

Financial Report 6M23

Credit Suisse (Schweiz) AG

Financial Report 6M23

Credit Suisse (Schweiz) AG

**2 Interim financial statements
– unaudited**

**5 Notes to the interim financial
statements – unaudited**

Capital adequacy disclosures for Credit Suisse AG and Credit Suisse (Schweiz) AG are presented in the publication “Pillar 3 Report – UBS Group and significant regulated subsidiaries and sub-groups”, which is available on UBS’s website ubs.com/global/en/investor-relations/financial-information/pillar-3-disclosures.

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

In tables, use of “–” indicates not meaningful or not applicable.

Interim financial statements

– unaudited

Statement of income (unaudited)

in	6M23	6M22
Statement of income (CHF million)		
Interest and discount income	2,262	1,021
Interest and dividend income from financial investments	9	2
Interest expense	(1,726)	(30)
Gross income from interest activities	545	993
(Increase)/release of allowance for default risks and losses from interest activities	(87)	(33)
Net income from interest activities	458	960
Commission income from securities trading and investment activities	723	813
Commission income from lending activities	89	102
Commission income from other services	387	190
Commission expense	(410)	(228)
Net income from commission and service activities	789	877
Net income/(loss) from trading activities and fair value option	483	144
Income from participations	355	135
Income from real estate	1	1
Other ordinary income	137	176
Other ordinary expenses	(9)	0
Net income from other ordinary activities	484	312
Personnel expenses	682	640
General and administrative expenses	734	830
Total operating expenses	1,416	1,470
Impairment of participations, depreciation and amortization of tangible fixed assets and intangible assets	217	56
Increase/(release) of provisions and other valuation adjustments, and losses	6	(6)
Operating profit	575	773
Extraordinary income	1	1
Taxes	(53)	(126)
Net profit	523	648

Balance sheet (unaudited)

end of	6M23	2022
Assets (CHF million)		
Cash and other liquid assets	37,751	17,308
Due from banks	11,291	15,540
Securities borrowing and reverse repurchase agreements	10,027	6,232
Due from customers	35,037	34,485
Mortgage loans	129,913	135,499
Trading assets	831	918
Positive replacement values of derivative financial instruments	570	494
Financial investments	1,135	2,792
Accrued income and prepaid expenses	572	404
Participations	992	966
Tangible fixed assets	250	427
Other assets	170	342
Total assets	228,539	215,407
Total subordinated receivables	111	112
of which receivables subject to contractual mandatory conversion and/or cancellation	40	40
Liabilities and shareholders' equity		
Due to banks	63,465	27,558
Securities lending and repurchase agreements	8,544	2,068
Customer deposits	106,744	135,048
Negative replacement values of derivative financial instruments	517	1,108
Medium-term notes	50	66
Bonds and mortgage-backed bonds	33,650	33,246
Accrued expenses and deferred income	730	707
Other liabilities	2,406	2,597
Provisions	81	80
Total liabilities	216,187	202,478
Share capital	100	100
Legal capital reserves	11,544	11,544
of which capital contribution reserves	10,522	10,522
Retained earnings carried forward	185	94
Net profit	523	1,191
Total shareholders' equity	12,352	12,929
Total liabilities and shareholders' equity	228,539	215,407
Total subordinated liabilities	12,411	13,110
of which liabilities subject to contractual mandatory conversion and/or cancellation	3,109	3,108

Off-balance sheet transactions (unaudited)

end of	6M23	2022
CHF million		
Contingent liabilities	11,630	13,580
Irrevocable commitments	14,493	15,963
Obligations for calls on shares and additional payments	110	111

Off-balance sheet transactions

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

Joint and several liability

Credit Suisse (Schweiz) AG holds assets at a carrying value of CHF 948 million and CHF 1,196 million as of June 30, 2023 and December 31, 2022, respectively, which are pledged under the international covered bond program of Credit Suisse AG and for which the related liabilities of CHF 567 million and CHF 565 million as of June 30, 2023 and December 31, 2022 are reported by Credit Suisse AG. As of June 30, 2023 and December 31, 2022, the contingent liabilities of Credit Suisse (Schweiz) AG under this covered bond program of Credit Suisse AG are CHF 567 million and CHF 565 million, respectively. Credit Suisse (Schweiz) AG also entered into a contractual arrangement under which it assumed joint and several liability in connection with

Credit Suisse (Schweiz) AG's roles under the international covered bond program.

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

Deposit insurance guarantee program

Deposit-taking banks and securities dealers in Switzerland are required to ensure the payout of protected deposits in case of specified restrictions or 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 the administrator of the Swiss deposit insurance program, Credit Suisse (Schweiz) AG's respective share was CHF 566 million for the period January 1 to June 30, 2023. This deposit insurance guarantee is reflected in irrevocable commitments. For the period July 1, 2023 to June 30, 2024, Credit Suisse (Schweiz) AG's share in the deposit insurance program, as per notification from the administrator, will be CHF 518 million.

Statement of changes in equity (unaudited)

	Share capital	Legal capital reserves		Retained earnings carried forward	Net profit	Total shareholders' equity
		Total	of which: capital contribution reserves ¹			
6M23 (CHF million)						
Balance at beginning of period	100	11,544	10,522	94	1,191	12,929
Appropriation of net profit	–	–	–	1,191	(1,191)	–
Dividends and other distributions	–	–	–	(1,100)	–	(1,100)
Net profit	–	–	–	–	523	523
Balance at end of period	100	11,544	10,522	185	523	12,352

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

Notes to the interim financial statements – unaudited

1 Company details, business developments and subsequent events

Company details

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

Credit Suisse (Schweiz) AG is a wholly owned subsidiary of Credit Suisse AG. Since June 12, 2023, Credit Suisse AG is a wholly owned subsidiary of UBS Group AG (UBS); both entities are domiciled in Switzerland.

Business developments

Acquisition by UBS

On June 12, 2023, UBS Group AG (UBS) completed the acquisition of Credit Suisse Group AG (the former parent company of Credit Suisse AG), which resulted in changes that had significant impacts on Credit Suisse (Schweiz) AG's standalone results for 6M23 under accounting standards applicable to Swiss banks. These acquisition-related effects included fair valuation adjustments, impairments of internally developed software, integration costs, acquisition-related compensation expenses and other acquisition-related adjustments.

Due to the acquisition, Credit Suisse (Schweiz) AG reviewed the valuation of certain financial assets applying alternative valuation models and parameter updates. As a result of this review, Credit Suisse (Schweiz) AG recorded negative fair valuation adjustments of CHF 34 million related to derivative financial instruments and participation impairments of CHF 3 million in 6M23.

As a result of the acquisition, a detailed review of internally developed software applications and an assessment of their fair value has 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 158 million was recorded in 6M23.

6M23 was further impacted by certain compensation-related developments in connection with the acquisition. As a result of the alignment of certain Credit Suisse policies to those of UBS, including the variable incentive framework, acquisition-related personnel expenses were CHF 41 million.

Compensation

In addition to the acquisition-related impacts on compensation 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 Credit Suisse (Schweiz) AG's personnel expenses in 6M23 was a credit of CHF 3 million.

Furthermore, 6M23 included the cancellation of the prior-year contingent capital awards (CCA) resulting in a credit of CHF 23 million recognized in personnel expenses.

Internal control over financial reporting

In March 2023, Credit Suisse (Schweiz) AG reported a material weakness of internal control over financial reporting as disclosed and detailed in "Note 1 – Company details, business developments and subsequent events" in the 2022 Annual Report. Management is committed to maintaining a strong internal control environment and implementing measures designed to ensure that the material weakness is remediated as soon as possible. Notwithstanding the existence of this material weakness in internal control over financial reporting, nothing has come to the attention of Credit Suisse (Schweiz) AG's management that would cause management to believe that the interim financial statements as of June 30, 2023 are not prepared in accordance with the accounting, disclosure and valuation requirements of Swiss law.

Liquidity developments

In the second half of March 2023, Credit Suisse (Schweiz) AG experienced significant withdrawals of cash deposits as well as non-renewal of maturing time deposits. Customer deposits declined by CHF 28 billion in 6M23. After deposit outflows, which were most acute in the days immediately preceding and following the announcement of Credit Suisse's acquisition by UBS Group AG, Credit Suisse (Schweiz) AG saw deposit inflows again at the end of the reporting period.

Emergency liquidity assistance

In accordance with article 9 paragraph 1(e) of the National Bank Act, Credit Suisse (Schweiz) AG met the requirements to receive liquidity assistance from the Swiss National Bank (SNB). An Emergency Liquidity Assistance (ELA) facility was granted in the second half of March 2023. As of the end of 6M23, the amount outstanding under the ELA facility was CHF 38 billion. The ELA facility is fully collateralized by a portfolio of Swiss mortgages pledged to SNB.

Outflows in assets under management

In 6M23, Credit Suisse (Schweiz) AG's net asset outflows were CHF 25.7 billion or 4% of assets under management as of the end of 2022, in particular following net asset outflows in the second half of March 2023.

Subsequent events

On August 31, 2023, UBS announced the proposed integration of Credit Suisse (Schweiz) AG with UBS Switzerland AG through a merger of the two banks. UBS expects to merge the two banks in 2024. The announced integration may result in further impairments, including relating to participations and software, and tax impacts.

2 Accounting and valuation principles

Summary of significant accounting and valuation principles

Basis for accounting

The Credit Suisse (Schweiz) AG standalone financial statements are prepared in accordance with the accounting rules of the Swiss Federal Law on Banks and Savings Banks (Bank Law), the corresponding Implementing Ordinance (Banking Ordinance), the Swiss Financial Market Supervisory Authority's 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*). The financial year for Credit Suisse (Schweiz) AG ends on December 31. These interim financial statements should be read in conjunction with the standalone financial statements and notes thereto for the year ended December 31, 2022 included in the Annual Report 2022 of Credit Suisse (Schweiz) AG.

→ Refer to "Note 2 – Accounting and valuation principles" in the Annual Report 2022 for further information.

3 Extraordinary income

in	6M23	6M22
CHF million		
Gains realized from the disposal of participations	1 ¹	0
Gains realized from the disposal of tangible fixed assets	0	1 ²
Extraordinary income	1	1

¹ Related to the partial sale of a participation.

² Includes realized gains from the sale of real estate (bank premises).

Cautionary statement regarding forward-looking information

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

CREDIT SUISSE 

CREDIT SUISSE (SCHWEIZ) AG

Paradeplatz 8

8070 Zurich

Switzerland

[credit-suisse.com](https://www.credit-suisse.com)