CREDIT SUISSE

Part of UBS Group

Financial Statements 2023

Credit Suisse AG – Parent company

For purposes of this report, unless the context otherwise requires, the terms "Credit Suisse" and "the Bank" mean Credit Suisse AG and its consolidated subsidiaries. The terms "UBS" and "UBS Group" are used for UBS Group AG and its consolidated subsidiaries. The term "UBS Group AG" is used when referring to UBS Group AG on a standalone basis or to the legal entity.

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

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

Financial Statements 2023

Credit Suisse AG – Parent company

Notes to the financial statements

Report of the statutory auditor

to the General Meeting of Credit Suisse AG, Zurich

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Credit Suisse AG (the Company), which comprise the statement of income, balance sheet and notes to the financial statements for the year ended December 31, 2023, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 9 to 51) comply with Swiss law and the Company's articles of association.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Company in accordance with the provisions of Swiss law, and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

Overall materiality: CHF 210 million

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

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

- Valuation of certain financial instruments
- Litigation provisions
- Valuation of allowance for credit losses
- Carrying value of participations

Materiality

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

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

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Overall materiality	CHF 210 million
Benchmark applied	Net assets
Rationale for the materiality benchmark applied	We chose net assets as a benchmark because, in our view, it is a key indicator used when assessing solvency and stability of Credit Suisse AG as well as its ability to meet capital adequacy requirements

Audit scope

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

Key audit matters

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.

Valuation of certain financial instruments

Key audit matter	How our audit addressed the key audit matter
As described in Notes 12, 13 and 18 to the financial statements, Credit Suisse AG carried CHF 9,895 million of its assets held at fair value, which consists of CHF 7,217 million of trading assets, and CHF 2,678 million of positive replacement values of derivative financial instruments. Credit Suisse AG also carried CHF 30,894 million of its liabilities held at fair value, which consists of CHF 56 million of trading liabilities, CHF 2,998 million of negative replacement values of derivative financial instruments, and CHF 27,840 million of liabilities from other financial instruments. These balances include assets and liabilities that contain one or more inputs to valuation which are unobservable and significant to their fair value measurement. Credit Suisse AG utilized industry standard models or internally developed valuation models and unobservable inputs to estimate fair value of certain of these financial instruments. The unobservable inputs used by management to estimate the fair value of certain of these financial instruments included (i) correlation, (ii) market implied life expectancy, in years, (iii) UK mortality, (iv) price, (v) volatility, and (vi) credit spread. The principal considerations for our determination that performing procedures relating to the fair value of certain level 3 financial instruments is a key audit matter are (i) the significant judgment by management in determining the fair value of these financial instruments, which in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence related to the fair value of these financial instruments, and (ii) the audit effort involved the use of professionals with specialized skill and knowledge.	Addressing the matter involved performing and evaluating audit evidence in connection with forming our overall opinion on the financial statements. These procedures included testing the effectiveness of controls relating to the fair value of financial instruments, including controls over the Company's models, inputs, and data. These procedures also included, among others, for a sample of financial instruments, the involvement of professionals with specialized skill and knowledge to assist in (i) developing an independent estimate of fair value or (ii) testing management's process to determine the fair value of these financial instruments. Developing an independent estimate involved (i) testing the completeness and accuracy of data provided by management, (ii) evaluating and utilizing management's significant unobservable inputs or developing independent significant unobservable inputs, and (iii) comparing management's estimate to the independently developed estimate of fair value. Testing management's process to determine the fair value involved (i) evaluating the reasonableness of management's significant unobservable inputs, (ii) evaluating the appropriateness of the techniques used, and (iii) testing the completeness and accuracy of data used by management to determine the fair value of these instruments.

Litigation provisions

Key audit matter	How our audit addressed the key audit matter
Credit Suisse AG is involved in a number of judicial, regulatory and arbitration proceedings concerning matters arising in connection with the conduct of its businesses. Credit Suisse AG's aggregate litigation provisions include estimates of losses, additional losses or ranges of loss for proceedings for which such losses are probable and can be reasonably estimated. As described in Note 19 to the financial statements, as of December 31, 2023 Credit Suisse AG has recorded litigation provisions of CHF 939 million. The principal considerations for our determination that performing procedures relating to the litigation provisions is a key audit matter are the significant judgments made by management when assessing the likelihood of a loss being incurred for certain matters, which in turn led to a high degree of auditor judgment, subjectivity, and effort in evaluating management's assessment of certain litigation provisions and related disclosures. The determination of when to recognize a litigation provision and the basis of measurement are case-specific and highly judgmental. This increases the inherent risk of an error.	Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the financial statements. These procedures included testing the effectiveness of controls relating to management's estimation of the litigation provisions, including controls over determining whether a loss is probable and whether the amount of loss can be reasonably estimated. These procedures also included, among others, obtaining and evaluating the letters of audit inquiry with internal and external legal counsels, targeted inquiries with external counsel, evaluating the reasonableness of management's assessment regarding whether an unfavorable outcome is probable and reasonably estimable, and evaluating the sufficiency of Credit Suisse AG's litigation provisions and related disclosures.

Valuation of allowance for credit losses

Key audit matter	How our audit addressed the key audit matter
As described in Note 11 to the financial statements, Credit Suisse AG recorded gross loans held at amortized cost of CHF 74,968 million and an allowance for credit losses of CHF 1,960 million. Current expected credit losses ("CECL") are estimated using a forward-looking methodology over the lifetime of the exposure. CECL models use forecasts of future economic conditions across multiple scenarios to estimate expected credit losses. Expected credit losses are not solely derived from macroeconomic factors. Model overlays based on expert judgment were also applied, considering historical loss experience and industry and counterparty reviews. Expected credit losses for individually impaired credit exposures are measured by performing an in-depth review and analysis of these exposures, considering factors such as recovery and exit options as well as collateral and the risk profile of the borrower. We identified the assessment of the allowance for credit losses as a key audit matter. The principal considerations for our determination are (i) the significant judgment and estimation by management in developing future macroeconomic scenarios and related probability weights, (ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures and in evaluating audit evidence obtained, (iii) the audit effort involved the use of professionals with specialized skill and knowledge, and (iv) judgment by management to	The primary procedures we performed to address the key audit matter included the following: ● Testing the effectiveness of controls relating to management's expected credit loss process, including controls over the Company's models, data, macroeconomic scenarios and related probability weights. ● Testing management's process for estimating expected credit losses, including (i) evaluating the appropriateness of the methodologies used to determine the allowance for credit losses, (ii) testing the completeness and accuracy of data used in the estimate, (iii) evaluating the reasonableness of certain macroeconomic factors, (iv) evaluating the reasonableness of management's probability weighting of macroeconomic scenarios, and (v) for a sample, evaluating the reasonableness of management's model overlays. The procedures included the use of professionals with specialized skill and knowledge to assist in evaluating the appropriateness of model methodologies and assist in evaluating the audit evidence. ● For individually impaired loans we tested controls over the individual impairment process, including management's quality control over the process.

Key audit matter	How our audit addressed the key audit matter
estimate the recoverable amount and the collateral value for loans that are individually evaluated for impairment.	• We tested individually impaired loans on a sample basis. This included obtaining audit evidence for key assumptions such as future cash flow estimates and valuation of underlying collateral.

Carrying value of participations

Key audit matter	How our audit addressed the key audit matter
As set out in the balance sheet line item "Participations" and as described in Note 2 to the financial statements, Credit Suisse AG held participations with a carrying value of CHF 28,534 million as of December 31, 2023. Participations are carried at acquisition cost less impairment. Due to the high level of sensitivity of the fair value to the assumptions used in the impairment assessment and the significance of the participations to the financial statements of Credit Suisse AG, we identified the impairment assessment of participations as a key audit matter.	We addressed the key audit matter by testing the design and effectiveness of controls relating to management's impairment assessment of participations. Further, for a sample of participations, we reviewed management's assumptions such as three-year financial plans and discount rates used under the income approach and market multiples used under the market approach. Professionals with specialized skill and knowledge were involved to assist in the evaluation of Credit Suisse AG's market approach and income approach as well as the discount rate and multiples assumptions. They also performed an independent calculation of the fair value of the participations and compared the results to the management's.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, financial statements, and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

Report on other legal and regulatory requirements

In accordance with art. 728a para. 1 item 3 CO and PS-CH 890, we confirm the existence of an internal control system that has been designed for the preparation of the financial statements according to the instructions of the Board of Directors.

Based on our audit according to article 728a para. 1 item 2 CO, we confirm that the Board of Directors' proposal complies with Swiss law and the Company's articles of association and recommend that these annual financial statements be approved.

PricewaterhouseCoopers AG

Beresford Caloia	Matthew Falconer
Licensed audit expert Auditor in charge	Licensed audit expert

Zurich, March 28, 2024

Parent company financial statements

Statement of income

	Note	in 2023	2022
Statement of income (CHF million)			
Interest and discount income		11,953	7,937
Interest and dividend income from trading activities		616	1,488
Interest and dividend income from financial investments		1,150	696
Interest expense		(13,274)	(7,867)
Gross income from interest activities		**445**	**2,254**
(Increase)/release of allowance for default risks and losses from interest activities		(697)	(528)
Net income from interest activities	4	**(252)**	**1,726**
Commission income from securities trading and investment activities		1,363	1,886
Commission income from lending activities		394	661
Commission income from other services		101	205
Commission expense		(390)	(423)
Net income from commission and service activities		**1,468**	**2,329**
Net income/(loss) from trading activities and fair value option	5	**(2,295)**	**(2,563)**
Income/(loss) from the disposal of financial investments		(243)	(49)
Income from participations		4,373	2,780
Income from real estate		31	37
Other ordinary income		1,293	1,536
Other ordinary expenses		(209)	(70)
Net income from other ordinary activities		**5,245**	**4,234**
Personnel expenses	6	2,126	1,856
General and administrative expenses	7	3,502	4,192
Total operating expenses		**5,628**	**6,048**
Impairment of participations, depreciation and amortization of tangible fixed assets and intangible assets	1	3,571	12,379
Increase/(release) of provisions and other valuation adjustments, and losses	8	2,479	287
Operating profit/(loss)		**(7,512)**	**(12,988)**
Extraordinary income	8	18,245	276
Extraordinary expenses	8	(1)	(62)
Taxes	9	(606)	209
Net profit/(loss)		**10,126**	**(12,565)**

Balance sheet

	Note	end of 2023	2022
Assets (CHF million)			
Cash and other liquid assets		65,052	38,566
Due from banks		28,399	62,363
Securities borrowing and reverse repurchase agreements	10	21,553	52,380
Due from customers	11	67,628	117,543
Mortgage loans	11	4,478	5,033
Trading assets	12	7,217	26,072
Positive replacement values of derivative financial instruments	13	2,678	7,390
Financial investments	14	24,251	28,396
Accrued income and prepaid expenses		1,909	3,067
Participations		28,534	30,357
Tangible fixed assets		838	1,672
Other assets	15	5,398	5,524
Total assets		**257,935**	**378,363**
Total subordinated receivables		13,397	15,085
of which receivables subject to contractual mandatory conversion and/or cancellation		4,118	4,218
Liabilities and shareholders' equity			
Due to banks		33,017	54,307
Securities lending and repurchase agreements	10	11,930	52,646
Customer deposits		80,248	87,383
Trading liabilities	12	56	2,857
Negative replacement values of derivative financial instruments	13	2,998	4,994
Liabilities from other financial instruments held at fair value	12, 18	27,840	43,725
Bonds and mortgage-backed bonds		69,892	111,770
Accrued expenses and deferred income		3,411	3,338
Other liabilities	15	285	525
Provisions	19	1,877	563
Total liabilities		**231,554**	**362,108**
Share capital	21	4,400	4,400
Legal capital reserves		42,290	34,790
of which capital contribution reserves		42,290	34,790
Free reserves		0	7,500
of which capital contribution reserves		0	7,500
Accumulated losses carried forward		(30,435)	(17,870)
Net profit/(loss)		10,126	(12,565)
Total shareholders' equity		**26,381**	**16,255**
Total liabilities and shareholders' equity		**257,935**	**378,363**
Total subordinated liabilities		44,322	68,983
of which liabilities subject to contractual mandatory conversion and/or cancellation		462	17,685

Off-balance sheet transactions

end of	2023	2022
CHF million		
Contingent liabilities	8,562	12,800
Irrevocable commitments	40,727	83,583
Obligations for calls on shares and additional payments	1	2

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 international covered bonds program.

Credit Suisse AG was a member of the Swiss value added tax (VAT) group "VAT Group, Credit Suisse" until its resolution on December 31, 2023. With effect from January 1, 2024, Credit Suisse AG was included in the VAT tax group "UBS VAT Group". As a member of the "UBS VAT Group", Credit Suisse AG is 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 protected deposits in case of specified restrictions or the forced liquidation of a deposit-taking bank. In Switzerland, under the amended Swiss deposit insurance guarantee program, the jointly guaranteed amount is determined as the higher of CHF 6 billion or 1.6% of all protected deposits. As per notification from esisuisse, the administrator of the Swiss deposit insurance program, Credit Suisse AG's respective share was CHF 42 million for the period July 1, 2023 to June 30, 2024. This deposit insurance guarantee was reflected in irrevocable commitments.

→ Refer to "Note 16 – Assets pledged" for further information on assets pledged in connection with the Swiss deposit insurance program.

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

Statement of changes in equity

	Share capital	Legal capital reserves	Free reserves	Accumulated losses carried forward	Net profit/(loss)	**Total shareholders' equity**
2023 (CHF million)						
Balance at beginning of period	**4,400**	**34,790** [1]	**7,500** [2]	**(17,870)**	**(12,565)**	**16,255**
Appropriation of net loss	–	–	–	(12,565)	12,565	–
Transfer of reserves [3]	–	7,500	(7,500)	–	–	–
Net profit	–	–	–	–	10,126	10,126
Balance at end of period	**4,400**	**42,290** [1]	**0**	**(30,435)**	**10,126**	**26,381**

1 Included capital contribution reserves of CHF 34,790 million at the beginning of the period and CHF 42,290 million at the end of the period. Distributions from capital contribution reserves are free of Swiss withholding tax.
2 Included capital contribution reserves of CHF 7,500 million.
3 Transfer of free capital contribution reserves to legal capital contribution reserves as approved by the annual general meeting of shareholders on April 4, 2023.

Notes to the financial statements

1 Company details, business developments and subsequent events

Company details

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

The Bank parent company is a wholly owned subsidiary of UBS Group AG domiciled in Switzerland.

Number of employees

end of	2023	2022
Full-time equivalents		
Switzerland	4,764	5,677
Abroad	2,597	3,806
Total	**7,361**	**9,483**

Business developments

Acquisition by UBS

On June 12, 2023, the acquisition of Credit Suisse Group AG (the former parent company of Credit Suisse AG) by UBS Group AG was consummated. The acquisition of Credit Suisse Group AG resulted in changes that had significant impacts on the Bank parent company's standalone results for 2023 under accounting standards applicable to Swiss banks. These acquisition-related effects included mainly valuation adjustments, impairments of internally developed software and other acquisition-related adjustments.

Due to the acquisition, the Bank parent company reviewed the valuation of certain financial assets applying alternative valuation models and parameter updates. As a result of these reviews, the Bank parent company recorded negative valuation adjustments primarily related to derivative financial instruments. Also, the Bank parent company recorded participation impairment releases in the total amount of CHF 3.1 billion, partially offset by new participation impairments of CHF 2.6 billion, as described further below.

Furthermore, a review of the Bank parent company's loan portfolio was performed in 2023. As a result of this review, certain loans and loan portfolios were identified, for which management plans a disposal before maturity of these loans. For losses unrelated to counterparty credit risk, which the Bank parent company expects to realize upon disposal of these loans and related irrevocable commitments, the Bank parent company recorded a valuation allowance of CHF 902 million for these loans as well as provisions of CHF 652 million for related irrevocable commitments in addition to the allowance and provisions for expected credit losses recognized for these loans and irrevocable commitments.

→ Refer to "Note 8 – Increase/(release) of provisions and other valuation adjustments, losses and extraordinary income and expenses", "Note 11 – Collateral and impaired loans and receivables" and "Note 19 – Provisions and allowances" for further information.

As a result of the acquisition, a detailed review of internally developed software applications and an assessment of their fair value have been performed reflecting the usability and useful life for UBS. Following this assessment, which included a number of applications that were found to be overlapping with UBS systems, an impairment of CHF 713 million was recorded in 2023.

In December 2023, the board of directors of UBS Group AG approved the merger of UBS AG and Credit Suisse AG. Following approvals from their respective boards, both entities entered into a definitive merger agreement. The completion of the legal merger is subject to regulatory approvals and is expected to occur by the end of the second quarter of 2024.

Compensation

In addition to the acquisition-related impacts on personnel expenses discussed above, on April 5, 2023, the Swiss Federal Council instructed the Swiss Federal Department of Finance to cancel or reduce the outstanding variable remuneration for the top three levels of management at Credit Suisse. The net impact of these cancellations and reductions of variable remuneration on the Bank parent company's personnel expenses in 2023 was a credit of CHF 8 million.

Furthermore, 2023 included the cancellation of the prior-year contingent capital awards (CCA), resulting in a credit of CHF 79 million recognized in personnel expenses.

Internal control over financial reporting

Credit Suisse AG's Board of Directors is responsible for establishing and maintaining adequate internal control over financial reporting which is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Swiss law. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As reported in the Annual Report 2022 of Credit Suisse Group AG and Credit Suisse AG, which included the statutory financial statements of Credit Suisse AG, prior to the acquisition by UBS, Credit Suisse had identified certain material weaknesses in its internal control over financial reporting. The Board of Directors of Credit Suisse AG concluded as of December 31, 2022, that one material weakness relating to the design and maintenance of a risk assessment process to identify and analyze the risk of material misstatements could result in a material misstatement to the annual financial statements of Credit Suisse AG that would not be prevented or detected.

In 2023, Credit Suisse AG's management enhanced the risk assessment process component of the internal control system and performed additional design and implementation testing. Based on the remediation program in 2023, the Board of Directors and management of Credit Suisse AG concluded that under the requirements of Swiss law, an internal control system is designed, implemented and maintained at the Bank parent company as of December 31, 2023.

Valuation of participations

The carrying value of the Bank parent company's participations in subsidiaries is reviewed for potential impairment on at least an annual basis as of December 31 and at any other time that events or circumstances indicate that the participations' value may be impaired. During 2023, the first quarter deposit and assets under management outflows, the acquisition by UBS, the UBS announcement on August 31, 2023 providing an update on the strategy and integration of Credit Suisse, were triggering events.

Based on the reviews performed, which included the support of an independent valuation specialist, the Bank parent company recorded a total participation impairment release of CHF 3.1 billion for 2023, which is reflected in the statement of income in extraordinary income. Participation impairment releases of CHF 2.7 billion were related to Credit Suisse International and CHF 0.4 billion related to Credit Suisse Investments (UK). As a result of the clarity provided by the UBS strategy and associated financial plans for these entities, the management determined that the fair values of these participations recovered sustainably, and as a result, prior period impairments were partially reversed.

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

These participation impairment releases were partially offset by total participation impairments of CHF 2.6 billion for 2023, which are reflected in the statement of income in "Impairment of participations, depreciation and amortization of tangible fixed assets and intangible assets". Participation impairments of CHF 0.9 billion were related to Credit Suisse (Hong Kong) Limited, CHF 0.7 billion related to Credit Suisse Holdings (USA) Inc., CHF 0.3 billion related to Credit Suisse (Singapore) Limited and CHF 0.7 billion related to other entities. The strategy of integration following the acquisition by UBS had a negative impact on the financial plans for these entities, resulting in lower fair values for these participations.

Write-down of additional tier 1 capital notes

In March 2023, FINMA ordered that former Credit Suisse Group AG's outstanding amount of additional tier 1 capital notes of nominal value of approximately CHF 16 billion be written down to zero. Subsequently, the Bank parent company recorded a gain of approximately CHF 15.1 billion from the write-down of such additional tier 1 capital notes, which was recognized in extraordinary income, reflecting the non-recurring and non-operating nature of this gain.

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

Liquidity developments

Following the legal close of the acquisition of Credit Suisse Group AG by UBS Group AG, Credit Suisse became part of the overall UBS liquidity and funding management. Credit Suisse now leverages the market access of UBS and engages in secured and unsecured intercompany transactions to facilitate funding between entities.

The SNB granted Credit Suisse AG access to liquidity facilities, including Emergency Liquidity Assistance Plus (ELA+) and the Public Liquidity Backstop (PLB), which has provided liquidity support to Credit Suisse AG, a portion of which was supported by default guarantees provided by the Swiss government. The liquidity situation and the ability to transfer funding between the UBS and Credit Suisse AG have allowed Credit Suisse AG to continue to repay the various liquidity facilities. Credit Suisse AG fully repaid the ELA+ loans as of August 10, 2023. Following a comprehensive review with UBS of the funding situation, Credit Suisse AG voluntarily terminated the PLB agreement with the SNB and the Federal Department of Finance as of August 11, 2023.

Credit Suisse is reliant on funding from UBS, which has provided a letter of support that confirms its intent to keep Credit Suisse AG in good standing and in compliance with its regulatory capital, liquidity requirements as well as debt covenants and to fully support its operating, investing and financing activities through at least March 28, 2025, or a merger with UBS AG, if earlier.

Outflows in assets under management

In 2023, the Bank parent company's net asset outflows were CHF 48.6 billion or 13% of assets under management as of December 31, 2022, in particular following net asset outflows in the second half of March 2023.

→ Refer to "Note 27 – Assets under management" for further information.

Securitized Products Group

In 2023, Credit Suisse completed the sale of a significant part of the Securitized Products Group (SPG) to entities and funds managed by affiliates of Apollo Global Management (collectively, Apollo). In connection with the initial closing of this transaction, Credit Suisse and Apollo entered into various ancillary agreements related to the transaction, including an investment management agreement, certain financing arrangements and a transition services agreement.

→ Refer to "Subsequent events" for further information.

Supply chain finance fund matter

As previously reported, early March 2021, the boards of four supply chain finance funds (SCFF) managed by certain Bank subsidiaries decided to suspend redemptions and subscriptions of those funds to protect the interests of the funds' investors, to terminate the SCFF and to proceed to their liquidation.

Beginning in the fourth quarter of 2021, the Bank introduced a fee waiver program for clients impacted by this matter wherein certain commissions and fees arising from current and future business transactions may be reimbursed on a quarterly basis, provided certain conditions are met. The Bank parent company incurred negative revenues of CHF 19 million and CHF 74 million in 2023 and 2022, respectively, relating to this fee waiver program.

Subsequent events

In March 2024, Credit Suisse has entered into agreements with Apollo to conclude the investment management agreement under which Atlas SP Partners (Atlas) has managed Credit Suisse's retained portfolio of assets of the former SPG. Following this agreement, the assets previously managed by Atlas will be managed in UBS's Non-core and Legacy. The parties have also agreed to conclude the transition services agreement under which Credit Suisse has provided services to Atlas. In addition, Credit Suisse AG has entered into an agreement to transfer to Apollo approximately USD 8 billion of senior secured asset-based financing. As part of the loan transfer, Credit Suisse AG will extend a one-year USD 750 million swingline facility to the borrowers under the transferred financing facilities.

2 Accounting and valuation principles

Summary of significant accounting and valuation principles

Basis for accounting

The Bank parent company's standalone financial statements are prepared in accordance with the accounting rules of the Swiss Federal Law on Banks and Savings Banks (Bank Law), the corresponding Implementing Ordinance (Banking Ordinance), the Swiss Financial Market Supervisory Authority's Accounting Ordinance (FINMA Accounting Ordinance) and FINMA circular 2020/1, "Accounting – banks" (Swiss GAAP statutory) as applicable for the preparation of reliable assessment statutory single-entity financial statements *(Statutarischer Einzelabschluss mit zuverlässiger Darstellung)*. These financial statements were prepared applying the valuation basis of a going concern.

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

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

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

→ Refer to "Note 40 – Significant valuation and income recognition differences between US GAAP and Swiss GAAP banking law (true and fair view)" in V – Consolidated financial statements – Credit Suisse for information on significant valuation and income recognition differences between US GAAP and Swiss GAAP banking law (true and fair view).

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

Certain reclassifications 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 the Swiss franc (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 date of the balance sheet, monetary assets and liabilities, such as receivables and payables, are reported using the year-end spot foreign exchange rates. Gains and losses from foreign exchange rate differences are recorded in the statement of income in net income/(loss) from trading activities and fair value option. 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 statement 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 2023	2022
1 USD / 1 CHF	0.84	0.92
1 EUR / 1 CHF	0.93	0.99
1 GBP / 1 CHF	1.07	1.12
100 JPY / 1 CHF	0.59	0.70

Cash and other liquid assets
Cash and other liquid assets are recognized at their nominal value less any necessary allowance for credit losses.

Due from banks
Amounts due from banks, including interest due but not paid, are recognized at their nominal value less any necessary allowance for credit losses.

Securities lending and borrowing, repurchase and reverse repurchase agreements
Securities lending and borrowing as well as repurchase and reverse repurchase agreements are recorded at the nominal value of the cash amounts exchanged less any necessary allowance for credit losses.

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 allowance for credit losses and any necessary valuation allowance for non-credit-related valuation adjustments.

Certain loans and loan portfolios were identified, for which management plans a disposal in the near future and before maturity of these loans. Such loans remain classified as due from customers and are recognized in accordance with the accounting principles described above. For losses expected to be realized upon disposal of these loans, a valuation allowance is recorded as such losses are not related to counterparty credit risk but depend on prevailing market conditions as well as the strategy and approach chosen for the disposal of these loans. In the statement of income, a valuation allowance is reflected in increase/(release) of provisions and other valuation adjustments, and losses.

Allowance for credit losses and non-accrual financial assets
The current expected credit loss (CECL) requirements in accordance with US GAAP as allowed under the Swiss GAAP statutory accounting rules for banks apply to all financial assets and off-balance sheet exposures measured at amortized cost or nominal value less allowance for credit losses. The expected credit loss amounts are based on a forward-looking, lifetime CECL model by incorporating reasonable and supportable forecasts of future economic conditions available at the reporting date. The expected credit loss amounts are estimated over the contractual term of the financial assets, taking into account the effect of prepayments. This requires considerable judgment over how changes in macroeconomic factors (MEFs) as well as changes in forward-looking borrower-specific characteristics will affect the expected credit loss amounts.

The Bank parent company measures expected credit losses of financial assets on a collective (pool) basis when similar risk characteristics exist. For financial assets which do not share similar risk characteristics, expected credit losses are evaluated on an individual basis. Expected credit loss amounts are probability-weighted estimates of potential credit losses based on historical frequency, current trends and conditions as well as forecasted MEFs, such as gross domestic product (GDP), unemployment rates and interest rates.

For financial assets that are performing at the reporting date, the allowance for credit losses is generally measured using a probability of default (PD)/loss given default (LGD) approach under which PD, LGD and exposure at default (EAD) are estimated. For financial assets that are credit-impaired at the reporting date, the Bank parent company generally applies a discounted cash flow approach to determine the difference between the gross carrying amount and the present value of estimated future cash flows.

An allowance for credit losses is deducted from the amortized cost base or nominal value, respectively, of the financial asset. Changes in the allowance for credit losses are recorded in the statement of income in (increase)/release of allowance for default risks and losses from interest activities, or, if related to provisions for off-balance sheet credit exposures, in increase/(release) of provisions and other valuation adjustments, and losses.

Accrued interest from financial assets is recognized in the balance sheet in accrued income and prepaid expenses. Current expected credit losses are calculated on accrued interest receivables and any uncollectible accrued interest receivables are written off by reversing the related interest income.

Write-off of a financial asset occurs when it is considered certain that there is no possibility of recovering the outstanding principal. If the amount of loss on write-off is greater than the accumulated allowance for credit losses, the difference results in an additional credit loss. The additional credit loss is first recognized as an addition to the allowance; the allowance is then applied against the gross carrying amount. Any repossessed collateral is initially measured at fair value. The subsequent measurement depends on the nature of the collateral.

Expected recoveries on financial assets previously written off have to be reflected in the allowance for credit losses; for this purpose, the amount of expected recoveries cannot exceed the aggregate amounts previously written off. Accordingly, expected recoveries from financial assets previously written off may result in an overall negative allowance for credit loss balance.

The Bank parent company's loan portfolios are reflected in the balance sheet in due from customers, due from banks and mortgage loans. A loan is classified as non-performing and thus considered credit impaired no later than when the contractual payments of principal and/or interest are more than 90 days past due. However, management may determine that a loan should be classified as non-performing notwithstanding that contractual payments of principal and/or interest are less than 90 days past due. The Bank parent company continues to add accrued interest receivable to the loan's unpaid principal balance for collection purposes; however, a credit provision is recorded, resulting in no interest income recognition. A loan can be further downgraded to non-interest-earning when the collection of interest is considered so doubtful that further accrual of interest is deemed inappropriate. Generally, non-performing loans and non-interest-earning loans may be restored to performing status only when delinquent principal and interest are brought up to date in accordance with the terms of the loan agreement and when certain performance criteria are met. Interest collected on non-performing loans and non-interest-earning loans is accounted for using the cash basis or the cost recovery method or a combination of both.

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 statement of income in net income/(loss) from trading activities and fair value option. The fair value is determined using either the price set on a price-efficient and liquid market or a price calculated using a valuation model.

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

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

Derivative financial instruments and hedge accounting

Derivative financial instruments consist of trading and hedging instruments.

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

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

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

For fair value hedges, gains and losses resulting from the valuation of the hedging instruments are recorded in the same statement 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 statement 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 statement of income. Impacts of changes in own credit spreads are recognized in the compensation account.

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

Financial investments

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

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

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

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

Participations

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

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

Dividends received from participations are generally recorded as dividend income. If dividend payments from a participation are made in the form of a capital repayment from paid-in capital or if the dividends do not result from sustainable profits and represent repayment of capital previously contributed to the respective participation such dividends are recorded as a reduction of the carrying value of the respective participation.

Tangible fixed assets

Tangible fixed assets mainly include bank premises, equipment, IT- and communication hardware and capitalized software and are measured at cost less accumulated depreciation. Tangible fixed assets are depreciated on a straight-line basis over their estimated useful lives and tested for impairment 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. The remaining useful live is also reviewed together with the impairment assessment. For cases where the asset will not be used until the end of the lifetime initially planned, the useful life will be reduced and the remaining unamortized balance is depreciated over the shorter remaining life on a prospective basis which results in an increase of the periodic amortization expenses. Depreciations are recognized in the income statement line item "Impairment of participations, depreciation and amortization of tangible fixed assets and intangible assets". Realized gains or losses from the sale of assets originally classified as tangible fixed assets are reported as extraordinary income or extraordinary expense.

Other assets and other liabilities

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

Due to banks

Amounts due to banks are recognized at their nominal value.

Customer deposits

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

Bonds and mortgage-backed bonds

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

Provisions

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

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

Changes in provisions are recorded in increase/(release) of provisions and other valuation adjustments, which includes increases/(releases) of a valuation allowance recorded on due from customers for expected non-credit-related losses on loans that management plans to dispose in the near future.

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 statement 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 statement of income in the line item taxes and included in provisions on the balance sheet.

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

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

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

For undrawn irrevocable loan commitments, the expected credit loss amount is calculated based on the difference between the contractual cash flows that are due to the Bank parent company if the commitment is drawn and the cash flows that the Bank parent company expects to receive, in order to estimate the provision for expected credit losses. For credit guarantees, expected credit losses are recognized for the contingency of the credit guarantee. Provisions for off-balance sheet credit exposures are recognized on the balance sheet in provisions.

Regulatory information

Capital adequacy disclosures
Capital adequacy disclosures for the Bank and the Bank parent company are presented in the publications "Pillar 3 Report – UBS Group and significant regulated subsidiaries and sub-groups", which is available on UBS's website.

→ Refer to *ubs.com/global/en/investor-relations/financial-information/pillar-3-disclosures* for further information.

Due diligence and transparency in relation to minerals and metals from conflict-affected areas and child labor
An assessment of our due diligence and reporting duties pursuant to the Swiss Ordinance on Due Diligence and Transparency in relation to Minerals and Metals from Conflict-Affected Areas and Child Labor has been performed at the level of UBS Group AG.

→ Refer to "Information on UBS Group AG pursuant to the Swiss Ordinance on Due Diligence and Transparency in relation to Minerals and Metals from Conflict-Affected Areas and Child Labor" in "Managing sustainability and climate risks", as included in the Supplement of the UBS Group AG Sustainability Report 2023, available from March 28, 2024, under "Annual reporting" at *ubs.com/investors*, for further information.

Prior period information

For 2022, due from banks of CHF 604 million pledged and related liabilities of CHF 565 million were not reported in the pledged assets table. These amounts are now included in the respective disclosure.

→ Refer to "Note 16 – Assets pledged" for further information.

3 Risk management, derivatives and hedging activities

Risk management

Governance

The risk governance framework of the Bank parent company and its consolidated subsidiaries (the Bank) 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 represents the business area or the function that allows the risk to enter the Bank from clients, employees or other third parties or events and is responsible for identifying, measuring, managing and reporting risks on a front-to-back basis in line with the Board's risk appetite. The first line of defense is fully accountable for managing risks inherent in its activities.

The second line of defense consists of independent risk management, compliance and control functions which are responsible for establishing risk management framework and associated control standards, and providing independent challenge to the activities, processes and controls carried out by the first line of defense. In this context, the Risk function (Risk), for example, is responsible for articulating and designing the risk appetite framework across the Bank. The second line of defense can perform and complement the responsibility of identification, measurement, management and reporting of risks, while the first line of defense retains the overall accountability for risk management related to its activities. Independent risk management in the second line of defense is not limited to the Risk and Compliance functions.

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

Board of Directors

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

The Board has three standing committees: the Governance, Nominations and Compensation Committee, the Audit Committee and the Risk Committee. These committees assist the Board in fulfilling its oversight responsibilities, including risk management. During 2023, the Compensation Committee was combined with the Governance and Nominations Committee, while the Conduct and Financial Crime Control Committee (CFCCC), the Digital Transformation and Technology Committee and the Sustainability Advisory Committee were retired. The Risk Committee assumed the majority of the responsibilities and authorities of the former CFCCC.

Executive Board

The Executive Board is responsible for establishing the Bank's strategic business plans, subject to approval by the Board, and implementing such plans. It further reviews and coordinates significant initiatives and approves bank-wide policies. The CRO and the Chief Compliance Officer of the Bank (CCO) represent the Risk and Compliance functions, respectively, and provide regular information and reports to the Executive Board and the Board.

The Executive Board currently has two standing committees: the Executive Board Risk Management Committee (ExB RMC) and Valuation Risk Management Committee. During 2023, the responsibilities of the previously disclosed Capital Allocation and Liability Management Committee were partly integrated into the ExB RMC and otherwise absorbed into the responsibilities of the UBS Group Asset and Liability Committee. The responsibilities of the Credit Suisse AG Parent Capital Allocation, Liability and Risk Management Committee were integrated into the ExB RMC, and the Credit Suisse Conduct Board was retired.

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's 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 January 2024, the Board approved an enhanced set of SROs to support the Bank's strategic objectives, which consists of:

- 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;
- controlling concentrations within position risk or revenues which may pose a material risk to the Bank;

- managing environmental, social and governance risks as well as impacts related to the provision of financial services in line with the Bank's sustainability principles and commitments; and
- managing intercompany risks.

Bank-wide risk appetite is reviewed in conjunction with the financial and capital planning process at least annually, in alignment with Board-driven strategic risk objectives and risk appetite. Scenario-based 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 capital plans are also analyzed using our economic capital coverage ratio, which provides a further means of assessing bottom-up risk plans with respect to available capital resources. The Bank-wide risk appetite is approved through a number of internal governance forums, including the ExB RMC, the Risk Committee and, subsequently, by the Board. Ad hoc risk appetite reviews may be triggered by material market events, material loss events, material revisions to the financial and capital plans, the internal capital adequacy assessment process (ICAAP) results as well as following breaches of Board-level risk constraints.

The risk appetite statement is the document, approved by the Board, describing Bank-wide risk appetite. Legal entity risk appetites are set by the local legal entity board of directors within the limits established by the Bank.

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

Risk coverage and management

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

- Capital risk
- Credit risk
- Market risk
- Funding liquidity risk
- Non-financial risk
- Model risk
- Reputational risk
- Sustainability and climate risk
- Business risk
- Pension risk

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

The Bank maintains 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.

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 and used in risk appetite discussions and strategic business planning and to support the Bank's ICAAP. The Bank also conducts externally defined stress tests that meet the specific requirements of regulators.

Economic risk capital

Economic risk capital measures risks in terms of economic circumstances rather than regulatory or accounting rules and 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. This framework allows the Bank to assess, monitor and manage capital adequacy and solvency risk under different scenario severities.

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 can arise from the execution of the Bank's business strategy in the divisions and includes risk positions such as exposures directly held in the form of lending products (including loans, money market deposits and credit guarantees) or traded products (derivatives, securities financing), shorter-term exposures such as underwriting commitments pending distribution, 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 (RWA) 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, including limits based on notional exposure, potential future exposure and stress exposure, 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, single name and portfolio insurance or hedging instruments.

In addition to traditional credit exposure measurement, monitoring and management using current and potential future exposure metrics, the Bank performs counterparty and portfolio credit risk assessments of the impact of various internal stress test scenarios. The Bank assesses the impact to credit risk exposures arising from market movements in accordance with the scenario narrative, which can further support the identification of concentration or tail risks. Its scenario suite includes historical scenarios as well as forward-looking scenarios.

Counterparty and transaction assessments

Credit officers evaluate and assess counterparties and clients to whom the Bank has credit exposures. For the majority of counterparties and clients, this is supported by internally developed statistical rating models to determine internal credit ratings which are intended to reflect the PD of each counterparty.

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.

→ Refer to "Credit quality information" in Note 20 – Expected credit losses and credit quality for further information on counterparty transaction assessments.

Credit limits

Credit exposures are managed at the counterparty and ultimate parent level in accordance with credit limits which apply in relation to notional exposure, potential future exposure and stress exposure where appropriate. Credit limits are established to constrain the lending business where exposure is typically related to committed loan amounts, and similarly in relation to the trading business where exposure is typically subject to model-based estimation of future exposure amounts. Credit limits to counterparties and groups of connected companies are subject to formal approval under delegated authority, and where significant in terms of size or risk profile, are subject to further escalation to a higher authority such as the CRO. In addition to credit limits based on current or potential credit exposure, divisions may also apply additional limits to constrain risk based on other risk metrics including stress scenario results.

In addition to counterparty and ultimate parent exposures, credit limits and flags 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. Breaches of credit limits and other risk constraints, including stress scenario impacts, are monitored on a regular basis with formal escalation procedures in place. Limit breaches require escalation to the relevant limit setting authority.

Credit monitoring, impairments and provisions

A 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. The Risk function maintains regularly updated watchlists to review and 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 is likely to result in a default, credit exposures are transferred to the relevant recovery management functions within the Risk function. 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. The recoverability of loans in recovery management is regularly reviewed. The frequency of the review depends on the individual risk profile of the respective positions.

The Bank has an impairment process for loans valued at amortized cost that are specifically classified as potential problem loans, non-performing loans or non-interest-earning loans. The Bank maintains specific allowances for credit losses, which the Bank considers to be a reasonable estimate of losses identified in the existing credit portfolio, and provides for credit 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 allowance for credit losses is either created or adjusted accordingly. The specific allowance for credit losses is revalued regularly by the recovery management function depending on the risk profile of the borrower or credit-relevant events. The Bank regularly reviews the appropriateness of allowances for credit losses.

→ Refer to "Estimating expected credit losses" in Note 20 – Expected credit losses and credit quality for further information on expected credit losses under the CECL accounting guidance.

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 received in the form of securities is subject to controls on eligibility and is supported by frequent market valuation depending on the asset class and is monitored to determine whether any margin calls are required to ensure exposures remain adequately collateralized. Depending on the quality of the collateral, appropriate haircuts are applied for risk management purposes. Collateral monitoring, management and margining are applied to credit exposures resulting from both on balance sheet financing of securities and synthetic financing of positions for clients through derivative contracts.

Non-financial collaterals such as residential and commercial real estate, tangible assets (e.g., ships, yachts and 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 referencing a portfolio of credit risks. 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 specific counterparty defaults or broader downturn in markets that impacts the overall credit risk portfolio. Credit hedging contracts are typically bilateral or centrally cleared derivative transactions and are subject to collateralized trading arrangements. Hedging risk mitigation is evaluated so that basis or tenor risk can be 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.

Country risk

As part of the Bank's overall risk management process, credit risk exposures to countries are managed under a comprehensive country risk framework. Under the country risk framework, individual potential exposure flags are set on an individual country basis, and exposures are managed on an ongoing basis by a dedicated country risk team.

Market risk

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

Traded market risks arise primarily in Non-core and Legacy (including Investment Bank), mainly from the Bank parent company's trading activities in positions and businesses where the Bank parent company has the aim of ensuring a timely and orderly wind-down of positions which are not aligned with the core strategy and policies of UBS, as well as traded market risk from positions that await strategic migration to the UBS Investment Bank.

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

The Bank uses market risk measurement and management methods capable of calculating comparable exposures across its many activities and employs focused tools that can model specific characteristics of certain instruments or portfolios. The tools are used for internal market risk management, internal market risk reporting and external disclosure purposes. The Bank's principal market risk measures for traded market risk are VaR, scenario analyses, as included in the stress testing framework, position risk, as included in the Bank's economic risk capital, and sensitivity analysis. These measures complement each other in the Bank's market risk assessment and are used to measure traded market risk at the Bank level. In addition, a counterparty market risk function is designed to support the management of counterparty risk, leveraging product-related market risk knowledge to complement the credit risk approach. The Bank's risk management practices are regularly reviewed to ensure they remain appropriate and fit for purpose.

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

The majority of non-traded foreign exchange risk is associated with the Bank's investments in foreign branches, subsidiaries and affiliates denominated in currencies other than the reporting currency of the Bank (i.e., Swiss francs) and includes related hedges. This is referred to as "structural foreign exchange risk". Structural foreign exchange risk is actively managed by Treasury in line with its risk management mandate. The remaining non-traded foreign exchange risk relates to banking book positions other than from investments in foreign operations and is managed under the risk appetite framework for traded market risk.

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 costs.

Following the legal close of the acquisition of Credit Suisse Group AG by UBS, Credit Suisse became part of the overall UBS liquidity and funding management. Credit Suisse now leverages the market access of UBS and engages in secured and unsecured intercompany transactions to facilitate funding between entities.

Non-financial risk
Non-financial risk is the risk of undue monetary loss and/or non-monetary adverse consequences resulting from inadequate or failed internal processes, people and/or systems, failure to comply with laws and regulations and internal policies and procedures, or external events (deliberate, accidental or natural) that have an impact, monetary or non-monetary, on the Bank, its clients or its markets.

The Bank follows a bank-wide non-financial risk framework (NFRF) that establishes requirements for identifying, managing, assessing and mitigating operational, compliance and financial crime risks to achieve an agreed balance between risk and return. Non-financial risk appetites are established and monitored under the Bank-wide risk appetite framework, aligned with the NFRF, which sets common minimum standards across the Bank for non-financial risk and control processes and review and challenge activities.

Each business area and function is responsible for identification and monitoring of its non-financial risks and the provision of adequate resources and procedures for the management of those risks. They are supported by the designated second line of defense functions responsible for providing an independent and objective view of the adequacy of non-financial risk management across the Bank and for ensuring that compliance risk, financial crime risk and operational risk are understood, owned and managed in accordance with our risk appetite. Businesses and relevant control functions meet regularly to discuss risk issues and identify required actions to mitigate risks.

The Bank measures bank-wide operational risk exposure and calculates operational risk regulatory capital using the advanced measurement approach (AMA) in accordance with FINMA and international requirements.

For the Bank parent company, operational risk RWA is allocated from the Bank's consolidated RWA using a gross income-based scaling approach. Also, the methodology of the UBS AMA is leveraged for entity-specific ICAAP.

The Bank- and entity-specific AMA models are subject to an independent validation performed by Model Risk Management in line with the Bank's model risk management framework.

The AMA is expected to be replaced by the standardized measurement approach for regulatory capital determination purposes in line with the relevant Basel Committee for Banking Supervision Basel III capital regulations. The Bank is interacting closely with the relevant Swiss authorities to discuss the implementation details and related implementation timeline.

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 models and qualitative estimation approaches are imperfect approximations and assumptions 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 and estimation errors may 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 significant risks arising from the use of models embedded within the Bank's global model ecosystem. Model risks can be managed through a well-designed and robust model risk management framework, encompassing model governance policies and procedures, model validation best practices and actionable model risk reporting.

The Model Risk Management function is responsible for overseeing model risk at Credit Suisse and ensuring compliance with model governance policies and standards. The Model Risk Management function reviews models, reports model limitations to key stakeholders, tracks remediation plans for validation findings and reports on model risk tolerance and metrics to senior management. The Model Risk Management function oversees controls to facilitate a complete and accurate Bank-wide model inventory.

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

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

Reputational risk is included in the Bank's risk appetite framework to ensure that risk-taking is aligned with the approved risk appetite. The Bank highly values its reputation and is fully committed to protecting it through a prudent approach to risk-taking and a responsible approach to business, in line with regulatory expectations. This is achieved through a culture of risk awareness as well as 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 UBS Group's Code of Conduct and the approach to cultural values and behaviors. Reputational risk potentially arising from proposed business transactions, client activity or joining initiatives or affiliations (including joining third-party groups, providing support to causes, speaking engagements, charitable donations, political donations directly or through sponsorships) is assessed in the reputational risk review process. UBS's global policy on reputational risk requires employees to be conservative when assessing potential reputational impact and, where certain indicators give rise to potential reputational risk, the relevant business proposal or service must be submitted through the reputational risk review process.

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

Sustainability and climate risk

The Bank's climate strategy and governance is determined and overseen at the UBS Group level. Similarly, identification and management of climate risks, including climate-related financial risks, in the Bank parent company's own operations, balance sheet, client assets and supply chain, is conducted at the UBS Group level.

→ Refer to "Our focus on sustainability and climate" in the "How we create value for our stakeholders" section and to "Sustainability and climate risk" in the "Risk management and control" section of the UBS Group AG Annual Report 2023 for further information.

→ Refer to "Our sustainability and impact strategy" in the "Strategy" section of the UBS Group AG Sustainability Report 2023, available from March 28, 2024, under "Annual reporting" at *ubs.com/investors*, for further information.

Business risk

In connection with the acquisition by UBS, the Bank's management of business risks has been integrated into UBS's group-wide risk management process. Business risk is the risk of not achieving our financial goals and ambitions in connection with UBS's group-wide 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, we face risks arising from inappropriate strategic decisions, ineffective implementation of business strategies or an inability to adapt business strategies in response to changes in the operating environment, including in relation to client and competitor behavior.

The Bank depends on dividends, distributions and other payments from its subsidiaries and the capital payouts in these subsidiaries might be restricted as a result of regulatory, tax or other constraints.

The Bank's financial plan, which is derived from UBS's group-wide financial plan, serves as the basis for the financial goals and ambitions against which the businesses and legal entities are assessed regularly throughout the year.

Business risk also includes risks associated with the Bank's illiquid investments. These investments are not subject to our market risk framework (e.g., VaR measurement) and include private equity, hedge fund and mutual fund seed and co-investments, strategic investments (e.g., joint ventures and minority investments) as well as other investments, such as collateralized loan obligations (CLO) mandated by regulatory risk retention requirements. Illiquid investment risk is integrated into the Bank's risk appetite framework.

Pension risk

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

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

Within Risk, pension risk is measured and quantified through both our stress testing framework and internal capital metrics used to assess the Bank's capital requirements. These measures are intended to assess the potential impact from the revaluation of pension assets and liabilities on the Bank's capital metrics and income before taxes.

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 economic relationships 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 sheet.

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 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. The Bank uses derivatives to hedge for changes in fair value as a result of the interest rate risk associated with loans, debt securities held as available-for-sale and long-term debt instruments.

Cash flow hedges
The Bank hedges the variability in interest cash flows mainly on mortgages, loans and reverse repurchase agreements by using interest rate swaps to convert variable rate assets to fixed rates.

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	2023	2022
CHF million		
Negative interest income debited to interest income	(1)	(224)
Negative interest expenses credited to interest expense	0	101

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

in	2023	2022
By risk of underlying instruments (CHF million)		
Interest rate products [1]	(747)	(3,219)
Equity products [1]	(885)	(721)
Foreign exchange	(368)	914
Precious metals	(63)	(73)
Commodities [2]	1	8
Credit products	(288)	530
Other products	55	(2)
Net income/(loss) from trading activities and fair value option	**(2,295)**	**(2,563)**
of which net income/(loss) from liabilities valued under the fair value option	(2,974)	5,750

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

Trading activities at the Bank parent company level are monitored and managed for legal entity-specific treasury, risk management and capital adequacy purposes and are not measured along divisional or individual business lines. The trading activities of the divisions or individual businesses are monitored and managed mainly at the Bank level on the basis of US GAAP financial metrics.

6 Personnel expenses

in	2023	2022
CHF million		
Salaries	1,772	1,454
of which variable compensation expenses [1]	432	123
Social benefit expenses	266	241
of which pension and other post-retirement expenses	152	135
Other personnel expenses	88	161
Personnel expenses	**2,126**	**1,856**

1 Includes current and deferred variable compensation expenses.

7 General and administrative expenses

in	2023	2022
CHF million		
Occupancy expenses	148	139
Information and communication technology expenses	99	105
Furniture and equipment	33	10
Fees to external audit companies	62	49
of which fees for financial and regulatory audits [1]	62	48
of which fees for other services	0	1
Other operating expenses [2]	3,160	3,889
General and administrative expenses	**3,502**	**4,192**

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	2023	2022
CHF million		
Increase/(release) of provisions	1,575 [1]	283 [2]
Increase/(release) of valuation allowance	902 [3]	0
Other losses	2	4
Increase/(release) of provisions and other valuation adjustments, and losses	**2,479**	**287**

1 Primarily includes litigation provisions of CHF 990 million as well as provisions of CHF 620 million for losses unrelated to counterparty credit risk, which the Bank parent company expects to realize on irrevocable commitments upon the disposal of related loans and loan portfolios.
2 Primarily related to litigation provisions, partially offset by a net release of provisions for off-balance sheet default risks. In 2022, provisions for off-balance sheet default risks included additional expenses of CHF 37 million related to the prior year.
3 Reflects an increase/(release) of a valuation allowance for losses unrelated to counterparty credit risk, which the Bank parent company expects to realize upon the disposal of certain loans and loan portfolios.

Extraordinary income and expenses

in	2023	2022
CHF million		
Gains realized from the disposal of participations	0	5
Gains realized from the disposal of tangible fixed assets [1]	4	271
Gains from the revaluation of participations	3,127 [2]	0
Other extraordinary income	15,114 [3]	0
Extraordinary income	**18,245**	**276**
Losses realized from the disposal of participations	(1)	(62) [4]
Extraordinary expenses	**(1)**	**(62)**

1 Includes realized gains from the sale of real estate (bank premises).
2 Refer to "Business developments" in Note 1 – Company details, business developments and subsequent events for further information.
3 Reflects a gain from the write-down of additional tier 1 capital notes. Refer to "Business developments" in Note 1 – Company details, business developments and subsequent events for further information.
4 Reflects a realized loss from the sale of the residual stake in Allfunds Group.

9 Taxes

in	2023	2022
CHF million		
Current income tax (expense)/benefit	(570)	241
Non-income-based tax (expense)/benefit [1]	(36)	(32)
Taxes	**(606)**	**209**

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

For the financial years ended December 31, 2023 and 2022, the average tax rate, defined as income tax expense divided by the sum of profit before income tax, was 5% and 2%, respectively. Income tax expense for the financial years ended December 31, 2023 and 2022 reflected a benefit of CHF 1,989 million and CHF 203 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	2023	2022
CHF million		
Carrying value of receivables from cash collateral paid for securities borrowed and reverse repurchase agreements – gross	22,888	59,439
Impact from master netting agreements	(1,335)	(7,059)
Carrying value of receivables from cash collateral paid for securities borrowed and reverse repurchase agreements – net	**21,553**	**52,380**
Carrying value of liabilities from cash collateral received for securities lent and repurchase agreements – gross	13,265	59,705
Impact from master netting agreements	(1,335)	(7,059)
Carrying value of liabilities from cash collateral received for securities lent and repurchase agreements – net	**11,930**	**52,646**
Carrying value of securities transferred under securities lending and borrowing and repurchase agreements	3,663	18,878
of which transfers with the right to resell or repledge	3,624	14,214
Fair value of securities received under securities lending and borrowing and reverse repurchase agreements with the right to resell or repledge	33,732	108,093
of which repledged	16,354	72,198
of which resold	3,128	2,977

11 Collateral and impaired loans and receivables

Collateralization of loans and receivables

	Secured [1]			Unsecured	Total
end of	Mortgages	Other collateral [2]	Total		
2023 (CHF million)					
Due from customers	318	51,787	52,105	18,364	70,469
Residential property	3,034	0	3,034	1	3,035
Offices and commercial property	1,184	0	1,184	0	1,184
Manufacturing and industrial property	240	0	240	0	240
Other	40	0	40	0	40
Mortgage loans	4,498	0	4,498	1	4,499
Gross amount	**4,816**	**51,787**	**56,603**	**18,365**	**74,968**
Allowance for credit losses	(22)	(893)	(915)	(1,045)	(1,960)
Valuation allowance	0	0	0	(902)	(902) [3]
Net amount	**4,794**	**50,894**	**55,688**	**16,418**	**72,106**
of which due from customers	316	50,894	51,210	16,418	67,628
of which mortgage loans	4,478	0	4,478	0	4,478
2022 (CHF million)					
Due from customers	220	81,366	81,586	37,991	119,577
Residential property	3,508	0	3,508	13	3,521
Offices and commercial property	1,275	0	1,275	0	1,275
Manufacturing and industrial property	210	0	210	0	210
Other	45	0	45	0	45
Mortgage loans	5,038	0	5,038	13	5,051
Gross amount	**5,258**	**81,366**	**86,624**	**38,004**	**124,628**
Allowance for credit losses	(6)	(648)	(654)	(1,398)	(2,052)
Net amount	**5,252**	**80,718**	**85,970**	**36,606**	**122,576**
of which due from customers	219	80,718	80,937	36,606	117,543
of which mortgage loans	5,033	0	5,033	0	5,033

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

2 Other collateral includes various types of eligible collateral, e.g., securities, cash deposits, financial receivables related to factoring, certain real assets such as ownership titles in ship and aircraft, inventories and commodities, as well as certain non-tangible securities such as licensing agreements or guarantees.

3 Reflects a non-credit-related valuation allowance on certain unsecured loans and loan portfolios reported in due from customers, for which management plans a disposal before maturity. In addition to the allowance for expected credit losses on these loans, the Bank parent company recorded this valuation allowance for losses unrelated to counterparty credit risk, which the Bank parent company expects to realize upon disposal of these loans.

Collateralization of off-balance sheet transactions

end of	Mortgages	Other collateral	Secured [1] Total	Unsecured	Total
2023 (CHF million)					
Contingent liabilities	9	2,973	2,982	5,580 [2]	8,562
Irrevocable commitments	726	18,863	19,589	21,138	40,727
Obligations for calls on shares and additional payments	0	1	1	0	1
Off-balance sheet transactions	**735**	**21,837**	**22,572**	**26,718**	**49,290**
2022 (CHF million)					
Contingent liabilities	13	5,699	5,712	7,088 [2]	12,800
Irrevocable commitments	718	44,406	45,124	38,459	83,583
Obligations for calls on shares and additional payments	0	2	2	0	2
Off-balance sheet transactions	**731**	**50,107**	**50,838**	**45,547**	**96,385**

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.

Impaired loans and receivables

end of	Gross amount outstanding	Estimated realizable collateral value [1]	Net amount outstanding	Specific allowance
2023 (CHF million)				
Impaired loans and receivables	2,441	1,078	1,363	1,473
2022 (CHF million)				
Impaired loans and receivables	3,709	2,213	1,496	1,661

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

Changes in impaired loans and receivables

			2023			2022
	Due from customers	Mortgage loans	**Total**	Due from customers	Mortgage loans	**Total**
CHF million						
Balance at beginning of period	**3,507**	**202**	**3,709**	**2,745**	**239**	**2,984**
New impaired balances	718	66	784	1,649	35	1,684
Increase of existing impaired balances	377	6	383	256	17	273
Reclassifications to non-impaired status	(177)	(10)	(187)	(171)	(16)	(187)
Repayments	(832)	(56)	(888)	(642)	(50)	(692)
Liquidation of collateral, insurance and guarantee payments	0	(24)	(24)	0	(4)	(4)
Write-offs	(773)	(5)	(778)	(195)	(5)	(200)
Sales	(233)	0	(233)	(67)	0	(67)
Foreign exchange translation impact	(318)	(7)	(325)	(68)	(14)	(82)
Balance at end of period	**2,269**	**172**	**2,441**	**3,507**	**202**	**3,709**

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

→ Refer to "Note 19 – Provisions and allowance for credit losses" and "Note 20 – Expected credit losses and credit quality" for further information.

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

Trading assets

end of	2023	2022
CHF million		
Debt securities, money market instruments and money market transactions	6,626	23,010
of which exchange-traded	60	1,518
Equity securities	192	2,682
Precious metals and commodities	399	380
Trading assets	**7,217**	**26,072**
of which carrying value determined based on a valuation model	6,239	16,955
of which securities eligible for repurchase transactions in accordance with liquidity regulations	0	272

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

end of	2023	2022
CHF million		
Debt securities, money market instruments and money market transactions	53	2,436
of which exchange-traded	7	297
Equity securities	3	421
Trading liabilities	**56**	**2,857**
Structured products	27,840	43,725
Liabilities from other financial instruments held at fair value	**27,840**	**43,725**
Trading liabilities and liabilities from other financial instruments held at fair value	**27,896**	**46,582**
of which carrying value determined based on a valuation model	27,891	44,067

13 Derivative financial instruments

end of 2023	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	720	35	11	0	0	0
Swaps	1,156,788	14,178	13,064	74,674	0	0
Options bought and sold (OTC)	264,475	2,430	2,522	0	0	0
Futures	4,149	0	0	0	0	0
Options bought and sold (exchange-traded)	9	0	0	0	0	0
Interest rate products	**1,426,141**	**16,643**	**15,597**	**74,674**	**0**	**0**
Forwards and forward rate agreements	335,865	4,735	5,808	60	0	0
Swaps	65,931	1,933	2,336	0	0	0
Options bought and sold (OTC)	36,059	534	448	0	0	0
Foreign exchange products	**437,855**	**7,202**	**8,592**	**60**	**0**	**0**
Forwards and forward rate agreements	3,913	97	108	0	0	0
Swaps	390	2	1	0	0	0
Options bought and sold (OTC)	4,053	91	56	0	0	0
Precious metal products	**8,356**	**190**	**165**	**0**	**0**	**0**
Swaps	11,879	1,008	1,013	0	0	0
Options bought and sold (OTC)	17,240	444	461	0	0	0
Futures	7	0	0	0	0	0
Options bought and sold (exchange-traded)	749	7	5	0	0	0
Equity/index-related products	**29,875**	**1,459**	**1,479**	**0**	**0**	**0**
Credit default swaps	19,263	178	242	0	0	0
Total return swaps	3,688	54	300	0	0	0
Other credit derivatives	1,623	22	0	0	0	0
Credit derivatives	**24,574**	**254**	**542**	**0**	**0**	**0**
Swaps	5,477	728	36	0	0	0
Other derivative products	**5,477**	**728**	**36**	**0**	**0**	**0**
Derivative financial instruments[2]	**1,932,278**	**26,476**	**26,411**	**74,734**	**0**	**0**
of which replacement value determined based on a valuation model	–	25,757	26,358	–	0	0

1 Relates to derivative financial instruments that qualify for hedge accounting.
2 Before impact of master netting agreements.

Derivative financial instruments (continued)

end of 2022	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	301,014	1,569	1,459	0	0	0
Swaps	1,369,881	20,716	19,361	96,563	102	1,676
Options bought and sold (OTC)	266,250	2,012	1,805	0	0	0
Futures	12,976	0	0	0	0	0
Interest rate products	**1,950,121**	**24,297**	**22,625**	**96,563**	**102**	**1,676**
Forwards and forward rate agreements	788,702	10,050	10,687	0	0	0
Swaps	97,117	2,581	3,043	0	0	0
Options bought and sold (OTC)	152,289	1,637	1,544	0	0	0
Foreign exchange products	**1,038,108**	**14,268**	**15,274**	**0**	**0**	**0**
Forwards and forward rate agreements	9,158	148	94	0	0	0
Swaps	1,464	16	9	0	0	0
Options bought and sold (OTC)	9,125	143	124	0	0	0
Futures	38	0	0	0	0	0
Options bought and sold (exchange-traded)	324	0	0	0	0	0
Precious metal products	**20,109**	**307**	**227**	**0**	**0**	**0**
Forwards and forward rate agreements	11	1	0	0	0	0
Swaps	31,102	1,077	3,694	0	0	0
Options bought and sold (OTC)	32,670	1,556	990	0	0	0
Futures	251	0	0	0	0	0
Options bought and sold (exchange-traded)	9,439	842	235	0	0	0
Equity/index-related products	**73,473**	**3,476**	**4,919**	**0**	**0**	**0**
Credit default swaps	44,938	417	531	0	0	0
Total return swaps	7,048	1,216	626	0	0	0
Other credit derivatives	1,736	22	24	0	0	0
Credit derivatives	**53,722**	**1,655**	**1,181**	**0**	**0**	**0**
Swaps	6,191	834	118	0	0	0
Other derivative products	**6,191**	**834**	**118**	**0**	**0**	**0**
Derivative financial instruments [2]	**3,141,724**	**44,837**	**44,344**	**96,563**	**102**	**1,676**
of which replacement value determined based on a valuation model	–	42,642	42,772	–	102	1,676

1 Relates to derivative financial instruments that qualify for hedge accounting.
2 Before impact of master netting agreements.

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

end of	**2023**	2022
Before consideration of master netting agreements (CHF million)		
Positive replacement values – trading and hedging	26,476	44,939
Negative replacement values – trading and hedging	26,411	46,020
After consideration of master netting agreements		
Positive replacement values – trading and hedging [1]	2,678	7,390
Negative replacement values – trading and hedging [1]	2,998	4,994

1 Netting includes counterparty exposure and cash collateral netting.

Net positive replacement values by counterparty type

end of	**2023**	2022
CHF million		
Central counterparties	119	371
Banks and securities dealers	1,715	5,269
Other counterparties [1]	844	1,750
Net positive replacement values	**2,678**	**7,390**

1 Primarily related to bilateral OTC derivative contracts with clients.

Gains/(losses) on fair value hedges

	2023		2022
in	Interest expense	Interest and discount income	Interest expense
Interest rate products (CHF million)			
Hedged items	(379)	(41)	6,628
Derivatives designated as hedging instruments	293	40	(6,253)

Gains/(losses) on interest rate risk hedges, both from the hedged items and the derivatives designated as hedging instruments, are included in interest expense for 2023 and in interest and discount income and interest expense for 2022. The accrued interest on fair value hedges is recorded in interest and discount income and interest expense, respectively, and is excluded from this table.

Hedged items in fair value hedges

			2023			2022
	Hedged items			Hedged items		
end of	Carrying value	Hedging adjustments [1]	Discontinued hedges [2]	Carrying value	Hedging adjustments [1]	Discontinued hedges [2]
Assets (CHF million)						
Due from customers	30	0	0	35	0	0
Mortgage loans	0	0	2	0	0	3
Financial investments	0	0	0	934	(131)	0
Liabilities (CHF million)						
Bonds and mortgage-backed bonds	59,785	489	(3,748)	70,816	(913)	(4,434)

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	**2023**	2022
Deferred gains and losses on derivative financial instruments related to cash flow hedges (CHF million) [1]		
Deferred gains/(losses) at beginning of period	**(1,449)**	**(88)**
Interest rate products		
Gains/(losses) on derivatives deferred in the compensation account	345	(395)
Interest and discount income	303	(966)
(Gains)/losses reclassified from the compensation account into income or expense	303	(966)
Deferred gains/(losses) at end of period	**(801)**	**(1,449)**

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

As of December 31, 2023, the net loss 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 321 million.

As of December 31, 2023, the Bank parent company had no cash flow hedges that hedged any exposure to the variability in future cash flows for forecasted transactions, excluding those forecasted transactions related to the payment of variable interest on existing financial instruments.

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

14 Financial investments

end of	2023 Carrying value	2023 Fair value	2022 Carrying value	2022 Fair value
CHF million				
Debt securities	23,183	23,155	26,870	24,361
of which held-to-maturity	20,990	20,979	24,030	21,521
of which available-for-sale	2,193	2,176	2,840	2,840
Equity securities	1,068	1,068	1,526	1,526
of which qualified participations [1]	0	0	7	7
Financial investments	**24,251**	**24,223**	**28,396**	**25,887**
of which securities eligible for repurchase transactions in accordance with liquidity regulations	158	–	0	–

1 Includes participations held in financial investments with at least 10% in capital or voting rights.

Debt securities by counterparty rating

end of	2023	2022
CHF million		
AAA to AA-	3,408	2,971
A+ to A-	19,566	23,076
BBB+ to BBB-	59	106
BB+ to B–	0	27
No rating	150	690
Debt securities	**23,183**	**26,870**

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

15 Other assets and other liabilities

end of	2023	2022
CHF million		
Compensation account [1]	4,661	4,822
Indirect taxes and duties	448	452
Coupons	0	5
Other [2]	289	245
Other assets	**5,398**	**5,524**
Indirect taxes and duties	23	45
Accounts payable for goods and services purchased	1	20
Settlement accounts	13	125
Other [3]	248	335
Other liabilities	**285**	**525**

1 Includes changes in the book value of assets and liabilities that are not recognized in the statement of income, such as impacts from hedge accounting, 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, internal clearing accounts and other miscellaneous assets.
3 Includes payables from internal clearing accounts, accounts payable for goods and services purchased and other miscellaneous liabilities.

16 Assets pledged

end of	2023 Carrying value	2023 Actual liabilities	2022 Carrying value	2022 Actual liabilities
CHF million				
Cash and other liquid assets	21 [1]	0	0	0
Due from banks	572	534	604 [2]	565 [2]
Due from customers	8,134	4,069	103	103
Mortgage loans	793	0	0	0
Trading assets	249	237	965	883
Assets pledged	**9,769**	**4,840**	**1,672**	**1,551**

Excludes assets pledged in connection with securities lending and borrowing, repurchase agreements and reverse repurchase agreements.
1 Includes cash held with the SNB in connection with the Swiss deposit insurance guarantee program which is callable by esisuisse upon a payout event.
2 Prior period has been corrected. Refer to "Prior period information" in Note 2 – Accounting and valuation principles for further information.

17 Pension plans

As of December 31, 2023 and 2022, the Bank parent company did not have any liabilities due to own pension plans.

→ Refer to "Note 30 – Pension and other post-retirement benefits" in V – Consolidated financial statements – Credit Suisse for further information.

Swiss pension plans

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

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

In December 2023, the Board of Trustees of the "Pensionskasse der Credit Suisse Group (Schweiz)" decided to align its Swiss pension scheme to that of the UBS pension fund, effective as of January 1, 2027. On that date, the Swiss pension plan of the "Pensionskasse der Credit Suisse Group (Schweiz)" will adopt the plan rules of the UBS pension fund. The retirement capital savings plan under the "Pensionskasse 2 der Credit Suisse Group (Schweiz)" will remain in place as of this date, however, it will be closed for further contributions. These changes had no impacts on the balance sheet or income statement of the Bank parent company of 2023.

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	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
CHF million								
Swiss pension plans	28	27	0	0	28	27	0	0
Total	**28**	**27**	**0**	**0**	**28**	**27**	**0**	**0**

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

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

	Over/(Under) -funding		Economic benefit/ (obligation) recorded by Bank parent company			Pension contributions		Pension expenses included in personnel expenses	
end of / in	**2023**	2022	**2023**	2022	Change	**2023**	2022	**2023**	2022
CHF million									
Swiss pension plan – status overfunded	856 [1]	834 [1]	– [2]	– [2]	–	104	92	96	90
Swiss pension plan – without over-/underfunding	–	–	–	–	–	35	42	43	37
International pension plans – overfunded	31	22	– [2]	–	–	0	2	0	2
International pension plans – underfunded	(4)	(5)	(4)	(5)	1	0	0	(1)	(15)
International pension plans – without over-/underfunding	–	–	–	–	–	14	21	14	21
Total	**883**	**851**	**(4)**	**(5)**	**1**	**153**	**157**	**152**	**135**

1 Represented the Bank parent company's share of 34.73% and 34.75% in the reserve for the fluctuation in asset value of the Swiss pension plan of CHF 2,464 million and CHF 2,400 million as of December 31, 2023 and 2022, respectively.

2 In line with Swiss GAAP statutory accounting guidance, the Bank parent company's economic benefit from its share in the overfunding of pension plans is not recorded in the Bank parent company's statutory balance sheet.

18 Issued structured products

end of	2023 Not bifurcated [1] Liabilities from other financial instruments held at fair value [2]	2023 Bifurcated Value of underlying instrument	2023 Bifurcated Value of derivative [1]	2023 Total	2022 Not bifurcated [1] Liabilities from other financial instruments held at fair value [2]	2022 Bifurcated Value of underlying instrument	2022 Bifurcated Value of derivative [1]	2022 Total
Carrying value of issued structured products by underlying risk of the embedded derivative (CHF million)								
Interest rates								
Structured products with own debt	13,185	0	0	13,185	16,728	0	0	16,728
Structured products without own debt	386	0	0	386	373	0	0	373
Equity								
Structured products with own debt	11,225	0	0	11,225	22,797	0	0	22,797
Foreign exchange								
Structured products with own debt	432	0	0	432	615	0	0	615
Structured products without own debt	0	130	(1)	129	0	226	(1)	225
Commodities / precious metals								
Structured products with own debt	117	0	0	117	358	0	0	358
Structured products without own debt	0	35	0	35	0	58	(1)	57
Credit								
Structured products with own debt	2,484	50	(46)	2,488	2,841	55	(45)	2,851
Other [3]								
Structured products with own debt	11	0	0	11	13	0	0	13
Total	**27,840**	**215**	**(47)**	**28,008**	**43,725**	**339**	**(47)**	**44,017**

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 Provisions and allowances

Provisions

	Balance at beginning of period	Change in orga-nization	Utilized for purpose	Reclassifi-cations	Foreign exchange translation differences	New charges to income statement	Releases to income statement	**Balance at end of period**
2023 (CHF million)								
Provisions for pension benefit obligations	5	0	0	–	0	0	(1)	4 [1]
Provisions for off-balance sheet default risks	185	0	(16)	0	(28)	56	(93)	104 [2]
of which provisions for probable obligations (Art. 28 par. 1 FINMA-AO)	47	0	(16)	0	(6)	56	(63)	18
of which provisions for expected credit losses	138	0	0	0	(22)	0	(30) [3]	86
Provisions for other business risks	23	0	(8)	0	(83)	199	(19)	112 [4]
Restructuring provisions	31	0	(117)	0	0	128	(2)	40 [4]
Other provisions	319	19	(292)	(36)	(170)	1,878	(101)	1,617 [5]
Provisions	**563**	**19**	**(433)**	**(36)**	**(281)**	**2,261**	**(216)**	**1,877**

1 Discounted at rates between 5.64% and 8.10%.
2 Provisions are mainly related to irrevocable loan commitments and guarantees. Partially discounted at rates between 0.92% and 10.47%.
3 Changes in provisions for off-balance sheet default risks on non-impaired financial instruments are reflected as a net charge or a net release.
4 Provisions are not discounted due to their short-term nature.
5 Includes provisions of CHF 652 million as of December 31, 2023 for losses unrelated to counterparty credit risk, which the Bank parent company expects to realize upon the disposal of irrevocable commitments in connection with the disposal of the related loans and loan portfolios; also, it includes litigation provisions of CHF 939 million and CHF 298 million as of December 31, 2023 and 2022, respectively. Partially discounted at rates between 1.86% and 7.93%.

Allowance for credit losses

2023 (CHF million)	Balance at beginning of period	Utilized for purpose [1]	Foreign exchange translation differences	Recoveries, interest past due [2]	New charges to income statement [3]	Releases to income statement [3]	**Balance at end of period**
Due from banks	1	0	2	0	0	(2)	1
Due from customers	2,034	(644)	(125)	86	1,124	(536)	1,939
Mortgage loans	18	(17)	(1)	5	16	0	21
Accrued income and prepaid expenses	5	0	0	0	0	(1)	4
Allowance for credit losses	**2,058**	**(661)**	**(124)**	**91**	**1,140**	**(539)**	**1,965**
of which allowance for credit losses from impaired receivables	1,663	(661)	(89)	91	1,060	(536)	1,528
of which allowance for expected credit losses	395	0	(35)	0	80	(3)	437

1 Reflects write-offs.
2 Includes increases and releases of allowances for interest on non-accrual loans and receivables.
3 Changes in allowance for expected credit losses on non-impaired financial assets are recorded as a net charge or a net release per balance sheet position.

Write-offs

In the Bank parent company's recovery management function covering Non-core and Legacy (including Investment Bank), once the credit provision is greater than 90% of the loan's notional amount, a position may be written down to its net carrying value in the subsequent quarter if all recovery options are exhausted. In the Bank parent company's recovery management functions for Wealth Management, write-offs are made based on an individual counterparty assessment. An evaluation is performed on the need for write-offs of impaired loans individually and on a regular basis, if it is likely that parts of a loan or the entire loan will not be recoverable. Write-offs of residual loan balances are executed once available debt enforcement procedures are exhausted or, in certain cases, upon a restructuring.

Gross write-offs of loans included in the allowance for credit losses year-on-year movements are reflected in the column "Utilized for purpose". Gross write-offs of CHF 661 million in 2023 compared to gross write-offs of CHF 205 million in 2022. In 2023, gross write-offs mainly included write-offs taken in Non-core and Legacy (including Investment Bank) in connection with the planned disposal of certain loans and loan portfolios as well as individual positions in corporate loans, ship finance and aviation finance. In 2022, gross write-offs were mainly related to the sale of coal mining facilities and to individual positions in the consulting services sector, European mortgages and ship finance.

Uncollectible accrued interest receivables are written off by reversing net interest income from interest activities.

Valuation allowance

2023 (CHF million)	Balance at beginning of period	New charges to income statement	**Balance at end of period**
Due from customers	0	902	902 [1]
Valuation allowance	**0**	**902**	**902**

1 Reflects a non-credit-related valuation allowance on certain unsecured loans and loan portfolios reported in due from customers, for which management plans a disposal before maturity. In addition to the allowance for expected credit losses on these loans, the Bank parent company recorded this valuation allowance for losses unrelated to counterparty credit risk, which the Bank parent company expects to realize upon disposal of these loans.

20 Expected credit losses and credit quality

This disclosure provides an overview of the Bank parent company's balance sheet positions that include financial assets subject to the CECL accounting guidance. It includes the following main subjects:

- A tabular overview of financial assets subject to the expected credit loss approach and related purchases and sales;
- A description of the main classes of financial assets subject to the expected credit loss approach, including the main risk characteristics (including the methodology for estimating expected credit losses on non-impaired and impaired financial assets and current-period estimates);
- A description of the methodology for estimating expected credit losses, including disclosures relevant for the Bank parent company's current-period estimate of expected credit losses;
- Credit quality information (including monitoring of credit quality and internal ratings); and
- Past due financial assets.

As of December 31, 2023, the Bank parent company had no purchased financial assets with more than insignificant credit deterioration since origination.

Financial receivables and debt securities held with entities under common control are not subject to the CECL accounting guidance and related disclosures.

Financial assets subject to the expected credit loss approach

				2023			2022
end of	Gross amount [1]	Allowance for credit losses [2]	Valuation allowance [3]	Net carrying value	Gross amount [1]	Allowance for credit losses [2]	Net carrying value
CHF million							
Cash and other liquid assets	65,052	0	0	**65,052**	38,566	0	**38,566**
Due from banks	2,554 [4]	(1)	0	**2,553**	4,270 [5]	(1)	**4,269**
Securities borrowing and reverse repurchase agreements	16,664	0	0	**16,664**	35,824 [5]	0	**35,824**
Due from customers	60,708 [4]	(1,939)	(902)	**57,867**	95,121 [5]	(2,034)	**93,087**
Mortgage loans	4,499 [4]	(21)	0	**4,478**	5,051 [5]	(18)	**5,033**
Financial investments [6]	1,441	0	0	**1,441**	921	0	**921**
Accrued income and prepaid expenses	582	(4)	0	**578**	845	(5)	**840**
Other assets [7]	4,170	0	0	**4,170**	3,732	0	**3,732**
Total	**155,670**	**(1,965)**	**(902)**	**152,803**	**184,330**	**(2,058)**	**182,272**

1 Excludes balances with entities under common control which are not subject to the CECL accounting guidance and related disclosures. Reflects the nominal value except where indicated.
2 Includes allowances for credit losses on impaired receivables (specific allowances for credit losses) and allowances for expected credit losses (non-specific allowances for credit losses).
3 Includes a valuation allowance for non-credit-related losses which the Bank expects to realize upon the planned disposal of the certain loans and loan portfolios.
4 Excluded accrued interest before allowance for credit losses in the total amount of CHF 328 million and a related allowance for credit losses of CHF 1 million. These accrued interest balances are reported in the balance sheet in accrued income and prepaid expenses in accordance with Swiss GAAP statutory guidance.
5 Excluded accrued interest before allowance for credit losses in the total amount of CHF 399 million and a related allowance for credit losses of CHF 1 million. These accrued interest balances are reported in the balance sheet in accrued income and prepaid expenses in accordance with Swiss GAAP statutory guidance.
6 Includes only debt securities held-to-maturity. The gross amount reflects the amortized cost base.
7 The gross amount reflects the nominal value or cost base.

In 2023 and 2022, the following purchases and sales of financial assets subject to the CECL accounting guidance were carried out by the Bank parent company and affected the asset base subject to the estimate of the allowances for expected credit losses.

Purchases and sales

		2023		2022
in	Purchases	Sales [1]	Purchases	Sales [1]
CHF million				
Due from customers	0	3,516	0	2,391
Mortgage loans	0	0	0	7
Financial investments [2]	631	0	971	0

1 Excludes the sub-participation of loans in syndication-like financings where the Bank parent company is the originator of the loan.
2 Includes only debt securities held-to-maturity.

Main classes of financial assets subject to expected credit loss measurement and risk characteristics

Loans

The Bank parent company's loan portfolios, the main class of financial assets subject to the CECL accounting guidance, are reflected in the balance sheet in due from customers, due from banks and mortgage loans. For the US GAAP CECL accounting guidance applied by the Bank, loans, which include sales-type and direct financing leases, are classified into two broad categories, consumer loans and corporate & institutional loans. Consumer loans include mortgages, loans collateralized by securities and consumer finance. Corporate & institutional loans include real estate loans, commercial and industrial loans, loans to financial institutions and loans to governments and public institutions. The main risk characteristics of each of these sub-categories and the line items of the Bank parent company's balance sheet, which include these portfolios, are described below:

- Mortgages includes lending instruments secured by residential real estate; such credit exposure is sensitive to the level of interest rates and unemployment as well as real estate valuation. Mortgages are reported in mortgage loans, except for building loans, which are reported in due from customers.
- Loans collateralized by securities primarily includes lending secured by marketable financial collateral (e.g., equities, bonds, investment funds and precious metals); such credit exposure is sensitive to market prices for securities which impact the value of financial collateral. All loans collateralized by securities are reported in due from customers.
- Consumer finance includes lending to private individuals such as personal loans; such credit exposure is sensitive to MEFs, including economic growth, unemployment and interest rates. All consumer finance loans are reported in due from customers.
- Real estate includes lending backed by commercial or income-producing real estate; such credit exposure is sensitive to MEFs, including economic growth, unemployment, interest rates and industrial production as well as real estate valuation. A majority of real estate loans are reported in due from customers, with the remaining balance in mortgage loans.
- Commercial and industrial loans includes lending to corporate clients including small and medium-sized enterprises, large corporates and multinational clients; such credit exposure is sensitive to MEFs, including economic growth, unemployment and industrial production. Most of the commercial and industrial loans are reported in due from customers, with the remaining balance in mortgage loans.
- Financial institutions includes lending to financial institutions such as banks and insurance companies; such credit exposure is sensitive to MEFs, including economic growth. Most of the loans to financial institutions are reported in due from customers, with the remaining balances in due from banks and mortgage loans.
- Governments and public institutions includes lending to central government and state-owned enterprises; such credit exposure is sensitive to MEFs, including economic growth. All loans to governments and public institutions are reported in due from customers.

As of December 31, 2023, loans collateralized by securities, commercial and industrial loans and loans to financial institutions were the largest sub-categories within the loan portfolio of the Bank parent company.

Financial investments – debt securities held-to-maturity

In 2023 and 2022, the Bank parent company purchased foreign government debt securities held-to-maturity amounting to CHF 463 million and CHF 971 million, respectively. As of December 31, 2023 and 2022, the Bank's foreign government debt securities held-to-maturity had a carrying value of CHF 1,259 million and CHF 921 million, respectively, and represented a portfolio of US Treasury securities, all rated "AAA" based on the Bank parent company's internal counterparty rating. US Treasury securities have a history of no credit losses and market price movements mainly reflect changes in market interest rates. Based on this history of no credit losses and the Bank parent company's view of the current and forecasted economic environment, the Bank parent company expects the risk of non-payment for US Treasuries to be zero and does not have an allowance for credit losses for these securities. The credit quality of these securities is monitored on a regular basis and the Bank parent company's zero-loss expectation is validated on at least a quarterly basis through the Bank parent company's governance structure involving the Risk and Treasury functions.

In 2023, the Bank parent company purchased corporate debt securities held-to-maturity amounting to CHF 168 million. As of December 31, 2023, the Bank parent company's corporate debt securities held-to-maturity had a carrying value of CHF 158 million and represented a limited number of euro-denominated covered bonds qualifying as HQLA, all rated "AAA" based on the Bank parent company's internal rating. These covered bonds relate to prime French residential home loans originated by French commercial networks. Market price movements of these covered bonds mainly reflect changes in interest rates and the issuer credit ratings, with the Bank parent company's exposure mitigated by interest rate swap hedge transactions and the over-collateralization of covered bonds. These securities are valued on a daily basis by the front office.

Other classes of financial assets

Other classes of financial assets subject to the CECL accounting guidance, which are not reported as loans or debt securities held-to-maturity described above, include mainly the following balance sheet positions and related risk characteristics:

- Cash and other liquid assets includes primarily cash balances with central banks; such credit exposure is sensitive to the credit rating and profile of the central bank.
- Due from banks includes balances held with banks. In addition to certain loans to financial institutions described further above, due from banks includes primarily nostro accounts as well as settlement accounts and margin accounts with broker banks; such credit exposure is sensitive to the credit rating and profile of the counterparty bank.
- Due from customers includes balances held with customers. In addition to the non-mortgage loans described further above, due from customers includes primarily settlement accounts and margin accounts with non-bank brokers; such credit exposure is sensitive to the credit rating and profile of the related counterparty.
- Securities borrowing and reverse repurchase agreements includes lending and borrowing of securities against cash or other financial collateral; such credit exposure is sensitive to the credit rating and profile of the counterparty and relative changes in the valuation of securities and financial collateral.

Estimating expected credit losses

The following key elements and processes of estimating expected credit losses apply to the Bank parent company's major classes of financial assets that are subject to the CECL accounting guidance.

Expected credit losses on non-impaired credit exposures
Expected credit loss models for non-impaired credit exposures have three main inputs: (i) PD, (ii) LGD and (iii) EAD. These parameters are derived from internally developed statistical models, which are based on historical data and leverage regulatory models under the advanced internal ratings-based (A-IRB) approach. Expected credit loss models use forward-looking information to derive point-in-time estimates of forward-looking term structures.

PD estimates are based on statistical rating models and tailored to various categories of counterparties and exposures. These statistical rating models are based on internally and externally compiled data comprising both quantitative and qualitative factors. A migration of a counterparty or exposure between rating classes generally leads to a change in the estimate of the associated PD. Lifetime PDs are estimated considering the expected macroeconomic environment and the contractual maturities of exposures, adjusted for estimated prepayment rates where applicable. Internal credit ratings form a significant input to the model derived CECL PDs. For the majority of counterparties, internal credit ratings are determined via statistical rating models, which are developed under the A-IRB approach of the Basel framework. The models are tailored to the specific business of the respective obligor and are intended to reflect the risk of default over a one-year period of each counterparty. The Bank parent company has received approval from its primary regulator to use, and has fully implemented, the A-IRB approach.

LGD estimates the size of the expected loss that may arise on a credit exposure in the event of a default. The Bank parent company estimates LGD based on the history of recovery rates of claims against defaulted counterparties, considering, as appropriate, factors such as differences in product structure, collateral type, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. Certain LGD values are also calibrated to reflect the expected macroeconomic environment.

EAD represents the expected amount of credit exposure in the event of a default. It reflects the current drawn exposure with a counterparty and an expectation regarding the future evolution of the credit exposure under the contract or facility, including amortization and prepayments. The EAD of a financial asset is the gross carrying amount at default, which is modeled based on historical data by applying a term structure and considering portfolio-specific factors such as the drawn amount as of the reporting date, the facility limit, amortization schedules, financial collateral and product type. For certain financial assets, the Bank parent company determines EAD by modeling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

Where a relationship to macroeconomic indicators is statistically sound and in line with economic expectations, the parameters are modeled accordingly, incorporating the Bank parent company's forward-looking forecasts and applying regional segmentations where appropriate.

The ability to forecast credit losses over the reasonable and supportable period is based on the ability to forecast economic activity over a reasonable and supportable time window. The Bank parent company's macroeconomic and market variable forecasts for the CECL scenarios cover a five-year time horizon. For periods beyond that reasonable and supportable forecast period, the Bank parent company immediately reverts to average economic environment variables as model input factors. In the downside and upside scenarios, mean reversion to the base case projected paths will commence in year three, with full convergence occurring in years four and five for certain macroeconomic factors.

Alternative qualitative estimation approaches are used for certain products. For lombard loans (including share-backed loans), the PD/LGD approach used does not consider the Bank parent company's forward-looking forecasts as these are not meaningful for the estimate of expected credit losses in light of the short timeframe considered for closing out positions under daily margining arrangements. For international private residential mortgages and securitizations, the Bank parent company applies qualitative approaches where credit specialists follow a structured process and use their expertise and judgment to determine the amounts of expected credit losses.

The Bank parent company measures expected credit losses considering the risk of default over the maximum contractual period (including any borrower's extension options) during which it is exposed to credit risk, even if the Bank parent company considers a longer period for risk management purposes. The maximum contractual period extends to the date at which the Bank parent company has the right to require repayment of an advance or terminate an irrevocable loan commitment or a credit guarantee.

For off-balance sheet credit exposures, methodology, scenarios and MEFs used to estimate the provision for expected credit losses are the same as those used to estimate the allowance for credit losses for financial assets held at amortized cost. For the EAD models, a credit conversion factor or similar methodology is applied to off-balance sheet credit exposures in order to project the additional drawn amount between current utilization and the committed facility amount.

Expected credit losses on impaired credit exposures
Expected credit losses for individually impaired credit exposures are measured by performing an in-depth review and analysis of these exposures, considering factors such as recovery and exit options as well as collateral and the risk profile of the borrower. The individual measurement of expected credit losses for

impaired financial assets also considers reasonable and supportable forward-looking information that is relevant to the individual counterparty (idiosyncratic information) and reflective of the macroeconomic environment that the borrower is exposed to, apart from any historical loss information and current conditions. If there are different scenarios relevant for the individual expected credit loss measurement, they are considered on a probability-weighted basis. The related allowance for credit losses is revalued by the recovery management function, at least annually or more frequently, depending on the risk profile of the borrower or credit-relevant events.

For credit-impaired financial assets, the expected credit loss is measured using (i) the present value of estimated future cash flows discounted at the contractual interest rate of the loan, (ii) the fair market value of collateral where the loan is collateral-dependent, (iii) the market price if a loan is traded and/or a market price can be readily determined for a related instrument or (iv) alternative recovery valuation methods such as multiples and liquidation values of assets. The impaired credit exposures and related allowance are revalued to reflect the passage of time.

For all classes of financial assets, the trigger to detect an impaired credit exposure is non-payment of interest, principal amounts or other contractual payment obligations, or when, for example, the Bank parent company may become aware of specific adverse information relating to a counterparty's ability to meet its contractual obligations, despite the current repayment status of its particular credit facility. For credit exposures where repayment is dependent on collateral, a decrease in collateral values can be an additional trigger to detect an impairment.

In addition, loans managed on the Swiss platform are reviewed depending on event-driven developments. All corporate and institutional loans are reviewed at least annually based on the borrower's financial statements and any indications of difficulties they may experience. Loans that are not impaired, but which are of special concern due to changes in covenants, downgrades, negative financial news and other adverse developments, are either transferred to recovery management or included on a watchlist. All loans on the watchlist are reviewed at least quarterly to determine whether they should be released, remain on the watchlist or be moved to recovery management. For loans in recovery management from the Swiss platform, larger positions are reviewed on a quarterly basis for any event-driven changes. Otherwise, these loans are reviewed at least annually. All loans in recovery management on international platforms are reviewed on at least a monthly basis.

Macroeconomic scenarios

The estimation and application of forward-looking information requires a combination of expert judgment and quantitative analysis. Since the acquisition by UBS, this estimation process and related analysis and procedures have been embedded in a group-wide process. As part of this group-wide process, the Bank parent company has aligned its macroeconomic scenarios, related macroeconomic factor forecasts and scenario weightings to those used by UBS. As of December 31, 2023, the Bank parent company's estimation of expected credit losses was based on a discounted probability-weighted estimate that considers three future macroeconomic scenarios: a baseline scenario, a mild downside scenario (mild debt crisis) and a severe downside scenario (stagflationary geopolitical crisis). The baseline scenario represents the most likely outcome. The other scenarios represent more pessimistic outcomes. The scenarios are probability-weighted according to the Bank parent company's best estimate of their relative likelihood based on historical frequency, an assessment of the current business and credit cycles as well as the macroeconomic factor trends.

→ Refer to "Note 19 – Financial instruments measured at amortized cost and credit losses" in VIII – Consolidated financial statements – Credit Suisse (Bank) in the Credit Suisse Annual Report 2022 for further information on macroeconomic scenarios applied by the Bank prior to the acquisition by UBS.

Current-period estimate of expected credit losses on non-impaired credit exposures

One of the most significant judgments involved in estimating the Bank parent company's allowance for credit losses relates to the macroeconomic forecasts used to estimate credit losses over the forecast period, with modeled credit losses being driven primarily by a set of 36 MEFs. The key MEFs used in each of the macroeconomic scenarios for the calculation of the expected credit losses include, but are not limited to, GDP growth rates, credit default swap indices and average ship earnings. These MEFs are used in the portfolio- and region-specific CECL models and have been selected based on statistical criteria and expert judgment to explain expected credit losses. The table "Selected macroeconomic factors" includes the Bank parent company's forecast of selected MEFs for 2024 and 2025, as estimated as of December 31, 2023. The comparative information includes the forecast of MEFs selected and estimated as of December 31, 2022. While GDP growth rates, credit default swap indices and average ship earnings are significant inputs to the forecast models, a range of other inputs are also incorporated for all three scenarios to provide projections for future economic and market conditions. Given the complex nature of the forecasting process, no single economic variable is viewed in isolation or independently of other inputs.

As of December 31, 2023, the forecast macroeconomic scenarios were weighted 60% for the baseline, 15% for the mild debt crisis and 25% for the stagflationary geopolitical crisis scenario. As of December 31, 2022, for the previously applied scenarios, the forecast macroeconomic scenarios were weighted 50% for the baseline, 40% for the downside and 10% for the upside scenario.

Selected macroeconomic factors

end of 2023	Forecast 2024	Forecast 2025
US real GDP growth rate (%)		
Baseline	0.7	2.4
Mild debt crisis	(0.6)	0.3
Stagflationary geopolitical crisis	(3.3)	(1.2)
iTraxx Asia IG (bp)		
Baseline	115	115
Mild debt crisis	220	206
Stagflationary geopolitical crisis	329	333
China real GDP growth rate (%)		
Baseline	4.1	4.8
Mild debt crisis	2.2	3.3
Stagflationary geopolitical crisis	(1.5)	1.4
Average Earnings of Bulk Carrier (USD per day)		
Baseline	12,552	12,346
Mild debt crisis	10,096	10,930
Stagflationary geopolitical crisis	8,614	10,391
Average Earnings of Tankers (USD per day)		
Baseline	49,865	53,895
Mild debt crisis	42,458	38,392
Stagflationary geopolitical crisis	31,758	25,269
Asia Pacific countries GDP growth rate (%)		
Baseline	3.6	4.6
Mild debt crisis	0.1	0.9
Stagflationary geopolitical crisis	(3.1)	(0.8)
CDX HY (bp)		
Baseline	403	405
Mild debt crisis	792	726
Stagflationary geopolitical crisis	1,212	1,172

Forecasts for GDP rates represent average annual growth rates while forecasts for credit default swap indices and average ship earnings represent levels at the end of the forcast period.

Selected macroeconomic factors (continued)

end of 2022	Forecast 2023	Forecast 2024
US real GDP growth rate (%)		
Downside	(1.7)	0.5
Baseline	0.9	1.5
Upside	1.2	2.0
World industrial production (%)		
Downside	(6.8)	0.4
Baseline	1.2	1.9
Upside	3.9	3.9
China real GDP growth rate (%)		
Downside	(0.9)	2.1
Baseline	4.5	4.9
Upside	6.2	5.8
G10 unemployment rate (%)		
Downside	5.5	5.1
Baseline	4.5	4.8
Upside	4.2	4.7

Forecasts for GDP and world industrial production rates represent average annual growth rates while forecasts for unemployment rates represent levels at the end of the forcast period.

Expected credit losses are not solely derived from MEF projections. Model overlays based on expert judgment are also applied, considering historical loss experience, industry, portfolio and counterparty reviews. Overlays are primarily impacting certain corporate and institutional loan portfolios. Certain overlays are designed to address circumstances where in management's judgment the CECL model outputs are overly sensitive to the effect of economic inputs that exhibit significant deviation from their long-term historical averages. The Bank parent company's non-specific allowance for expected credit losses on balance sheet and off-balance sheet credit exposures as of December 31, 2023 decreased slightly compared to December 31, 2022. In 2023, the probability of default models for large corporates and financial institutions were enhanced, and the related overlays were decommissioned.

Interest income attributable to the passage of time

For financial assets held at amortized cost, for which the Bank parent company measures expected credit losses based on the discounted cash flow methodology, the entire change in present value is reported in the statement of income in (increase)/release of allowance for default risks and losses from interest activities.

Methodology changes

The probability of default models for large corporates and financial institutions were updated during the reporting period. The main changes include (i) updates to macroeconomic factors based on expert feedback, (ii) re-calibration of sensitivity to macroeconomic inputs, (iii) re-calibration of average default probabilities, and (iv) additional granularity of region and industry segmentations. The overall impact of this model change is an increase in the allowance for expected credit losses of CHF 6 million. The model adjustments were applied with a simultaneous release of model overlays. The model overlays were in place mainly to address overly sensitive outputs of former models.

Credit quality information

The Bank parent company monitors the credit quality of financial assets held at amortized cost through its credit risk management framework, which provides for the consistent evaluation, measurement and management of credit risk across the Bank. Evaluation, measurement and management of credit exposures recorded in the Bank parent company follows the same approach as for the Bank and reflects the specific exposure profile of the legal entity. Assessments of credit risk exposures for internal risk estimates and risk-weighted assets are calculated based on PD, LGD and EAD models.

→ Refer to "Expected credit losses on non-impaired credit exposures" for further information on PD, LGD and EAD.

The credit risk management framework incorporates the following core elements:

- counterparty and transaction assessments: application of internal credit ratings (using PD), assignment of LGD and EAD values in relation to counterparties and transactions;
- credit limits: establishment of credit limits, including limits based on notional exposure, potential future exposure and stress exposure, 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, single name and portfolio insurance or hedging instruments.

In addition to traditional credit exposure measurement, monitoring and management using current and potential future exposure metrics, the Risk function performs counterparty and portfolio credit risk assessments of the impact of various internal stress test scenarios. The Risk function assesses the impact to credit risk exposures arising from market movements in accordance with the scenario narrative, which can further support the identification of concentration or tail risks. The scenario suite includes historical scenarios as well as forward-looking scenarios.

Credit officers evaluate and assess counterparties and clients to whom the Bank parent company has credit exposures, primarily using internal rating models. These models are used to determine internal credit ratings which are intended to reflect the PD of each counterparty.

For a majority of counterparties and clients, internal ratings are based on internally developed statistical models that have been backtested against internal experience and validated by a function independent of model development. Findings from backtesting serve as a key input for any future rating model developments. The Bank parent company's internally developed statistical rating models are based on a combination of quantitative factors (e.g., financial fundamentals, such as balance sheet information for corporates and loan-to-value (LTV) ratio and the borrower's income level for mortgage lending, and market data) and qualitative factors (e.g., credit histories from credit reporting bureaus 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 senior credit officers.

In addition to counterparty ratings, the Risk function 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 depending on exposure type, client segment, collateral or event-driven developments. The Bank parent company's 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 parent company's internal rating bands are reviewed on an annual basis with reference to extended historical default data and are therefore based on stable long-run averages. Adjustments to PD bands are only made where significant deviations to existing values are detected. The last update was made in 2012 and since then no significant changes to the robust long-run averages have been detected.

The Bank parent company 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.

A 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. The Risk function maintains regularly updated watchlists to review and 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.

→ Refer to "Expected credit losses on impaired exposures" for further information on credit monitoring.

Past due financial assets

Generally, a financial asset is deemed past due if the principal and/or interest payment has not been received on its due date.

Past due financial assets

end of	Current	Past due: Up to 30 days	Past due: 31-60 days	Past due: 61-90 days	Past due: More than 90 days	Past due: Total	Total
2023 (CHF million) [1]							
Due from banks	378	0	0	0	0	0	**378** [2]
Due from customers	58,087	548	35	5	1,536	2,124	**60,211** [2]
Mortgage loans	4,356	22	0	3	118	143	**4,499** [2]
Financial investments [3]	1,441	0	0	0	0	0	**1,441**
Total	**64,262**	**570**	**35**	**8**	**1,654**	**2,267**	**66,529**
2022 (CHF million) [1]							
Due from banks	1,013	0	0	0	0	0	**1,013** [2]
Due from customers	83,120	296	2	46	1,835	2,179	**85,299** [2]
Mortgage loans	4,953	0	0	0	98	98	**5,051** [2]
Financial investments [3]	921	0	0	0	0	0	**921**
Total	**90,007**	**296**	**2**	**46**	**1,933**	**2,277**	**92,284**

Excludes balances with entities under common control which are not subject to the CECL accounting guidance and related disclosures. Excludes financing receivables with an original maturity of less than one year which are not subject to disclosure of past due amounts under the CECL accounting guidance.
1 Reflects gross amounts before allowance for credit losses.
2 Excluded accrued interest in the total amount of CHF 328 million and CHF 395 million as of December 31, 2023 and 2022, respectively.
3 Includes only debt securities held-to-maturity.

As of December 31, 2023 and 2022, the Bank parent company did not have any financial assets subject to the CECL accounting guidance that were more than 90 days past due and still accruing interest.

21 Composition of share capital, conversion and reserve capital

end of	2023 Quantity	2023 Total nominal value (CHF million)	2022 Quantity	2022 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				
Unlimited conversion capital (at CHF 1 par value per share) [2]	unlimited	unlimited	unlimited	unlimited
Reserve capital (at CHF 1 par value per share) [3]	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, 2023 and 2022, the total nominal value of registered shares was CHF 4,399,680,200 and fully paid.
2 For information on principal characteristics of unlimited conversion capital, refer to Article 4d in the Articles of Association of the Bank parent company.
3 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, 2023 and 2022, 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

end of	Number of shares (million)	Total nominal value (CHF million)	Shareholding (%)	Number of shares (million)	Total nominal value (CHF million)	Shareholding (%)
			2023			2022
Direct shareholders						
UBS Group AG	4,400 [1]	4,400	100	–	–	–
Credit Suisse Group AG	–	–	–	4,400 [1]	4,400	100
Indirect shareholders						
Chase Nominees Ltd.	–	–	–	477	477	11 [2]
DTC (Cede & Co.)	326	326	7	–	–	–
Nortrust Nominees Ltd.	171	171	4	239	239	5 [2]
The Bank of New York Mellon	–	–	–	234	234	5 [2]

1 All shares with voting rights.
2 Nominee holdings exceeding 2% were registered with a right to vote only if the nominee confirmed that no individual shareholder held more than 0.5% of the outstanding share capital or if the nominee disclosed the identity of any beneficial owner holding more than 0.5% of the outstanding capital.

The sole direct shareholder of Credit Suisse AG is UBS Group AG, which holds 100% of the Credit Suisse AG shares. These shares are entitled to voting rights. Indirect shareholders of Credit Suisse AG included in the table above are the direct shareholders of UBS Group AG (acting in their own name or in their capacity as nominees for other investors or beneficial owners) that were registered in the UBS Group AG share register with 3% or more of the share capital of UBS Group AG as of December 31, 2023. The shares and share capital of Credit Suisse AG held by indirect shareholders, as shown in the table below, represent their relative holding of UBS Group AG shares. They do not have voting rights in Credit Suisse AG.

Comparative information relates to shareholders and indirect shareholders under the former Credit Suisse Group AG where a threshold of 5% of the voting rights was applied to the disclosure of holdings in Credit Suisse Group AG shares registered in the share register as of December 31, 2022, in line with Swiss GAAP statutory guidance.

Shareholders with a qualified participation

As of December 31, 2023, UBS 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

Share-based awards outstanding

	2023		2022	
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	5.2	135	46.3	128
Share-based awards outstanding	**5.2**	**135**	**46.3**	**128**

1 All share-based compensation plans of the Bank parent company are plans based on virtual shares and either settled in shares of UBS Group AG (2022: Credit Suisse Group AG) or in cash on the basis of the fair value of these shares.

Compensation to members of the Executive Board is determined by the Board within the parameters set by UBS Group and on the basis of their overall function and responsibilities and paid by different legal entities of Credit Suisse or UBS 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. Members of the Board of Directors who are not on the executive board of UBS Group AG receive an annual base fee, committee fees and chair fees paid in cash. In 2023 and 2022, no shares of UBS Group AG and former Credit Suisse Group AG, respectively, were awarded to these Board members for services provided in relation to Credit Suisse AG.

Compensation plans

Prior to the acquisition of Credit Suisse Group AG by UBS Group AG, the Bank parent company granted shares in its ultimate parent to certain employees. Following the acquisition, any outstanding shares were converted to UBS Group AG shares (UBS Group shares) at the ratio of 1 UBS Group share for every 22.48 Credit Suisse Group AG shares (Credit Suisse Group shares) held.

In February 2023, the Bank parent company granted share awards and transformation awards as deferred compensation.

All deferred compensation plans are subject to restrictive covenants, which generally include non-compete and non-solicit provisions. In 2023, deferred compensation was awarded to employees with total compensation for the performance year 2022 greater than or equal to CHF/USD 250,000 or the local currency equivalent. With the alignment of compensation to UBS's compensation policies, the mandatory deferral approach applies to all employees with regulatory-driven deferral requirements or total compensation for the performance year 2023 greater than CHF/USD 300,000. Certain regulated employees, such as senior management functions (SMFs) and material risk takers (MRTs), are subject to additional requirements (e.g., more stringent deferral requirements and additional blocking periods). In addition, SMFs and MRTs receive 50% of their cash portion in the form of immediately vested shares, which are blocked for 12 months after grant.

In 2023 and 2022, the Bank parent company's total expenses related to deferred compensation plans were CHF 186 million and CHF 63 million, respectively.

For 2023, post acquisition, all share-based compensation plans of the Bank parent company were either settled in UBS Group shares or in cash on the basis of the fair value of the UBS Group shares. For 2022, all share-based compensation plans of the Bank parent company were either settled in Credit Suisse Group shares or in cash on the basis of the fair value of the Credit Suisse Group shares.

Share awards

Share awards granted prior to acquisition 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 MRTs, risk manager MRTs or senior managers or equivalents under the EU or UK Capital Requirements Directive V-related provisions. Share awards granted to MRTs vest over four years with one quarter of the award vesting on each of the four anniversaries of the grant date. Share awards granted to risk manager MRTs vest over five years with one fifth of the award vesting on each of the five anniversaries of the grant date. Share awards granted to senior managers vest over seven years, 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 UBS Group share price at the time of delivery.

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 UBS Group share and are generally subject to continued employment with the Bank parent company, contain restrictive covenants and cancellation provisions and generally vest between zero and five years.

Merger retention awards granted on the acquisition date are expensed over their applicable vesting periods. These share awards generally vest over 12 months, with the exception of awards granted to individuals classified as MRTs or employees with awards over a certain value, which vest between two to seven years. With UBS Group AG as the grantor, the grant values of these awards are invoiced over their requisite service periods. No further payments are required to be made by the Bank parent company at the time of settlement with employees.

In February 2023, the Bank parent company granted 1.0 million share awards with a total value of CHF 19 million, after reflecting the conversion to UBS Group shares following the acquisition. The majority of share awards granted included the right to receive dividend equivalents on vested shares.

Performance share awards

Prior to 2023, certain employees received a portion of their deferred variable compensation in the form of performance share awards. Performance share awards are similar to share awards, except that the full balance of outstanding performance share awards, including those awarded in prior years, are subject to performance-based malus provisions. The majority of performance share awards granted include the right to receive dividend equivalents on vested shares.

The conditions for the outstanding performance share awards granted for prior years were revised and are subject to a downward adjustment if UBS Group has a negative reported return on common equity tier 1 (CET1) for the year with effect from December 31, 2023.

Performance share awards are no longer used as a form of deferred compensation from the 2022 performance year and onwards.

Strategic Delivery Plan

Strategic Delivery Plan (SDP) awards were a one-off share-based award granted in February 2022. The SDP awards are subject to service conditions and performance-based metrics over the course of 2022-2024. SDP awards are scheduled to vest on the third anniversary of the grant date, with the exception of awards granted to individuals classified as MRTs, risk manager MRTs or senior managers or equivalents under the EU Capital Requirements Directive V and UK Investment Firms Prudential Regime, where a longer vesting period applies. Prior to settlement, the principal amount of the SDP awards will be written down to zero and forfeited if UBS Group's reported CET1 ratio falls below 7% as of December 31, 2023 or 2024. The majority of SDP awards granted include the right to receive dividend equivalents on vested shares.

Transformation awards

In February 2023, the Bank parent company granted 0.5 million transformation share awards with a total value of CHF 9 million, after reflecting the conversion to UBS Group shares following the acquisition, to certain employees identified as being critical to the delivery of the transformation strategy. Transformation share awards vest on the third anniversary of grant and are subject to a share price condition and performance conditions. The share price condition and performance conditions were revised. No payment will be made unless the UBS Group share price is at CHF 85.87 or higher on December 31, 2025. If the share price condition is achieved, the amount payable is based on the underlying UBS Group return on CET1 for calendar year 2025, with 100% of the transformation share award due if an underlying UBS Group return on CET1 of 8% is achieved.

Contingent Capital Awards

Contingent Capital Awards (CCA) have not been used as a form of deferred compensation since the 2021 performance year. In 2023, all outstanding CCAs were written down for both vested and unvested awards. Negative deferred compensation expenses of CHF 60 million for CCAs recognized during 2023 reflected the cancellation of the prior-year CCAs following the decision by the Swiss Federal Council.

Deferred fixed cash awards

In 2023, the Bank parent company granted CHF 2 million of deferred fixed cash to certain employees. This compensation is expensed over a vesting period of one to three years from the grant date.

Upfront cash awards

In February 2023, the Bank parent company granted CHF 102 million of upfront cash awards to certain employees as part of the cash component of their 2022 variable compensation. These awards are subject to repayment (clawback) by the employee in the event of voluntary resignation, termination for cause or in connection with other specified events or conditions within three years of the award grant. The amount subject to repayment is reduced in equal monthly instalments during the three-year period following the grant date. The related expenses are recognized over the three-year vesting period, subject to service conditions.

Other deferred cash awards

Other deferred cash awards include special awards, merger retention cash awards (vested 60 days after grant), transformation cash awards, Deferred Contingent Cash Plan (DCCP), Fund Ownership Plan (FOP) cash awards, employee investment plans as well as certain share and performance share awards settled in cash. Compensation expenses were primarily driven by the vesting schedule of these awards as well as mark-to-market adjustments, where applicable.

24 Amounts receivable from and amounts payable to related parties

	2023		2022	
end of	Amounts receivable	Amounts payable	Amounts receivable	Amounts payable
CHF million				
Shareholders with a qualified participation	1,172	44,456	1,962	66,489
Group companies	60,568	34,381	123,796	92,066
Affiliated companies	1,837	5,058	1,422	584
Members of governing bodies [1]	10	21	10	33

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

Significant off-balance sheet transactions

As part of the normal course of business, the Bank parent company issues guarantees and loan commitments and enters into other agreements with group companies which are recorded as off-balance sheet transactions by the Bank parent company. As of December 31, 2023 and 2022, the Bank parent company had contingent liabilities of CHF 5,067 million and CHF 7,590 million, respectively, and irrevocable loan commitments of CHF 1,301 million and CHF 4,286 million, respectively, of which substantially all were related to transactions with group companies. As of December 31, 2023 and 2022, the Bank parent company also had liabilities for calls on shares and other equity instruments of CHF 1 million and CHF 2 million, respectively, with a group company.

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

For loans and other banking services, members of the Executive Board, employees and former employees may benefit from preferential terms available to all employees in certain jurisdictions as part of Bank parent company's employee benefit plans. Transactions with related parties are entered into at prevailing market conditions.

→ Refer to "Off-balance sheet transactions" for further information on related party transactions.

→ Refer to "Note 29 – Related parties" in V –Consolidated financial statements – Credit Suisse for further information on related party transactions and Executive Board and Board of Directors loans.

25 Total assets by country rating

end of	2023 CHF million [2]	2023 %	2022 CHF million [2]	2022 %
Internal country rating [1]				
AAA	22,755	8.8%	31,029	8.2%
AA	138,725	53.8%	219,333	58.0%
A	16,728	6.5%	24,133	6.3%
BBB	7,442	2.9%	15,517	4.1%
Investment grade	185,650	72.0%	290,012	76.6%
BB	1,616	0.6%	7,140	1.9%
B	3,811	1.5%	2,083	0.6%
CCC	2,261	0.9%	3,188	0.8%
CC	73	0.0%	0	0.0%
C	20	0.0%	20	0.0%
D	261	0.1%	266	0.1%
Non-investment grade	8,042	3.1%	12,697	3.4%
No rating [3]	2,247	0.9%	2,527	0.7%
Foreign assets	**195,939**	**76.0%**	**305,236**	**80.7%**
Domestic assets	**61,996**	**24.0%**	**73,127**	**19.3%**
Total assets	**257,935**	**100.0%**	**378,363**	**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 Balance sheet exposure by country rating of risk domicile.
3 Includes exposures to countries that are not rated internally.

26 Fiduciary transactions

end of	2023	2022
CHF million		
Fiduciary placements with third-party institutions	1,344	2,754
Fiduciary transactions	**1,344**	**2,754**

27 Assets under management

Assets under management

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

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

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

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

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

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

Assets under management

end of	**2023**	2022
CHF billion		
Assets in collective investment instruments managed by Credit Suisse AG	0.0	0.1
Assets with discretionary mandates	31.8	90.6
Other assets under management	221.0	274.9
Assets under management	**252.8**	**365.6**
of which double counting	0	0

Changes in assets under management

	2023	2022
CHF billion		
Balance at beginning of period [1]	**365.6**	**504.6**
Net new assets/(net asset outflows)	(48.6)	(68.2)
Market movements, interest, dividends and foreign exchange	(1.2)	(53.6)
of which market movements, interest and dividends [2]	20.2	(52.6)
of which foreign exchange	(21.4)	(1.0)
Other effects	(63.0) [3]	(17.2) [4]
Balance at end of period [1]	**252.8**	**365.6**

1 Including double counting.
2 Net of commissions and other expenses and net of interest expenses charged.
3 Included mainly the impact of CHF 45.8 billion in connection with alignments to UBS policies and structural outflows of CHF 16.2 billion from the reclassification of certain assets under management to Non-core and Legacy.
4 Included mainly structural outflows of CHF 14.6 billion related to sanctions imposed in connection with Russia's invasion of Ukraine and CHF 2.0 billion related to the exit of the Sub-Sahara excluding South Africa market as a result of the Group's strategic review.

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.

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

Proposed appropriation of accumulated losses

Proposed appropriation of accumulated losses

	2023
Accumulated losses (CHF million)	
Accumulated losses carried forward	(30,435)
Net profit	10,126
Accumulated losses to be carried forward	**(20,309)**

List of abbreviations

A

A-IRB	Advanced internal ratings-based approach
AMA	Advanced measurement approach
Apollo	Apollo Global Management
Atlas	Atlas SP Partners

B

Board	Board of Directors

C

CCA	Contingent Capital Awards
CCO	Chief Compliance Officer
CECL	Current expected credit loss
CET1	Common equity tier 1
CFCCC	Conduct and Financial Crime Control Committee
CLO	Collateralized loan obligations
CRO	Chief Risk Officer

D

DCCP	Deferred Contingent Cash Plan
DCRC	Divisional Client Risk Committee

E

EAD	Exposure at default
ELA+	Emergency Liquidity Assistance Plus
EU	European Union
ExB RMC	Executive Board Risk Management Committee

F

FER	Swiss accounting standards (true & fair)
FINMA	Swiss Financial Market Supervisory Authority FINMA
FOP	Fund Ownership Plan

G

GAAP	Generally accepted accounting principles
GDP	Gross domestic product

H

HQLA	High-quality liquid assets

I

ICAAP	Internal capital adequacy assessment process
IT	Information technology

L

LGD	Loss given default
LOACOM	Lower of amortized cost or market value
LOCOM	Lower of cost or market value
LTV	Loan-to-value

M

MEFs	Macroeconomic factors
MRTs	Material risk takers

N

NFRF	Non-financial risk framework
NRV	Negative replacement value

O

OGR	Organizational Guidelines and Regulations
OTC	Over-the-counter

P

PD	Probability of default
PLB	Public Liquidity Backstop
PRV	Positive replacement value

R

RWA	Risk-weighted assets

S

SCFF	Supply chain finance funds
SDP	Strategic Delivery Plan
SMFs	Senior management functions
SNB	Swiss National Bank
SPG	Securitized Products Group
SROs	Strategic risk objectives

U

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

V

VaR	Value-at-risk
VAT	Value added tax

Cautionary statement regarding forward-looking information

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.

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