

Financial Report

6M19

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Credit Suisse (Schweiz) AG

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

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



Report to the Board of Directors of

Credit Suisse (Schweiz) AG, Zurich

Report on the Financial Statements

We have reviewed the accompanying interim financial statements (statements of income, balance sheets, statement of changes in equity and notes to the interim financial statements) of Credit Suisse (Schweiz) AG (Parent Company) for the six-month period ended 30 June 2019.

These interim financial statements are the responsibility of the Board of Directors. Our responsibility is to issue a report on these interim financial statements based on our review.

We conducted our review in accordance with the Swiss Auditing Standard 910 "Engagements to Review Financial Statements". This standard requires that we plan and perform the review to obtain moderate assurance as to whether the interim financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements do not comply with accounting, valuation and presentation principles as stipulated by Swiss law, applicable to the preparation of financial statements.

KPMG AG

Shaun Kendrigan
Licensed Audit Expert

Nicholas Edmonds
Licensed Audit Expert

Zurich, Switzerland
August 21, 2019

Interim financial statements – unaudited

Statements of income (unaudited)

in	6M19	6M18
Statements of income (CHF million)		
Interest and discount income	1,215	1,157
Interest and dividend income from trading activities	29	274
Interest and dividend income from financial investments	2	2
Interest expense	(261)	(231)
Gross income from interest activities	985	1,202
(Increase)/release of allowance for default risks and losses from interest activities	(22)	(48)
Net income from interest activities	963	1,154
Commission income from securities trading and investment activities	728	819
Commission income from lending activities	83	101
Commission income from other services	167	191
Commission expense	(194)	(227)
Net income from commission and service activities	784	884
Net income/(loss) from trading activities and fair value option	64	(4)
Income/(loss) from the disposal of financial investments	1	0
Income from participations	349	331
Other ordinary income	163	195
Other ordinary expenses	0	(25)
Net income from other ordinary activities	513	501
Personnel expenses	661	695
General and administrative expenses	748	823
Total operating expenses	1,409	1,518
Impairment of participations, depreciation and amortization of tangible fixed assets and intangible assets	380	372
Increase/(release) of provisions and other valuation adjustments, and losses	8	7
Operating profit	527	638
Extraordinary income	0	71
Taxes	(49)	(27)
Net profit	478	682

Balance sheets (unaudited)

end of	6M19	2018
Assets (CHF million)		
Cash and other liquid assets	42,302	43,443
Due from banks	10,385	14,047
Securities borrowing and reverse repurchase agreements	10,404	10,007
Due from customers	30,344	29,185
Mortgage loans	116,609	115,413
Trading assets	2,156	1,751
Positive replacement values of derivative financial instruments	2,272	2,442
Financial investments	253	283
Accrued income and prepaid expenses	455	374
Participations	1,623	1,623
Tangible fixed assets	303	275
Intangible assets	1,469	1,821
Other assets	1,626	2,083
Total assets	220,201	222,747
Total subordinated receivables	90	90
of which receivables subject to contractual mandatory conversion and/or cancellation	90	90
Liabilities and shareholders' equity		
Due to banks	10,792	15,563
Securities lending and repurchase agreements	2,897	2,483
Customer deposits	169,421	165,578
Trading liabilities	173	541
Negative replacement values of derivative financial instruments	1,289	1,306
Liabilities from other financial instruments held at fair value	0	22
Medium-term notes	225	264
Bonds and mortgage-backed bonds	20,024	20,200
Accrued expenses and deferred income	663	783
Other liabilities	698	1,349
Provisions	104	121
Total liabilities	206,286	208,210
Share capital	100	100
Legal capital reserves	13,333	13,533
of which capital contribution reserves	13,022	13,222
Retained earnings	4	14
Net profit	478	890
Total shareholders' equity	13,915	14,537
Total liabilities and shareholders' equity	220,201	222,747
Total subordinated liabilities	3,105	3,105
of which liabilities subject to contractual mandatory conversion and/or cancellation	3,105	3,105

Off-balance sheet transactions (unaudited)

end of	6M19	2018
CHF million		
Contingent liabilities	17,108	20,569
Irrevocable commitments	10,061	9,552
Obligations for calls on shares and additional payments	47	47

Off-balance sheet transactions

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

Joint and several liability

On November 20, 2016, Credit Suisse AG transferred its universal bank business for Swiss customers, mainly comprising a significant part of the Swiss Universal Bank division to Credit Suisse (Schweiz) AG. This business transfer was executed through a transfer of assets and liabilities in accordance with the Swiss Merger Act. By operation of the Swiss Merger Act, Credit Suisse AG assumed a three-year statutory joint and several liability for obligations existing at the transfer date on November 20, 2016 and which were transferred to Credit Suisse (Schweiz) AG.

The transfer of assets also included assets at a carrying value of CHF 4,782 million and CHF 7,274 million as of June 30, 2019 and December 31, 2018, respectively, which are pledged under the covered bonds program of Credit Suisse AG and for which the related liabilities of CHF 3,482 million and CHF 5,524 million as of June 30, 2019 and December 31, 2018 are reported by Credit Suisse AG. As of June 30, 2019 and December 31, 2018, the contingent liabilities of Credit Suisse (Schweiz) AG under the covered bond program are CHF 3,482 million and CHF 5,524

million, respectively. Credit Suisse (Schweiz) AG also entered into a contractual arrangement under which it assumed joint and several liability in connection with Credit Suisse (Schweiz) AG's roles under the covered bonds program.

→ Refer to "Business developments" in Note 1 – Company details, business developments and subsequent events for further information.

Credit Suisse (Schweiz) AG 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 program

Deposit-taking banks and securities dealers in Switzerland are required to ensure the payout of privileged deposits in the case of specified restrictions or compulsory liquidation of a deposit-taking bank, and they jointly guarantee an amount of up to CHF 6 billion. Upon occurrence of a payout event triggered by a specified restriction of business imposed by the Swiss Financial Market Supervisory Authority FINMA (FINMA) or by the compulsory liquidation of another deposit-taking bank, the participating bank's contribution will be calculated based on its share of privileged deposits in proportion to total privileged deposits. Based on FINMA's estimate, Credit Suisse (Schweiz) AG's share in the deposit insurance guarantee program for the period July 1, 2018 to June 30, 2019 was CHF 408 million. This deposit insurance guarantee is reflected in contingent liabilities. For the period July 1, 2019 to June 30, 2020, Credit Suisse (Schweiz) AG's share in the deposit insurance guarantee program based on FINMA's estimate will be CHF 401 million.

Statement of changes in equity (unaudited)

	Share capital	Legal capital reserves		Retained earnings	Net profit	Total shareholder's equity
		Total	of which: capital contribution reserves ¹			
6M19 (CHF million)						
Balance at beginning of period	100	13,533	13,222	14	890	14,537
Appropriation of net profit	–	–	–	890	(890)	–
Dividends and other distributions	–	(200)	(200)	(900)	–	(1,100)
Net profit	–	–	–	–	478	478
Balance at end of period	100	13,333	13,022	4	478	13,915

¹ Distributions from capital contribution reserves are free of Swiss withholding tax.

Notes to the interim financial statements – unaudited

1 Company details, business developments and subsequent events

Company details

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

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

Business developments

Swiss covered bond program

In June 2019, Credit Suisse (Schweiz) AG launched its Swiss covered bond program with an initial issuance of CHF 250 million settled on July 16, 2019. The program further diversifies the funding of Credit Suisse (Schweiz) AG beyond customer deposits, covered bonds issued through Pfandbriefbank Schweizerischer Hypothekarinstitute and Swiss money market.

Credit Suisse InvestLab AG

In June 2019, the Group announced an agreement with Allfunds Group (Allfunds) to combine the Group's open architecture investment fund platform, Credit Suisse InvestLab AG, with Allfunds. The transaction is subject to customary closing conditions including anti-trust and regulatory approvals. The closing of the transfer of Credit Suisse InvestLab AG from the Group to Allfunds is expected in 3Q19. In preparation for this transaction, Credit Suisse (Schweiz) AG will sell its 49% equity stake in Credit Suisse InvestLab AG to Credit Suisse AG.

Subsequent events

There were no subsequent events from the balance sheet date until August 21, 2019, the publishing date of these interim financial statements.

2 Accounting and valuation principles

Summary of significant accounting and valuation principles

Basis for accounting

The accompanying unaudited standalone interim financial statements of Credit Suisse (Schweiz) AG are prepared in accordance with the accounting rules of the Swiss Federal Law on Banks and Savings Banks (Bank Law), the corresponding Implementing Ordinance (Bank 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*). These interim financial statements should be read in conjunction with the standalone financial statements and notes thereto for the year ended December 31, 2018 included in the Annual Report 2018 of Credit Suisse (Schweiz) AG.

→ Refer to "Note 2 – Accounting and valuation principles" in the Annual Report 2018 for further information.

3 Extraordinary income

in	6M19	6M18
CHF million		
Gains realized from the disposal of participations	0	71 ¹
Extraordinary income	0	71

¹ Related to the sale of a non-marketable minority interest in a participation.

Cautionary statement regarding forward-looking information

This document contains forward-looking statements that involve inherent risks and uncertainties, and we might not be able to achieve the predictions, forecasts, projections and other outcomes we describe or imply in forward-looking statements. A number of important factors could cause results to differ materially from the plans, targets, goals, expectations, estimates and intentions we express in these forward-looking statements. We do not intend to update these forward-looking statements.



CREDIT SUISSE (SCHWEIZ) AG

Paradeplatz 8

8070 Zurich

Switzerland

credit-suisse.com