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

Notes to the financial statements

KPMG

Report of the Statutory Auditor

To the General Meeting of Credit Suisse AG, Zurich

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the accompanying financial statements of Credit Suisse AG, which comprise the balance sheet, statement of income, statement of changes in equity and notes for the year ended December 31, 2019.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and Credit Suisse AG's articles of association. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements 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 system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended December 31, 2019, comply with Swiss law and Credit Suisse AG's articles of association.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Assessment of the fair value measurement of financial instruments with unobservable or judgmental inputs

Evaluation of provisions for litigation and regulatory actions

Assessment of the allowance for loan losses

Evaluation of the impairment assessment of participations

Controls over IT systems impacting financial reporting

Key audit matters are those matters that, in our professional judgment, 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.

Assessment of the fair value measurement of financial instruments with unobservable or judgmental inputs

Key Audit Matter

Credit Suisse AG recorded financial assets reported at fair value of CHF 91.1 billion and financial liabilities reported at fair value of CHF 106.5 billion as of December 31, 2019. The fair value of the majority of Credit Suisse AG's financial instruments is based on quoted prices in active markets or observable inputs. In addition, Credit Suisse AG holds financial instruments for which no quoted prices are available or which have little or no observable inputs. For these instruments, the determination of fair value requires subjective assessment and judgment depending on liquidity, pricing assumptions, the current economic and competitive environment and the risks affecting the specific instrument.

We identified the assessment of fair value measurement of financial instruments with unobservable or judgmental inputs as a key audit matter due to the subjective auditor judgment involved in evaluating the application of valuation techniques and assumptions. Specifically, subjective auditor judgment was required to evaluate the valuation pricing inputs such as market indices and discount rates, modeling assumptions that were used in the determination of fair value, and certain valuation adjustments such as credit and debit valuation adjustments.

Our response

The primary procedures we performed to address this key audit matter, with the assistance of valuation professionals with specialized skills and knowledge, included the following.

- We tested certain internal controls over Credit Suisse AG's process for determining the fair value measurement of financial instruments with unobservable or judgmental inputs, which included controls over independent price verification, valuation model approval and the calculation, approval and recording of certain valuation adjustments.

- For a sample of financial instruments, we examined and challenged the assumptions and models used or developed an independent valuation assessment. This included comparison of significant valuation pricing inputs, such as market indices and discount rates, against independent and externally available data sources. Where such information was not available, we developed an independent valuation assessment and compared that to Credit Suisse AG's value.

- We evaluated the methodology and inputs used in determining key judgmental valuation adjustments (including credit and debit valuation adjustments) by examining and challenging these assumptions and models, and performing recalculations for a sample of these adjustments.

For further information on financial instruments reported at fair value refer to the following:

— Note 2 Accounting and valuation principles, “Trading assets and liabilities”, "Derivative financial instruments and hedge accounting", "Other financial instruments held at fair value and liabilities from other financial instruments held at fair value"
— Note 12 Trading assets and liabilities and other financial instruments held at fair value
— Note 13 Derivative financial instruments

Evaluation of provisions for litigation and regulatory actions

Key Audit Matter

Credit Suisse AG is involved in a number of judicial, regulatory and arbitration proceedings concerning matters arising in connection with the conduct of its businesses.

We identified the evaluation of provisions for litigation and regulatory actions as a key audit matter due to the subjective auditor judgment required to evaluate the provisions. Specifically, auditor judgment was required to evaluate the conclusions formed by the Credit Suisse AG about the likelihood and amount of liabilities arising from litigation and regulatory claims that were dependent on the future outcome of continuing legal and regulatory processes.

Our response

The primary procedures we performed to address this key audit matter included the following.

- We tested certain internal controls over Credit Suisse AG’s provisions for litigation and regulatory actions process, which included controls over the identification and development of the provisions estimate as well as the review and approval of the provisions.

- We evaluated Credit Suisse AG’s assessment of the nature and status of litigation and regulatory actions. We considered the legal advice received by Credit Suisse AG from in-house counsel, as well as Credit Suisse AG’s external counsel, for certain individual cases.

- We examined Credit Suisse AG’s conclusions with respect to the evaluation of provisions for certain individual cases, considering the results of information obtained from Credit Suisse AG. For these cases, we obtained correspondence directly from Credit Suisse AG’s outside attorneys and, in some cases, performed inquiry of outside counsel to evaluate the judgments made by Credit Suisse AG in determining their litigation provisions and the range of reasonably possible losses.

For further information on provisions for litigation and regulatory actions refer to the following:

— Note 2 Accounting and valuation principles, “Provisions”
— Note 20 Provisions and valuation adjustments

Assessment of the allowance for loan losses

Key Audit Matter

Credit Suisse AG recorded gross loans held at amortized cost of CHF 192.3 billion and has recorded an allowance for loan losses of CHF 1.1 billion as of December 31, 2019. Credit Suisse AG calculates the allowance for loan losses estimate using a historical loss methodology based on the probability of default (PD), loss given default (LGD) and exposure at default (EAD) models.

Our response

The primary procedures we performed to address this key audit matter included the following.

- We tested certain internal controls over Credit Suisse AG’s allowance for loan losses process. This included controls over loan file reviews, credit monitoring, model approval, validation and approval of key data inputs such as emergence period, recovery rates, and qualitative considerations (such as economic and business

We identified the assessment of the allowance for loan losses as a key audit matter because it involved complex auditor judgment in the evaluation of Credit Suisse AG's methodologies and assumptions. Specifically, complex auditor judgment was required to evaluate the recoverable amount and the collateral value for loans that are individually evaluated for impairment. Complex auditor judgment was also required to examine the methodology that underpins the allowance for loan losses which have been collectively evaluated for impairment, such as the modeling of PD, LGD, and EAD and related key data inputs to those models such as emergence period, recovery rates and qualitative considerations.

conditions) for potential impairment that were not captured by Credit Suisse AG's models.

- For a sample of loan loss allowances evaluated on an individual basis we tested the assumptions underlying the impairment quantification including estimates of future cash flows, valuation of underlying collateral and estimates of recovery on default. We involved real estate professionals with specialized skills and knowledge to assist in evaluating the underlying collateral for a sample of loans.

- For a sample of loan loss allowances evaluated on a collective basis we involved credit risk professionals with specialized skills and knowledge to assist in challenging the Credit Suisse AG's allowance methodology and testing of certain PD, LGD and EAD models. We also tested inputs to those models, such as emergence period, recovery rates, and collateral values, by comparing those inputs to external information sources, when available.

For further information on the allowance for loan losses refer to the following:

— Note 2 Accounting and valuation principles, "Due from customers and mortgage loans"

— Note 3 Risk management, "Credit Risk"

— Note 11 Collateral and impaired loans

Evaluation of the impairment assessment of participations

Key Audit Matter

Credit Suisse AG recorded participations of CHF 61.6 billion as of December 31, 2019. The participations portfolio consists of investments in subsidiary entities mainly operating in the banking and finance industry.

Participations are valued at acquisition cost less impairment. We identified the evaluation of the impairment assessment of participations as a key audit matter due to the level of sensitivity to the impact of changes to estimates of projected cash flows, used in determining the fair value of these entities, which involves subjective auditor judgment.

Our response

The primary procedures we performed to address this key audit matter included the following.

- We tested certain internal controls over Credit Suisse AG's process for the impairment assessment of participations, which included controls over the identification and measurement of impairments, the evaluation of the valuation methodology, key inputs and assumptions used in the determination of the participation value, and Credit Suisse AG's annual comparison of legal entity plans to past performance.

- For a sample of participations, we evaluated key assumptions applied in performing the valuation. We involved valuation professionals with specialized skills and knowledge, who assisted in examining and challenging the assumptions and methodologies used to calculate fair value.

For further information on participations refer to the following:

— Note 2 Accounting and valuation principles, "Participations"

Controls over IT systems impacting financial reporting

Key Audit Matter	Our response
Credit Suisse AG is dependent on technology due to the significant number of transactions that are processed daily across Credit Suisse AG's businesses. Credit Suisse AG's IT infrastructure and applications are an integral component of its operations and financial reporting framework. Appropriate IT controls are required to ensure transactions are processed correctly and to mitigate the risk of fraud and error.	The primary procedures we performed to address this key audit matter included the following. - We tested the design of the general IT controls for Credit Suisse AG's key systems relevant to financial reporting. - We tested the operating effectiveness of Credit Suisse AG's general IT controls including user access and provisioning (including system enforced segregation of duties), physical access, change management, information security, incident management, and back-up and restoration protocols. Our work included testing whether access requests were appropriately authorised in line with Credit Suisse AG's general IT controls framework and, where required, the effective operation of compensating IT or business controls. Additionally, our work included testing selected system interface controls to confirm the completeness and accuracy of data transfers between systems. - In performing our work, we included IT professionals with specialized skills and knowledge as part of our audit team.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

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 available earnings complies with Swiss law and Credit Suisse AG's articles of association. We recommend that the financial statements submitted to you be approved.

KPMG AG

Nicholas Edmonds *Licensed Audit Expert* *Auditor in Charge*	Shaun Kendrigan *Licensed Audit Expert* *Global Audit Partner*

Zurich, Switzerland
March 25, 2020

KPMG AG, Räffelstrasse 28, PO Box, CH-8036 Zurich

Parent company financial statements

Statements of income

	Note	in 2019	2018
Statements of income (CHF million)			
Interest and discount income		11,621	10,940
Interest and dividend income from trading activities		2,050	1,683
Interest and dividend income from financial investments		526	185
Interest expense		(10,947)	(10,158)
Gross income from interest activities		**3,250**	**2,650**
(Increase)/release of allowance for default risks and losses from interest activities		(383)	(257)
Net income from interest activities	4	**2,867**	**2,393**
Commission income from securities trading and investment activities		2,208	2,168
Commission income from lending activities		733	901
Commission income from other services		267	119
Commission expense		(557)	(588)
Net income from commission and service activities		**2,651**	**2,600**
Net income/(loss) from trading activities and fair value option	5	**(702)**	**(867)**
Income/(loss) from the disposal of financial investments		(14)	16
Income from participations		2,734	2,299
Income from real estate		61	18
Other ordinary income		1,056	1,198
Other ordinary expenses		(44)	(106)
Net income from other ordinary activities		**3,793**	**3,425**
Personnel expenses	6	2,253	2,064
General and administrative expenses	7	4,012	3,711
Total operating expenses		**6,265**	**5,775**
Impairment of participations, depreciation and amortization of tangible fixed assets and intangible assets	1	18,288	2,126
Increase/(release) of provisions and other valuation adjustments, and losses	8	39	69
Operating profit/(loss)		**(15,983)**	**(419)**
Extraordinary income	8	4,952	38
Taxes	9	(354)	(266)
Net profit/(loss)		**(11,385)**	**(647)**

Balance sheets

	Note	end of 2019	2018
Assets (CHF million)			
Cash and other liquid assets		34,941	35,127
Due from banks		95,453	82,924
Securities borrowing and reverse repurchase agreements	10	91,275	69,768
Due from customers	11	185,713	177,104
Mortgage loans	11	5,481	5,162
Trading assets	12	51,640	42,781
Positive replacement values of derivative financial instruments	13	8,687	8,023
Financial investments	14	28,540	30,773
Accrued income and prepaid expenses		2,569	2,803
Participations		61,593	74,380
Tangible fixed assets		1,900	2,149
Intangible assets		151	1
Other assets	15	1,353	1,821
Total assets		**569,296**	**532,816**
Total subordinated receivables		13,564	4,505
of which receivables subject to contractual mandatory conversion and/or cancellation		3,105	3,155
Liabilities and shareholders' equity			
Due to banks		72,651	65,415
Securities lending and repurchase agreements	10	66,255	55,806
Customer deposits		159,355	170,830
Trading liabilities	12	9,041	5,949
Negative replacement values of derivative financial instruments	13	8,206	7,215
Liabilities from other financial instruments held at fair value	12, 18	58,998	54,645
Bonds and mortgage-backed bonds		154,790	121,793
Accrued expenses and deferred income		4,195	3,870
Other liabilities	15	291	318
Provisions	20	395	459
Total liabilities		**534,177**	**486,300**
Share capital	21	4,400	4,400
Legal capital reserves		38,475	38,477
of which capital contribution reserves		37,911	37,913
Legal income reserves		3,461	3,461
Voluntary income reserves		0	610
Retained earnings		168	215
Net profit/(loss)		(11,385)	(647)
Total shareholders' equity		**35,119**	**46,516**
Total liabilities and shareholders' equity		**569,296**	**532,816**
Total subordinated liabilities		59,676	15,318
of which liabilities subject to contractual mandatory conversion and/or cancellation		15,804	13,250

Off-balance sheet transactions

end of	2019	2018
CHF million		
Contingent liabilities	20,525	32,441
Irrevocable commitments	99,925	100,192
Obligations for calls on shares and additional payments	365	97

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

Joint and several liability

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

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

Deposit insurance guarantee programs

Deposit-taking banks and securities dealers in Switzerland and certain other European countries are required to ensure the payout of privileged deposits in case of specified restrictions or compulsory liquidation of a deposit-taking bank. In Switzerland, deposit-taking banks and securities dealers jointly guarantee an amount of up to CHF 6 billion. Upon occurrence of a payout event triggered by a specified restriction of business imposed by the Swiss Financial Market Supervisory Authority FINMA (FINMA) or by the compulsory liquidation of another deposit-taking bank, the Bank parent company's contribution will be calculated based on its share of privileged deposits in proportion to total privileged deposits. Based on FINMA's estimate for the Bank parent company, the Bank's share in the deposit insurance guarantee program for the period July 1, 2019 to June 30, 2020 is CHF 43 million. This deposit insurance guarantee was reflected in contingent liabilities.

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

Statement of changes in equity

	Share capital	Legal capital reserves	Legal income reserves	Voluntary income reserves	Retained earnings	Net profit/(loss)	**Total shareholder's equity**
2019 (CHF million)							
Balance at beginning of period	**4,400**	**38,477** [1]	**3,461**	**610**	**215**	**(647)**	**46,516**
Appropriation of net loss	–	–	–	–	(647)	647	–
Capital contributions	–	(2) [2]	–	–	–	–	(2)
Transfer of voluntary income reserves to retained earnings	–	–	–	(610)	610	–	–
Dividends and other distributions	–	–	–	–	(10)	–	(10)
Net profit/(loss)	–	–	–	–	–	(11,385)	(11,385)
Balance at end of period	**4,400**	**38,475** [1]	**3,461**	**0**	**168**	**(11,385)**	**35,119**

1 Includes capital contribution reserves of CHF 37,913 million at the beginning the period and CHF 37,911 million at the end of the period. Distributions from capital contribution reserves are free of Swiss withholding tax.

2 Distribution out of capital contribution reserves in connection with a transfer of certain employees and the related assets and liabilities to Credit Suisse Services AG.

Notes to the financial statements

1 Company details, business developments and subsequent events

Company details

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

The Bank parent company is a 100% subsidiary of Credit Suisse Group AG (Group parent company) domiciled in Switzerland.

Number of employees

end of	**2019**	2018
Full-time equivalents		
Switzerland	5,330	5,700
Abroad	3,720	3,700
Total	**9,050**	**9,400**

Business developments

Credit Suisse InvestLab AG

In September 2019, the Group completed the first closing of the transfer announced in June 2019, which combined the Group's open architecture investment fund platform, Credit Suisse InvestLab AG (InvestLab), with Allfunds Group. In preparation for this transaction, the Bank parent company bought Credit Suisse (Schweiz) AG's 49% equity stake in Credit Suisse InvestLab AG in September 2019. The subsequent sale of the 100% participation in InvestLab to Allfunds Group resulted in extraordinary income of CHF 196 million. The transaction included the transfer of the InvestLab legal entity and its related employees and service agreements to Allfunds. The Bank parent company became a minority shareholder in the combined business. The subsequent transfer of the related distribution agreements is expected to be completed in the first quarter of 2020.

→ Refer to "Note 8 – Increase/(release) of provisions and other valuation adjustments, losses and extraordinary income and expenses" for further information.

Valuation of participations

In 2019, the Bank parent company recorded an impairment on participations of CHF 17,951 million, of which CHF 15,267 million related to a change of the valuation principle from the portfolio valuation method to the individual valuation method effective December 31, 2019. This impairment is reflected in the statements of income in "Impairment of participations, depreciation and amortization of tangible fixed assets and intangible assets".

→ Refer to "Recently adopted accounting policies" in Note 2 – Accounting and valuation principles for further information.

Subordination of Group-internal funding

Group-internal funding related to loss-absorbing instruments has been aligned to international standards for internal TLAC instruments and to the new article 126b of the Swiss Capital Adequacy Ordinance, effective January 1, 2020. Due to this alignment, the bail-in debt instruments issued by the Bank parent company to the Group parent company and to Credit Suisse Group Funding (Guernsey) Limited as well as those issued by Credit Suisse (Schweiz) AG to the Bank parent company have been permanently subordinated in 2019. As of December 31, 2019, the carrying value of these newly subordinated notes issued and held was CHF 42.1 billion and CHF 10.2 billion, respectively.

COVID-19

The spread of COVID-19 is expected to have a significant impact on the global economy, at least in the first half of 2020, and is likely to affect the Bank parent company's financial performance.

Subsequent events

There were no subsequent events from the balance sheet date until March 25, 2020, the publishing date of these financial statements.

2 Accounting and valuation principles

Summary of significant accounting and valuation principles

Basis for accounting

The Bank parent company's stand-alone 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 and FINMA circular 2015/1, "Accounting rules for banks, securities dealers, financial groups and conglomerates" (Swiss GAAP statutory) as applicable for the preparation of reliable assessment statutory single-entity financial statements *(Statutarischer Einzelabschluss mit zuverlässiger Darstellung)*. Supplemental information on unsecured senior debt and structured notes as provided by Note 19 is not a required disclosure under these rules.

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

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

→ Refer to "Note 39 – Significant valuation and income recognition differences between US GAAP and Swiss GAAP banking law (true and fair view)" in VIII – Consolidated financial statements – Credit Suisse (Bank) for information on significant valuation and income recognition differences between US GAAP and Swiss GAAP banking law (true and fair view).

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

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

Recording of transactions

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

Foreign currency translations

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

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

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

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

Foreign exchange rates

	End of	
	2019	2018
1 USD / 1 CHF	0.97	0.99
1 EUR / 1 CHF	1.09	1.13
1 GBP / 1 CHF	1.27	1.26
100 JPY / 1 CHF	0.89	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.

Due from customers and mortgage loans

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

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

Trading assets and liabilities

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

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

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

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

Derivative financial instruments and hedge accounting

Derivative financial instruments consist of trading and hedging instruments.

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

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

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

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

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

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

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

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

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

Participations

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

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

→ Refer to "Recently adopted accounting policies" for further information.

Other assets and other liabilities

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

Due to banks

Amounts due to banks are recognized at their nominal value.

Customer deposits

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

Bonds and mortgage-backed bonds

Bonds and mortgage-backed bonds are carried at amortized cost. Debt issuance costs are recorded in other assets and other liabilities, respectively.

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 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 and staff-related restructuring provisions 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 commitments with a remaining maturity of less than six weeks which are excluded from the disclosure. As necessary, related provisions are recorded on the balance sheet in line item provisions.

Capital adequacy disclosures

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

Recently adopted accounting policies

Individual valuation of participations
Under the revised Banking Ordinance of April 30, 2014, certain regulations, such as the individual valuation of participations, tangible fixed assets and intangible assets were subject to transitional provisions until the full implementation of the regulation effective January 1, 2020. The requirements regarding individual valuation of tangible fixed assets and intangible assets were met by the Bank parent company's existing accounting policies. For participations, the Bank parent company changed its valuation principle from the portfolio valuation method to the individual valuation method effective December 31, 2019. With the adoption of the individual valuation method for participations, the Bank parent company recorded an impairment on participations of CHF 15,267 million, reported in the statements of income in "Impairment of participations, depreciation and amortization of tangible fixed assets and intangible assets".

Hedge accounting
Amendments of US GAAP accounting standards for hedging activities adopted on January 1, 2019 provided for more hedging strategies that are eligible for hedge accounting, eased the documentation and effectiveness assessment requirements and resulted in changes to the presentation and disclosure requirements of hedge accounting activities.

New accounting policies to be adopted in future periods

Expected credit losses
A new FINMA Accounting Ordinance and a fully revised FINMA circular 2020/01, "Accounting – banks", became effective on January 1, 2020. In addition to a formal restructuring of the regulatory guidance, changes with regard to valuation adjustments for default risks were introduced. For larger banks, such as the Bank parent company, the new guidance requires the introduction of an expected credit loss approach for default risks on non-impaired loans, receivables and debt securities held-to-maturity. The adoption of the expected credit loss approach in line with certain international accounting standards, such as US GAAP, is accepted under the new guidance. The guidance allows a transition period of one year for the implementation of the expected credit loss approach. The Bank parent company will adopt the expected credit loss approach as of January 1, 2021.

Prior period information

In the balance sheet of 2018, due to banks increased CHF 4,279 million from CHF 61,136 million to CHF 65,415 million and customer deposits decreased CHF 4,279 million from CHF 175,109 million to CHF 170,830 million, reflecting a reclassification of fiduciary deposits received from a subsidiary bank entity.

For 2018, the amount of subordinated liabilities subject to contractual mandatory conversion and/or cancellation reported in the balance sheet has been corrected from CHF 11,210 million to CHF 13,250 million.

For 2018, the amount of irrevocable commitments has been corrected from CHF 98,749 million to CHF 100,192 million, due to irrevocable commitments of Bank parent branches with a foreign clearing organization that were previously not assessed and recorded as an off-balance sheet liability. Accordingly, irrevocable commitments secured by other collateral increased from CHF 48,202 million to CHF 49,645 million.

→ Refer to "Collateralization of off-balance sheet transactions" in Note 11 – Collateral and impaired loans for further information.

The notional amount of interest rate swaps categorized as hedging instruments as of December 31, 2018 increased CHF 76,119 million from CHF 18,710 million to CHF 94,829 million and the notional amount of interest rate swaps categorized as trading instruments decreased CHF 76,119 million from CHF 3,883,432 million to CHF 3,807,313 million, reflecting a correction relating to an inaccurate capture of hedging transactions between the head office and branches.

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

For 2018, debt securities in the amount of CHF 23,779 million that have no instrument-specific rating were reclassified from rating category "No rating" to rating category "A+ to A-" to reflect the issuers' counterparty rating.

→ Refer to "Note 14 – Financial investments" for further information.

3 Risk management, derivatives and hedging activities

Risk management

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

Risk governance

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

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

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

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

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

Board of Directors

The Board is responsible for the Bank's strategic direction, supervision and control, and for defining the Bank's overall tolerance for risk. For this purpose, the Board approves the risk management framework and sets overall risk appetite in consultation with its Risk Committee.

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

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

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

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

Executive Board

The Executive Board is responsible for establishing the Bank's strategic business plans, subject to approval by the Board. It further reviews and coordinates significant initiatives for the Risk function and establishes Group-wide risk policies. The CRO and the CCO represent the Risk and Compliance functions, respectively, and provide regular information and reports to the Executive Board and the Board.

Implemented in 2020, the Executive Board Risk Forum, chaired by the CRO, is responsible for decision-making across risk types and functions. The forum also oversees critical risk decision approvals and monitors key risks and trends.

Executive Board committees

Certain modifications were implemented to the Executive Board committees beginning in 2020, including with respect to the three Capital Allocation & Risk Management Committee (CARMC) cycles. The responsibilities of the former Reputational Risk & Sustainability Committee were integrated into the new CARMC Position & Client Risk (PCR) cycle, in order to enable more holistic assessments of all key position and client risk factors in a single committee. The responsibilities of the Risk Processes & Standards Committee are allocated fully to the Group CRO.

CARMC is responsible for overseeing and directing the Bank's risk profile, recommending risk limits at the Bank level to the Risk Committee and the Board, establishing and allocating risk appetite among the various businesses, reviewing new significant business strategies or changes in business strategies including business migrations, making risk-related decisions on escalations, and for applying measures, methodologies and tools to monitor and manage the risk portfolio. CARMC will furthermore escalate items requiring additional oversight to the Executive Board Risk Forum. There are three cycles of CARMC, which each meet quarterly. The PCR cycle implements market, credit and client risk management strategies for the Bank, sets and approves risk appetite and other appropriate measures to monitor and manage the market, credit and client risk profile of the Bank. The PCR cycle replaced the former Market & Credit Risks cycle and its mandate has been extended to cover client-related risks, including reputational risk. The Asset & Liability Management (ALM) cycle reviews the funding and balance sheet trends and activities, plans and monitors regulatory and business liquidity requirements and internal and regulatory capital adequacy, provides governance and oversight over all material business migrations and ensures that legal entity strategic initiatives are within the Bank's risk appetite and appropriately supported and controlled. The Internal Control System (ICS) cycle monitors and analyzes significant non-financial risks (including operational, legal and compliance risks), reviews and approves the business continuity program's alignment with the corporate strategy on an annual basis, sets limits, caps and triggers on specific businesses to control significant non-financial risks (including operational risk exposure) and reviews and assesses the appropriateness and efficiency of the internal control systems. The ALM cycle and the ICS cycle remained largely unchanged, with client and reputational risk now managed and monitored in the PCR cycle.

The Credit Suisse AG Parent CARMC plans and monitors the internal and regulatory capital adequacy of the Bank parent company as a standalone legal entity, including its head office and branches, and provides governance and oversight over the financial and capital plans of the Bank parent company's major subsidiaries.

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

Risk appetite framework

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

The Bank risk appetite framework is governed by an overarching global policy that encompasses the suite of specific policies, processes and systems with which the risk constraints are calibrated and the risk profile is managed. Strategic risk objectives (SROs) are effectively embedded across the organization at the Bank, business division and legal entity level through a suite of different types of risk measures (quantitative and qualitative) as part of the Bank's efforts to ensure it operates within the thresholds defined by the Board. The SROs are regularly assessed as part of the continuing enhancements to the Bank's risk management processes. In December 2019, the Board approved a refined set of SROs to further support the Bank's strategic objectives for 2020. The SROs have been redefined to be more specific and measurable and consist of:

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

The former SRO related to controlling concentration risks has been integrated into the SROs regarding stability of earnings, funding and liquidity and capital adequacy. The former SROs related to managing non-financial risk to ensure sustainable performance, minimizing reputational risk and managing and mitigating conduct risk have been consolidated under the new SRO related to maintaining the integrity of the Bank's business and operations.

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

The risk appetite statement is the formal plan, approved by the Board, for Bank-wide risk appetite. Divisional allocations are cascaded from the Bank and approved in divisional risk management committees.

A core aspect of the Bank's risk appetite framework is a sound system of integrated risk constraints. These allow the Bank to maintain the risk profile within its overall risk appetite, and encourage meaningful discussion between the relevant businesses, Risk functions and members of senior management around the evolution of the Bank's risk profile and risk appetite.

The Bank's risk appetite framework utilizes a suite of different types of risk constraints to reflect the aggregate risk appetite of the Bank. The risk constraints restrict the Bank's maximum balance sheet and off-balance sheet exposure given the market environment, business strategy and financial resources available to absorb losses.

Risk coverage and management

The Bank uses a wide range of risk management practices to address the variety of risks that arise from its business activities. Policies, processes, standards, risk assessment and measurement methodologies, risk appetite constraints, and risk monitoring and reporting are key components of its risk management practices. The Bank's risk management practices complement each other in the Bank's analysis of potential loss, support the identification of interdependencies and interactions of risks across the organization and provide a comprehensive view of its exposures. The Bank regularly reviews and updates its risk management practices to ensure consistency with its business activities and relevance to its business and financial strategies. In 2019, the Bank updated its key risk type categories in order to better align these to its global risk taxonomy. The key risk types include the following:

- Capital risk;
- Credit risk;
- Market risk;
- Non-financial risk;
- Model risk;
- Reputational risk;
- Business risk;
- Climate-related risks;
- Fiduciary risk; and
- Pension risk.

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

Capital risk

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

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

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

Stress testing framework

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

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

Economic risk capital

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

Credit risk

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

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

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

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

Counterparty and transaction assessments

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

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

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

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

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

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

Credit limits

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

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

Credit monitoring, impairments and provisions

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

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

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

An inherent (or general) loss allowance is estimated for all loans not specifically identified as impaired and that, on a portfolio basis, are considered to contain inherent losses. The method for determining the inherent loss in certain lending portfolios is based on a market-implied model using long-term industry-wide historical default and recovery data taking into account the credit rating and industry of each counterparty. A separate component of the calculation reflects the current market conditions in the allowance for loan losses. 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 loan losses. A provision for inherent losses on off-balance sheet lending-related exposure, such as contingent liabilities and irrevocable commitments, is also determined, using a methodology similar to that used for the loan portfolio.

Risk mitigation

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

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

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

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

Market risk

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

Although market risk includes funding liquidity for purposes of categorizing the Bank's key risk types, the descriptions in this section primarily relate to traded market risk and non-traded market risk. Funding liquidity is the risk that the Bank, although solvent, either does not have sufficient financial resources to enable it to meet its obligations as they fall due, or can secure such resources only at excessive cost.

The classification of assets and liabilities into trading book and banking book portfolios determines the approaches used for analyzing the Bank's market risk exposure. This classification reflects the business and regulatory risk management perspective with respect to trading intent, and may be different from the classification of these assets and liabilities as trading assets or trading liabilities for financial reporting purposes.

Market risks from the trading book relate to the Bank's trading activities, primarily in Global Markets (which includes International Trading Solutions) and Asia Pacific.

Market risks from the banking book primarily relate to asset and liability mismatch exposures, lending related exposures that are fair-valued, equity participations and investments in bonds and money market instruments. The Bank's businesses and Treasury have non-trading portfolios that carry market risks, mainly related to changes in interest rates but also to changes in foreign exchange rates, equity prices and, to a lesser extent, commodity prices.

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

In the banking book, savings accounts and many other retail banking products 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 private banking, corporate and institutional businesses. The replication portfolios approximate the interest rate characteristics of the underlying products. This particular source of market risk is monitored on a daily basis.

The majority of non-trading foreign exchange risk is associated with the Bank's net investment in foreign branches, subsidiaries and affiliates denominated in currencies other than Swiss francs. This exposure is actively managed to hedge capital and leverage ratios and is governed within the Bank's risk appetite framework.

Investments such as private equity, hedge funds, seed capital, collateralized loan obligation (CLO) risk retention and co-investments are classified as illiquid investments and subject to specific risk management and governance processes. Risk appetite for illiquid investments is proposed at Bank and divisional levels and approved by CARMC.

Funding liquidity risk

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

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

Non-financial risk

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

Non-financial risk can arise from a wide variety of internal and external forces, including human error, inappropriate conduct, failures in systems, processes and controls, 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 takes responsibility for its non-financial risks and the provision of adequate resources and procedures for the management of those risks. Businesses are supported by designated second line of defense teams that are responsible for independent risk oversight, methodologies, tools and reporting within their areas as well as working with management on non-financial risk issues that arise. Businesses and relevant control functions meet regularly to discuss non-financial risk issues and identify required actions to mitigate risks.

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

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

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

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

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

Model risk

Model risk is the risk of adverse consequences from decisions made based on model results that may be incorrect, misinterpreted or used inappropriately. All quantitative models are imperfect approximations that are subject to varying degrees of uncertainty in their output depending on, among other factors, the model's complexity and its intended application. As a result, modeling errors are unavoidable and can result in inappropriate business decisions, financial loss, regulatory and reputational risk and incorrect or inadequate capital reporting. Model errors, intrinsic uncertainty and inappropriate use are the primary contributors to aggregate, Bank-wide model risk.

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

Reputational risk

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

Reputational risk may arise from a variety of sources, including, but not limited to, the nature or purpose of a proposed transaction or service, the identity or activity of a potential client, the regulatory or political climate in which the business will be transacted, and the potentially controversial environmental or social impacts of a transaction or significant public attention surrounding the transaction itself. The risk may also arise from reputational damage in the aftermath of a non-financial risk incident, such as cyber crime or the failure by employees to meet expected conduct and ethical standards.

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

Business risk

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

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

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

Climate-related risks

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

In 2019, the Bank integrated its adoption program for the recommendations of the Financial Stability Board's Taskforce on Climate-related Financial Disclosures (TCFD) into a Bank-wide climate risk strategy program, which aims to develop strategies to support its clients' energy transition toward low-carbon operations, technologies and services, as well as to facilitate the implementation of the TCFD recommendations.

Fiduciary risk

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

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

Pension risk

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

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

Use of derivative financial instruments and hedge accounting

Business policy for use of derivative financial instruments

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

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

Economic hedges

Economic hedges arise when the Bank parent company enters into derivative contracts for its own risk management purposes, but the contracts entered into do not qualify for hedge accounting. These economic hedges include the following types:

- interest rate derivatives to manage net interest rate risk on certain core banking business assets and liabilities;
- foreign exchange derivatives to manage foreign exchange risk on certain core banking business revenue and expense items, core banking business assets and liabilities; as well as selected foreign participations against adverse movements in foreign exchange rates;
- credit derivatives to manage credit risk on certain loan portfolios; and
- futures to manage risk on equity positions including convertible bonds.

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

Hedge accounting

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

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

Fair value hedges

The Bank parent company designates fair value hedges as part of an overall interest rate risk management strategy that incorporates the use of derivative instruments to minimize fluctuations in earnings that are caused by interest rate volatility. In addition to hedging changes in fair value due to interest rate risk associated with fixed rate loans, repurchase agreements and long-term debt instruments, the Bank parent company uses:

- cross-currency swaps to convert foreign-currency-denominated fixed rate assets or liabilities to floating rate functional currency assets or liabilities; and
- foreign exchange forward contracts to hedge the foreign exchange risk associated with available-for-sale securities.

Cash flow hedges

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

Hedge effectiveness assessment

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

4 Net income from interest activities

Negative interest income and expense

in	2019	2018
CHF million		
Negative interest income debited to interest income	(203)	(279)
Negative interest expenses credited to interest expense	100	104

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	2019	2018
By risk of underlying instruments (CHF million)		
Interest rate instruments [1]	(1,151)	(1,614)
Equity instruments [1]	(272)	244
Foreign exchange	781	567
Precious metals	34	70
Commodities [2]	38	6
Credit instruments	(200)	(130)
Other instruments	68	(10)
Net income/(loss) from trading activities and fair value option	**(702)**	**(867)**
of which net income/(loss) from fair value option	(6,908)	7,406
of which net income/(loss) from liabilities valued under the fair value option	(6,908)	7,406

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

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

6 Personnel expenses

in	2019	2018
CHF million		
Salaries	1,870	1,681
of which variable compensation expenses [1]	650	466
Social benefit expenses	301	297
of which pension and other post-retirement expenses	186	186
Other personnel expenses	82	86
Personnel expenses	**2,253**	**2,064**

1 Includes current and deferred variable compensation expenses.

7 General and administrative expenses

in	2019	2018
CHF million		
Occupancy expenses	114	104
Information and communication technology expenses	79	70
Furniture and equipment	10	10
Fees to external audit companies	35	30
of which fees for financial and regulatory audits [1]	33	28
of which fees for other services	2	2
Other operating expenses [2]	3,774	3,497
General and administrative expenses	**4,012**	**3,711**

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

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

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

in	2019	2018
CHF million		
Increase/(release) of provisions [1]	37	65
Other losses	2	4
Increase/(release) of provisions and other valuation adjustments, and losses	**39**	**69**

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

Extraordinary income and expenses

in	2019	2018
CHF million		
Gains realized from the disposal of participations	202 [1]	9
Gains realized from the disposal of tangible fixed assets [2]	301	29
Gains from the revaluation of participations	4,449 [3]	0
Extraordinary income	**4,952**	**38**

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

→ Refer to "Recently adopted accounting principles" in Note 2 – Accounting and valuation principles for further information on gains from the revaluation of participations.

9 Taxes

in	2019	2018
CHF million		
Current income tax (expense)/benefit	(299)	(196)
Non-income-based taxes (expense)/benefit [1]	(55)	(70)
Taxes	**(354)**	**(266)**

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

For the financial year ended December 31, 2019 and 2018, the average tax rate, defined as income tax expense divided by the sum of profit before income tax, was (3)% and (43)%, respectively. Income tax expense for the financial year ended December 31, 2019 and 2018 reflected a benefit of CHF 65 million and CHF 256 million, respectively, from the utilization of tax losses carried forward. The calculation is based on statutory tax rates applied to the taxable profit against which tax loss carry forwards were utilized.

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

end of	2019	2018
CHF million		
Carrying value of receivables from cash collateral paid for securities borrowed and reverse repurchase agreements – gross	97,142	81,220
Impact from master netting agreements	(5,867)	(11,452)
Carrying value of receivables from cash collateral paid for securities borrowed and reverse repurchase agreements – net	**91,275**	**69,768**
Carrying value of liabilities from cash collateral received for securities lent and repurchase agreements – gross	72,122	67,258
Impact from master netting agreements	(5,867)	(11,452)
Carrying value of liabilities from cash collateral received for securities lent and repurchase agreements – net	**66,255**	**55,806**
Carrying value of securities transferred under securities lending and borrowing and repurchase agreements	30,933	24,732
of which transfers with the right to resell or repledge	7,064	3,160
Fair value of securities received under securities lending and borrowing and reverse repurchase agreements with the right to resell or repledge	267,087	237,257
of which repledged	192,046	182,019
of which resold	2,694	3,070

11 Collateral and impaired loans

Collateralization of loans

			Secured [1]	Unsecured	Total
end of	Mortgages	Other collateral	Total		
2019 (CHF million)					
Due from customers	136	87,300	87,436	99,347	186,783
Residential property	3,887	0	3,887	0	3,887
Offices and commercial property	1,433	0	1,433	0	1,433
Manufacturing and industrial property	179	0	179	0	179
Other	8	0	8	0	8
Mortgage loans	5,507	0	5,507	0	5,507
Gross loans	**5,643**	**87,300**	**92,943**	**99,347**	**192,290**
Allowance for loan losses	(26)	(108)	(134)	(962)	(1,096)
Net loans	**5,617**	**87,192**	**92,809**	**98,385**	**191,194**
of which due from customers	136	87,192	87,328	98,385	185,713
of which mortgage loans	5,481	0	5,481	0	5,481
2018 (CHF million)					
Due from customers	73	83,034	83,107	94,929	178,036
Residential property	3,976	0	3,976	0	3,976
Offices and commercial property	1,058	0	1,058	0	1,058
Manufacturing and industrial property	134	0	134	0	134
Other	12	0	12	0	12
Mortgage loans	5,180	0	5,180	0	5,180
Gross loans	**5,253**	**83,034**	**88,287**	**94,929**	**183,216**
Allowance for loan losses	(18)	(79)	(97)	(853)	(950)
Net loans	**5,235**	**82,955**	**88,190**	**94,076**	**182,266**
of which due from customers	73	82,955	83,028	94,076	177,104
of which mortgage loans	5,162	0	5,162	0	5,162

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

Collateralization of off-balance sheet transactions

			Secured [1]	Unsecured	Total
end of	Mortgages	Other collateral	Total		
2019 (CHF million)					
Contingent liabilities	0	5,270	5,270	15,255 [2]	20,525
Irrevocable commitments	381	46,546	46,927	52,998	99,925
Obligations for calls on shares and additional payments	0	85	85	280	365
Off-balance sheet transactions	**381**	**51,901**	**52,282**	**68,533**	**120,815**
2018 (CHF million)					
Contingent liabilities	0	6,393	6,393	26,048 [2]	32,441
Irrevocable commitments	293	49,645 [3]	49,938 [3]	50,254	100,192 [3]
Obligations for calls on shares and additional payments	0	0	0	97	97
Off-balance sheet transactions	**293**	**56,038** [3]	**56,331** [3]	**76,399**	**132,730** [3]

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

Impaired loans

end of	Gross amount outstanding	Estimated realizable collateral value [1]	Net amount outstanding	Specific allowance
2019 (CHF million)				
Impaired loans	2,055	1,027	1,028	814
2018 (CHF million)				
Impaired loans	1,984	873	1,111	731

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

Changes in impaired loans

			2019			2018
	Due from customers	Mortgage loans	**Total**	Due from customers	Mortgage loans	**Total**
CHF million						
Balance at beginning of period	**1,890**	**94**	**1,984**	**1,976**	**136**	**2,112**
New impaired loan balances	677	68	745	824	58	882
Increase of existing impaired loan balances	119	2	121	60	2	62
Reclassifications to performing loans	(39)	(4)	(43)	(45)	(14)	(59)
Repayments	(306)	(32)	(338)	(325)	(20)	(345)
Liquidation of collateral, insurance and guarantee payments	(70)	(1)	(71)	(122)	(62)	(184)
Write-offs	(237)	0	(237)	(228)	(6)	(234)
Sales	(58)	(4)	(62)	(264)	0	(264)
Foreign exchange translation impact	(44)	0	(44)	14	0	14
Balance at end of period	**1,932**	**123**	**2,055**	**1,890**	**94**	**1,984**

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

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

Trading assets and other financial instruments held at fair value

end of	2019	2018
CHF million		
Debt securities, money market instruments and money market transactions	43,614	36,711
of which exchange-traded	1,999	2,363
Equity securities	7,428	5,529
Precious metals and commodities	598	541
Trading assets	**51,640**	**42,781**
of which carrying value determined based on a valuation model	32,334	26,673
of which securities eligible for repurchase transactions in accordance with liquidity regulations	201	149

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

end of	2019	2018
CHF million		
Debt securities, money market instruments and money market transactions	3,747	3,511
of which exchange-traded	385	531
Equity securities	5,294	2,438
Trading liabilities	**9,041**	**5,949**
Structured products	58,998	54,645
Liabilities from other financial instruments held at fair value	**58,998**	**54,645**
Trading liabilities and liabilities from other financial instruments held at fair value	**68,039**	**60,594**
of which carrying value determined based on a valuation model	59,003	55,033

13 Derivative financial instruments

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

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

Derivative financial instruments (continued)

end of 2018	Trading Notional amount	Trading Positive replacement value (PRV)	Trading Negative replacement value (NRV)	Hedging [1] Notional amount	Hedging [1] Positive replacement value (PRV)	Hedging [1] Negative replacement value (NRV)
CHF million						
Forwards and forward rate agreements	518,397	2,081	2,246	0	0	0
Swaps	3,807,313 [2]	11,164	12,330	94,829 [2]	121	0
Options bought and sold (OTC)	495,660	2,562	2,315	0	0	0
Futures	30,069	0	0	0	0	0
Options bought and sold (exchange-traded)	2,876	0	0	0	0	0
Interest rate products	**4,854,315 [2]**	**15,807**	**16,891**	**94,829 [2]**	**121**	**0**
Forwards and forward rate agreements	1,110,675	8,921	9,501	0	0	0
Swaps [3]	134,067	2,084	2,243	0	0	0
Options bought and sold (OTC)	300,461	2,892	2,778	0	0	0
Futures	71	0	0	0	0	0
Foreign exchange products	**1,545,274**	**13,897**	**14,522**	**0**	**0**	**0**
Forwards and forward rate agreements	9,232	150	111	0	0	0
Options bought and sold (OTC)	8,448	110	93	0	0	0
Precious metal products	**17,680**	**260**	**204**	**0**	**0**	**0**
Forwards and forward rate agreements	153	6	1	0	0	0
Swaps	84,558	1,556	3,903	0	0	0
Options bought and sold (OTC)	108,042	3,380	3,078	0	0	0
Futures	2,241	0	0	0	0	0
Options bought and sold (exchange-traded)	24,344	963	1,196	0	0	0
Equity/index-related products	**219,338**	**5,905**	**8,178**	**0**	**0**	**0**
Credit default swaps	21,636	282	661	0	0	0
Total return swaps	8,661	252	628	0	0	0
Other credit derivatives	7,907	131	44	0	0	0
Credit derivatives	**38,204**	**665**	**1,333**	**0**	**0**	**0**
Swaps	9,663	1,405	372	0	0	0
Options bought and sold (OTC)	2,367	66	55	0	0	0
Other derivative products	**12,030**	**1,471**	**427**	**0**	**0**	**0**
Derivative financial instruments [4]	**6,686,841 [2]**	**38,005**	**41,555**	**94,829 [2]**	**121**	**0**
of which replacement value determined based on a valuation model	–	34,024	37,376	–	121	0

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

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

end of	2019	2018
Before consideration of master netting agreements (CHF million)		
Positive replacement values – trading and hedging	39,860	38,126
Negative replacement values – trading and hedging	38,472	41,555
After consideration of master netting agreements		
Positive replacement values – trading and hedging [1]	8,687	8,023
Negative replacement values – trading and hedging [1]	8,206	7,215

1 Netting includes counterparty exposure and cash collateral netting.

Positive replacement values by counterparty type

end of	2019	2018
CHF million		
Central counterparties	1,634	1,126
Banks and securities dealers	4,798	4,401
Other counterparties [1]	2,255	2,496
Positive replacement values	**8,687**	**8,023**

1 Primarily related to bilateral OTC derivative contracts with clients.

Gains/(losses) on fair value hedges

	2019	2018
in	Interest expense	Net income /(loss) from trading activities and fair value option
Interest rate products (CHF million)		
Hedged items	(1,685)	348
Derivatives designated as hedging instruments	1,512	(348)

As a result of the adoption of US GAAP accounting standard updates for hedging activities on January 1, 2019, the gains/(losses) on interest rate risk hedges are included in interest expense while in prior periods they were recorded in net income/(loss) from trading activities and fair value option. Additionally, the gains/(losses) on the ineffective portion are no longer separately measured and reported. The accrued interest on fair value hedges is recorded in interest expense and is excluded from this table.

Hedged items in fair value hedges

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

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

Cash flow hedges

in	2019	2018
Deferred gains and losses on derivative financial instruments related to cash flow hedges (CHF million) [1]		
Deferred gains/(losses) at beginning of period	**(49)**	**(61)**
Interest rate products		
Gains/(losses) on derivatives deferred in the compensation account	67	(67)
Interest and discount income	(3)	0
Net income/loss from trading activities and fair value option	0	79
(Gains)/losses reclassified from the compensation account into income or expense	(3)	79
Deferred gains/(losses) at end of period	**15**	**(49)**

As a result of the adoption of US GAAP accounting standard updates for hedging activities on January 1, 2019, the gains/(losses) on the ineffective portion are no longer separately measured and reported.

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

As of December 31, 2019, the net gain associated with cash flow hedges expected to be reclassified from other assets and other liabilities to the statement of income within the next 12 months was CHF 10 million.

As of December 31, 2019, the Bank parent company had no cash flow hedges that hedged any exposure to the variability in future cash flows for forecasted transactions, excluding those forecasted transactions related to the payment of variable interest on existing financial instruments.

→ Refer to “Use of derivative financial instruments and hedge accounting” in Note 3 – Risk management, use of derivative financial instruments and hedge accounting for further information.

14 Financial investments

	2019		2018	
end of	Carrying value	Fair value	Carrying value	Fair value
CHF million				
Debt securities	27,924	27,953	30,058	29,949
of which held-to-maturity	24,955	24,984	25,130	25,021
of which available-for-sale	2,969	2,969	4,928	4,928
Equity securities	551	587	651	659
of which qualified participations [1]	323	356	365	372
Real estate [2]	19	19	5	5
Other [3]	46	46	59	59
Financial investments	**28,540**	**28,605**	**30,773**	**30,672**
of which securities eligible for repurchase transactions in accordance with liquidity regulations	0	–	0	–

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

Debt securities by counterparty rating

end of	2019	2018
CHF million		
AAA to AA-	1,110	4,409
A+ to A-	24,469	23,779 [1]
BBB+ to BBB-	41	55
No rating	2,304	1,815 [1]
Debt securities	**27,924**	**30,058**

Ratings are based on external data from Standard & Poor’s.
1 Prior period has been corrected.

15 Other assets and other liabilities

end of	2019	2018
CHF million		
Compensation account [1]	584	1,309
Indirect taxes and duties	228	256
Other [2]	541	256
Other assets	**1,353**	**1,821**
Indirect taxes and duties	25	28
Other [3]	266	290
Other liabilities	**291**	**318**

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

16 Assets pledged

	2019		2018	
end of	Carrying value	Actual liabilities	Carrying value	Actual liabilities
CHF million [1]				
Due from banks	33	33	9	9
Due from customers	297	297	19	19
Trading assets	982	320	911	348
Assets pledged	**1,312**	**650**	**939**	**376**

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

17 Pension plans

As of December 31, 2019 and 2018, the Bank parent company did not have any liabilities due to own pension plans.

→ Refer to "Note 29 – Pension and other post-retirement benefits" in VIII –Consolidated financial statements – Credit Suisse (Bank) for further information.

Swiss pension plan

The Bank parent company's employees are covered by the pension plan of the "Pensionskasse der Credit Suisse Group (Schweiz)" (the Swiss pension plan). Most of the Group parent company's Swiss subsidiaries and a few companies that have close business and financial ties with the Group parent company participate in this plan. The Swiss pension plan is an independent self-insured pension plan set up as a trust and qualifies as a defined contribution plan (savings plan) under Swiss law.

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

International pension plans

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

Employer contribution reserves

	Employer contribution reserves – notional		Amount subject to waiver		Employer contribution reserves – net [1]		Increase/(Release) of employer contribution reserves included in personnel expenses	
end of / in	2019	2018	2019	2018	2019	2018	2019	2018
CHF million								
Swiss pension plan	14	15 [2]	0	0	14	15 [2]	0	0
Total	**14**	**15**	**0**	**0**	**14**	**15**	**0**	**0**

1 In line with Swiss GAAP statutory accounting guidance, contributions to the employer contribution reserves are not recorded in the Bank parent company's statutory balance sheet.
2 Reflects the transfer of employer contribution reserves from the Bank parent company to Credit Suisse Services AG and Credit Suisse Asset Management (Schweiz) AG as of January 1, 2018.

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

	Over/(Under) -funding		Economic benefit/ (obligation) recorded by Bank parent company [2]			Pension contributions		Pension expenses included in personnel expenses	
end of / in	**2019**	2018	**2019**	2018	Change	**2019**	2018	**2019**	2018
CHF million									
Swiss pension plan – status overfunded	902 [1]	677 [1]	–	–	–	156	166	150	168
International pension plans – underfunded	(30)	(15)	(30)	(15)	(15)	1	1	15	(2)
International pension plans – without over-/underfunding	0	0	0	0	0	21	20	21	20
Total	**872**	**662**	**(30)**	**(15)**	**(15)**	**178**	**187**	**186**	**186**

1 Represents the Bank parent company's share of 37.1% and 39% in the total over/(under)funding of the Swiss pension plan of CHF 2,430 million and CHF 1,735 million as of December 31, 2019 and 2018, respectively.
2 In line with Swiss GAAP statutory accounting guidance, the Bank parent company's economic benefit from its share in the overfunding of the Swiss pension plan is not recorded in the Bank parent company's statutory balance sheet.

18 Issued structured products

				2019				2018
	Not bifurcated [1]		Bifurcated	**Total**	Not bifurcated [1]		Bifurcated	**Total**
end of	Liabilities from other financial instruments held at fair value [2]	Value of underlying instrument	Value of derivative [1]		Liabilities from other financial instruments held at fair value [2]	Value of underlying instrument	Value of derivative [1]	
Carrying value of issued structured products by underlying risk of the embedded derivative (CHF million)								
Interest rates								
Structured products with own debt	13,690	0	0	13,690	13,087	0	0	13,087
Structured products without own debt	580	0	0	580	716	0	0	716
Equity								
Structured products with own debt	37,649	0	0	37,649	34,601	0	0	34,601
Foreign exchange								
Structured products with own debt	1,215	0	0	1,215	1,083	0	0	1,083
Structured products without own debt	0	783	(6)	777	0	695	(3)	692
Commodities / precious metals								
Structured products with own debt	2,263	0	0	2,263	1,483	0	0	1,483
Structured products without own debt	0	85	(2)	83	0	66	(1)	65
Credit								
Structured products with own debt	3,571	126	(32)	3,665	3,596	143	(1)	3,738
Other [3]								
Structured products with own debt	30	0	0	30	79	0	0	79
Total	**58,998**	**994**	**(40)**	**59,952**	**54,645**	**904**	**(5)**	**55,544**

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

19 Unsecured senior debt and structured notes

	2019			2018		
end of	Original maturity up to 1 year	Original maturity greater than 1 year	**Total**	Original maturity up to 1 year	Original maturity greater than 1 year	**Total**
CHF million						
Unsecured senior debt [1, 2]	12,081	23,550	**35,631**	8,183	74,228 [3]	**82,411**
of which recorded in bonds and mortgage-backed bonds			35,631			82,411
Unsecured structured notes [4]	9,390	49,291	**58,681**	6,905	47,338	**54,243**
of which recorded in liabilities from other financial instruments held at fair value			58,418			53,929
of which recorded in bonds and mortgage-backed bonds			263			314

1 Includes guaranteed debt and payables related to fully funded swaps.
2 Excludes senior unsecured debt included in due to banks and customer deposits as well as certificates of deposits and bankers acceptances.
3 Includes bail-in instruments of CHF 14,788 million with Credit Suisse Group AG.
4 For structured notes that include a put option, maturity is determined based on the first date at which a noteholder can request repayment. Structured notes with market triggering features are always reflected in accordance with original maturity.

20 Provisions and valuation adjustments

2019	Balance at beginning of period	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 pension benefit obligations	15	0	0	0	0	18	(3)	30 [1]
Provisions for off-balance sheet default risks	158	(7)	0	(4)	0	243	(231)	159 [2, 3]
Provisions for other business risks	18	(1)	0	0	0	5	0	22 [2]
Restructuring provisions	9	0	(9) [4]	0	0	0	0	0
Other provisions	259	(123)	0	(3)	31	60	(40)	184 [5]
Provisions	**459**	**(131)**	**(9)**	**(7)**	**31**	**326**	**(274)**	**395**
Valuation adjustments for default and country risks [6]	**951**	**(247)**	**0**	**(18)**	**69**	**755**	**(414)**	**1,096**
of which valuation adjustments for default risks from impaired receivables	730	(228)	0	(15)	69	301	(43)	814
of which valuation adjustments for inherent risks	221	(19)	0	(3)	0	454	(371)	282

1 Discounted at rates between 1.30% and 8.30%.
2 Provisions are not discounted due to their short-term nature.
3 Provisions are mainly related to irrevocable loan commitments and guarantees.
4 Reclassified to accrued expenses and deferred income and other liabilities upon conclusion of the restructuring program.
5 Includes provisions in respect of litigation claims of CHF 171 million and CHF 240 million as of December 31, 2019 and 2018, respectively; partially discounted at rates between 2.32% and 6.00%.
6 Changes in impaired loan classification during the year and related movements in valuation adjustments are reflected on a gross basis.

21 Composition of share capital, conversion and reserve capital

	2019		2018	
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)	4,399,680,200	4,400 [1]	4,399,680,200	4,400 [1]
Total share capital		**4,400**		**4,400**
Conversion and reserve capital [2]				
Unlimited conversion capital (at CHF 1 par value per share) [3]	unlimited	unlimited	unlimited	unlimited
Reserve capital (at CHF 1 par value per share) [4]	4,399,665,200	4,400	4,399,665,200	4,400
of which used for capital increases	0	0	0	0
of which reserved for planned capital increases	0	0	0	0

1 The dividend eligible capital equals the total nominal value. As of December 31, 2019 and 2018, the total nominal value of registered shares was CHF 4,399,680,200 and fully paid.
2 Represents authorized capital.
3 For information on principal characteristics of unlimited conversion capital, refer to Article 4d in the Articles of Association of the Bank parent company.
4 For information on principal characteristics of reserve capital, refer to Article 4e in the Articles of Association of the Bank parent company.

Non-distributable reserves

As of December 31, 2019 and 2018, the amount of non-distributable reserves in accordance with the Swiss Code of Obligations and the Bank parent company's articles of association was CHF 2,200 million. Not reflected in this amount are reserves which the Bank parent company is required to retain in order to meet the regulatory capital requirements as a going concern.

Transactions with shareholders

→ Refer to "Statement of changes in equity" for further information on transactions with shareholders.

22 Significant shareholders and groups of shareholders

	2019			2018		
end of	Number of shares (million)	Total nominal value (CHF million)	Share-holding (%)	Number of shares (million)	Total nominal value (CHF million)	Share-holding (%)
Direct shareholders						
Credit Suisse Group AG	4,400 [1]	4,400	100.00	4,400 [1]	4,400	100.00
Indirect shareholders through Credit Suisse Group AG [2]						
Chase Nominees Ltd. [3]	591	591	13.43	668	668	15.19
Nortrust Nominees Ltd. [3]	280	280	6.37	257	257	5.84

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

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

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

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

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

Shareholders with a qualified participation

As of December 31, 2019, Credit Suisse Group AG as direct shareholder of Credit Suisse AG is the only shareholder with a qualified participation in accordance with Bank Law.

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

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

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

→ Refer to "Note 22 – Shareholdings of the Board of Directors, Executive Board and employees" in VII –Parent company financial statements – Credit Suisse Group for information on shareholdings of the Board of Directors and the Executive Board of the Bank parent company.

Share-based awards outstanding

	2019		2018	
end of	Number of share-based awards outstanding in million	Fair value in CHF million	Number of share-based awards outstanding in million	Fair value in CHF million
Share-based awards [1]				
Employees	15.6	204	22.4	242
Share-based awards outstanding	**15.6**	**204**	**22.4**	**242**

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

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

As of December 31, 2019 and 2018, the Bank parent company did not have any option plans with outstanding options.

Compensation plans

For 2018, the Bank parent company granted share awards, performance share awards and Contingent Capital Awards (CCA) as deferred compensation in February 2019.

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

In 2019 and 2018, the Bank parent company's total expenses related to deferred compensation plans were CHF 303 million and CHF 107 million, respectively.

For 2019 and 2018, all share-based compensation plans of the Bank parent company were either settled in shares of the Group parent company (Group shares) or in cash on the basis of the fair value of the Group shares.

Share awards

Share awards granted in February 2019 are similar to those granted in February 2018. Each share award granted entitles the holder of the award to receive one Group share, subject to service conditions. Share awards vest over three years with one third of the share awards vesting on each of the three anniversaries of the grant date (ratable vesting), with the exception of awards granted to individuals classified as risk managers or senior managers under the UK PRA Remuneration Code or similar regulations in other jurisdictions. Share awards granted to risk managers vest over five years with one fifth of the award vesting on each of the five anniversaries of the grant date, while share awards granted to senior managers vest over five years commencing on the third anniversary of the grant date, with one fifth of the award vesting on each of the third to seventh anniversaries of the grant date. Share awards are expensed over the service period of the awards. The value of the share awards is solely dependent on the Group share price at the time of delivery.

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

On February 15, 2019, the Bank parent company granted 12.4 million share awards with a total value of CHF 145 million. The number of share awards granted to employees was generally determined by dividing the deferred component of variable compensation being granted as share awards by the average price of a Group share over the ten consecutive trading days ended February 28, 2019. The fair value of each share award was CHF 11.75, the Group share price on the grant date. The majority of share awards granted include the right to receive dividend equivalents on vested shares.

Performance share awards

Managing directors and all material risk takers and controllers (employees whose activities are considered to have a potentially material impact on the Group's risk profile) 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.

Performance share awards granted from 2016 and onward 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, 2019, or a negative ROE of the Group, whichever results in a larger adjustment. For employees in corporate functions and the Asset Resolution Unit, the negative adjustment only applies in the event of a negative return on equity (ROE) of the Group and is not linked to the performance of the divisions. Given the pre-tax loss in the Investment Banking & Capital Markets division for 2019, a negative adjustment has been applied to performance share awards held by employees in that division. The basis for the ROE calculation may vary from year to year, depending on the Compensation Committee's determination for the year in which the performance shares are granted.

On February 15, 2019, the Bank parent company granted 7.6 million performance share awards with a total value of CHF 90 million. The number of performance share awards granted to employees was generally determined by dividing the deferred component of variable compensation being granted as performance share awards by the average price of a Group share over the ten consecutive trading days ended February 28, 2019. The fair value of each performance share award was CHF 11.75, the Group share price on the grant date. The majority of performance share awards granted include the right to receive dividend equivalents on vested shares.

Contingent Capital Awards

CCA were granted in February 2019 and February 2018 to managing directors and directors as part of the 2018 and 2017 deferred variable compensation and have rights and risks similar to those of certain contingent capital instruments issued by the Group in the market. CCA are scheduled to vest on the third anniversary of the grant date, other than those granted to individuals classified as risk managers or senior managers under the UK PRA Remuneration Code, 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 2019 and 2018 that vest five or seven years from the date of grant are not eligible for semi-annual cash payments of interest equivalents.

- CCA granted in 2019 and 2018 that are denominated in US dollars and vest three years from the date of grant receive interest equivalents at a rate of 4.46% and 3.05%, respectively, per annum over the six-month US dollar London Interbank Offered Rate (LIBOR); and
- CCA granted in 2019 and 2018 that are denominated in Swiss francs and vest three years from the date of grant receive interest equivalents at a rate of 3.73% and 2.24%, respectively, per annum over the six-month Swiss franc LIBOR.

The rates were set in line with market conditions at the time of grant and existing high-trigger and low-trigger contingent capital instruments that the Group has issued. For CCA granted in February 2019, employees who received compensation in Swiss francs received CCA denominated in Swiss francs and all other employees received CCA denominated in US dollars.

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

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

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

On February 15, 2019, the Bank parent company awarded CHF 29 million and USD 23 million of CCA that are expensed over the vesting period from the grant date.

Contingent Capital share awards

In March 2016, the Group executed a voluntary exchange offer, under which employees had the right to voluntarily convert all or a portion of their respective CCA into Contingent Capital share awards. Each Contingent Capital share award had a grant-date fair value of CHF 14.45 and contains the same contractual term, vesting period, performance criteria and other terms and conditions as the original CCA.

Other cash awards

Other cash awards include certain share and performance share awards settled in cash.

24 Amounts receivable from and amounts payable to related parties

	2019		2018	
end of	Amounts receivable	Amounts payable	Amounts receivable	Amounts payable
CHF million				
Shareholders with a qualified participation	5,300	32,229	4,100	25,039
Group companies	200,144	127,917	180,310	115,453
Affiliated companies	1,345	555	1,288	410
Members of governing bodies [1]	41	57	42	78

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

Significant off-balance sheet transactions

As part of the normal course of business, the Bank parent company issues guarantees, loan commitments and enters into other agreements with group companies which are recorded as off-balance sheet transactions by the Bank parent company. As of December 31, 2019 and 2018, the Bank parent company had contingent liabilities of CHF 15,752 million and CHF 27,572 million, respectively, and irrevocable loan commitments of CHF 7,458 million and CHF 7,581 million, respectively, of which substantially all were related to transactions with group companies.

As shareholder of Credit Suisse International, an unlimited company incorporated in England and Wales, the Bank parent company has joint and several unlimited obligations to meet any insufficiency in the assets in the event of liquidation.

Additional information on related party transactions

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

→ Refer to “Off-balance sheet transactions”, “Statement of changes in equity” and “Note 1 – Business activities, developments and subsequent events” for further information on related party transactions.

25 Total assets by country rating

end of	2019 CHF million [2]	2019 %	2018 CHF million [2]	2018 %
Internal country rating [1]				
AAA	137,174	24.1%	42,099	7.9%
AA	251,093	44.1%	334,577	62.8%
A	53,052	9.3%	35,970	6.8%
BBB	19,900	3.5%	19,513	3.7%
BB	9,964	1.8%	7,621	1.4%
B	5,545	1.0%	8,480	1.6%
CCC	8,469	1.5%	6,789	1.3%
C	0	0.0%	56	0.0%
D	193	0.0%	193	0.0%
Foreign assets	485,390	85.3%	455,298	85.5%
Domestic assets	83,906	14.7%	77,518	14.5%
Total assets	**569,296**	**100.0%**	**532,816**	**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.

26 Fiduciary transactions

end of	2019	2018
CHF million		
Fiduciary placements with third-party institutions	3,955	3,040
Fiduciary transactions	**3,955**	**3,040**

27 Assets under management

Assets under management

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

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

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

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

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

The Group reviews relevant policies regarding client assets on a regular basis. Following such reviews in 2018, with effect from

January 1, 2019, the Group updated its assets under management policy primarily to introduce more specific criteria to evaluate whether client assets qualify as assets under management. The introduction of this updated policy for the Bank parent company resulted in a reclassification of CHF 18.8 billion of assets under management to assets under custody which was reflected as a structural effect in 2019.

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

Assets under management

end of	2019	2018
CHF billion		
Assets in collective investment instruments managed by Credit Suisse AG	0.3	0.1
Assets with discretionary mandates	89.7	84.9
Other assets under management	394.1	381.6
Assets under management (including double counting)	**484.1**	**466.6**
of which double counting	–	–

Changes in assets under management

	2019	2018
CHF billion		
Balance at beginning of period [1]	**466.6**	**480.0**
Net new assets/(Net asset outflows)	9.9	23.8
Market movements, interest, dividends and foreign exchange	26.4	(26.0)
of which market movements, interest and dividends [2]	34.9	(21.9)
of which foreign exchange	(8.5)	(4.1)
Other effects	(18.8) [3]	(11.2) [4]
Balance at end of period [1]	**484.1**	**466.6**

1 Including double counting.
2 Net of commissions and other expenses and net of interest expenses charged.
3 Reflects a reclassification of assets under management to assets under custody with effect from January 1, 2019, following a policy review in 2018.
4 Includes structural effect outflows of CHF 5.2 billion related to the impact of US sanctions involving Russia and CHF 4.6 billion related to transfers to subsidiaries.

Net new assets

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

Proposed appropriation of retained earnings and capital distribution

Proposed appropriation of retained earnings/(accumulated losses)

	2019
Retained earnings/(accumulated losses) (CHF million)	
Retained earnings carried forward	168
Net profit/(loss)	(11,385)
Retained earnings/(accumulated losses) to be carried forward	**(11,217)**

Proposed distribution out of capital contribution reserves

	2019
Capital contribution reserves (CHF million)	
Balance at end of year	**37,911**
Distribution	(10)
Balance after distribution	**37,901**

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