GAAP banking law (true and fair view)" in VIII – Consolidated financial statements – Credit Suisse (Bank) for information on significant valuation and income recognition differences between US GAAP and Swiss GAAP banking law (true and fair view).

In addition to preparing its own consolidated US GAAP financial statements, Credit Suisse AG is included in the scope of the published annual report of Credit Suisse Group AG, which includes a Group management report and consolidated financial statements prepared under US GAAP. The Bank parent company has no listed shares outstanding. Accordingly, the Bank parent company is exempt from providing certain disclosures in its standalone annual report, such as management report, statements of cash flows and certain notes to the financial statements.

Certain changes were made to the prior year's financial statements to conform to the current year's presentation and had no impact on net profit/(loss) or total shareholders' equity.

Recording of transactions
Transactions are generally recognized on a trade date basis at the point in time when they become legally binding unless specific guidance is provided for settlement date accounting, such as for issuances of debt and structured notes.

Foreign currency translations
The Bank parent company's reporting currency is Swiss francs (CHF); branches of the Bank parent company can have a functional currency other than Swiss francs.

Transactions denominated in currencies other than the functional currency of the related head office or branch are recorded by remeasuring them in the functional currency of the related head office or branch using the foreign exchange rate on the date of the transaction. As of the dates of the balance sheets, monetary assets and liabilities, such as receivables and payables, are reported using the year-end spot foreign exchange rates. Foreign exchange rate differences are recorded in the statements of income. Non-monetary assets and liabilities are recorded using the historic exchange rate.

Assets and liabilities of foreign branches with functional currencies other than the Swiss franc are translated into Swiss franc equivalents using year-end spot foreign exchange rates, whereas revenues and expenses are translated at weighted average foreign exchange rates for the period. All foreign exchange translation effects are recognized in the statements of income in net income/(loss) from trading activities and fair value option.

The following table provides the foreign exchange rates applied for the preparation of the Bank parent company's standalone financial statements.

Foreign exchange rates

	End of	
	2020	2019
1 USD / 1 CHF	0.88	0.97
1 EUR / 1 CHF	1.08	1.09
1 GBP / 1 CHF	1.20	1.27
100 JPY / 1 CHF	0.85	0.89

Cash and other liquid assets
Cash and other liquid assets are recognized at their nominal value.

Due from banks
Amounts due from banks, including interest due but not paid, are recognized at their nominal value less any necessary valuation adjustments.

Securities lending and borrowing, repurchase and reverse repurchase agreements
Securities lending and borrowing as well as repurchase and reverse repurchase agreements are recorded at the nominal value of the cash amounts exchanged.

Due from customers and mortgage loans
Amounts due from customers and mortgage loans, including interest due but not paid, are recognized at their nominal value less any necessary valuation adjustments.

All customer loans are assessed individually for default risks and, where necessary, valuation adjustments are recorded in accordance with internal policies. These valuation adjustments take into account the value of the collateral and the financial standing of the borrower (counterparty risk). The Bank parent company evaluates many factors when determining valuation adjustments, including the volatility of default probabilities, rating changes, the magnitude of potential loss, internal risk ratings, and geographic, industry and other economic factors. Valuation adjustments are netted with the corresponding assets.

Trading assets and liabilities
In order to qualify as trading activity, positions (assets and liabilities) have to be actively managed with the objective of realizing gains from fluctuations in market prices which includes an ongoing willingness to increase, decrease, close or hedge risk positions. Trading positions also include positions held with the intention of generating gains from arbitrage. The designation as trading position has to be made, and documented accordingly, upon conclusion of the transaction.

Trading securities are carried at fair value with changes in fair value recorded in the statements of income in net income/(loss) from trading activities and fair value option. The fair value is determined using either the price set on a price-efficient and liquid market or a price calculated using a valuation model.

Interest and dividend income resulting from trading positions is recorded in gross income from interest activities. Refinancing costs are not charged to net income from trading activities and fair value option.

Reclassifications between trading assets, financial investments and participations are allowed. Reclassifications between financial investments and participations are recorded at the carrying value. Reclassifications between trading assets and financial investments or participations, respectively, are recorded at the fair value valid at the time when the decision to reclassify is made. Resulting gains or losses are recognized applying the same accounting principles as for the recognition of results from the disposal of such assets.

Derivative financial instruments and hedge accounting
Derivative financial instruments consist of trading and hedging instruments.

Positive and negative replacement values of outstanding derivative financial instruments arising from transactions for the Bank parent company's own account are disclosed as separate line items in the balance sheet, with related fair value changes recorded in net income from trading activities and fair value option.

Replacement values of derivative financial instruments arising from transactions for the account of customers are recognized only if a risk exists that a customer or other counterparty (e.g., exchange, exchange member, issuer of the instrument or broker) of a transaction is no longer able to meet its obligations, resulting in an exposure to loss for the Bank parent company during the remaining term of the contract.

Hedge accounting is determined, tested for effectiveness and disclosed in accordance with US GAAP as allowed under the Swiss GAAP statutory accounting rules for banks. Derivative financial instruments used as hedging instruments in hedging relationships are always recorded at fair value.

For fair value hedges, gains and losses resulting from the valuation of the hedging instruments are recorded in the same statements of income line items in which gains and losses from the hedged items are recognized. Valuation impacts resulting from fair valuing the risk being hedged of the hedged items are not recorded as an adjustment to the carrying value of the hedged items but are recorded in the compensation account included in other assets or other liabilities.

For cash flow hedges, gains and losses resulting from the valuation of the hedging instruments are deferred and recorded in the compensation account included in other assets or other liabilities. The deferred amounts are released and recorded in the statements of income in the same period when the cash flows from the hedged transactions or hedged items are recognized in earnings.

Other financial instruments held at fair value and liabilities from other financial instruments held at fair value

Financial instruments which are not part of the trading portfolio may be measured at fair value and classified in other financial instruments held at fair value or liabilities from other financial instruments held at fair value if all of the following conditions are met:

- The financial instruments are valued at fair value and are subject to risk management corresponding to that for trading positions including a documented risk management and investment strategy which ensures appropriate recognition, measurement and limitation of the miscellaneous risks.
- An economic hedging relationship between the financial instruments on the asset side and the financial instruments on the liability side exists and gains and losses from the fair valuation of these financial instruments are largely offset (avoidance of an accounting mismatch).
- Impacts of changes in own credit spreads on the fair value of an issued debt instrument following initial recognition cannot be reflected in the statements of income. Impacts of changes in own credit spreads are recognized in the compensation account.

Changes in fair value are recorded in net income from trading activities and fair value option.

Financial investments

Equity securities which do not qualify as trading securities are included in financial investments and measured at the lower of cost or market value (LOCOM). Valuation adjustments are recorded in other ordinary income or other ordinary expenses.

Debt securities which do not qualify as trading securities are included in financial investments and further classified into debt securities held-to-maturity, which the Bank parent company intends to hold until maturity, and debt securities available-for-sale, which the Bank parent company does not intend to hold until maturity.

Debt securities held-to-maturity are measured at amortized cost less impairment. Impairments related to default risk are reported in the statement of income position "Increase/(release) of allowance for default risks and losses from interest activities". If debt securities held-to-maturity are sold or repaid before original maturity, the interest component of any realized gains or losses is deferred and amortized over the remaining original life of the debt security.

Debt securities available-for-sale are measured at the lower of amortized cost or market value (LOACOM). Valuation adjustments for credit- and market-related adjustments are recorded in other ordinary income or other ordinary expenses.

Participations

Equity securities in a company which are owned by the Bank parent company qualify as a participation if these securities are held for the purpose of permanent investment, irrespective of the percentage of voting shares held, or, if these equity securities are in a banking and financial market infrastructure enterprise, in particular participations in joint organizations. Participations can be held by the Bank parent company in Switzerland and its foreign branches.

Participations are measured at acquisition cost less any impairments. Goodwill and intangible assets related to the acquisition of a participation are part of the participation's historical cost under Swiss GAAP statutory and not separately identified and recorded. Impairment is assessed individually for each participation at each balance sheet date or at any point in time when facts and circumstances would indicate that an event has occurred which triggers an impairment review. An impairment is recorded if the carrying value exceeds the fair value of a participation. If the fair value of a participation recovers significantly and is considered sustainable, a prior period impairment can be reversed up to the historical cost value of the participation.

Other assets and other liabilities
Other assets and other liabilities are generally recorded at cost or nominal value. Other assets and other liabilities include the net balance of the compensation accounts. The compensation account assets and liabilities include changes in the book values of assets and liabilities that are not recognized in the statement of income of a reporting period. In particular, the compensation accounts are used to record the hedge effectiveness, impacts from changes in own credit spreads and deferred gains or losses from the sale of debt securities held-to-maturity. The gross amounts of compensation account assets and liabilities are offset and reported net on the balance sheet either in other assets or in other liabilities.

Due to banks
Amounts due to banks are recognized at their nominal value.

Customer deposits
Amounts due in respect of customer deposits are recognized at their nominal value.

Bonds and mortgage-backed bonds
Bonds and mortgage-backed bonds are carried at amortized cost. Debt issuance costs are recorded in accrued income and prepaid expenses.

Provisions
Provisions are recorded to cover specific risks related to a past event prior to the balance sheet date. Provisions represent a probable obligation for which the amount and/or due date are uncertain but can be reasonably estimated. Where the time factor has a material impact, the amount of the provision is discounted.

Provisions which are no longer economically necessary and which are not used in the same reporting period to cover probable obligations of the same nature are released to income:
- tax provisions through line item taxes;
- provisions for pension benefit obligations through personnel expenses; and
- provisions for off-balance sheet related default risks and other provisions including litigation provisions through line item increase/(release) of provisions and other value adjustments, and losses.

Commission income
Commission income is recognized when arrangements exist, services have been rendered, the revenue is fixed or determinable and collectability is reasonably assured. As applicable, commissions and fees are recognized ratably over the service period and either accrued or deferred in the balance sheet in the line items accrued income and prepaid expenses and accrued expenses and deferred income, respectively.

Commission income and commission expense are generally recorded on a gross basis in the statements of income.

Income tax accounting
Income taxes are based on the tax laws of each tax jurisdiction and are expensed in the period in which the taxable profits are made.

Tax provisions are recognized in the statements of income in the line item taxes and included in provisions on the balance sheet.

In line with the accounting rules for single-entity statutory financial statements, deferred tax assets on net operating losses are not recognized. Deferred taxation items for temporary differences between the carrying value of an asset or a liability under Swiss GAAP statutory and the respective value for tax reporting, i.e., its tax base, are also not recognized.

Extraordinary income and expense
The recognition of extraordinary income or expense is limited to transactions which are non-recurring and non-operating, such as the disposal of fixed assets or participations, the reversal of prior-period impairment on participations, or income and expense related to other reporting periods if they account for the correction of errors with regard to non-operating transactions of prior periods.

Contingent liabilities and irrevocable commitments
Contingent liabilities are recorded as off-balance sheet transactions at their maximum potential payment amounts. Irrevocable commitments are recorded as off-balance sheet transactions at their nominal values, except for irrevocable loan commitments that are cancellable with a notice period of six weeks or less. As necessary, related provisions are recorded on the balance sheet in line item provisions.

Capital adequacy disclosures

Capital adequacy disclosures for the Group and the Bank parent company are presented in the publications “Pillar 3 and regulatory disclosures – Credit Suisse Group AG” and “Regulatory disclosures – Subsidiaries”, respectively.

→ Refer to credit-suisse.com/regulatorydisclosures for additional information.

New accounting policies to be adopted in future periods

Expected credit losses
The new FINMA Accounting Ordinance and the revised FINMA circular 2020/1, “Accounting – banks”, became effective on January 1, 2020. In addition to a formal restructuring of the guidance, changes with regard to valuation adjustments for default risks were introduced. For larger banks, such as the Bank parent company, the new guidance requires the introduction of an expected credit loss approach for default risks on non-impaired loans, receivables and debt securities held-to-maturity. The guidance allows a transition period of one year for the implementation of the expected credit loss approach. The Bank parent company adopted the expected credit loss approach for its standalone financial statements as of January 1, 2021, applying US GAAP in line with the Group.

Prior period information

For 2019, irrevocable commitments of CHF 5,829 million were reclassified from category "Unsecured" to category "Other collateral – secured" to correct for an inappropriate classification.

→ Refer to "Note 11 – Collateral and impaired loans and receivables" for further information.

For 2019, foreign assets of CHF 86,986 million were reclassified from rating category "AAA" to rating category "AA" to correct an error in the internal rating of the Bank parent company's total assets.

→ Refer to "Note 25 – Total assets by country rating" for further information.

Net profit of CHF 331 million in 2020 included charges of CHF 76 million for prior period adjustments, of which CHF 52 million related to a correction of commission income from Group companies and CHF 24 million related to a correction of foreign non-income-based taxes.

3 Risk management, derivatives and hedging activities

Risk management

Prudent risk-taking in line with the strategic priorities of the Bank parent company and its consolidated subsidiaries (the Bank) is fundamental to its business and success. The primary objectives of risk management are to protect the Bank's financial strength and reputation, while ensuring that capital is well deployed to support business activities and growth. The Bank's risk management framework is based on transparency, management accountability and independent oversight. Risk management is an integral part of the business planning process with strong senior management and Board of Directors (Board) involvement.

Governance

The Bank's risk governance framework is based on a "three lines of defense" governance model, where each line has a specific role with defined responsibilities and works in close collaboration to identify, assess and mitigate risks.

The first line of defense is the front office, which is responsible for pursuing suitable business opportunities within the strategic risk objectives and compliance requirements of the Bank. Its primary responsibility is to ensure compliance with relevant legal and regulatory requirements, maintain effective internal controls and ensure that the Bank operates within its risk appetite.

The second line of defense includes functions across the Bank such as the Chief Risk and Compliance Officer function (Risk & Compliance), General Counsel (including Regulatory Affairs) and Product Control. The functions within the second line articulate standards and expectations for the effective management of risk and controls, including advising on, publishing related policies on and assessing compliance with applicable legal and regulatory requirements. They are responsible for reviewing, measuring and challenging front office activities and for producing independent assessments and risk reporting for senior management and regulatory authorities. Risk & Compliance is also responsible for articulating and designing the risk appetite framework across the Bank.

The third line of defense is the Internal Audit function, which monitors the effectiveness of controls across various functions and operations, including risk management, compliance and governance practices.

Risk management of the Bank is aligned to the overall risk management governance of the Group. All members of the Board and the Executive Board of the Bank are also members of the Board and the Executive Board of the Group. The Bank's governance includes a committee structure and a comprehensive set of corporate policies which are developed, reviewed and approved by the Board, the Executive Board, their respective committees, the Group Chief Risk and Compliance Officer (CRCO) and the board of directors of significant subsidiaries, in accordance with their respective responsibilities and levels of authority.

Board of Directors
The Board is responsible for the Bank's strategic direction, supervision and control, and for defining the Bank's overall tolerance for risk. In particular, the Board approves the risk management framework and sets overall risk appetite in consultation with its Risk Committee among other responsibilities and authorities defined in the Organizational Guidelines and Regulations (OGR).

The **Risk Committee** is responsible for assisting the Board in fulfilling its oversight responsibilities by periodically reviewing the Risk function, its resources and key risks.

The **Audit Committee** is responsible for assisting the Board in fulfilling its oversight responsibilities by monitoring management's approach with respect to financial reporting, internal controls, accounting and legal and regulatory compliance. Additionally, the Audit Committee is responsible for monitoring the independence and performance of internal and external auditors.

The **Conduct and Financial Crime Control Committee** is responsible for assisting the Board in fulfilling its oversight duties with respect to the Bank's exposure to financial crime risk. It is tasked with monitoring and assessing the effectiveness of financial crime compliance programs and initiatives focused on improving conduct and vigilance within the context of combatting financial crime.

The **Compensation Committee** is responsible for determining, reviewing and proposing compensation principles for the Bank. Under the compensation risk framework, various corporate functions including Risk & Compliance, General Counsel, Human Resources, Internal Audit and Product Control, provide input for the assessment of the divisions' and certain individuals' overall risk and conduct performance and determine an overall risk rating, which is presented to the chairs of the Compensation Committee, Risk Committee and Audit Committee, and is contemplated as part of the divisions' and certain individuals' performance.

Executive Board

The Executive Board is responsible for establishing the Bank's strategic business plans, subject to approval by the Board, and implementing such plans. It further reviews and coordinates significant initiatives within the Risk & Compliance function and approves Group-wide risk policies. The CRCO represents the Risk & Compliance function and provides regular information and reports to the Executive Board and the Board.

Executive Board Risk Forum

The Executive Board Risk Forum, chaired by the CRCO, was established in 2020. The forum is responsible for determining the management strategy for critical risk and compliance issues at the Group and/or cross-divisional level, reviewing and resolving issues pertaining to risk escalated by the Capital Allocation & Risk Management Committee (CARMC) or any Executive Board member, reviewing and overseeing critical approvals including, but not limited to, risk appetite and the risk framework and monitoring of key risk and compliance trends and relevant metrics.

Executive Board committees

CARMC is responsible for overseeing and directing the Bank's risk profile, recommending risk limits at the Bank level to the Risk Committee and the Board, establishing and allocating risk appetite among the various businesses, reviewing new significant business strategies or changes in business strategies, including business migrations, making risk-related decisions on escalations, and for applying measures, methodologies and tools to monitor and manage the risk portfolio. CARMC will furthermore escalate items requiring additional oversight to the Executive Board Risk Forum. There are three cycles of CARMC, which each meet at least quarterly. The Position & Client Risk (PCR) cycle determines the risk management strategy and approves risk appetite and other appropriate measures relating to the market, credit, liquidity, reputational, sustainability, environmental and social risks of clients or industries across the various businesses within the Bank. The Asset & Liability Management (ALM) cycle reviews the funding and balance sheet trends and activities, plans and monitors regulatory and business liquidity requirements and internal and regulatory capital adequacy, provides governance and oversight over all material business migrations and ensures that legal entity strategic initiatives are within the Bank's risk appetite and appropriately supported and controlled. The Internal Control System (ICS) cycle monitors and analyzes significant non-financial risks (including operational, legal and compliance risks), reviews and approves the business continuity program's alignment with the corporate strategy on an annual basis, sets risk constraints on specific businesses and functions to control significant non-financial risks (including operational risk exposure) and reviews and assesses the adequacy and effectiveness of the internal control system.

The Credit Suisse AG Parent CARMC plans and monitors the internal and regulatory capital adequacy of the Bank parent company as a standalone legal entity, including its head office and branches, and provides governance and oversight over the financial and capital plans of the Bank parent company's major subsidiaries, including with respect to key risks and key dependencies such as dividends or other capital repatriations from the major subsidiaries to the parent company.

The Valuation Risk Management Committee (VARMC) is responsible for establishing policies regarding the valuation of certain material assets and the policies and calculation methodologies applied in the valuation process. Further, VARMC is responsible for monitoring and assessing valuation risks, reviewing inventory valuation conclusions and directing the resolution of significant inventory valuation issues.

Risk appetite framework

The Bank maintains a comprehensive Bank-wide risk appetite framework, which is governed by a global policy and provides a robust foundation for risk appetite setting and management across the Bank. A key element of the framework is a detailed statement of the Board-approved risk appetite which is aligned to the Bank's financial and capital plans. The framework also encompasses the processes and systems for assessing the appropriate level of risk appetite required to constrain the Bank's overall risk profile.

The Bank risk appetite framework is governed by an overarching global policy that encompasses the suite of specific policies, processes and systems with which the risk constraints are calibrated and the risk profile is managed. Strategic risk objectives (SROs) are effectively embedded across the organization at the Bank, business division and legal entity level through a suite of different types of risk measures (quantitative and qualitative) as part of the Bank's efforts to ensure it operates within the thresholds defined by the Board. The SROs are regularly assessed as part of the continuing enhancements to the Bank's risk management processes. In December 2020, the Board reviewed and confirmed the SROs, which consist of:

- promoting stability of earnings to support performance in line with financial objectives;
- ensuring sound management of funding and liquidity in normal and stressed conditions;
- maintaining capital adequacy under both normal and stressed conditions;
- maintaining the integrity of the Bank's business and operations; and
- managing intercompany risk.

Bank-wide risk appetite is determined in partnership with the financial and capital planning process on an annual basis, based on bottom-up forecasts that reflect planned risk usage by the businesses and top-down, Board-driven strategic risk objectives and risk appetite. Scenario stress testing of financial and capital plans is an essential element in the risk appetite calibration process, through which the strategic risk objectives, financial resources and business plans are aligned. The risk appetite is approved through a number of internal governance forums, including joint approval by the CRCO and the Chief Financial Officer (CFO), the Credit Suisse AG Parent CARMC, the Risk Committee and, subsequently, by the Board.

The risk appetite statement is the formal plan, approved by the Board, for Bank-wide risk appetite. Divisional allocations are cascaded from the Bank and approved in divisional risk management committees. Legal entity risk appetites are set by the local legal entity board of directors within the limits established by the Bank.

A core aspect of the Bank's risk appetite framework is a sound system of integrated risk constraints. These allow the Bank to maintain the risk profile within its overall risk appetite, and encourage meaningful discussion between the relevant businesses, Risk functions and members of senior management around the evolution of the Bank's risk profile and risk appetite. Considerations include changing external factors (such as market developments, geopolitical conditions and client demand) as well as internal factors (such as financial resources, business needs and strategic views). The Bank's risk appetite framework utilizes a suite of different types of risk constraints to reflect the aggregate risk appetite of the Bank. The risk constraints restrict the Bank's maximum balance sheet and off-balance sheet exposure given the market environment, business strategy and financial resources available to absorb losses.

Risk coverage and management

The Bank uses a wide range of risk management practices to address the variety of risks that arise from its business activities. Policies, processes, standards, risk assessment and measurement methodologies, risk appetite constraints, and risk monitoring and reporting are key components of its risk management practices. The Bank's risk management practices complement each other in the Bank's analysis of potential loss, support the identification of interdependencies and interactions of risks across the organization and provide a comprehensive view of its exposures. The Bank regularly reviews and updates its risk management practices to ensure consistency with its business activities and relevance to its business and financial strategies. The Bank's key risk types are aligned to its global risk taxonomy and include the following:
- Capital risk
- Credit risk
- Market risk
- Non-financial risk
- Model risk
- Reputational risk
- Business risk
- Climate-related risks
- Fiduciary risk
- Pension risk

For purposes of categorizing key risk types, non-traded market risk and funding liquidity are together an individual risk type in the Bank's global risk taxonomy. While non-traded market risk is described further below as part of market risk, funding liquidity risk is managed by Treasury and described separately.

Capital risk

Capital risk is the risk that the Bank does not have adequate capital to support its activities and maintain the minimum capital requirements. Under the Basel framework, the Bank is required to maintain a robust and comprehensive framework for assessing capital adequacy, defining internal capital targets and ensuring that these capital targets are consistent with the Bank's overall risk profile and the current operating environment.

Capital risk results from the Bank's risk exposures, available capital resources, regulatory requirements and accounting standards.

The stress testing framework and economic risk capital are tools used by the Bank to evaluate and manage capital risk. The capital management framework is designed to ensure that the Bank meets all regulatory capital requirements for the Bank and its regulated subsidiaries.

Stress testing framework

Stress testing or scenario analysis represents a risk management approach that formulates hypothetical questions, including what would happen to the Bank's portfolio if, for example, historic or adverse forward-looking events were to occur.

Stress testing is a fundamental element of the Bank-wide risk appetite framework included in overall risk management to ensure that the Bank's financial position and risk profile provide sufficient resilience to withstand the impact of severe economic conditions. Stress testing results are monitored against limits, and are used in risk appetite discussions and strategic business planning and to support the Bank's internal capital adequacy assessment. Within the risk appetite framework, CARMC sets Bank-wide and divisional stressed position loss limits to correspond to minimum post-stress capital ratios.

Economic risk capital

Economic risk capital estimates the amount of capital needed to remain solvent and in business under extreme market, business and operating conditions over the period of one year, given a target financial strength (the Bank's long-term credit rating). This framework allows the Bank to assess, monitor and manage capital adequacy and solvency risk in both "going concern" and "gone concern" scenarios.

Credit risk

Credit risk is the risk of financial loss arising as a result of a borrower or counterparty failing to meet its financial obligations or as a result of deterioration in the credit quality of the borrower or counterparty.

Credit risk arises from the execution of the Bank's business strategy in the divisions and reflects exposures directly held in the form of lending products (including loans and credit guarantees) or derivatives, shorter-term exposures such as underwriting commitments, and settlement risk related to the exchange of cash or securities outside of typical delivery versus payment structures.

The Bank uses a credit risk management framework which provides for the consistent evaluation, measurement, and management of credit risk across the Bank. Assessment of credit risk exposures for internal risk estimates and risk-weighted assets are calculated based on probability of default (PD), loss given default (LGD) and exposure at default (EAD) models. The credit risk framework incorporates the following core elements:

- counterparty and transaction assessments: application of internal credit ratings (PD), assignment of LGD and EAD values in relation to counterparties and transactions;
- credit limits: establishment of credit limits, subject to approval by delegated authority holders, to serve as primary risk controls on exposures and to prevent undue risk concentrations;
- credit monitoring, impairments and provisions: processes to support the ongoing monitoring and management of credit exposures, supporting the early identification of deterioration and any subsequent impact; and
- risk mitigation: active management of credit exposures through the use of cash sales, participations, collateral, guarantees, insurance or hedging instruments.

Counterparty and transaction assessments

The Bank evaluates and assesses counterparties and clients to whom it has credit exposures. For the majority of counterparties and clients, the Bank uses internally developed statistical rating models to determine internal credit ratings which are intended to reflect the PD of each counterparty. These rating models are backtested against internal experience, validated by a function independent of model development and approved by the Bank's main regulators for application in the regulatory capital calculation under the A-IRB approach of the Basel framework. Findings from backtesting serve as a key input for any future rating model developments.

Internal statistical rating models are based on a combination of quantitative factors (e.g., financial fundamentals and market data) and qualitative factors (e.g., credit history and economic trends).

For the remaining counterparties where statistical rating models are not used, internal credit ratings are assigned on the basis of a structured expert approach using a variety of inputs such as peer analyses, industry comparisons, external ratings and research as well as the judgment of expert credit officers.

In addition to counterparty ratings, Credit Risk also assesses the risk profile of individual transactions and assigns transaction ratings which reflect specific contractual terms such as seniority, security and collateral.

Internal credit ratings may differ from external credit ratings, where available, and are subject to periodic review. Internal ratings are mapped to a PD band associated with each rating which is calibrated to historical default experience using internal data and external data sources.

The Bank uses internal rating methodologies consistently for the purposes of approval, establishment and monitoring of credit limits and credit portfolio management, credit policy, management reporting, risk-adjusted performance measurement, economic risk capital measurement and allocation and financial accounting.

Credit limits

Credit exposures are managed at the counterparty and ultimate parent level in accordance with credit limits which apply in relation to current and potential future exposures. Credit limits to counterparties and groups of connected companies are subject to formal approval under delegated authority within the divisions where the credit exposures are generated, and, where significant in terms of size or risk profile, are subject to further escalation to the Group chief credit officer or CRCO.

In addition to counterparty and ultimate parent exposures, credit limits and tolerances are also applied at the portfolio level to monitor and manage risk concentrations such as to specific industries, countries or products. In addition, credit risk concentration is regularly supervised by credit and risk management committees.

Credit monitoring, impairments and provisions

A rigorous credit quality monitoring process is performed to provide for early identification of possible changes in the creditworthiness of clients, and includes regular asset and collateral quality reviews, business and financial statement analysis, and relevant economic and industry studies. Credit Risk maintains regularly updated watch lists and holds review meetings to re-assess counterparties that could be subject to adverse changes in creditworthiness. The review of the credit quality of clients and counterparties does not depend on the accounting treatment of the asset or commitment.

In the event that a deterioration in creditworthiness results in a default, credit exposures are transferred to recovery management functions within Credit Risk and are subject to formal reporting to a monthly recovery review meeting. The determination of any allowance for credit losses in relation to such exposures is based on an assessment of the exposure profile and expectations for recovery, which are discussed with the Group chief credit officer whose approval is required for any full or partial write-offs.

The Bank has an impairment process for loans valued at amortized cost which are specifically classified as potential problem exposure, non-performing exposure, non-interest-earning exposure or restructured exposure. The Bank maintains specific valuation allowances, which the Bank considers a reasonable estimate of losses identified in the existing credit portfolio, and provides for loan losses based on a regular and detailed analysis of all counterparties, taking collateral value into consideration, where applicable. If uncertainty exists as to the repayment of either principal or interest, a specific valuation allowance is either created or adjusted accordingly. The specific allowance for loan losses is revalued by Credit Risk at least annually or more frequently depending on the risk profile of the borrower or credit-relevant events. A credit portfolio & provisions review committee regularly reviews the appropriateness of allowances for credit losses.

An inherent (or general) loss allowance is estimated for all loans not specifically identified as impaired and that, on a portfolio basis, are considered to contain inherent losses. The method for determining the inherent loss in certain lending portfolios is based on a market-implied model using long-term industry-wide historical default and recovery data taking into account the credit rating and industry of each counterparty. A separate component of the calculation reflects the current market conditions in the allowance for credit losses on loans. For all other exposures, depending on the business and the nature of the exposures, inherent losses in the lending portfolios are determined based on current internal risk ratings, collateral and exposure structure, applying historical default and loss experience in the ratings and loss parameters. Qualitative adjustments to reflect current market conditions or any other factors not captured by the model are approved by management and reflected in the allowance for credit losses. A provision for inherent losses on off-balance sheet lending-related exposure, such as contingent liabilities and irrevocable commitments, is also determined, using a methodology similar to that used for the loan portfolio.

Risk mitigation

Drawn and undrawn credit exposures are managed by taking financial and non-financial collateral supported by enforceable legal documentation, as well as by utilizing credit hedging techniques. Financial collateral in the form of cash, marketable securities (e.g., equities, bonds or funds) and guarantees serves to mitigate the inherent risk of credit loss and to improve recoveries in the event of a default. Financial collateral is subject to controls on eligibility and is supported by frequent market valuation depending on the asset class to ensure exposures remain adequately collateralized. Depending on the quality of the collateral, appropriate haircuts are applied for risk management purposes.

Non-financial collateral such as residential and commercial real estate, tangible assets (e.g., ships or aircraft), inventories and commodities are valued at the time of credit approval and periodically thereafter depending on the type of credit exposure and collateral coverage ratio.

In addition to collateral, the Bank also utilizes credit hedging in the form of protection provided by single-name and index credit default swaps as well as structured hedging and insurance products. Credit hedging is used to mitigate risks arising from the loan portfolio, loan underwriting exposures and counterparty credit risk. Hedging is intended to reduce the risk of loss from a specific counterparty default or broader downturn in markets that impacts the overall credit risk portfolio. Credit hedging contracts are typically bilateral or centrally cleared derivative transactions and are subject to collateralized trading arrangements. The Bank evaluates hedging risk mitigation to ensure that basis or tenor risk is appropriately identified and managed.

In addition to collateral and hedging strategies, the Bank also actively manages its loan portfolio and may sell or sub-participate positions in the loan portfolio as a further form of risk mitigation.

Market risk

Market risk is the risk of financial loss arising from movements in market risk factors. The movements in market risk factors that generate financial losses are considered to be adverse changes in interest rates, credit spreads, foreign exchange rates, equity and commodity prices and other factors, such as market volatility and the correlation of market prices across asset classes. A typical transaction or position in financial instruments may be exposed to a number of different market risk factors. Market risks arise from both our trading and non-trading activities.

Although market risk includes funding liquidity for purposes of categorizing the Bank's key risk types, the descriptions in this section primarily relate to traded market risk and non-traded market risk.

Traded market risks arise predominantly from the Bank's trading activities, primarily in the Investment Bank (which includes Global Trading Solutions).

Non-traded market risk primarily relates to asset and liability mismatch exposures in the Bank's banking books. The Bank's businesses and Treasury have non-traded portfolios that carry market risks, mainly related to changes in interest rates but also to changes in foreign exchange rates.

The Bank uses market risk measurement and management methods capable of calculating comparable exposures across its many activities and employs focused tools that can model specific characteristics of certain instruments or portfolios. The tools are used for internal market risk management, internal market risk reporting and external disclosure purposes. The Bank's principal market risk measures for traded market risk are VaR, scenario analysis, as included in the stress testing framework, position risk, as included in economic risk capital, and sensitivity analysis. These measures complement each other in the Bank's market risk assessment and are used to measure market risk at the level of the Bank. For example, interest rate risk on banking book positions is measured by estimating the impact resulting from a one basis point parallel increase in yield curves on the present value of interest rate-sensitive banking book positions and other measures including the potential value change resulting from a significant change in yield curves.

Non-maturing products, such as savings accounts, have no contractual maturity date or direct market-linked interest rate and are risk-managed on a pooled basis using replication portfolios on behalf of the business divisions. Replication portfolios transform non-maturing products into a series of fixed-term products that approximate the re-pricing and volume behavior of the pooled client transactions.

Structural foreign exchange risk is a market risk stemming from the Bank's investments in foreign operations denominated in currencies other than the reporting currency of the Bank, net of hedges, and is subject to fluctuations in exchange rates. The risk is actively monitored by Treasury to ensure that the level of sensitivity of the Bank's CET1 ratio to adverse movements in foreign exchange rates is within parameters set out in the risk appetite framework. Non-structural foreign exchange risk relates to the foreign currency risk from banking book positions other than from the Bank's investment in foreign operations. This risk is managed under the Bank's market risk constraints framework.

Funding liquidity risk

Funding liquidity risk is the risk that the Bank, although solvent, either does not have sufficient financial resources to enable it to meet its obligations as they fall due, or can secure such resources only at excessive cost.

The Bank's liquidity and funding profile reflects its strategy and risk appetite and is driven by business activity levels and the overall operating environment. The liquidity and funding strategy is approved by CARMC and overseen by the Board. The implementation and execution of the funding and liquidity strategy is managed within the Group's Chief Financial Officer function (Finance) by Treasury and the global liquidity group. The global liquidity group was established in 2018 to centralize control of liability and collateral management with the aim of optimizing liquidity sourcing, funding costs and the high-quality liquid assets portfolio on behalf of Treasury. Treasury ensures adherence to the Bank's funding policy and the global liquidity group is focused on the efficient coordination of the short-term unsecured and secured funding desks. This approach enhances the Bank's ability to manage potential liquidity and funding risks and to promptly adjust its liquidity and funding levels to meet stress situations. The Bank's liquidity and funding profile is regularly reported to the Credit Suisse AG Parent CARMC, the Group CARMC and the Board, who define the Bank's risk tolerance, including liquidity risk, and set parameters for the balance sheet and funding usage of its businesses.

Non-financial risk

Non-financial risk is the risk of an adverse direct or indirect impact originating from sources outside the financial markets, including but not limited to operational risk, technology risk, cyber risk, compliance risk, regulatory risk, legal risk and conduct risk. Non-financial risk is inherent in most aspects of the Bank's business, including the systems and processes that support its activities. It comprises a large number of disparate risks that can manifest in a variety of ways. Examples include the risk of damage to physical assets, business disruption, failures relating to data integrity and trade processing, cyber attacks, internal or external fraudulent or unauthorized transactions, inappropriate cross-border activities, money laundering, improper handling of confidential information, conflicts of interest, improper gifts and entertainment and failure in duties to clients.

Non-financial risk can arise from a wide variety of internal and external forces, including human error, inappropriate conduct, failures in systems, processes and controls, pandemic, deliberate attack or natural and man-made disasters. Outsourcing and external third parties may also create risks around maintaining business processes, system stability, data loss, data management, reputation and regulatory compliance.

Each business area and function is responsible for its non-financial risks and the provision of adequate resources and procedures for the management of those risks. They are supported by the designated second line of defense functions responsible for independent risk and compliance oversight, methodologies, tools and reporting within their areas as well as working with management on non-financial risk issues that arise. Businesses and relevant control functions meet regularly to discuss risk issues and identify required actions to mitigate risks.

The Non-Financial Risk function oversees the Bank's established enterprise risk and control framework (ERCF), providing a consistent and unified approach to evaluating and monitoring the Bank's non-financial risks. The ERCF sets common minimum standards across the Bank for non-financial risk and control processes and review and challenge activities.

The Bank's activities to manage non-financial risk capital include scenario analysis and operational risk regulatory capital measurement. In addition, the Bank transfers the risk of potential losses from certain non-financial risks to third-party insurance companies in certain instances.

Non-financial risk scenario analysis is forward-looking and is used to identify and measure exposure to a range of potential adverse events, such as unauthorized trading, transaction processing errors and compliance issues. These scenarios help businesses and functions assess the suitability of controls in light of existing risks and estimate hypothetical but plausible risk exposures. Scenarios are developed as qualitative estimation approaches to support stressed loss projections and capital calculations (both economic and regulatory capital) as part of regulatory requirements set by regulatory agencies in the jurisdictions in which the Bank operates.

The Bank uses a set of internally validated and approved models to calculate its regulatory capital requirements for non-financial risk (also referred to as "operational risk capital") across the Bank and for legal entities. For Bank regulatory capital requirements, a model under the advanced measurement approach (AMA) is used.

Operational risk capital for the Bank parent company is determined using an income-based allocation of Group-level capital. The ratio of the three-year average of gross income (as defined for calculating the basic indicator approach for operational risk capital under the Basel framework) between the Bank parent company and the Group defines an allocation key used to scale the Group AMA value to reported levels for the Bank parent company. In line with the Group, the operational risk capital for the Bank parent company is now reported in US dollars.

Model risk

Model risk is the risk of adverse consequences from decisions made based on model results that may be incorrect, misinterpreted or used inappropriately. All quantitative models are imperfect approximations that are subject to varying degrees of uncertainty in their output depending on, among other factors, the model's complexity and its intended application. As a result, modeling errors are unavoidable and can result in inappropriate business decisions, financial loss, regulatory and reputational risk and incorrect or inadequate capital reporting. Model errors, intrinsic uncertainty and inappropriate use are the primary contributors to aggregate, Bank-wide model risk. This framework is owned by the Model Risk Management function, which is structured as a second line of defense independent from the first line of defense, i.e., the model users, developers and supervisors who own, develop and implement the models.

Through the global model risk management and governance framework the Bank seeks to identify, measure and mitigate all significant risks arising from the use of models embedded within the Bank's global model ecosystem. Model risks can then be mitigated through a well-designed and robust model risk management framework, encompassing both model governance policies and procedures in combination with model validation best practices.

As per this framework, the Model Risk Management function reviews models, reports model limitations to key stakeholders, tracks remediation plans for validation findings and reports on model risk tolerances and metrics to senior management. The Model Risk Management function additionally oversees controls to support a complete and accurate Bank-wide model inventory, including a semi-annual inventory attestation process by the first line of defense.

Reputational risk

Reputational risk is the risk that negative perception by the Bank's stakeholders, including clients, counterparties, employees, shareholders, regulators and the general public, may adversely impact client acquisition and damage the Bank's business relationships with clients and counterparties, affecting staff morale and reducing access to funding sources.

Reputational risk may arise from a variety of sources, including, but not limited to, the nature or purpose of a proposed transaction or service, the identity or activity of a potential client, the regulatory or political climate in which the business will be transacted, significant public attention surrounding the transaction itself or the potential sustainability risks of a transaction. Sustainability risks are potentially adverse impacts on the environment, on people or society, which may be caused by, contributed to or directly linked to financial service providers through the activities of their clients. These may manifest themselves as reputational risks, but potentially also as credit, operational or other risks. Reputational risk may also arise from reputational damage in the aftermath of a non-financial risk incident, such as cyber crime or the failure by employees to meet expected conduct and ethical standards.

Reputational risk is included in the Bank's risk appetite framework to ensure that risk-taking is aligned with the approved risk appetite. The Bank highly values its reputation and is fully committed to protecting it through a prudent approach to risk-taking and a responsible approach to business. This is achieved through the use of dedicated processes, resources and policies focused on identifying, evaluating, managing and reporting potential reputational risks. This is also achieved by applying the highest standards of personal accountability and ethical conduct as set out in the Group's Code of Conduct and the Group's approach to cultural values and behaviors. Reputational risk potentially arising from proposed business transactions and client activity is assessed in the reputational risk review process. The Group's global policy on reputational risk requires employees to be conservative when assessing potential reputational impact and, where certain indicators give rise to potential reputational risk, the relevant business proposal or service must be submitted through the reputational risk review process.

For transactions with potential sustainability risks, the internal specialist unit Sustainability Risk evaluates the nature of the transaction and Credit Suisse's role, the identity and activities of the client and the regulatory context of its operations, and assesses the environmental and social aspects of the client's operations, products or services. The team determines whether the client's activities are consistent with the relevant industry standards and whether the potential transaction is compatible with Credit Suisse's policies and guidelines for sensitive sectors. The outcome of this analysis is submitted to the responsible business unit and/or entered into the reputational risk review process.

Business risk

Business risk is the risk of not achieving the financial goals and ambitions in connection with the Bank's strategy and how the business is managed in response to the external operating environment. External factors include both market and economic conditions, as well as shifts in the regulatory environment. Internally, the Bank faces risks arising from inappropriate strategic decisions, ineffective implementation of business strategies or an inability to adapt business strategies in response to changes in the operating environment, including in relation to client and competitor behavior.

The Bank's businesses are also exposed to a variety of risks that could adversely impact its dividend payments or share buyback programs, including risks associated with the illiquid investments of the Bank. These investments are not subject to CARMC-approved processes for trading activities due to their characteristics and risk profile. Illiquid investments include private equity, hedge fund and mutual fund seed and co-investments as well as other investments, such as collateralized loan obligations mandated by regulatory risk retention requirements. Banking book loans and strategic investments are not covered under the illiquid investment risk.

Strategic and related financial plans are developed by each division annually and aggregated into a Group financial plan, which is reviewed by the CRCO, CFO and the Chief Executive Officer (CEO) before presentation to the full Executive Board and the Board. The divisions and legal entities, including the Bank parent company, operate a parallel and integrated planning process. The Group financial plan serves as the basis for the financial goals and ambitions against which the businesses and legal entities, including the Bank parent company, are assessed regularly throughout the year. These regular reviews include evaluations of financial performance, capitalization and capital usage, key business risks, overall operating environment and business strategy. This enables management to identify and execute changes to the Group's operations and strategy where needed.

→ Refer to "Strategy" in I – Information on the company for further information.

Climate-related risks
Climate-related risks are the potentially adverse direct and indirect impacts on the Bank's financial metrics, operations or reputation due to transitional or physical effects of climate change. Climate-related risks could manifest themselves through existing risk types such as credit risk, market risk, non-financial risk, business risk or reputational risk.

In 2019, the Bank integrated its adoption program for the recommendations of the Financial Stability Board's Taskforce on Climate-related Financial Disclosures (TCFD) into a Bank-wide climate risk strategy program, sponsored by the CRCO, that has senior management representation from the business divisions as well as from General Counsel, Risk & Compliance and the new Sustainability, Research & Investment Solutions function. The mandate of the program is to develop comprehensive strategies to address climate risk. This includes supporting the Bank's clients' energy transition toward low-carbon operations, technologies and services, continuing the ongoing implementation of the TCFD recommendations as well as working toward the implementation of various industry recommendations and compliance with upcoming regulatory expectations. In 2020, the Bank further intensified its efforts on climate risk management by creating a dedicated climate risk team within Credit Risk.

The Bank's efforts to implement the TCFD recommendations continued in 2020. Detailed disclosures at Group level provided in accordance with the TCFD recommendations are available in the Group's Sustainability Report.

Fiduciary risk
Fiduciary risk is the risk of financial loss arising when the Bank or its employees, acting in a fiduciary capacity as trustee, investment manager or as mandated by law, do not act in the best interest of the client in connection with the provision of advice and/or management of its client's assets including from a product-related market, credit, liquidity, counterparty and non-financial risk perspective.

With regard to fiduciary risk that relates to discretionary investment-related activities, assessing investment performance and reviewing forward-looking investment risks in client portfolios and investment funds is central to the Bank's investment oversight program. This program targets daily, monthly or quarterly monitoring of all portfolio management activities with independent analysis provided to senior management. Formal review meetings are in place to ensure that investment performance and risks are in line with expectations and adequately supervised.

Fiduciary risks from activities other than discretionary investment management, such as the advised portfolios, are managed and monitored in a similar oversight program. This program is actively managed in cooperation with the Bank's compliance function and is based on the suitability framework.

Pension risk
Pension risk is the financial risk from contractual or other liabilities to which the Bank is exposed as a sponsor of and/or participant in pension plans. It is the risk that the Bank may be required to make unexpected payments or other contributions to a pension plan because of a potential obligation (i.e., underfunding).

Sources of risks can be broadly categorized into asset investment risks (e.g., underperformance of bonds, equities and alternative investments) and liability risks, primarily from changes in interest rates, inflation and longevity.

Use of derivative financial instruments and hedge accounting

Business policy for use of derivative financial instruments

Derivatives are generally either privately negotiated over-the-counter (OTC) contracts or standard contracts transacted through regulated exchanges. The Bank parent company's most frequently used freestanding derivative products, entered into for trading and risk management purposes, include interest rate, credit default and cross-currency swaps, interest rate and foreign exchange options, foreign exchange forward contracts and foreign exchange and interest rate futures.

On the date a derivative contract is entered into, the Bank parent company designates it as belonging to one of the following categories: trading activities; a risk management transaction that does not qualify as a hedge under accounting standards (referred to as an economic hedge); a hedge of the fair value of a recognized asset or liability; or a hedge of the variability of cash flows to be received or paid relating to a recognized asset or liability or a forecasted transaction.

Economic hedges

Economic hedges arise when the Bank parent company enters into derivative contracts for its own risk management purposes, but the contracts entered into do not qualify for hedge accounting. These economic hedges include the following types:
- interest rate derivatives to manage net interest rate risk on certain core banking business assets and liabilities;
- foreign exchange derivatives to manage foreign exchange risk on certain core banking business revenue and expense items, core banking business assets and liabilities; as well as

selected foreign participations against adverse movements in foreign exchange rates;
- credit derivatives to manage credit risk on certain loan portfolios; and
- futures to manage risk on equity positions including convertible bonds.

Derivatives used in economic hedges are included as trading assets or trading liabilities in the balance sheets.

Hedge accounting

Hedge accounting for the Bank parent company is determined, recorded and disclosed in accordance with US GAAP as allowed under Swiss GAAP statutory accounting rules for banks.

→ Refer to "Note 13 – Derivative financial instruments" for further information on hedge accounting.

Fair value hedges

The Bank parent company designates fair value hedges as part of an overall interest rate risk management strategy that incorporates the use of derivative instruments to minimize fluctuations in earnings that are caused by interest rate volatility. In addition to hedging changes in fair value due to interest rate risk associated with fixed rate loans, debt securities available-for-sale, repurchase agreements and long-term debt instruments, the Bank parent company uses cross-currency swaps to convert foreign-currency-denominated fixed rate assets or liabilities to floating rate functional currency assets or liabilities.

Cash flow hedges

The Bank parent company designates cash flow hedges as part of its strategy to mitigate its risk to variability of cash flows on loans, deposits and other debt obligations by using interest rate swaps to convert variable rate assets or liabilities to fixed rates. The Bank parent company also uses cross-currency swaps to convert foreign-currency-denominated fixed and floating rate assets or liabilities to fixed rate assets or liabilities based on the currency profile to which the Bank parent company elects to be exposed. Further, the Bank parent company uses derivatives to hedge its cash flows associated with forecasted transactions.

Hedge effectiveness assessment

The Bank parent company assesses the effectiveness of hedging relationships both prospectively and retrospectively. The prospective assessment is made both at the inception of a hedging relationship and on an ongoing basis, and requires the Bank parent company to justify its expectation that the relationship will be highly effective over future periods. The retrospective assessment is also performed on an ongoing basis and requires the Bank parent company to determine whether or not the hedging relationship has actually been effective.

4 Net income from interest activities

Negative interest income and expense

in	**2020**	2019
CHF million		
Negative interest income debited to interest income	(387)	(203)
Negative interest expenses credited to interest expense	134	100

Negative interest income is debited to interest income and negative interest expense is credited to interest expense.

5 Net income/(loss) from trading activities and fair value option

in	**2020**	2019
By risk of underlying instruments (CHF million)		
Interest rate instruments [1]	(449)	(1,151)
Equity instruments [1]	(198)	(272)
Foreign exchange	2,267	781
Precious metals	(23)	34
Commodities [2]	20	38
Credit instruments	(5)	(200)
Other instruments	77	68
Net income/(loss) from trading activities and fair value option	**1,689**	**(702)**
of which net income/(loss) from fair value option	(3,379)	(6,908)
of which net income/(loss) from liabilities valued under the fair value option	(3,379)	(6,908)

1 Includes trading income/(loss) from related fund investments.
2 Includes energy products.

Trading activities at the Bank parent company level are only monitored and managed for entity-specific capital adequacy purposes and are not measured along divisional or individual business lines. The trading activities of the divisions or individual businesses are only monitored and managed at the Group level based on US GAAP metrics.

6 Personnel expenses

in	2020	2019
CHF million		
Salaries	1,753	1,870
of which variable compensation expenses [1]	548	650
Social benefit expenses	296	301
of which pension and other post-retirement expenses	181	186
Other personnel expenses	71	82
Personnel expenses	**2,120**	**2,253**

1 Includes current and deferred variable compensation expenses.

7 General and administrative expenses

in	2020	2019
CHF million		
Occupancy expenses	138	114
Information and communication technology expenses	83	79
Furniture and equipment	13	10
Fees to external audit companies	37	35
of which fees for financial and regulatory audits [1]	36	33
of which fees for other services	1	2
Other operating expenses [2]	4,044	3,774
General and administrative expenses	**4,315**	**4,012**

1 Represents total fees for financial statement, regulatory and related audit services paid by legal entity Credit Suisse AG to external audit companies.
2 Partially related to operating expenses charged by affiliated companies for services provided to the Bank parent company.

8 Increase/(release) of provisions and other valuation adjustments, losses and extraordinary income and expenses

Increase/(release) of provisions and other valuation adjustments, and losses

in	2020	2019
CHF million		
Increase/(release) of provisions [1]	102	37
Other losses	6	2
Increase/(release) of provisions and other valuation adjustments, and losses	**108**	**39**

1 Primarily related to increases in provisions for off-balance sheet default risks and litigation provisions.

Extraordinary income and expenses

in	2020	2019
CHF million		
Gains realized from the disposal of participations [1]	356	202
Gains realized from the disposal of tangible fixed assets [2]	16	301
Gains from the revaluation of participations	0	4,449 [3]
Extraordinary income	**372**	**4,952**
Extraordinary expenses (CHF million)		
Losses realized from the disposal of participations	(1)	0
Losses realized from the disposal of tangible fixed assets	(5)	0
Extraordinary expenses	**(6)**	**0**

1 Includes a gain of CHF 350 million and CHF 196 million in 2020 and 2019, respectively, related to the sale of Credit Suisse InvestLab AG to Allfunds Group.
2 Includes realized gains from the sale of real estate (bank premises).
3 Represents the partial reversal of impairments from prior periods on the Bank parent company's portfolio of participations, reflecting a sustainable recovery of the portfolio's fair value.

9 Taxes

in	2020	2019
CHF million		
Current income tax (expense)/benefit	33	(299)
Non-income-based tax (expense)/benefit [1]	(85)	(55)
Taxes	**(52)**	**(354)**

1 Includes capital taxes and other non-income based taxes such as UK bank levy costs.

For the financial years ended December 31, 2020 and 2019, the average tax rate, defined as income tax expense divided by the sum of profit before income tax, was (11)% and (3)%, respectively. Income tax expense for the financial years ended December 31, 2020 and 2019 reflected a benefit of CHF 882 million and CHF 65 million, respectively, from the utilization of tax losses carried forward. The calculation is based on statutory tax rates applied to the taxable profit against which tax loss carry forwards were utilized.

10 Assets and liabilities from securities lending and borrowing, repurchase and reverse repurchase agreements

end of	2020	2019
CHF million		
Carrying value of receivables from cash collateral paid for securities borrowed and reverse repurchase agreements – gross	78,711	97,142
Impact from master netting agreements	(7,213)	(5,867)
Carrying value of receivables from cash collateral paid for securities borrowed and reverse repurchase agreements – net	**71,498**	**91,275**
Carrying value of liabilities from cash collateral received for securities lent and repurchase agreements – gross	77,519	72,122
Impact from master netting agreements	(7,213)	(5,867)
Carrying value of liabilities from cash collateral received for securities lent and repurchase agreements – net	**70,306**	**66,255**
Carrying value of securities transferred under securities lending and borrowing and repurchase agreements	29,427	30,933
of which transfers with the right to resell or repledge	7,120	7,064
Fair value of securities received under securities lending and borrowing and reverse repurchase agreements with the right to resell or repledge	345,999	267,087
of which repledged	267,290	192,046
of which resold	2,149	2,694

11 Collateral and impaired loans and receivables

Collateralization of loans and receivables

	Secured[1]			Unsecured	Total
end of	Mortgages	Other collateral	Total		
2020 (CHF million)					
Due from customers	415	79,582	79,997	93,573	173,570
Residential property	3,970	0	3,970	0	3,970
Offices and commercial property	1,208	0	1,208	0	1,208
Manufacturing and industrial property	212	0	212	0	212
Other	15	0	15	0	15
Mortgage loans	5,405	0	5,405	0	5,405
Gross amount	**5,820**	**79,582**	**85,402**	**93,573**	**178,975**
Allowance for credit losses	(27)	(373)	(400)	(1,146)	(1,546)
Net amount	**5,793**	**79,209**	**85,002**	**92,427**	**177,429**
of which due from customers	415	79,209	79,624	92,427	172,051
of which mortgage loans	5,378	0	5,378	0	5,378
2019 (CHF million)					
Due from customers	136	87,300	87,436	99,347	186,783
Residential property	3,887	0	3,887	0	3,887
Offices and commercial property	1,433	0	1,433	0	1,433
Manufacturing and industrial property	179	0	179	0	179
Other	8	0	8	0	8
Mortgage loans	5,507	0	5,507	0	5,507
Gross amount	**5,643**	**87,300**	**92,943**	**99,347**	**192,290**
Allowance for credit losses	(26)	(108)	(134)	(962)	(1,096)
Net amount	**5,617**	**87,192**	**92,809**	**98,385**	**191,194**
of which due from customers	136	87,192	87,328	98,385	185,713
of which mortgage loans	5,481	0	5,481	0	5,481

1 Includes the market value of collateral up to the amount of the outstanding related loans and receivables. For mortgage loans, the market value of collateral is determined at the time of granting the loan and thereafter regularly reviewed according to the Bank parent company's risk management policies and directives, with maximum review periods determined by property type, market liquidity and market transparency. For impaired mortgage loans, the market value of collateral is determined annually or more frequently by credit risk management within the impairment review process.

Collateralization of off-balance sheet transactions

	Secured[1]			Unsecured	Total
end of	Mortgages	Other collateral	Total		
2020 (CHF million)					
Contingent liabilities	0	4,653	4,653	12,286[2]	16,939
Irrevocable commitments	276	46,444	46,720	46,619	93,339
Obligations for calls on shares and additional payments	0	29	29	15	44
Off-balance sheet transactions	**276**	**51,126**	**51,402**	**58,920**	**110,322**
2019 (CHF million)					
Contingent liabilities	0	5,270	5,270	15,255[2]	20,525
Irrevocable commitments	381	52,375[3]	52,756	47,169[3]	99,925
Obligations for calls on shares and additional payments	0	85	85	280	365
Off-balance sheet transactions	**381**	**57,730**	**58,111**	**62,704**	**120,815**

1 Includes the market value of collateral up to the notional amount of the related off-balance sheet transaction. For mortgage-backed off-balance sheet exposures, the market value of collateral is determined at the time of granting the credit facility and thereafter regularly reviewed according to the Bank parent company's risk management policies and directives, with maximum review periods determined by property type, market liquidity and market transparency. For impaired exposures, the market value of collateral is determined annually or more frequently by credit risk management within the impairment review process.
2 A majority of contingent liabilities are related to guarantees issued in favor of Group companies.
3 Prior period has been corrected; refer to "Prior period information" in Note 2 – Accounting and valuation principles for further information.

Impaired loans and receivables

end of	Gross amount outstanding	Estimated realizable collateral value [1]	Net amount outstanding	Specific allowance
2020 (CHF million)				
Impaired loans and receivables	3,162	1,573	1,589	1,252
2019 (CHF million)				
Impaired loans and receivables	2,055	1,027	1,028	814

1 Represents the estimated realizable collateral value up to the related gross amount outstanding.

Changes in impaired loans and receivables

			2020			2019
	Due from customers	Mortgage loans	**Total**	Due from customers	Mortgage loans	**Total**
CHF million						
Balance at beginning of period	**1,932**	**123**	**2,055**	**1,890**	**94**	**1,984**
New impaired balances	2,192	162	2,354	677	68	745
Increase of existing impaired balances	342	2	344	119	2	121
Reclassifications to non-impaired status	(241)	(5)	(246)	(39)	(4)	(43)
Repayments	(608)	(37)	(645)	(306)	(32)	(338)
Liquidation of collateral, insurance and guarantee payments	(152)	(5)	(157)	(70)	(1)	(71)
Write-offs	(242)	0	(242)	(237)	0	(237)
Sales	(58)	(8)	(66)	(58)	(4)	(62)
Foreign exchange translation impact	(231)	(4)	(235)	(44)	0	(44)
Balance at end of period	**2,934**	**228**	**3,162**	**1,932**	**123**	**2,055**

Changes in impaired loan and receivable classification during the year are reflected on a gross basis.

12 Trading assets and liabilities and other financial instruments held at fair value

Trading assets

end of	**2020**	2019
CHF million		
Debt securities, money market instruments and money market transactions	43,171	43,614
of which exchange-traded	1,511	1,999
Equity securities	4,990	7,428
Precious metals and commodities	955	598
Trading assets	**49,116**	**51,640**
of which carrying value determined based on a valuation model	36,657	32,334
of which securities eligible for repurchase transactions in accordance with liquidity regulations	104	201

Trading liabilities and liabilities from other financial instruments held at fair value

end of	**2020**	2019
CHF million		
Debt securities, money market instruments and money market transactions	2,674	3,747
of which exchange-traded	302	385
Equity securities	3,030	5,294
Trading liabilities	**5,704**	**9,041**
Structured products	55,542	58,998
Liabilities from other financial instruments held at fair value	**55,542**	**58,998**
Trading liabilities and liabilities from other financial instruments held at fair value	**61,246**	**68,039**
of which carrying value determined based on a valuation model	55,948	59,003

13 Derivative financial instruments

end of 2020	Trading			Hedging [1]		
	Notional amount	Positive replacement value (PRV)	Negative replacement value (NRV)	Notional amount	Positive replacement value (PRV)	Negative replacement value (NRV)
CHF million						
Forwards and forward rate agreements	961,899	2,408	2,496	0	0	0
Swaps	2,228,322	17,123	16,783	99,073	674	23
Options bought and sold (OTC)	434,125	1,497	1,734	0	0	0
Futures	13,328	0	0	0	0	0
Options bought and sold (exchange-traded)	38,539	4	2	0	0	0
Interest rate products	**3,676,213**	**21,032**	**21,015**	**99,073**	**674**	**23**
Forwards and forward rate agreements	948,441	10,382	11,762	0	0	0
Swaps [2]	115,742	2,297	2,676	0	0	0
Options bought and sold (OTC)	231,431	2,571	2,468	0	0	0
Foreign exchange products	**1,295,614**	**15,250**	**16,906**	**0**	**0**	**0**
Forwards and forward rate agreements	15,505	316	277	0	0	0
Swaps	281	0	0	0	0	0
Options bought and sold (OTC)	15,994	380	220	0	0	0
Futures	138	0	0	0	0	0
Options bought and sold (exchange-traded)	8,869	42	66	0	0	0
Precious metal products	**40,787**	**738**	**563**	**0**	**0**	**0**
Forwards and forward rate agreements	36	1	75	0	0	0
Swaps	115,622	4,409	3,972	0	0	0
Options bought and sold (OTC)	133,781	5,726	5,360	0	0	0
Futures	684	0	0	0	0	0
Options bought and sold (exchange-traded)	15,672	295	529	0	0	0
Equity/index-related products	**265,795**	**10,431**	**9,936**	**0**	**0**	**0**
Credit default swaps	43,042	504	629	0	0	0
Total return swaps	11,214	302	946	0	0	0
Other credit derivatives	1,879	71	10	0	0	0
Credit derivatives	**56,135**	**877**	**1,585**	**0**	**0**	**0**
Swaps	6,824	1,044	183	0	0	0
Options bought and sold (OTC)	9	1	1	0	0	0
Other derivative products	**6,833**	**1,045**	**184**	**0**	**0**	**0**
Derivative financial instruments [3]	**5,341,377**	**49,373**	**50,189**	**99,073**	**674**	**23**
of which replacement value determined based on a valuation model	–	46,433	47,108	–	674	23

1 Relates to derivative financial instruments that qualify for hedge accounting.
2 Including combined interest rate and foreign exchange swaps.
3 Before impact of master netting agreements.

Derivative financial instruments (continued)

end of 2019	Trading Notional amount	Trading Positive replacement value (PRV)	Trading Negative replacement value (NRV)	Hedging [1] Notional amount	Hedging [1] Positive replacement value (PRV)	Hedging [1] Negative replacement value (NRV)
CHF million						
Forwards and forward rate agreements	743,681	715	758	0	0	0
Swaps	2,861,003	16,445	16,227	94,418	387	0
Options bought and sold (OTC)	383,178	1,841	2,050	0	0	0
Futures	19,475	0	0	0	0	0
Options bought and sold (exchange-traded)	15,999	3	1	0	0	0
Interest rate products	**4,023,336**	**19,004**	**19,036**	**94,418**	**387**	**0**
Forwards and forward rate agreements	1,087,119	7,642	8,682	0	0	0
Swaps [2]	129,536	1,690	1,641	0	0	0
Options bought and sold (OTC)	255,802	1,921	1,817	0	0	0
Futures	20	0	0	0	0	0
Foreign exchange products	**1,472,477**	**11,253**	**12,140**	**0**	**0**	**0**
Forwards and forward rate agreements	14,864	181	164	0	0	0
Options bought and sold (OTC)	16,087	261	145	0	0	0
Futures	849	0	0	0	0	0
Options bought and sold (exchange-traded)	182	0	2	0	0	0
Precious metal products	**31,982**	**442**	**311**	**0**	**0**	**0**
Forwards and forward rate agreements	402	4	15	0	0	0
Swaps	116,087	3,228	2,289	0	0	0
Options bought and sold (OTC)	91,681	2,909	2,645	0	0	0
Futures	3,127	0	0	0	0	0
Options bought and sold (exchange-traded)	23,177	461	556	0	0	0
Equity/index-related products	**234,474**	**6,602**	**5,505**	**0**	**0**	**0**
Credit default swaps	25,297	460	334	0	0	0
Total return swaps	11,116	414	900	0	0	0
Other credit derivatives	5,590	112	12	0	0	0
Credit derivatives	**42,003**	**986**	**1,246**	**0**	**0**	**0**
Swaps	10,642	1,182	231	0	0	0
Options bought and sold (OTC)	110	4	3	0	0	0
Futures	23	0	0	0	0	0
Other derivative products	**10,775**	**1,186**	**234**	**0**	**0**	**0**
Derivative financial instruments [3]	**5,815,047**	**39,473**	**38,472**	**94,418**	**387**	**0**
of which replacement value determined based on a valuation model	–	38,197	37,186	–	387	0

1 Relates to derivative financial instruments that qualify for hedge accounting.
2 Including combined interest rate and foreign exchange swaps.
3 Before impact of master netting agreements.

Positive and negative replacement values before and after consideration of master netting agreements

end of	2020	2019
Before consideration of master netting agreements (CHF million)		
Positive replacement values – trading and hedging	50,047	39,860
Negative replacement values – trading and hedging	50,212	38,472
After consideration of master netting agreements		
Positive replacement values – trading and hedging [1]	11,635	8,687
Negative replacement values – trading and hedging [1]	11,040	8,206

1 Netting includes counterparty exposure and cash collateral netting.

Net positive replacement values by counterparty type

end of	2020	2019
CHF million		
Central counterparties	1,296	1,634
Banks and securities dealers	8,577	4,798
Other counterparties [1]	1,762	2,255
Net positive replacement values	**11,635**	**8,687**

1 Primarily related to bilateral OTC derivative contracts with clients.

Gains/(losses) on fair value hedges

	2020	2019
in	Interest expense	Interest expense
Interest rate products (CHF million)		
Hedged items	(1,721)	(1,685)
Derivatives designated as hedging instruments	1,595	1,512

Gains/(losses) on interest rate risk hedges, both from the hedged items and the derivatives designated as hedging instrument, are included in interest expense. The accrued interest on fair value hedges is recorded in interest expense and is excluded from this table.

Hedged items in fair value hedges

	2020			2019		
	Hedged items			Hedged items		
end of	Carrying value	Hedging adjustments [1]	Discontinued hedges [2]	Carrying value	Hedging adjustments [1]	Discontinued hedges [2]
Assets (CHF million)						
Mortgage loans	0	0	6	0	0	9
Financial investments	446	0	0	0	0	0
Liabilities (CHF million)						
Bonds and mortgage-backed bonds	60,065	1,733	801	60,754	1,032	258

1 Relates to the cumulative amount of fair value hedging adjustments included in the compensation account within other assets or other liabilities.
2 Relates to the cumulative amount of fair value hedging adjustments remaining for any hedged items for which hedge accounting has been discontinued which is included in the compensation account within other assets or other liabilities.

Cash flow hedges

in	2020	2019
Deferred gains and losses on derivative financial instruments related to cash flow hedges (CHF million) [1]		
Deferred gains/(losses) at beginning of period	**15**	**(49)**
Interest rate products		
Gains/(losses) on derivatives deferred in the compensation account	128	67
Interest and discount income	70	(3)
(Gains)/losses reclassified from the compensation account into income or expense	70	(3)
Deferred gains/(losses) at end of period	**213**	**15**

1 Included in the compensation account within other assets or other liabilities.

As of December 31, 2020, the net gain associated with cash flow hedges expected to be reclassified from other assets and other liabilities to the statement of income within the next 12 months was CHF 86 million.

As of December 31, 2020, the Bank parent company had no cash flow hedges that hedged any exposure to the variability in future cash flows for forecasted transactions, excluding those forecasted transactions related to the payment of variable interest on existing financial instruments.

→ Refer to "Use of derivative financial instruments and hedge accounting" in Note 3 – Risk management, derivatives and hedging activities for further information.

14 Financial investments

		2020		2019
end of	Carrying value	Fair value	Carrying value	Fair value
CHF million				
Debt securities	25,373	25,439	27,924	27,953
of which held-to-maturity	23,830	23,896	24,955	24,984
of which available-for-sale	1,543	1,543	2,969	2,969
Equity securities	279	343	551	587
of which qualified participations [1]	164	228	323	356
Real estate [2]	6	6	19	19
Other [3]	3	3	46	46
Financial investments	**25,661**	**25,791**	**28,540**	**28,605**
of which securities eligible for repurchase transactions in accordance with liquidity regulations	0	–	0	–

1 Includes participations held in financial investments with at least 10% in capital or voting rights.
2 Real estate acquired from the lending business (repossessed assets) and classified as held-for-sale is carried at lower of cost and liquidation value.
3 Includes other non-financial assets acquired from the lending business (repossessed assets), mainly aircraft.

Debt securities by counterparty rating

end of	2020	2019
CHF million		
AAA to AA-	425	1,110
A+ to A-	23,415	24,469
BBB+ to BBB-	195	41
No rating	1,338	2,304
Debt securities	**25,373**	**27,924**

Ratings are based on external data from Standard & Poor's.

15 Other assets and other liabilities

end of	2020	2019
CHF million		
Compensation account [1]	–	584
Indirect taxes and duties	149	228
Other [2]	456	541
Other assets	**605**	**1,353**
Compensation account [1]	768	–
Indirect taxes and duties	25	25
Accounts payable for goods and services purchased	33	15
Settlement accounts	425	4
Other [3]	310	247
Other liabilities	**1,561**	**291**

1 Includes changes in the book value of assets and liabilities that are not recognized in the statement of income, such as hedge effectiveness, impacts from changes in own credit spreads and deferred gains or losses from the sale of debt securities held-to-maturity.
2 Includes receivables from settlement accounts, security deposits and guarantee funds, coupons, internal clearing accounts and other miscellaneous assets.
3 Includes payables from internal clearing accounts and other miscellaneous liabilities.

16 Assets pledged

	2020		2019	
end of	Carrying value	Actual liabilities	Carrying value	Actual liabilities
CHF million [1]				
Due from banks	10	10	33	33
Due from customers	387	387	297	297
Trading assets	1,355	750	982	320
Assets pledged	**1,752**	**1,147**	**1,312**	**650**

1 Excludes assets pledged in connection with securities lending and borrowing, repurchase agreements and reverse repurchase agreements.

17 Pension plans

As of December 31, 2020 and 2019, the Bank parent company did not have any liabilities due to own pension plans.

→ Refer to "Note 31 – Pension and other post-retirement benefits" in VIII – Consolidated financial statements – Credit Suisse (Bank) for further information.

Swiss pension plans

The Bank parent company's employees are covered by the pension plan of the "Pensionskasse der Credit Suisse Group (Schweiz)" and the new "Pensionskasse 2 der Credit Suisse Group (Schweiz)", which was established on January 1, 2020 (the Swiss pension plans). Most of the Group parent company's Swiss subsidiaries and a few companies that have close business and financial ties with the Group parent company participate in both plans. The Swiss pension plans are independent self-insured pension plans set up as trusts and qualify as defined contribution plans (savings plans) under Swiss law.

The Swiss pension plan's annual financial statements are prepared in accordance with Swiss GAAP FER 26 based on the full population of covered employees. Individual annual financial statements for each participating company are not prepared. As a multi-employer plan with unrestricted joint liability for all participating companies, the economic interest in the Swiss pension plan's over- or underfunding is allocated to each participating company based on an allocation key determined by the plan.

International pension plans

The Bank parent company's international employees are covered by mandatory and supplementary pension plans in various locations. These are defined benefit and defined contribution plans, which cover benefits such as disability, old age and death, termination and sickness.

Employer contribution reserves

	Employer contribution reserves – notional		Amount subject to waiver		Employer contribution reserves – net [1]		Increase/(Release) of employer contribution reserves included in personnel expenses	
end of / in	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
CHF million								
Swiss pension plans	19	14	0	0	19	14	0	0
Total	**19**	**14**	**0**	**0**	**19**	**14**	**0**	**0**

1 In line with Swiss GAAP statutory accounting guidance, contributions to the employer contribution reserves are not recorded in the Bank parent company's statutory balance sheet.

Pension plan economic benefit/(obligation), pension contributions and pension expenses

end of / in	Over/(Under) -funding 2020	2019	Economic benefit/ (obligation) recorded by Bank parent company [2] 2020	2019	Change	Pension contributions 2020	2019	Pension expenses included in personnel expenses 2020	2019
CHF million									
Swiss pension plan – status overfunded	817 [1]	902 [1]	–	–	–	102	156	104	150
Swiss pension plan – without over-/underfunding	–	–	–	–	–	50	–	50	–
International pension plans – underfunded	(35)	(30)	(35)	(30)	(5)	2	1	7	15
International pension plans – without over-/underfunding	–	–	–	–	–	20	21	20	21
Total	**782**	**872**	**(35)**	**(30)**	**(5)**	**174**	**178**	**181**	**186**

1 Represents the Bank parent company's share of 34.34% and 37.1% in the total over/(under)funding of the Swiss pension plan of CHF 2,380 million and CHF 2,430 million as of December 31, 2020 and 2019, respectively.
2 In line with Swiss GAAP statutory accounting guidance, the Bank parent company's economic benefit from its share in the overfunding of the Swiss pension plan is not recorded in the Bank parent company's statutory balance sheet.

18 Issued structured products

	2020				2019			
	Not bifurcated [1]	Bifurcated		**Total**	Not bifurcated [1]	Bifurcated		**Total**
end of	Liabilities from other financial instruments held at fair value [2]	Value of underlying instrument	Value of derivative [1]		Liabilities from other financial instruments held at fair value [2]	Value of underlying instrument	Value of derivative [1]	
Carrying value of issued structured products by underlying risk of the embedded derivative (CHF million)								
Interest rates								
Structured products with own debt	16,860	0	0	16,860	13,690	0	0	13,690
Structured products without own debt	553	0	0	553	580	0	0	580
Equity								
Structured products with own debt	33,289	0	0	33,289	37,649	0	0	37,649
Foreign exchange								
Structured products with own debt	1,061	0	0	1,061	1,215	0	0	1,215
Structured products without own debt	0	675	(2)	673	0	783	(6)	777
Commodities / precious metals								
Structured products with own debt	879	0	0	879	2,263	0	0	2,263
Structured products without own debt	0	142	(2)	140	0	85	(2)	83
Credit								
Structured products with own debt	2,882	105	(39)	2,948	3,571	126	(32)	3,665
Other [3]								
Structured products with own debt	18	0	0	18	30	0	0	30
Total	**55,542**	**922**	**(43)**	**56,421**	**58,998**	**994**	**(40)**	**59,952**

1 Carried at fair value.
2 Reflects balance sheet classification.
3 Includes structured products where the underlying risk relates to hedge funds or other products with multiple underlying risks.

19 Unsecured senior debt and structured notes

end of	2020 Original maturity up to 1 year	2020 Original maturity greater than 1 year	2020 Total	2019 Original maturity up to 1 year	2019 Original maturity greater than 1 year	2019 Total
CHF million						
Unsecured senior debt [1, 2]	3,445	29,441	**32,886**	12,081	23,550	**35,631**
of which recorded in bonds and mortgage-backed bonds			32,886			35,631
Unsecured structured notes [3]	8,299	47,020	**55,319**	9,390	49,291	**58,681**
of which recorded in liabilities from other financial instruments held at fair value			54,990			58,418
of which recorded in bonds and mortgage-backed bonds			329			263

1 Includes guaranteed debt and payables related to fully funded swaps.
2 Excludes senior unsecured debt included in due to banks and customer deposits as well as certificates of deposits and bankers acceptances.
3 For structured notes that include a put option, maturity is determined based on the first date at which a noteholder can request repayment. Structured notes with market triggering features are always reflected in accordance with original maturity.

20 Provisions and valuation adjustments

2020	Balance at beginning of period	Utilized for purpose	Foreign exchange translation differences	Recoveries, interest past due	New charges to income statement	Releases to income statement	**Balance at end of period**
CHF million							
Provisions for pension benefit obligations	30	0	(2)	0	8	(1)	35 [1]
Provisions for off-balance sheet default risks	159	(2)	(23)	0	476 [2]	(402) [2]	208 [3,4]
Provisions for other business risks	22	0	(3)	0	1	(2)	18 [3]
Other provisions	184	(70)	(1)	35	73	(46)	175 [5]
Provisions	**395**	**(72)**	**(29)**	**35**	**558**	**(451)**	**436**
Valuation adjustments for default and country risks	**1,096**	**(233)**	**(104)**	**101**	**1,974** [2]	**(1,288)** [2]	**1,546**
of which valuation adjustments for default risks from impaired receivables	814	(233)	(81)	101	863	(212)	1,252
of which valuation adjustments for inherent risks [6]	282	0	(23)	0	1,111	(1,076)	294

1 Discounted at rates between 1.50% and 8.30%.
2 Changes in impaired loan classification during the year and related movements in valuation adjustments are reflected on a gross basis, accumulating the effect of monthly or quarterly credit review processes for estimating provisions and valuation adjustments for default risks.
3 Provisions are not discounted due to their short-term nature.
4 Provisions are mainly related to irrevocable loan commitments and guarantees.
5 Includes provisions in respect of litigation claims of CHF 160 million and CHF 171 million as of December 31, 2020 and 2019, respectively; partially discounted at rates between 2.00% and 6.00%.
6 Reflects the valuation allowance for latent credit risks in accordance with the incurred loss model.

21 Composition of share capital, conversion and reserve capital

end of	Quantity 2020	Total nominal value (CHF million) 2020	Quantity 2019	Total nominal value (CHF million) 2019
Share capital				
Registered shares (at CHF 1 par value per share)	4,399,680,200	4,400 [1]	4,399,680,200	4,400 [1]
Total share capital		**4,400**		**4,400**
Conversion and reserve capital [2]				
Unlimited conversion capital (at CHF 1 par value per share) [3]	unlimited	unlimited	unlimited	unlimited
Reserve capital (at CHF 1 par value per share) [4]	4,399,665,200	4,400	4,399,665,200	4,400
of which used for capital increases	0	0	0	0
of which reserved for planned capital increases	0	0	0	0

1 The dividend eligible capital equals the total nominal value. As of December 31, 2020 and 2019, the total nominal value of registered shares was CHF 4,399,680,200 and fully paid.
2 Represents authorized capital.
3 For information on principal characteristics of unlimited conversion capital, refer to Article 4d in the Articles of Association of the Bank parent company.
4 For information on principal characteristics of reserve capital, refer to Article 4e in the Articles of Association of the Bank parent company.

Non-distributable reserves

As of December 31, 2020 and 2019, the amount of non-distributable reserves in accordance with the Swiss Code of Obligations and the Bank parent company's articles of association was CHF 2,200 million. Not reflected in this amount are reserves which the Bank parent company is required to retain in order to meet the regulatory capital requirements as a going concern.

Transactions with shareholders

→ Refer to "Proposed appropriation of retained earnings and capital distribution" for further information on transactions with shareholders.

22 Significant shareholders and groups of shareholders

end of	Number of shares (million) 2020	Total nominal value (CHF million) 2020	Shareholding (%) 2020	Number of shares (million) 2019	Total nominal value (CHF million) 2019	Shareholding (%) 2019
Direct shareholders						
Credit Suisse Group AG	4,400 [1]	4,400	100.00	4,400 [1]	4,400	100.00
Indirect shareholders through Credit Suisse Group AG [2]						
Chase Nominees Ltd. [3]	581	581	13.21	591	591	13.43
Nortrust Nominees Ltd. [3]	331	331	7.53	280	280	6.37

1 All shares with voting rights.
2 Pro-forma numbers calculated based on the percentage interest held in Group shares as per the share register of the Group on December 31 of the reporting period. Includes shareholders registered as nominees.
3 Nominee holdings exceeding 2% are registered with a right to vote only if the nominee confirms that no individual shareholder holds more than 0.5% of the outstanding share capital or if the nominee discloses the identity of any beneficial owner holding more than 0.5% of the outstanding capital.

Information received from shareholders of the Group not registered in the share register

In addition to the shareholdings registered in the share register of the Group, the Group has obtained and reported to the SIX Swiss Exchange information from its shareholders in accordance with the notification requirements of the Swiss Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading. These shareholders may hold their shareholdings in Group shares through a nominee. The following shareholder notifications relate to registered voting rights exceeding 5% of all voting rights, which are subject to disclosure in the notes to the financial statements in accordance with Swiss GAAP statutory.

In a disclosure notification that the Group published on November 9, 2013, the Group was notified that as of November 4, 2013, Harris Associates L.P. held 81.5 million shares, or 5.17% of the voting rights, of the registered Group shares issued as of the date of the notified transaction. No further disclosure notification has been received from Harris Associates L.P. relating to holdings of registered Group shares since 2013. This position includes the reportable position of Harris Associates Investment Trust (4.97% of the voting rights), as published by the SIX Swiss Exchange on August 1, 2018.

In a disclosure notification that the Group published on September 6, 2018, the Group was notified that as of August 24, 2018, Qatar Holding LLC held 133.2 million shares, or 5.21% of the voting rights, of the registered Group shares issued as of the date of the notified transaction. No further disclosure notification has been received from Qatar Holding LLC relating to holdings of registered Group shares since 2018.

Shareholders with a qualified participation

As of December 31, 2020, Credit Suisse Group AG as direct shareholder of Credit Suisse AG is the only shareholder with a qualified participation in accordance with Bank Law.

→ Refer to "Note 24 – Amounts receivable from and amounts payable to related parties" for further information on shareholders with a qualified participation.

23 Shareholdings of the Board of Directors, Executive Board and employees and information on compensation plans

→ Refer to "V – Compensation" for a comprehensive disclosure of compensation to the Board of Directors and the Executive Board of Credit Suisse Group AG.

→ Refer to "Note 23 – Shareholdings" in VII – Parent company financial statements – Credit Suisse Group for information on shareholdings of the Board of Directors and the Executive Board of the Bank parent company.

Share-based awards outstanding

	2020		2019	
end of	Number of share-based awards outstanding in million	Fair value in CHF million	Number of share-based awards outstanding in million	Fair value in CHF million
Share-based awards [1]				
Employees	37.6	429	15.6	204
Share-based awards outstanding	**37.6**	**429**	**15.6**	**204**

1 All share-based compensation plans of the Bank parent company are plans based on virtual shares and either settled in shares of the Group or in cash on the basis of the fair value of the Group shares.

All members of the Board of Directors and the Executive Board of the Bank parent company are also members of the Board of Directors and the Executive Board of the Group parent company. Compensation to members of the Executive Board is determined by the Group parent company on the basis of their overall function and responsibilities in the Group and paid by different legal entities of the Group depending on work location, local contracts, laws and regulations. A presentation of deferred share-based compensation awards to members of the Executive Board recorded by the Bank parent company would not appropriately reflect the Executive Board of the Bank parent company, as it would only consider those members for whom compensation is administrated by the Bank parent company.

As of December 31, 2020 and 2019, the Bank parent company did not have any option plans with outstanding options.

Compensation plans

For 2019, the Bank parent company granted share awards, performance share awards and Contingent Capital Awards (CCA) as deferred compensation in February 2020.

Deferred compensation is awarded to employees with total compensation greater than or equal to CHF/USD 250,000 or the local currency equivalent. Employees with total compensation below CHF/USD 250,000 or the local currency equivalent received variable incentive compensation in the form of an immediate cash award. Performance share awards were granted to managing directors and material risk takers and controllers, CCA were granted to managing directors and directors.

In 2020 and 2019, the Bank parent company's total expenses related to deferred compensation plans were CHF 223 million and CHF 303 million, respectively.

For 2020 and 2019, all share-based compensation plans of the Bank parent company were either settled in shares of the Group parent company (Group shares) or in cash on the basis of the fair value of the Group shares.

Share awards

Share awards granted in February 2020 are similar to those granted in February 2019. Each share award granted entitles the holder of the award to receive one Group share, subject to service conditions. Share awards vest over three years with one third of the share awards vesting on each of the three anniversaries of the grant date (ratable vesting), with the exception of awards granted to individuals classified as risk managers or senior managers under the UK PRA Remuneration Code or similar regulations in other jurisdictions. Share awards granted to risk managers vest over five years with one fifth of the award vesting on each of the five anniversaries of the grant date, while share awards granted to senior managers vest over five years commencing on the third anniversary of the grant date, with one fifth of the award vesting on each of the third to seventh anniversaries of the grant date. Share awards are expensed over the service period of the awards. The value of the share awards is solely dependent on the Group share price at the time of delivery.

The share awards include other awards, such as blocked shares and special awards, which may be granted to new employees. These awards entitle the holder to receive one Group share and are generally subject to continued employment with the Bank parent company, contain restrictive covenants and cancellation provisions and generally vest between zero and five years.

On February 28, 2020, the Bank parent company granted 11.9 million share awards with a total value of CHF 128 million. The number of share awards granted to employees was generally determined by dividing the deferred component of variable compensation being granted as share awards by the average price of a Group share over the five consecutive trading days ended March 5, 2020. The fair value of each share award was CHF 10.81, the Group share price on the grant date. The majority of share awards granted include the right to receive dividend equivalents on vested shares.

Performance share awards

Certain employees received a portion of their deferred variable compensation in the form of performance share awards. Performance share awards are similar to share awards, except that the full balance of outstanding performance share awards, including those awarded in prior years, are subject to performance-based malus provisions. The majority of performance share awards granted include the right to receive dividend equivalents on vested shares.

Performance share awards are subject to a negative adjustment in the event of a divisional loss by the division in which the employees worked as of December 31, 2020, or a negative return on equity (ROE) of the Group, whichever results in a larger adjustment. For employees in corporate functions and the Asset Resolution Unit, the negative adjustment only applies in the event of a negative ROE of the Group and is not linked to the performance of the divisions. The basis for the ROE calculation may vary from year to year, depending on the Compensation Committee's determination for the year in which the performance shares are granted.

On February 28, 2020, the Bank parent company granted 9.0 million performance share awards with a total value of CHF 96 million. The number of performance share awards granted to employees was generally determined by dividing the deferred component of variable compensation being granted as performance share awards by the average price of a Group share over the five consecutive trading days ended March 5, 2020. The fair value of each performance share award was CHF 10.81, the Group share price on the grant date. The majority of performance share awards granted include the right to receive dividend equivalents on vested shares.

Contingent Capital Awards

CCA were granted in February 2020 and 2019 to certain employees as part of the 2019 and 2018 deferred variable compensation and have rights and risks similar to those of certain contingent capital instruments issued by the Group in the market. CCA are scheduled to vest on the third anniversary of the grant date, other than those granted to individuals classified as risk managers or senior managers under the UK PRA Remuneration Code or similar regulations in other jurisdictions, where CCA vest on the fifth and seventh anniversaries of the grant date, respectively, and will be expensed over the vesting period. CCA generally provide a conditional right to receive semi-annual cash payments of interest equivalents until settled, with rates being dependent upon the vesting period and currency of denomination. CCA granted in 2020 and 2019 that vest five or seven years from the date of grant are not eligible for semi-annual cash payments of interest equivalents. CCA granted to certain regulated employees that vest over three years are not eligible for semi-annual cash payments of interest equivalents.

- CCA granted in 2020 and 2019 that are denominated in US dollars and vest three years from the date of grant receive interest equivalents at a rate of 3.77% and 4.46%, respectively, per annum over the six-month US dollar London Interbank Offered Rate (LIBOR);
- CCA granted in 2020 and 2019 that are denominated in Swiss francs and vest three years from the date of grant receive interest equivalents at a rate of 3.29% and 3.73%, respectively, per annum over the six-month Swiss franc LIBOR; and
- The semi-annual interest equivalent cash payment calculation cycle, with effect from February 2021, will be based on the Secured Overnight Financing Rate (SOFR) for CCA denominated in US dollars and the Swiss Average Rate Overnight (SARON) for CCA denominated in Swiss francs.

The rates were set in line with market conditions at the time of grant and existing high-trigger and low-trigger contingent capital instruments that the Group has issued. For CCA granted in February 2020, employees who received compensation in Swiss francs received CCA denominated in Swiss francs and all other employees received CCA denominated in US dollars.

As CCA qualify as going concern loss-absorbing capital of the Group, the timing and form of distribution upon settlement is subject to approval by FINMA. At settlement, employees will receive either a contingent capital instrument or a cash payment based on the fair value of the CCA. The fair value will be determined by the Group. In the case of a cash settlement, the CCA award will be converted into the local currency of each respective employee.

CCA have loss-absorbing features such that prior to settlement, the principal amount of the CCA would be written down to zero and forfeited if any of the following trigger events were to occur:

- the Group's reported common equity tier 1 (CET1) ratio falls below 7%; or
- FINMA determines that cancellation of the CCA and other similar contingent capital instruments is necessary, or that the Group requires public sector capital support, in either case to prevent it from becoming insolvent or otherwise failing.

On February 28, 2020, the Bank parent company awarded CHF 28 million and USD 24 million of CCA that are expensed over the vesting period from the grant date.

Upfront cash awards

In February 2020, the Bank parent company granted CHF 22 million of upfront cash awards to certain employees as part of the cash component of their 2019 variable compensation. These awards are subject to repayment (clawback) by the employee in the event of voluntary resignation, termination for cause or in connection with other specified events or conditions within three years of the award grant. The amount subject to repayment is reduced in equal monthly instalments during the three-year period following the grant date.

Other cash awards

Other cash awards include special awards, capital opportunity facility awards, voluntary deferred compensation plans, employee investment plans as well as certain share and performance share awards settled in cash.

24 Amounts receivable from and amounts payable to related parties

	2020		2019	
end of	Amounts receivable	Amounts payable	Amounts receivable	Amounts payable
CHF million				
Shareholders with a qualified participation	6,593	51,759	5,300	32,229
Group companies	183,931	117,659	200,144	127,917
Affiliated companies	1,324	487	1,345	555
Members of governing bodies [1]	22	43	41	57

1 Includes both the governing bodies of the Bank parent company (Credit Suisse AG) and the governing bodies of the Group holding company (Credit Suisse Group AG). Governing bodies include members of the Board of Directors, the Executive Board and the statutory auditors and companies controlled by members of each of these bodies.

Significant off-balance sheet transactions

As part of the normal course of business, the Bank parent company issues guarantees and loan commitments and enters into other agreements with group companies which are recorded as off-balance sheet transactions by the Bank parent company. As of December 31, 2020 and 2019, the Bank parent company had contingent liabilities of CHF 13,066 million and CHF 15,752 million, respectively, and irrevocable loan commitments of CHF 6,448 million and CHF 7,458 million, respectively, of which all were related to transactions with group companies.
As shareholder of Credit Suisse International, an unlimited company incorporated in England and Wales, the Bank parent company has joint and several unlimited obligations to meet any insufficiency in the assets in the event of liquidation.

Additional information on related party transactions

Transactions (such as securities transactions, payment transfer services, borrowings and compensation for deposits) with related parties are carried out on an arm's length basis.

→ Refer to "Off-balance sheet transactions" and "Note 1 – Business activities, developments and subsequent events" for further information on related party transactions.

→ Refer to "Note 30 – Related parties" in VIII –Consolidated financial statements – Credit Suisse (Bank) for further information on Executive Board and Board of Director loans.

25 Total assets by country rating

end of	2020 CHF million [2]	2020 %	2019 CHF million [2]	2019 %
Internal country rating [1]				
AAA [3]	69,618	12.7%	50,188	8.8%
AA [3]	303,030	55.2%	338,079	59.4%
A	48,077	8.8%	53,052	9.3%
BBB	19,908	3.6%	19,900	3.5%
Investment grade	440,633	80.3%	461,219	81.0%
BB	7,890	1.5%	9,964	1.8%
B	5,331	1.0%	5,545	1.0%
CCC	5,628	1.0%	8,469	1.5%
C	260	0.0%	0	0.0%
D	708	0.1%	193	0.0%
Non-investment grade	19,817	3.6%	24,171	4.3%
Foreign assets	**460,450**	**83.9%**	**485,390**	**85.3%**
Domestic assets	**88,225**	**16.1%**	**83,906**	**14.7%**
Total assets	**548,675**	**100.0%**	**569,296**	**100.0%**

1 Internal ratings are calibrated to the long-term issuer credit ratings of Standard & Poor's for the respective sovereigns. Internal country ratings may differ from Standard & Poor's respective country ratings.
2 Net balance sheet exposure by country rating of risk domicile.
3 Prior period has been corrected; refer to "Prior period information" in Note 2 – Accounting and valuation principles for further information.

26 Fiduciary transactions

end of	2020	2019
CHF million		
Fiduciary placements with third-party institutions	2,286	3,955
Fiduciary transactions	**2,286**	**3,955**

27 Assets under management

Assets under management

Assets under management include assets for which the Bank parent company provides investment advisory or discretionary asset management services, investment fund assets and assets invested in other investment-fund-like pooled investment vehicles managed by the Bank parent company. The classification of assets under management is conditional upon the nature of the services provided by the Bank parent company and the clients' intentions. Assets are individually assessed on the basis of each client's intentions and objectives and the nature of the banking services provided to that client. In order to be classified as assets under management, the Bank parent company must currently or in the foreseeable future expect to provide a service where the involvement of the Bank parent company's banking or investment expertise (e.g., as asset manager or investment advisor) is not purely executional or custodial in nature.

Assets under custody are client assets held mainly for execution-related or safekeeping/custody purposes only and therefore are not considered assets under management since the Bank parent company does not generally provide asset allocation or financial advice.

Assets of corporate clients and public institutions that are used primarily for cash management or transaction executional purposes for which no investment advice is provided are classified as commercial assets or assets under custody and therefore do not qualify as assets under management.

For the purpose of classifying assets under management, clients with multiple accounts are assessed from an overall relationship perspective. Accounts that are clearly separate from the remainder of the client relationship and represent assets held for custody purposes only are not included as assets under management.

The initial classification of the assets may not be permanent as the nature of the client relationship is reassessed on an on-going basis. If changes in client intent or activity warrant reclassification between client asset categories, the required reclassification adjustments are made immediately when the change in intent or activity occurs. Reclassifications between assets under management and assets held for transaction-related or custodial purposes result in corresponding net asset inflows or outflows.

A portion of the Bank parent company's assets under management results from double counting. Double counting arises when assets under management are subject to more than one level of asset management services. Each separate advisory or discretionary service provides additional benefits to the client and represents additional income for the Bank parent company. Specifically, double counting primarily results from the investment of assets under management in collective investment instruments managed by the Bank parent company. The extent of double counting is disclosed in the following table.

Assets under management

end of	2020	2019
CHF billion		
Assets in collective investment instruments managed by Credit Suisse AG	0.4	0.3
Assets with discretionary mandates	92.4	89.7
Other assets under management	389.7	394.1
Assets under management (including double counting)	**482.5**	**484.1**
of which double counting	–	–

Changes in assets under management

	2020	2019
CHF billion		
Balance at beginning of period [1]	**484.1**	**466.6**
Net new assets/(Net asset outflows)	10.9	9.9
Market movements, interest, dividends and foreign exchange	(12.5)	26.4
of which market movements, interest and dividends [2]	19.6	34.9
of which foreign exchange	(32.1)	(8.5)
Other effects	0.0	(18.8) [3]
Balance at end of period [1]	**482.5**	**484.1**

1 Including double counting.
2 Net of commissions and other expenses and net of interest expenses charged.
3 Reflects a reclassification of assets under management to assets under custody with effect from January 1, 2019, following a policy review in 2018.

Net new assets

Net new assets measure the degree of success in acquiring assets under management or changes in assets under management through warranted reclassifications. The calculation is based on the direct method, taking into account individual cash payments, security deliveries and cash flows resulting from loan increases or repayments. Interest and dividend income credited to clients and commissions, interest and fees charged for banking services are not taken into account when calculating net new assets, as such charges are not directly related to the Bank parent company's success in acquiring assets under management. Similarly, changes in assets under management due to currency and market volatility as well as asset inflows and outflows due to the acquisition or divestiture of businesses are not part of net new assets.

Proposed appropriation of retained earnings and capital distribution

Proposed appropriation of retained earnings/(accumulated losses)

	2020
Retained earnings/(accumulated losses) (CHF million)	
Retained earnings/(accumulated losses) carried forward	(11,217)
Net profit	331
Retained earnings/(accumulated losses) to be carried forward	**(10,886)**

Proposed distribution out of capital contribution reserves

	2020
Capital contribution reserves (CHF million)	
Balance at end of year	**37,901**
Proposed appropriation [1]	(1)
Proposed distribution for the financial year 2020	(1,030)
Balance after distribution	**36,870**

1 In connection with a transfer of certain employees and the related assets and liabilities to Credit Suisse Services AG.