Credit Suisse (Schweiz) AG

CREDIT SUISSE

Annual Report

2020

Key metrics

	2020	in / end of 2019	% change YoY
Results (CHF million, except where indicated)			
Net income from business activities [1]	4,410	4,377	1
Total operating expenses	2,778	2,804	(1)
Net profit	641	875	(27)
Balance sheet metrics (CHF million)			
Total assets	250,367	222,721	12
Mortgage loans	138,175	117,403	18
Customer deposits	179,946	159,573	13
Total shareholders' equity	13,464	14,312	(6)
Swiss regulatory capital, leverage and liquidity metrics (CHF million, except where indicated)			
Swiss common equity tier 1 (CET1) capital	11,884	11,154	7
Total loss-absorbing capacity (TLAC)	25,209	24,459	3
Swiss CET1 ratio (%)	12.6	13.6	–
Swiss CET1 leverage ratio (%)	5.2	4.4	–
TLAC ratio (%)	26.8	29.8	–
TLAC leverage ratio (%)	10.2	9.6	–
Liquidity coverage ratio (%) [2]	143	136	–
Assets under management and net new assets (CHF billion)			
Assets under management	671.2	635.0	5.7
Net new assets	7.4	48.0	(84.6)
Number of employees (full-time equivalents)			
Number of employees	7,470	6,920	8
Long-term credit rating			
Fitch Ratings	A+	A	–
Standard & Poor's	A+	A+	–

Represents standalone financial information of Credit Suisse (Schweiz) AG. The former wholly owned subsidiary Neue Aargauer Bank AG was fully integrated into Credit Suisse (Schweiz) AG with effect as of July 1, 2020; from that date, all activities of Neue Aargauer Bank AG were deemed to be carried out for the account of Credit Suisse (Schweiz) AG and the related financial results for the second half of 2020 recognized in the financial statements of Credit Suisse (Schweiz) AG.

1 Reflects net income from interest activities, net income from commission and service activities, net income/(loss) from trading activities and fair value option and net income from other ordinary activities.

2 Represents a three-month average, calculated on a daily basis.

Annual Report 2020

Credit Suisse (Schweiz) AG

For purposes of this report, unless the context otherwise requires, the terms "Credit Suisse" and "the Group" mean Credit Suisse Group AG and its consolidated subsidiaries.

Capital adequacy disclosures for the Group and Credit Suisse (Schweiz) AG are presented in the publications "Pillar 3 and regulatory disclosures – Credit Suisse Group AG" and "Regulatory disclosures – Subsidiaries", respectively, which are available on Credit Suisse Group's website credit-suisse.com/regulatorydisclosures.

Publications referenced in this report, whether via website links or otherwise, are not incorporated into this report.

In various tables, use of "–" indicates not meaningful or not applicable.

Report of the statutory auditor to the General Meeting of

Credit Suisse (Schweiz) AG, Zurich

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Credit Suisse (Schweiz) AG, which comprise the statements of income, balance sheets, statement of changes in equity and notes for the year ended December 31, 2020 (pages 7 to 37), including a summary of significant accounting policies.

In our opinion, the financial statements as at December 31, 2020 comply with Swiss law and the company's 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.

Our audit approach

Overview

Overall materiality: CHF 110 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 allowance for loan losses
- 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 110 million
How we determined it	0.9% of the Common Equity Tier 1 (CET1)
Rationale for the materiality benchmark applied	We chose common equity tier 1 (CET1) as the benchmark because, in our view, it is the benchmark that best represents the solvency and stability of Credit Suisse (Schweiz) AG, which is of major relevance for economic decisions made by Management and the Board of Directors and in line with targets that are set by Credit Suisse Group AG and the external regulator.

We agreed with the Audit Committee of the Board of Directors that we would report to them misstatements above CHF 5.9 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 allowance for loan losses

Key audit matter	How our audit addressed the key audit matter
As disclosed in note 11 to the financial statements, Credit Suisse (Schweiz) AG recorded gross loans held at amortized cost of CHF 172.6 billion and has recorded an allowance for loan losses of CHF 494 million as of December 31, 2020. An inherent (or general) loss allowance is estimated for all loans not specifically identified as impaired. Credit Suisse (Schweiz) 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 de-	The primary procedures we performed to address this key audit matter included the following: • We tested certain internal controls over Credit Suisse (Schweiz) 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 managements quality control over the process.

fault 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 (Schweiz) 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.	• 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. • 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.

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 authorized 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 risk of unauthorized changes to applications and data: • We evaluated the design and operating effectiveness of access management controls for in-scope systems over business users, developers and IT privileged users. • 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. • 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. • For permanent and temporary privileged access used during the year, we tested the controls in place to assess the appropriateness of user access. • 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 (Schweiz) AG for the year ended December 31, 2019 were audited by another firm of auditors whose report, dated March 25, 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 the company'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 scepticism 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 the 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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 company's articles of association. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Roman Berlinger	Ralph Gees
Audit expert Auditor in charge	Audit expert

Zürich, March 25, 2021

Financial statements

Statements of income

	Note	2020	2019
Statements of income (CHF million)			
Interest and discount income		2,083	2,328
Interest and dividend income from trading activities		12	37
Interest and dividend income from financial investments		4	3
Interest expense		(178)	(464)
Gross income from interest activities		**1,921**	**1,904**
(Increase)/release of allowance for default risks and losses from interest activities		(175)	(69)
Net income from interest activities	4	**1,746**	**1,835**
Commission income from securities trading and investment activities		1,529	1,457
Commission income from lending activities		169	164
Commission income from other services		415	374
Commission expense		(421)	(415)
Net income from commission and service activities		**1,692**	**1,580**
Net income/(loss) from trading activities and fair value option	5	**319**	**252**
Income/(loss) from the disposal of financial investments		3	2
Income from participations		322	349
Income from real estate		2	1
Other ordinary income		326	358
Net income from other ordinary activities		**653**	**710**
Personnel expenses	6	1,352	1,310
General and administrative expenses	7	1,426	1,494
Total operating expenses		**2,778**	**2,804**
Impairment of participations, depreciation and amortization of tangible fixed assets and intangible assets		797	764
Increase/(release) of provisions and other valuation adjustments, and losses	8	85	17
Operating profit		**750**	**792**
Extraordinary income	8	1	188
Taxes	9	(110)	(105)
Net profit		**641**	**875**

Balance sheets

	Note	end of 2020	2019
Assets (CHF million)			
Cash and other liquid assets		57,188	46,932
Due from banks		5,940	10,440
Securities borrowing and reverse repurchase agreements	10	8,648	9,964
Due from customers	11	33,881	29,121
Mortgage loans	11	138,175	117,403
Trading assets	12	1,094	1,842
Positive replacement values of derivative financial instruments	13	2,179	2,023
Financial investments	14	249	264
Accrued income and prepaid expenses		388	436
Participations		906	1,676
Tangible fixed assets		456	338
Intangible assets		411	1,116
Other assets	15	852	1,166
Total assets		**250,367**	**222,721**
Total subordinated receivables		90	90
of which receivables subject to contractual mandatory conversion and/or cancellation		40	40
Liabilities and shareholders' equity			
Due to banks		22,155	23,570
Securities lending and repurchase agreements	10	4,908	2,164
Customer deposits		179,946	159,573
Trading liabilities	12	2	46
Negative replacement values of derivative financial instruments	13	1,202	1,199
Medium-term notes		179	196
Bonds and mortgage-backed bonds		27,171	20,203
Accrued expenses and deferred income		768	767
Other liabilities	15	452	642
Provisions	18	120	49
Total liabilities		**236,903**	**208,409**
Share capital	19	100	100
Legal capital reserves		12,644	13,333
of which capital contribution reserves		11,622	13,022
Retained earnings carried forward		79	4
Net profit		641	875
Total shareholders' equity		**13,464**	**14,312**
Total liabilities and shareholders' equity		**250,367**	**222,721**
Total subordinated liabilities		13,306	13,306
of which liabilities subject to contractual mandatory conversion and/or cancellation		3,105	3,105

Off-balance sheet transactions

end of	2020	2019
CHF million		
Contingent liabilities	16,774	17,299
Irrevocable commitments	12,891	12,085
Obligations for calls on shares and additional payments	101	47

Off-balance sheet transactions

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 (Schweiz) AG 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

Credit Suisse (Schweiz) AG holds assets at a carrying value of CHF 4,738 million and CHF 4,737 million as of December 31, 2020 and 2019, respectively, which are pledged under the covered bond program of Credit Suisse AG and for which the related liabilities of CHF 3,390 million and CHF 3,400 million as of December 31, 2020 and 2019 are reported by Credit Suisse AG. As of December 31, 2020 and 2019, the contingent liabilities of Credit Suisse (Schweiz) AG under the covered bond program of Credit Suisse AG are CHF 3,390 million and CHF 3,400 million, respectively. Credit Suisse (Schweiz) AG also entered into a contractual arrangement under which it assumed joint and several liability in connection with Credit Suisse (Schweiz) AG's roles under the covered bond program.

Credit Suisse (Schweiz) AG is a member of Credit Suisse Group AG's Swiss value added tax (VAT) group and therefore subject to joint and several liability according to the Swiss VAT Act.

Deposit insurance guarantee program

Deposit-taking banks and securities dealers in Switzerland are required to ensure the payout of privileged deposits in the case of specified restrictions or compulsory liquidation of a deposit-taking bank, and they 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 participating bank's contribution will be calculated based on its share of privileged deposits in proportion to total privileged deposits. Based on FINMA's estimate, Credit Suisse (Schweiz) AG's share in the deposit insurance guarantee program for the period July 1, 2020 to June 30, 2021 is CHF 460 million, which includes the respective share from its former subsidiary Neue Aargauer Bank AG. This deposit insurance guarantee is reflected in irrevocable commitments.

→ Refer to "Business developments" in Note 1 – Company details, business developments and subsequent events for further information on the integration of Neue Aargauer Bank AG.

Statement of changes in equity

		Legal capital reserves				
	Share capital	Total	of which: capital contribution reserves [1]	Retained earnings carried forward	Net profit	**Total shareholders' equity**
2020 (CHF million)						
Balance at beginning of period	**100**	**13,333**	**13,022**	**4**	**875**	**14,312**
Appropriation of net profit	–	–	–	875	(875)	–
Dividends and other distributions	–	(1,400)	(1,400)	(800)	–	(2,200)
Merger of Neue Aargauer Bank AG	–	711	–	–	–	711
Net profit	–	–	–	–	641	641
Balance at end of period	**100**	**12,644**	**11,622**	**79**	**641**	**13,464**

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

Credit Suisse (Schweiz) AG is a wholly owned subsidiary of Credit Suisse AG and Credit Suisse AG is a wholly owned subsidiary of Credit Suisse Group AG (the Group), both domiciled in Switzerland.

Number of employees

end of	**2020**	2019
Full-time equivalents		
Switzerland	7,470	6,920
Total	**7,470**	**6,920**

Business developments

COVID-19 pandemic

The pandemic and the consequences for markets and the global economy affected Credit Suisse (Schweiz) AG's financial performance in 2020, mainly due to provision for credit losses and revenues which were impacted by the general interest rate environment including the reduction in US dollar interest rates. Credit Suisse (Schweiz) AG 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 Credit Suisse (Schweiz) AG's business, operations and financial performance, including decreased client activity or demand for its products.

Credit Suisse (Schweiz) AG played an active role in developing the bridge loan solution for Swiss companies that was announced in March 2020, in cooperation with the Swiss Federal Department of Finance, the Swiss National Bank, FINMA and the Swiss Bankers Association. In 2020, Credit Suisse (Schweiz) AG has granted more than 16,700 COVID-19 bridge loans with a total volume of approximately CHF 3 billion. The loans granted under this program did not generate any profits in 2020, as confirmed by an external review. As a supplement to this program, in January 2021, Credit Suisse (Schweiz) AG also made available to its corporate clients an additional credit facility of CHF 500 million.

Neue Aargauer Bank integration

As announced by the Group on August 25, 2020, Credit Suisse (Schweiz) AG absorbed the business of its wholly owned subsidiary, Neue Aargauer Bank AG, in a legal merger on November 27, 2020, in order to establish a single brand in the Canton of Aargau. The merger was effected under simplified requirements according to article 23 para. 1 lit. a of the Swiss Merger Act (SMA) and did not require a capital increase. Based on the merger balance sheet of Neue Aargauer Bank AG as of June 30, 2020 and in accordance with the merger agreement, Credit Suisse (Schweiz) AG absorbed total assets of CHF 24,725 million and total liabilities of CHF 23,140 million at their previous carrying value retroactively with effect as of July 1, 2020. The excess of CHF 711 million resulting from the absorption of total assets and total liabilities and the elimination of Credit Suisse (Schweiz) AG's participation in Neue Aargauer Bank AG was recorded in legal capital reserves. As from July 1, 2020, all activities of Neue Aargauer Bank AG were deemed to be carried out for the account of Credit Suisse (Schweiz) AG and the related financial results recognized in the statements of income of Credit Suisse (Schweiz) AG.

The table "Neue Aargauer Bank – condensed merger balance sheet" as of June 30, 2020 reflects the impact of the merger on Credit Suisse (Schweiz) AG's balance sheet.

Neue Aargauer Bank – condensed merger balance sheet

as of June 30	**2020**
Assets (CHF million)	
Cash and other liquid assets	3,950
Due from banks	49
Due from customers	1,104
Mortgage loans	19,422
Tangible fixed assets	85
All other assets	115
Total assets	**24,725**
Liabilities and shareholders' equity	
Due to banks	4,389
Customer deposits	13,366
Medium-term notes	20
Bonds and mortgage-backed bonds	5,145
All other liabilities	220
Total liabilities	**23,140**
Total shareholders' equity	**1,585**
Total liabilities and shareholders' equity	**24,725**

Subsequent event

On March 1, 2021, the boards of the supply chain finance funds managed by certain affiliates of the Group decided to suspend redemptions and subscriptions of those funds to protect the interests of the funds' investors. On March 4, 2021, the boards decided to terminate those funds and proceed to their liquidation. Those decisions were based on concerns that a substantial part of the funds' assets was subject to considerable valuation uncertainty.

The assets held by these funds, largely consisting of notes backed by existing and future receivables, were originated and structured by Greensill Capital (UK) Limited or one of its affiliates. Initial redemption payments were made to their investors beginning on March 8, 2021. The portfolio manager continues to work to liquidate the remaining assets as the receivables comprising the funds' assets mature. There remains considerable uncertainty regarding the valuation of a significant part of the remaining assets, including the fact that the portfolio manager has been informed that certain of the notes underlying the funds will not be repaid when they fall due, and the amounts that ultimately will be distributed to investors in respect of the funds.

Credit Suisse (Schweiz) AG continues to analyze these matters, including with the assistance of external counsel and other experts.

Certain clients have threatened litigation and, as this matter develops, Credit Suisse (Schweiz) AG may become subject to litigation, disputes or other actions. Credit Suisse (Schweiz) AG notes that it is reasonably possible that it will incur a loss in respect of these matters, albeit that given the early stage of this process, it is not yet possible to estimate the size of such a reasonably possible loss.

2 Accounting and valuation principles

Summary of significant accounting and valuation principles

Basis for accounting

The Credit Suisse (Schweiz) AG 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 Ordinance (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)*. The financial year for Credit Suisse (Schweiz) AG ends on December 31.

Credit Suisse (Schweiz) AG is included in the scope of the published annual report of Credit Suisse Group AG and Credit Suisse AG, which includes a Group management report and consolidated financial statements prepared in accordance with accounting principles generally accepted in the US (US GAAP). Credit Suisse (Schweiz) AG has no listed shares outstanding. Accordingly, Credit Suisse (Schweiz) AG 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 functional currency of Credit Suisse (Schweiz) AG is Swiss francs (CHF). Transactions denominated in currencies other than the functional currency are recorded using the foreign exchange rates at the date of the transaction.

Receivables and payables denominated in foreign currency are translated to Swiss francs using spot rates as of the balance sheet date. Gains and losses from foreign exchange rate differences are recorded in the statements of income in net income/(loss) from trading activities and fair value option. Participations, tangible fixed assets and intangible assets denominated in foreign currency are translated to Swiss francs using the historical exchange rates.

The following table provides the foreign exchange rates applied for the preparation of the Credit Suisse (Schweiz) AG 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). Credit Suisse (Schweiz) AG 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. 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 Credit Suisse (Schweiz) AG'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 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 Credit Suisse (Schweiz) AG 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. The effectiveness of hedging relationships is assessed both prospectively and retrospectively. The prospective assessment is performed both at the inception of a hedging relationship and on an ongoing basis, and requires the justification that the relationship will be highly effective over future periods. The retrospective assessment is performed on an ongoing basis and requires the confirmation whether or not the hedging relationship has actually been effective.

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.

Participations
Equity securities in a company which are owned by Credit Suisse (Schweiz) AG 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 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.

Intangible assets
Intangible assets may be acquired individually or as part of a group of assets assumed in a business transfer. Intangible assets mainly include but are not limited to: customer base, goodwill and trademarks. Intangible assets are initially measured at their acquisition costs. Intangible assets are amortized over a useful life not to exceed five years and tested for impairment annually, or more frequently if events or changes in circumstances indicate that the intangible assets may be impaired.

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 statements 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 Credit Suisse (Schweiz) AG 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 Credit Suisse (Schweiz) AG, 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. Credit Suisse (Schweiz) AG 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, occupancy expenses of CHF 33 million paid to affiliated companies were reclassified from "Occupancy expenses" to "Operating expenses charged by related parties" in line with Credit Suisse (Schweiz) AG's reporting of intercompany charges.

→ Refer to "Note 7 – General and administrative expenses" for further information.

For 2019, foreign assets of CHF 7,492 million were reclassified from rating category "AAA" to rating category "AA" to correct an error in the internal rating of Credit Suisse (Schweiz) AG's total assets.

→ Refer to "Note 23 – Total assets by country rating" for further information.

3 Risk management, derivatives and hedging activities

Risk management

Prudent risk-taking in line with the strategic priorities of Credit Suisse (Schweiz) AG is fundamental to its business. The primary objectives of risk management are to protect the financial strength and reputation of Credit Suisse (Schweiz) AG, while ensuring that capital is well deployed to support business activities and growth and success. The risk management framework of Credit Suisse (Schweiz) AG 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.

Risk governance

Risk management of Credit Suisse (Schweiz) AG is aligned to the overall risk management governance of the Group. Credit Suisse (Schweiz) AG's risk 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 Chief Risk Officer (CRO), the Chief Financial Officer (CFO) and the Chief Compliance Officer (CCO), in accordance with their respective responsibilities and levels of authority.

The risk governance framework of Credit Suisse (Schweiz) AG 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 Credit Suisse (Schweiz) AG. Its primary responsibility is to ensure compliance with relevant legal and regulatory requirements, maintain effective internal controls and ensure that Credit Suisse (Schweiz) AG operates within its risk appetite.

The second line of defense includes functions such as the CRO function (Risk), the CCO function (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 and internal standards. 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 is also responsible for articulating and designing the risk appetite framework across Credit Suisse (Schweiz) AG.

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.

Board of Directors
The Board is responsible for the strategic direction, supervision and control of Credit Suisse (Schweiz) AG, and for defining its 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 Credit Suisse (Schweiz) AG's risk management function, its resources and key risks, and, jointly with the Audit Committee, reviews and assesses the internal control environment.

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

Executive Board
The Executive Board is responsible for developing and implementing strategic business plans of Credit Suisse (Schweiz) AG, subject to approval by the Board, and implementing such plans. It further reviews and coordinates significant initiatives within the risk management and compliance functions and approves the bank-wide risk policies. The CRO of Credit Suisse (Schweiz) AG is a member of the Executive Board and represents the risk management function with a primary reporting line to the Group Chief Risk and Compliance Officer (CRCO) and an additional reporting line to the Chief Executive Officer (CEO) of Credit Suisse (Schweiz) AG.

Executive Board and other risk governance committees
The Capital Allocation & Risk Management Committee (CARMC) of Credit Suisse (Schweiz) AG is responsible for overseeing and directing the risk profile, recommending risk limits 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 of Credit Suisse (Schweiz) AG operates in two committees: the Risk Management Committee (RMC) and the Asset Liability Management Committee (ALMC). The RMC is the main governance and decision-making body with respect to market, liquidity, credit and position risk-related matters as well as with respect to operational risks, legal, compliance and regulatory issues and internal control matters. The RMC is responsible for the supervision and control of the risk profile, its future development and its adequacy with the risk strategy of Credit Suisse (Schweiz) AG. The RMC is also responsible for assessing the allocation of risk capital and making recommendations to the Board as well as establishing and allocating risk limits. The ALMC is responsible for capital, liquidity and funding-related matters, including interest rate risk management, foreign exchange risk and balance sheet development within defined limits.

The Risk Processes & Standards Committee (RPSC) reviews major risk management processes, issues general instructions, standards and processes concerning risk management, approves material changes in market, credit and non-financial risk management standards, policies and related methodologies, and approves the standards of Credit Suisse (Schweiz) AG's internal models used for calculating regulatory capital requirements.

The governing bodies responsible for the oversight and active discussion of reputational and sustainability risks are the Reputational Risk Committee (RRC) and its sub-committee, the Divisional Client Risk Committee (DCRC). The RRC is responsible for robust governance and comprehensive risk mitigation and oversight relating to reputational risks and sustainability issues. It also ensures adherence to Credit Suisse (Schweiz) AG's reputational and sustainability policies and oversees their implementation. The DCRC decides on individual, significant cases (client relationships, actions or transactions) that are escalated to the DCRC based on the established escalation criteria.

Risk appetite framework

Credit Suisse (Schweiz) AG maintains a comprehensive risk appetite framework, which is governed by a policy and provides a robust foundation for risk appetite setting and management. A key element of the framework is a detailed statement of the Board-approved risk appetite which is aligned to the financial and capital plans of Credit Suisse (Schweiz) AG. The framework also encompasses the processes and systems for assessing the appropriate level of risk appetite required to constrain the overall risk profile of Credit Suisse (Schweiz) AG.

The Credit Suisse (Schweiz) AG risk appetite framework is aligned to and reflected as a distinct part of the Group risk appetite framework, which 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 through a suite of different types of risk measures (quantitative and qualitative) as part of Credit Suisse

(Schweiz) AG'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 Credit Suisse (Schweiz) AG's risk management processes. For 2020, the Board confirmed the following SROs:

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

The risk appetite of Credit Suisse (Schweiz) AG 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 both the CRO and the CFO, the Risk Appetite Committee of Credit Suisse (Schweiz) AG, the RMC of Credit Suisse (Schweiz) AG, the Board's Risk Committee and subsequently by the Board of Credit Suisse (Schweiz) AG.

A core aspect of the Credit Suisse (Schweiz) AG risk appetite framework is a sound system of integrated risk constraints. These allow Credit Suisse (Schweiz) AG 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 Credit Suisse (Schweiz) AG'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). Credit Suisse (Schweiz) AG's risk appetite framework utilizes a suite of different types of risk constraints to reflect the aggregate risk appetite of the bank. Risk constraints are classified according to type and authority, with the principal constraint types consisting of limits, guidelines and tolerances. The risk constraints restrict the maximum balance sheet and off-balance sheet exposure as well as key risk exposures of Credit Suisse (Schweiz) AG given the market environment, business strategy and financial resources available to absorb losses.

Risk coverage and management

Credit Suisse (Schweiz) AG 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 Credit Suisse (Schweiz) AG's risk management practices. The risk management practices of Credit Suisse (Schweiz) AG complement each other in the analysis of potential loss, support the identification of interdependencies and interactions of risks across the organization and provide a comprehensive view of its exposures. Credit Suisse (Schweiz) AG regularly reviews and updates its risk management practices to ensure consistency with its business activities and relevance to its business and financial strategies. The key risk types of Credit Suisse (Schweiz) AG are aligned to the global risk taxonomy and include the following:

- Capital risk;
- Credit risk;
- Market risk (including non-traded market risk and funding liquidity);
- Non-financial risk (e.g., operational risk, technology risk, cyber risk, compliance risk, regulatory risk, legal risk and conduct risk);
- Model risk;
- Reputational risk;
- Business risk; and
- Fiduciary risk.

Capital risk

Capital risk is the risk that Credit Suisse (Schweiz) AG does not have adequate capital to support its activities and maintain the minimum capital requirements.

Under the Basel framework, Credit Suisse (Schweiz) AG 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 Credit Suisse (Schweiz) AG's overall risk profile and the current operating environment.

Capital risk results from the Credit Suisse (Schweiz) AG's risk exposures, available capital resources, regulatory requirements and accounting standards.

The stress testing framework and economic risk capital are tools used by Credit Suisse (Schweiz) AG to evaluate and manage capital risk. The capital management framework is designed to ensure that Credit Suisse (Schweiz) AG meets all regulatory capital requirements for Credit Suisse (Schweiz) AG 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 Credit Suisse (Schweiz) AG's portfolio if, for example, historic or adverse forward-looking events were to occur.

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

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.

The majority of the credit risk of Credit Suisse (Schweiz) AG is concentrated in the Swiss retail and private banking, corporate and institutional businesses. Credit risk arises from lending products, irrevocable loan commitments, credit guarantees and letters of credit, and results from counterparty exposure arising from derivatives, foreign exchange and other transactions.

Credit Suisse (Schweiz) AG uses a credit risk management framework which provides for the consistent evaluation, measurement and management of credit risk across Credit Suisse (Schweiz) AG. 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

Credit Suisse (Schweiz) AG evaluates and assesses counterparties and clients to whom it has credit exposures. For the majority of counterparties and clients, Credit Suisse (Schweiz) AG uses internally developed statistical rating models to determine internal credit ratings, which are intended to reflect the risk of default of each counterparty. These rating models are backtested against internal experience, validated by a function independent of the model developers / owners on a regular basis and approved by FINMA for application in the regulatory capital calculation in the advanced internal ratings-based approach (A-IRB) under 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).

Credit limits

Credit limits are managed at the counterparty and ultimate parent level in accordance with credit limits which apply in relation to current and potential future exposures. 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, taking current market conditions and trend analysis into consideration.

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.

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 on loans. 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.

In the event of a material deterioration in creditworthiness, credit exposures are transferred to recovery management functions within Credit Risk and are subject to formal reporting to the monthly recovery review meeting. Credit Suisse (Schweiz) 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. For collateralized loans, the recoverable value of the collateral is assessed. Uncollateralized loans are assessed based on the borrower's ability to pay back the outstanding loan out of free cash flow. 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. The specific allowance for credit losses is revalued by recovery management at least annually or more frequently depending on the risk profile of the borrower or credit-relevant events.

If it is certain that parts of a loan or the entire loan will not be recoverable, recovery management evaluates the need for write-offs. In particular, write-offs are implemented once available debt enforcement procedures are exhausted with a remaining loan balance or based on a contractual obligation.

Risk mitigation

Drawn and undrawn credit exposures are actively 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.

For the mortgage lending portfolio in the private banking, corporate and institutional businesses, real estate property is valued at the time of credit approval and periodically thereafter, according to internal policies and controls of Credit Suisse (Schweiz) AG, depending on the type of loan (e.g., residential or commercial loan), characteristics of the property, current developments in the relevant real estate market and the current level of credit exposure to the borrower (loan-to-value ratio). If the credit exposure to a borrower has changed significantly, in volatile markets or in times of increasing general market risk, collateral values may be appraised more frequently. Management judgment is applied in assessing whether markets are volatile or general market risk has increased to a degree that warrants a more frequent update of collateral values. Movements in monitored risk metrics that are statistically different compared to historical experience are considered in addition to analysis of externally-provided forecasts, scenario techniques and macroeconomic research.

In addition to collateral, Credit Suisse (Schweiz) AG 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. Credit Suisse (Schweiz) AG evaluates hedging risk mitigation to ensure that basis or tenor risk is appropriately identified and managed.

In addition to collateral and hedging strategies, Credit Suisse (Schweiz) AG 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 of Credit Suisse (Schweiz) AG arise from both trading and non-trading activities.

Traded market risks primarily relate to trading activities of Credit Suisse (Schweiz) AG to support and provide market access to its Swiss clients. Trading book activities of Credit Suisse (Schweiz) AG carry no significant market risk. In line with the requirements of its banking license, Credit Suisse (Schweiz) AG hedges its market risk related to trading activities with other Group entities or external counterparties.

Non-traded market risks primarily relate to asset and liability mismatch exposures in the banking book. The businesses of Credit Suisse (Schweiz) AG 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. Interest rate risks are assumed through lending and deposit-taking as well as money market and funding activities. 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.

Credit Suisse (Schweiz) AG uses market risk measurement and management methods capable of calculating comparable exposures across its many activities and employs focused tools that can model unique characteristics of certain instruments or portfolios. The tools are used for internal market risk management, internal market risk reporting and external disclosure purposes.

The primary market risk measures for traded market risk are value-at-risk (VaR), scenario analysis, as included in the stress testing framework, position risk, as included in economic risk capital, and sensitivity analysis. Each evaluation method aims to estimate the potential loss that Credit Suisse (Schweiz) AG can incur due to an adverse market movement with varying degrees of severity. These measures complement each other in the market risk assessment of Credit Suisse (Schweiz) AG and are used to measure market risk at the level of Credit Suisse (Schweiz) AG.

Credit Suisse (Schweiz) AG measures risk from non-traded portfolios mainly by estimating the impact of changes in interest rates both in terms of risk to earnings as well as risk to the economic value of the bank's asset and liability position.

Liquidity and funding risks
Liquidity and funding risk is the risk that Credit Suisse (Schweiz) AG, 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 liquidity and funding profile of Credit Suisse (Schweiz) AG reflects its strategy and risk appetite and is driven by business activity levels and the overall market and operating environment. The liquidity and funding strategy is approved by the ALMC and overseen by the Board. The implementation and execution of the funding and liquidity strategy is managed within the Credit Suisse (Schweiz) AG's CFO 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 (HQLA) portfolio on behalf of Treasury. Treasury ensures adherence to the funding policies and the Global Liquidity Group is focused on the efficient coordination of the short-term unsecured and secured funding desks. This approach enhances the ability of Credit Suisse (Schweiz) AG to manage potential liquidity and funding risks and to promptly adjust its liquidity and funding levels to absorb potential stress situations.

The RMC and the Board's Risk Committee of Credit Suisse (Schweiz) AG define at least annually a liquidity and funding risk appetite framework, which ensures that the liquidity buffer and funding flows of Credit Suisse (Schweiz) AG are sized and managed in order to comply to all liquidity regulatory requirements and in addition to withstand a series of defined market- and liquidity-specific stress situations. The liquidity and funding profile of Credit Suisse (Schweiz) AG is regularly reported to the ALMC, RMC and the Board, including the set of risk metrics and 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 Credit Suisse (Schweiz) AG'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 within Credit Suisse (Schweiz) AG 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 as well as working with management on non-financial risk issues that arise. Relevant first and second line of defense control functions meet regularly to discuss risk issues and identify required actions to mitigate risks.

The Non-Financial Risk function oversees the established bank-wide enterprise risk and control framework (ERCF), providing a consistent and unified approach to evaluating and monitoring all relevant non-financial risks. The ERCF sets common minimum standards for non-financial risk and control processes and review and challenge activities. Risk and control assessments are in place and consist of the risk and control self-assessment, compliance risk assessment and legal risk assessment. Key non-financial risks are identified annually and represent the most significant risks requiring senior management attention. Where appropriate, remediation plans are put in place with ownership by senior management and ongoing Executive Board level oversight through CARMC.

Technology risk is the risk that technology-related failures, such as service outages or information security incidents, may disrupt business. Technology risk is inherent not only in information technology (IT) assets of Credit Suisse (Schweiz) AG, but also in the people and processes that interact with them including through dependency on third-party suppliers and the worldwide telecommunications infrastructure. Credit Suisse (Schweiz) AG seeks to ensure that the data used to support key business processes and reporting is secure, complete, accurate, available, timely and meets appropriate quality and integrity standards. Credit Suisse (Schweiz) AG requires its critical IT systems to be identified, secure, resilient and available and support ongoing operations, decision-making, communications and reporting. Credit Suisse (Schweiz) AG's systems must also have the capability, capacity, scalability and adaptability to meet current and future business objectives, the needs of customers and regulatory and legal expectations.

Cyber risk, which is part of technology risk, is the risk that the Credit Suisse (Schweiz) AG will be compromised as a result of cyber attacks, security breaches, unauthorized access, loss or destruction of data, unavailability of service, malware or other events that could have an adverse security impact.

Activities to manage non-financial risk capital include scenario analysis and non-financial risk regulatory capital measurement. In addition, the Credit Suisse (Schweiz) AG transfers the risk of potential losses from certain non-financial risks to third-party insurance companies in certain instances.

Credit Suisse (Schweiz) AG is using a set of internally and externally (FINMA) validated and approved models under the advanced measurement approach (AMA) to calculate its regulatory capital requirements for non-financial risks (also referred to as "operational risk capital").

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.

Through the global model risk management and governance framework, Credit Suisse (Schweiz) AG seeks to identify, measure and mitigate all significant risks arising from the use of models embedded within its global model ecosystem. Model risks can 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.

Reputational risk
Reputational risk is the risk that negative perception by stakeholders of Credit Suisse (Schweiz) AG, including clients, counterparties, employees, shareholders, regulators and the general public, may adversely impact client acquisition and damage the business relationships of Credit Suisse (Schweiz) AG 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 risk appetite framework to ensure that risk-taking is aligned with the approved risk appetite. Credit Suisse (Schweiz) AG 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 Code of Conduct of Credit Suisse Group and Credit Suisse (Schweiz) AG'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 policy 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.

The RRC, on a divisional or legal entity level, is the governing body responsible for the oversight and active discussion of reputational and sustainability risks. At the Board level, the Risk Committee and Audit Committee jointly assist the Board in fulfilling its reputational risk oversight responsibilities by reviewing and approving Credit Suisse (Schweiz) AG's risk appetite framework as well as assessing the adequacy of the management of reputational and sustainability risks.

Business risk
Business risk is the risk of not achieving the financial goals and ambitions in connection with the strategy of Credit Suisse (Schweiz) AG 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, Credit Suisse (Schweiz) AG 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 Credit Suisse (Schweiz) AG financial plan serves as the basis for the financial goals and ambitions against which the businesses are assessed regularly throughout the year. These regular reviews include evaluations of financial performance, key business risks, overall operating environment and business strategy. This enables management to identify and execute changes to Credit Suisse (Schweiz) AG's operations and strategy where needed.

Fiduciary risk
Fiduciary risk is the risk of financial loss arising when Credit Suisse (Schweiz) AG 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 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 Credit Suisse (Schweiz) AG'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 Group's compliance function and is based on the suitability framework.

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. Credit Suisse (Schweiz) AG'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, Credit Suisse (Schweiz) AG 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 Credit Suisse (Schweiz) AG 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 as well as core banking business assets and liabilities 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 and the respective gains and losses included in net income/(loss) from trading activities and fair value option.

→ Refer to "Note 5 – Net income/(loss) from trading activities and fair value option" for further information on economic hedging of foreign exchange risk by the Treasury function.

Hedge accounting
Hedge accounting for Credit Suisse (Schweiz) AG is determined, recorded and disclosed in accordance with US GAAP as allowed under Swiss GAAP statutory accounting rules for banks.

Credit Suisse (Schweiz) AG 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.

Credit Suisse (Schweiz) AG 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. Credit Suisse (Schweiz) AG 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 Credit Suisse (Schweiz) AG elects to be exposed.

→ Refer to "Derivative financial instruments and hedge accounting" in Note 2 – Accounting and valuation principles and "Note 13 – Derivative financial instruments" for further information on hedge accounting.

4 Net income from interest activities

Negative interest income and expense

in	2020	2019
CHF million		
Negative interest income debited to interest income	(79)	(121)
Negative interest expenses credited to interest expense	319	222

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]	(37)	(13)
Equity instruments	1	(5)
Foreign exchange	403	322
of which foreign exchange risk hedging activities by treasury function [2]	365	284
Precious metals	9	5
Credit instruments	(57)	(58)
Other instruments	0	1
Net income/(loss) from trading activities and fair value option	**319**	**252**
of which net income/(loss) from fair value option	0	(10)
of which net income/(loss) from liabilities valued under the fair value option	0	(10)

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

2 The treasury function of Credit Suisse (Schweiz) AG enters into economic hedges to manage foreign currency risk using short duration foreign currency swaps. The result of these hedges includes implicit interest income and expenses from the difference between spot rates and forward rates.

Trading activities at the level of Credit Suisse (Schweiz) AG are monitored and managed for legal entity-specific treasury, risk management and capital adequacy purposes. For the purpose of performance management, trading activities are monitored and managed mainly at the level of the Group's Swiss Universal Bank division on the basis of US GAAP financial metrics.

6 Personnel expenses

in	2020	2019
CHF million		
Salaries	1,072	1,055
of which variable compensation expenses [1]	214	245
Social benefit expenses	257	229
of which pension and other post-retirement expenses	169	149
Other personnel expenses	23	26
Personnel expenses	**1,352**	**1,310**

1 Includes current and deferred variable compensation expenses.

→ Refer to "Note 17 – Pension plans" for further information on pension expenses.

7 General and administrative expenses

in	2020	2019
CHF million		
Professional services	80	97
Occupancy expenses [1]	140	173
Marketing and advertising	54	60
Travel and entertainment	38	41
Postage and courier services	11	13
Market data services	29	27
Information and communication technology expenses	29	30
Furniture and equipment	9	8
Fees to external audit companies	5	3
of which fees for financial and regulatory audits [2]	5	3
Operating expenses charged by related parties [1, 3]	988	993
Other operating expenses	43	49
General and administrative expenses	**1,426**	**1,494**

1 Prior period has been corrected; refer to "Prior period information" in Note 2 – Accounting and valuation principles for further information".

2 Represents total fees for financial statement, regulatory and related audit services paid by legal entity Credit Suisse (Schweiz) AG to external audit companies.

3 Includes operating expenses charged by Credit Suisse Services AG, Credit Suisse AG and other affiliated companies, mainly for IT, operations, business support services, occupancy and other central functions provided to Credit Suisse (Schweiz) AG.

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

in	2020	2019
CHF million		
Increase/(release) of provisions [1]	82	15
Other losses	3	2
Increase/(release) of provisions and other valuation adjustments, and losses	**85**	**17**
Gains realized from the disposal of participations	1	188 [2]
Extraordinary income	**1**	**188**

1 Primarily related to litigation provisions and provisions for off-balance sheet default risks.
2 Related to the sale of a 49% participation in Credit Suisse InvestLab AG to Credit Suisse AG.

9 Taxes

in	2020	2019
CHF million		
Current income tax (expense)/benefit	(89)	(88)
Non-income-based tax (expense)/benefit [1]	(21)	(17)
Taxes	**(110)**	**(105)**

1 Includes capital taxes.

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 12% and 9%, respectively. In 2020 and 2019, Credit Suisse (Schweiz) AG had no tax losses carried forward.

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	8,884	9,964
Impact from master netting agreements	(236)	0
Carrying value of receivables from cash collateral paid for securities borrowed and reverse repurchase agreements – net	**8,648**	**9,964**
Carrying value of liabilities from cash collateral received for securities lent and repurchase agreements – gross	5,144	2,164
Impact from master netting agreements	(236)	0
Carrying value of liabilities from cash collateral received for securities lent and repurchase agreements – net	**4,908**	**2,164**
Carrying value of securities transferred under securities lending and borrowing and repurchase agreements	0	118
of which transfers with the right to resell or repledge	0	118
Fair value of securities received under securities lending and borrowing and reverse repurchase agreements with the right to resell or repledge	39,364	36,468
of which repledged	14,774	12,580
of which resold	2,710	1,310

11 Collateral and impaired loans and receivables

Collateralization of loans and receivables

end of	Mortgages	Other collateral	Secured [1] Total	Unsecured	Total
2020 (CHF million)					
Due from customers	1,661	20,131	21,792	12,487	34,279
Residential property	114,169	0	114,169	0	114,169
Offices and commercial property	12,480	0	12,480	0	12,480
Manufacturing and industrial property	9,899	0	9,899	0	9,899
Other	1,723	0	1,723	0	1,723
Mortgage loans	138,271	0	138,271	0	138,271
Gross amount	**139,932**	**20,131**	**160,063**	**12,487**	**172,550**
Allowance for credit losses	(109)	(43)	(152)	(342)	(494)
Net amount	**139,823**	**20,088**	**159,911**	**12,145**	**172,056**
of which due from customers	1,648	20,088	21,736	12,145	33,881
of which mortgage loans	138,175	0	138,175	0	138,175
2019 (CHF million)					
Due from customers	520	18,194	18,714	10,673	29,387
Residential property	96,517	0	96,517	0	96,517
Offices and commercial property	11,305	0	11,305	0	11,305
Manufacturing and industrial property	8,376	0	8,376	0	8,376
Other	1,272	0	1,272	0	1,272
Mortgage loans	117,470	0	117,470	0	117,470
Gross amount	**117,990**	**18,194**	**136,184**	**10,673**	**146,857**
Allowance for credit losses	(75)	(35)	(110)	(223)	(333)
Net amount	**117,915**	**18,159**	**136,074**	**10,450**	**146,524**
of which due from customers	512	18,159	18,671	10,450	29,121
of which mortgage loans	117,403	0	117,403	0	117,403

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 risk management policies and directives of Credit Suisse (Schweiz) AG, 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

end of	Mortgages	Other collateral	Secured [1] Total	Unsecured	Total
2020 (CHF million)					
Contingent liabilities	363	7,520	7,883	8,891 [2]	16,774
Irrevocable commitments	364	1,761	2,125	10,766	12,891
Obligations for calls on shares and additional payments	0	0	0	101	101
Off-balance sheet transactions	**727**	**9,281**	**10,008**	**19,758**	**29,766**
2019 (CHF million)					
Contingent liabilities	152	8,606	8,758	8,541 [2]	17,299
Irrevocable commitments	284	2,197	2,481	9,604	12,085
Obligations for calls on shares and additional payments	0	0	0	47	47
Off-balance sheet transactions	**436**	**10,803**	**11,239**	**18,192**	**29,431**

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 risk management policies and directives of Credit Suisse (Schweiz) AG, 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 Includes a contingent liability of CHF 3,390 million and CHF 3,400 million as of December 31, 2020 and 2019, respectively, in favor of Credit Suisse AG representing the amount of actual liabilities recorded by Credit Suisse AG under the covered bond program for which Credit Suisse (Schweiz) AG holds the underlying mortgages.

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	833	343	490	338
2019 (CHF million)				
Impaired loans and receivables	565	298	267	219

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	**300**	**265**	**565**	**386**	**270**	**656**
Merger of Neue Aargauer Bank AG	45	53	98	–	–	–
New impaired balances	332	227	559	159	153	312
Increase of existing impaired balances	15	8	23	12	9	21
Reclassifications to non-impaired status	(45)	(125)	(170)	(18)	(91)	(109)
Repayments	(71)	(62)	(133)	(135)	(28)	(163)
Liquidation of collateral, insurance and guarantee payments	(7)	(47)	(54)	(13)	(44)	(57)
Write-offs	(45)	(3)	(48)	(84)	(4)	(88)
Sales	(2)	0	(2)	(7)	0	(7)
Foreign exchange translation impact	(5)	0	(5)	0	0	0
Balance at end of period	**517**	**316**	**833**	**300**	**265**	**565**

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

12 Trading assets and liabilities

end of	**2020**	2019
CHF million		
Debt securities, money market instruments and money market transactions	0	282
of which exchange-traded	0	94
Equity securities	0	242
Precious metals and commodities	1,094	1,318
Trading assets	**1,094**	**1,842**
of which carrying value determined based on a valuation model	0	282
of which securities eligible for repurchase transactions in accordance with liquidity regulations	0	0
CHF million		
Debt securities, money market instruments and money market transactions	2	17
of which exchange-traded	2	14
Equity securities	0	29
Trading liabilities	**2**	**46**
of which carrying value determined based on a valuation model	0	22

13 Derivative financial instruments

end of 2020	Trading Notional amount	Trading Positive replacement value	Trading Negative replacement value	Hedging [1] Notional amount	Hedging [1] Positive replacement value	Hedging [1] Negative replacement value
CHF million						
Swaps	171,062	1,355	1,316	27,130	212	80
Options bought and sold (OTC)	2,958	294	305	0	0	0
Futures	680	0	0	0	0	0
Interest rate products	**174,700**	**1,649**	**1,621**	**27,130**	**212**	**80**
Forwards and forward rate agreements	341,964	2,698	3,152	0	0	0
Swaps [2]	547	21	20	0	0	0
Options bought and sold (OTC)	4,882	100	101	0	0	0
Foreign exchange products	**347,393**	**2,819**	**3,273**	**0**	**0**	**0**
Forwards and forward rate agreements	3,413	19	19	0	0	0
Options bought and sold (OTC)	756	35	35	0	0	0
Precious metal products	**4,169**	**54**	**54**	**0**	**0**	**0**
Options bought and sold (OTC)	2,411	85	85	0	0	0
Equity/index-related products	**2,411**	**85**	**85**	**0**	**0**	**0**
Credit default swaps	1,083	13	2	0	0	0
Credit derivatives	**1,083**	**13**	**2**	**0**	**0**	**0**
Derivative financial instruments [3]	**529,756**	**4,620**	**5,035**	**27,130**	**212**	**80**
of which replacement value determined based on a valuation model	–	4,620	5,035	–	212	80

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	Notional amount	Positive replacement value	Negative replacement value	Notional amount	Positive replacement value	Negative replacement value
			Trading			Hedging [1]
CHF million						
Forwards and forward rate agreements	1,000	0	0	0	0	0
Swaps	178,712	1,500	1,421	12,320	0	0
Options bought and sold (OTC)	3,146	318	343	0	0	0
Futures	580	0	0	0	0	0
Interest rate products	**183,438**	**1,818**	**1,764**	**12,320**	**0**	**0**
Forwards and forward rate agreements	395,975	2,321	2,440	0	0	0
Swaps [2]	387	5	5	0	0	0
Options bought and sold (OTC)	6,526	82	84	0	0	0
Foreign exchange products	**402,888**	**2,408**	**2,529**	**0**	**0**	**0**
Forwards and forward rate agreements	2,542	20	16	0	0	0
Options bought and sold (OTC)	352	11	11	0	0	0
Precious metal products	**2,894**	**31**	**27**	**0**	**0**	**0**
Swaps	766	29	74	0	0	0
Options bought and sold (OTC)	6,166	158	215	0	0	0
Futures	87	0	0	0	0	0
Options bought and sold (exchange-traded)	5,672	124	138	0	0	0
Equity/index-related products	**12,691**	**311**	**427**	**0**	**0**	**0**
Credit default swaps	1,011	0	9	0	0	0
Credit derivatives	**1,011**	**0**	**9**	**0**	**0**	**0**
Options bought and sold (OTC)	10	1	1	0	0	0
Futures	2	0	0	0	0	0
Other derivative products	**12**	**1**	**1**	**0**	**0**	**0**
Derivative financial instruments [3]	**602,934**	**4,569**	**4,757**	**12,320**	**0**	**0**
of which replacement value determined based on a valuation model	–	4,504	4,709	–	0	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	4,832	4,569
Negative replacement values – trading and hedging	5,115	4,757
After consideration of master netting agreements		
Positive replacement values – trading and hedging [1]	2,179	2,023
Negative replacement values – trading and hedging [1]	1,202	1,199

1 Netting includes counterparty exposure and cash collateral netting.

Net positive replacement values by counterparty type

end of	**2020**	2019
CHF million		
Banks and securities dealers	149	439
Other counterparties [1]	2,030	1,584
Positive replacement values	**2,179**	**2,023**

1 Primarily related to bilateral OTC derivative contracts with clients.

Gains/(losses) on fair value hedges

	2020		2019	
in	Interest and discount income	Interest expense	Interest and discount income	Interest expense
Interest rate products (CHF million)				
Hedged items	104	13	121	2
Derivatives designated as hedging instruments	(93)	(12)	(114)	(2)

Gains/(losses) on interest rate risk hedges, both from the hedged items and the derivatives designated as hedging instrument, are included in interest and discount income and interest expense. The accrued interest on fair value hedges is recorded in interest and discount income and 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)						
Due from customers	61	3	25	56	0	29
Mortgage loans	20,265	161	499	10,589	61	653
Liabilities						
Bonds and mortgage-backed bonds	3,881	201	24	250	(2)	1

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 and 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	**13**	**(5)**
Interest rate products		
Gains/(losses) on derivatives deferred in the compensation account	6	18
Deferred gains/(losses) at end of period	**19**	**13**

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 statements of income within the next 12 months was CHF 8 million.

As of December 31, 2020, Credit Suisse (Schweiz) AG 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

end of	2020 Carrying value	2020 Fair value	2019 Carrying value	2019 Fair value
CHF million				
Debt securities	238	238	256	259
of which held-to-maturity	90	90	90	93
of which available-for-sale	148	148	166	166
Equity securities	1	12	1	7
of which qualified participations [1]	–	–	–	–
Real estate [2]	10	10	7	7
Financial investments	**249**	**260**	**264**	**273**
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.

15 Other assets and other liabilities

end of	2020	2019
CHF million		
Compensation account [1]	441	731
Coupons	62	60
Indirect taxes and duties	13	36
Receivables under documentary letters of credit	13	36
Other	323	303
Other assets	**852**	**1,166**

1 Includes changes in the book values 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.

end of	2020	2019
CHF million		
Indirect taxes and duties	105	92
Accounts payable for goods and services	50	17
Settlement accounts	82	214
Payables under documentary letters of credit	13	36
Other	202	283
Other liabilities	**452**	**642**

16 Assets pledged

end of	2020 Carrying value	2020 Actual liabilities	2019 Carrying value	2019 Actual liabilities
CHF million [1]				
Due from customers	2,492	2,492	0	0
Mortgage loans	24,199 [2]	13,732	13,993 [2]	6,868
Assets pledged	**26,691**	**16,224**	**13,993**	**6,868**

1 Excludes assets pledged in connection with securities lending and borrowing, repurchase agreements and reverse repurchase agreements.
2 Includes a portfolio of mortgage loans with a carrying value of CHF 4,738 million and CHF 4,737 million as of December 31, 2020 and 2019, respectively, which is pledged to Credit Suisse Hypotheken AG under the covered bond program of Credit Suisse AG. The related actual liabilities of CHF 3,390 million and CHF 3,400 million as of December 31, 2020 and 2019, respectively, are recorded in the financial statements of Credit Suisse AG and recognized as a contingent liability by Credit Suisse (Schweiz) AG.

→ Refer to "Joint and several liability" in Off-balance sheet transactions for further information.

17 Pension plans

Liabilities due to own pension plans of Credit Suisse (Schweiz) AG as of December 31, 2020 and 2019 of CHF 643 million and CHF 703 million, respectively, are reflected in various liability accounts in the balance sheet of Credit Suisse (Schweiz) AG.

Swiss pension plans

The employees of Credit Suisse (Schweiz) AG 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's Swiss subsidiaries and a few companies that have close business and financial ties with the Group 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 plans' 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 multi-employer plans with unrestricted joint liability for all participating companies, the economic interest in the Swiss pension plans' over- or underfunding is allocated to each participating company based on allocation keys determined by the plans.

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	22	15	0	0	22	15	0	0
Total	**22**	**15**	**0**	**0**	**22**	**15**	**0**	**0**

1 In line with Swiss GAAP statutory accounting guidance, contributions to the employer contribution reserves are not recorded in the statutory balance sheet of Credit Suisse (Schweiz) AG.

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

	Over/(Under) -funding		Economic benefit/ (obligation) recorded [1]			Pension contributions		Pension expenses included in personnel expenses	
end of / in	**2020**	2019	**2020**	2019	Change	**2020**	2019	**2020**	2019
CHF million									
Swiss pension plan – status overfunded	1,042 [2]	944 [2]	–	–	–	126	155	131	149
Swiss pension plan – without over-/underfunding	–	–	–	–	–	38	–	38	–
Total	**1,042**	**944**	**–**	**–**	**–**	**164**	**155**	**169**	**149**

1 In line with Swiss GAAP statutory accounting guidance, the economic benefit of Credit Suisse (Schweiz) AG from its share in the overfunding of the Swiss pension plan is not recorded in the statutory balance sheet of Credit Suisse (Schweiz) AG.
2 Represents Credit Suisse (Schweiz) AG's share of 43.77% and 38.85% in the total overfunding of the Swiss pension plan of CHF 2,380 million and CHF 2,430 million as of December 31, 2020 and 2019, respectively.

18 Provisions and valuation adjustments

2020	Balance at beginning of period	Merger of Neue Aargauer Bank AG	Utilized for purpose	Reclassifi-cations	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 off-balance sheet default risks	25	2	0	(2)	(1)	0	22 [1]	(2) [1]	44 [2,3]
Provisions for other business risks	2	0	0	0	0	0	10	(1)	11 [4]
Other provisions	22	0	(11)	0	1	0	54	(1)	65 [5]
Provisions	**49**	**2**	**(11)**	**(2)**	**0**	**0**	**86**	**(4)**	**120**
Valuation adjustments for default and country risks	**370**	**39**	**(52)**	**2**	**(9)**	**7**	**213** [1]	**(41)** [1]	**529**
of which valuation adjustments for default risks from impaired receivables	254	26	(52)	2	(9)	7	161	(21)	368
of which valuation adjustments for inherent risks [6]	116	13	0	0	0	0	52	(20)	161

1 Changes in impaired loan classification during the period and related movements in valuation adjustments are reflected on a gross basis, accumulating the effect of quarterly credit review processes for estimating provisions and valuation adjustments for default risks.
2 Partially discounted at rates between 0.32% and 9.50%.
3 Provisions are mainly related to irrevocable loan commitments and guarantees.
4 Provisions are not discounted due to their short-term nature.
5 Includes litigation provisions of CHF 52 million and CHF 10 million as of December 31, 2020 and 2019, respectively. Partially discounted at rates between 2.00% and 3.59%.
6 Reflects the valuation allowance for latent credit risks in accordance with the incurred loss model.

19 Composition of share capital, conversion and reserve capital

		2020		2019
end of	Quantity	Total nominal value (CHF million)	Quantity	Total nominal value (CHF million)
Share capital				
Registered shares (at CHF 1 par value per share)	100,000,000	100 [1]	100,000,000	100 [1]
Total share capital		**100**		**100**
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]	200,000,000	200	200,000,000	200
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 100,000,000 and fully paid.
2 Represents authorized capital.
3 For information on principal characteristics of unlimited conversion capital, refer to Article 5a in the Articles of Association of Credit Suisse (Schweiz) AG.
4 For information on principal characteristics of reserve capital, refer to Article 5b in the Articles of Association of Credit Suisse (Schweiz) AG.

Non-distributable reserves

As of December 31, 2020, the amount of non-distributable reserves in accordance with the Swiss Code of Obligations and the articles of association of Credit Suisse (Schweiz) AG was CHF 50 million. Not reflected in this amount are reserves which Credit Suisse (Schweiz) AG is required to retain in order to meet the regulatory capital requirements as a going concern.

Transactions with shareholders

→ Refer to "Joint and several liability" in Off-balance sheet transactions and "Note 8 – Increase/(release) of provisions and other valuation adjustments, losses and extraordinary income" for further information on transactions with shareholders.

20 Significant shareholders and groups of shareholders

end of	Number of shares (million)	Total nominal value (CHF million)	Share-holding (%)	Number of shares (million)	Total nominal value (CHF million)	Share-holding (%)
	2020			2019		
Direct shareholders						
Credit Suisse AG	100 [1]	100	100.00	100 [1]	100	100.00
Indirect shareholders through Credit Suisse AG						
Credit Suisse Group AG [2]	100	100	100.00	100	100	100.00
Indirect shareholders through Credit Suisse Group AG [3]						
Chase Nominees Ltd. [4]	13	13	13.21	13	13	13.43
Nortrust Nominees Ltd. [4]	8	8	7.53	6	6	6.37

1 All shares with voting rights.
2 Based on the percentage interest held in shares of Credit Suisse AG as per the share register of Credit Suisse AG on December 31 of the reporting period.
3 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.
4 Nominee holdings in Group shares 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 AG as direct shareholder of Credit Suisse (Schweiz) AG and Credit Suisse Group AG as direct shareholder of Credit Suisse AG were the only shareholders with a qualified participation in accordance with Bank Law.

→ Refer to “Note 22 – Amounts receivable from and amounts payable to related parties” for further information on shareholders with a qualified participation.

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

Certain members of the Board also serve on the board of directors or executive board of the Group and Credit Suisse AG. Compensation to such members of the Board is determined by the Group 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. Board members who also serve as member of the board of directors or executive board of the Group and Credit Suisse AG receive an annual subsidiary board fee paid in cash, except for the Group Chairman and the Group CEO who do not receive any additional fees from Credit Suisse (Schweiz) AG. Board members who are neither on the board of directors nor the executive board of the Group or Credit Suisse AG receive an annual base fee and chair fees paid in cash. In 2020 and 2019, no Group shares have been awarded to these Board members for services provided in relation to Credit Suisse (Schweiz) AG.

Share-based awards outstanding

	2020[1]		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 [2]				
Members of the Executive Board	3.1	35	2.9	38
Employees	6.9	79	5.5	73
Share-based awards outstanding	**10.0**	**114**	**8.4**	**111**

1 Includes share-based awards outstanding for members of the Executive Board and employees of Neue Aargauer Bank AG.
2 All share-based compensation plans of Credit Suisse (Schweiz) AG are plans which are either settled in Group shares or in cash on the basis of the fair value of the Group shares.

Compensation plans

For 2019, Credit Suisse (Schweiz) AG granted 2.7 million share awards with a total value of CHF 29.5 million, 2.5 million performance share awards with a total value of CHF 27.1 million and CHF 12.9 million of Contingent Capital Awards (CCA) as deferred variable incentive compensation on February 28, 2020. The fair value of each share award and performance share award was CHF 10.81, the Group share price on the grant date.

In addition, Neue Aargauer Bank AG, which was merged with Credit Suisse (Schweiz) AG effective July 1, 2020, granted 0.06 million share awards with a total value of CHF 0.69 million, 0.05 million performance share awards with a total value of CHF 0.51 million and CHF 0.29 million of CCA as deferred variable incentive compensation on February 28, 2020.

Deferred compensation is awarded to employees with total compensation greater than or equal to CHF 250,000. Employees with total compensation below CHF 250,000 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, Credit Suisse (Schweiz) AG's total expenses related to deferred compensation plans were CHF 53 million and CHF 85 million, respectively. 2020 included expenses related to deferred compensation plans from Neue Aargauer Bank AG for the period from July 1, 2020 to December 31, 2020.

For 2020 and 2019, all share-based compensation plans of Credit Suisse (Schweiz) AG were either settled in shares of the Group (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). 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 majority of share awards granted include the right to receive dividend equivalents on vested shares.

Credit Suisse (Schweiz) AG's share awards include other awards, such as special awards, which may be granted to new employees. Other share awards entitle the holder to receive one Group share and are generally subject to continued employment with Credit Suisse (Schweiz) AG, contain restrictive covenants and cancellation provisions and generally vest between zero and five years.

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, 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.

Contingent Capital Awards

CCA were granted in February 2020 and February 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 Prudential Regulation Authority (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 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 London Interbank Offered Rate (LIBOR);
- CCA granted in 2019 that are denominated in US dollars and vest three years from the date of grant receive interest equivalents at a rate of 4.46% per annum over the six-month US dollar 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.

As CCA qualify as going concern loss-absorbing capital of the Group and Credit Suisse (Schweiz) AG, 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 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.

Other cash awards

Other cash awards include special awards, capital opportunity facility awards as well as certain share and performance share awards settled in cash.

22 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	775	30,369	1,757	32,852
Group companies	3,527	142	7,387	295
Affiliated companies	4,556	2,608	5,847	1,946
Members of governing bodies [1]	114	88	93	71

1 Includes both the governing bodies of Credit Suisse (Schweiz) AG and the governing bodies of its direct and indirect holding companies Credit Suisse AG and 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, Credit Suisse (Schweiz) AG issues guarantees and loan commitments and enters into other agreements with group companies which are recorded as off-balance sheet transactions by Credit Suisse (Schweiz) AG. As of December 31, 2020 and 2019, Credit Suisse (Schweiz) AG had contingent liabilities of CHF 3,392 million and CHF 3,405 million, respectively, mainly related to the covered bond program of Credit Suisse AG.

Additional information on related party transactions

For loans and other banking services, members of the Executive Board and employees may benefit from preferential terms available to all employees as part of Credit Suisse (Schweiz) AG's employee benefit plan. Transactions with related parties are carried out on an arm's length basis.

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

23 Total assets by country rating

	2020		2019	
end of	CHF million [2]	%	CHF million [2]	%
Internal country rating [1]				
AAA [3]	5,776	2.3%	6,201	2.8%
AA [3]	10,426	4.2%	10,601	4.8%
A	1,509	0.6%	1,163	0.5%
BBB	602	0.2%	651	0.3%
Investment grade	18,313	7.3%	18,616	8.4%
BB	511	0.2%	1,145	0.5%
B	551	0.2%	247	0.1%
CCC	7	0.0%	105	0.0%
D	7	0.0%	0	0.0%
Non-investment grade	1,076	0.4%	1,497	0.6%
Foreign assets	**19,389**	**7.7%**	**20,113**	**9.0%**
Domestic assets	**230,978**	**92.3%**	**202,608**	**91.0%**
Total assets	**250,367**	**100.0%**	**222,721**	**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.

24 Fiduciary transactions

end of	2020	2019
CHF million		
Fiduciary placements with third-party institutions	2,705	3,517
Fiduciary placements with group companies and affiliated institutions	2,550	5,128
Fiduciary transactions	**5,255**	**8,645**

25 Assets under management

Assets under management

Assets under management include assets for which Credit Suisse (Schweiz) AG provides investment advisory or discretionary asset management services. The classification of assets under management is conditional upon the nature of the services provided by Credit Suisse (Schweiz) AG 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, Credit Suisse (Schweiz) AG must currently or in the foreseeable future expect to provide a service where the involvement of Credit Suisse (Schweiz) AG'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 Credit Suisse (Schweiz) AG 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.

Assets under management

end of	2020	2019
CHF billion		
Assets with discretionary mandates	145.5	135.8
Other assets under management	525.7	499.2
Assets under management (including double counting)	**671.2**	**635.0**
of which double counting	–	–

Changes in assets under management

	2020	2019
CHF billion		
Balance at beginning of period	**635.0**	**529.2**
Net new assets/(Net asset outflows)	7.4	48.0
Market movements, interest, dividends and foreign exchange	10.5	58.1
of which market movements, interest and dividends [1]	20.2	61.9
of which foreign exchange	(9.7)	(3.8)
Other effects	18.3 [2]	(0.3)
Balance at end of period	**671.2**	**635.0**

1 Net of commissions and other expenses and net of interest expenses charged.
2 Includes CHF 18.8 billion of assets under management acquired with effect as of July 1, 2020 through the merger with Neue Aargauer Bank AG, partially offset by structural outflows of CHF 0.5 billion related to this merger.

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 success of Credit Suisse (Schweiz) AG 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

end of	2020
Retained earnings (CHF million)	
Retained earnings carried forward	79
Net profit	641
Retained earnings	**720**
Dividend	(700)
Retained earnings to be carried forward	**20**

Proposed distribution out of capital contribution reserves

end of	2020
Capital contribution reserves (CHF million) [1]	
Balance at end of year	**11,622**
Distribution	(500)
Balance after distribution	**11,122**

1 Capital contribution reserves represent legal capital reserves.

List of abbreviations

A

A-IRB	Advanced internal ratings-based approach
ALMC	Asset Liability Management Committee
AMA	Advanced measurement approach

B

Board	Board of Directors

C

CARMC	Capital Allocation & Risk Management Committee
CCA	Contingent Capital Awards
CCO	Chief Compliance Officer
CEO	Chief Executive Officer
CET1	Common equity tier 1
CFO	Chief Financial Officer
CRCO	Chief Risk and Compliance Officer
CRO	Chief Risk Officer

D

DCRC	Divisional Client Risk Committee

E

EAD	Exposure at default
ERCF	Enterprise risk and controls framework

F

FINMA	Swiss Financial Market Supervisory Authority FINMA

H

HQLA	High-quality liquid assets

I

ICAAP	Internal capital adequacy assessment process
IT	Information technology

L

LGD	Loss given default
LIBOR	London Interbank Offered Rate

O

OGR	Organizational Guidelines and Regulations
OTC	Over-the-counter

P

PD	Probability of default
PRA	Prudential Regulation Authority

R

RMC	Risk Management Committee
ROE	Return on equity
RRC	Reputational Risk Committee
RPSC	Risk Processes & Standards Committee

S

SARON	Swiss Average Rate Overnight
SMA	Swiss Merger Act
SOFR	Secured Overnight Financing Rate
SROs	Strategic risk objectives

T

TLAC	Total loss absorbing capacity

U

US	United States of America
US GAAP	US generally accepted accounting principles

V

VaR	Value-at-risk
VAT	Value added tax

Cautionary statement regarding forward-looking information

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