CREDIT SUISSE

Annual Report 2021

Credit Suisse (Schweiz) AG

Key metrics

	in / end of		% change
	2021	2020	YoY
Results (CHF million, except where indicated)			
Net income from business activities [1]	4,812	4,410	9
Total operating expenses	2,780	2,778	0
Net profit	1,274	641	99
Balance sheet metrics (CHF million)			
Total assets	253,370	250,367	1
Mortgage loans	138,472	138,175	0
Customer deposits	186,859	179,946	4
Total shareholders' equity	13,538	13,464	1
Swiss regulatory capital, leverage and liquidity metrics (CHF million, except where indicated)			
Swiss common equity tier 1 (CET1) capital	11,948	11,884	1
Total loss-absorbing capacity (TLAC)	25,272	25,209	0
Swiss CET1 ratio (%)	12.6	12.6	–
Swiss CET1 leverage ratio (%)	4.2	5.2	–
TLAC ratio (%)	26.7	26.8	–
TLAC leverage ratio (%)	8.8	10.2	–
Liquidity coverage ratio (%) [2]	137	143	–
Assets under management and net new assets (CHF billion)			
Assets under management	731.0	671.2	8.9
Net new assets	6.5	7.4	(12.2)
Number of employees (full-time equivalents)			
Number of employees	7,280	7,470	(3)
Long-term credit rating			
Fitch Ratings	A+	A+	–
Standard & Poor's	A+	A+	–

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

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

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

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Credit Suisse (Schweiz) AG

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

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

Climate-related financial risk disclosures for the Group and Credit Suisse (Schweiz) AG are presented in the publication “Sustainability Report”, which is available on Credit Suisse Group’s website credit-suisse.com/sustainabilityreport.

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

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

Report of the statutory auditor

to the General Meeting of Credit Suisse (Schweiz) AG, Zurich

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Credit Suisse (Schweiz) AG, which comprise the statements of income, balance sheets, statement of changes in equity and notes for the year ended December 31, 2021, including a summary of significant accounting policies.

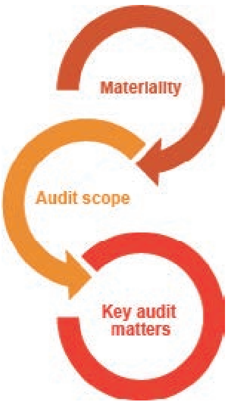
In our opinion, the financial statements as at December 31, 2021 (pages 7 to 42) comply with Swiss law and the company's articles of association.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Overview



Overall materiality: CHF 117 million

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

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

- Valuation of allowance for loan losses
- Risk of unauthorized changes to applications and data

Materiality

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

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

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Overall materiality	CHF 117 million
Benchmark applied	Common Equity Tier 1 (CET1)
Rationale for the materiality benchmark applied	We chose CET1 as the benchmark because, in our view, it is the benchmark that best represents the solvency and stability of Credit Suisse (Schweiz) AG, which is of major relevance for economic decisions made by Management and the Board of Directors and in line with targets that are set by Credit Suisse Group AG and the external regulator.

Audit scope

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

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of allowance for loan losses

Key audit matter	How our audit addressed the key audit matter
Credit Suisse (Schweiz) AG adopted the expected credit loss approach for its standalone financial statements as of January 1, 2021, applying US GAAP guidance used in Credit Suisse Group AG consolidated financial statements as allowed under FINMA Accounting Ordinance. As disclosed in Note 11 to the financial statements, Credit Suisse (Schweiz) AG recorded gross loans held at amortized cost of CHF 172,546 million and an allowance for credit losses of CHF 363 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. Based upon the judgment of management, overlays are applied to model output when economic inputs are outside of historical ranges. 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 loan losses as a key audit matter. The principal consideration for our determination are (i) the significant judgment by management in evaluating model results and assessing the need for overlays to the CECL model output in the current environment, (ii) the significant judgment and estimation by management in determining an appropriate methodology	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. • 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, and (iii) 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. • We tested individually impaired loans on a sample basis. This included obtaining audit evidence for key assumptions such as future cash flow estimates and valuation of underlying collateral.

for the overlays applied, which both in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and in evaluating audit evidence obtained relating to the model results and the appropriateness of overlays to the CECL model output, (iii) the audit effort involved the use of professionals with specialized skill and knowledge and (iv) judgment by management to estimate the recoverable amount and the collateral value for loans that are individually evaluated for impairment.	

Risk of unauthorized changes to applications and data

Key audit matter	How our audit addressed the key audit matter
We identified the risk of unauthorized or inappropriate use of access by certain users with privileged levels of access to operating systems by developers and to databases by IT support staff as a key audit matter given the extensive reliance within accounting and reporting processes on automated controls enabled by IT systems. Access management controls are critical to mitigate the risk that users can change IT system functionality and data intentionally or through error. We assessed that there is an inherent risk of a material misstatement due to the complexity in the access management control environment and the high degree of manual intervention required to ensure that only authorized users are assigned privileges and are using them in a way that is commensurate with their responsibilities.	The following procedures were performed to address the key audit matter of the risk of unauthorized or inappropriate use of access by certain users with privileged levels of access to operating systems by developers and to databases by IT support staff: • We evaluated the design and operating effectiveness of access management controls for in-scope systems over business users, developers and IT privileged users. • For active production servers and databases associated with the in-scope systems, we evaluated the design and operating effectiveness controls for assets appropriately being included in the CS global asset inventory, which forms the basis of the access and change management control landscape. • For a sample of user access data being uploaded manually into provisioning and recertification tools for the application layer, we tested whether the uploads were complete and accurate. • We performed controls testing of user access data being uploaded to the recertification tools for the permanent privileged access at the infrastructure layer, to confirm whether the uploads were complete and accurate. • For permanent and temporary privileged access used during the year, we tested the controls in place to assess the appropriateness of user access. • For in-scope automated controls we validated whether changes made to the functionality were valid and approved.

Responsibilities of the Board of Directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of retained earnings and capital distribution complies with Swiss law and the company's articles of association. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Roman Berlinger	Ralph Gees
Audit expert Auditor in charge	Audit expert

Zurich, March 10, 2022

Financial statements

Statements of income

	Note	2021	in 2020
Statements of income (CHF million)			
Interest and discount income		2,118	2,083
Interest and dividend income from trading activities		0	12
Interest and dividend income from financial investments		4	4
Interest expense		18	(178)
Gross income from interest activities		**2,140**	**1,921**
(Increase)/release of allowance for default risks and losses from interest activities		(3)	(175)
Net income from interest activities	4	**2,137**	**1,746**
Commission income from securities trading and investment activities		1,645	1,529
Commission income from lending activities		181	169
Commission income from other services		402	415
Commission expense		(444)	(421)
Net income from commission and service activities		**1,784**	**1,692**
Net income/(loss) from trading activities and fair value option	5	**264**	**319**
Income/(loss) from the disposal of financial investments		1	3
Income from participations		179	322
Income from real estate		3	2
Other ordinary income		444	326
Net income from other ordinary activities		**627**	**653**
Personnel expenses	6	1,255	1,352
General and administrative expenses	7	1,525	1,426
Total operating expenses		**2,780**	**2,778**
Impairment of participations, depreciation and amortization of tangible fixed assets and intangible assets		511	797
Increase/(release) of provisions and other valuation adjustments, and losses	8	34	85
Operating profit		**1,487**	**750**
Extraordinary income	8	43	1
Taxes	9	(256)	(110)
Net profit		**1,274**	**641**

Balance sheets

	Note	end of 2021	2020
Assets (CHF million)			
Cash and other liquid assets		58,054	57,188
Due from banks		11,031	5,940
Securities borrowing and reverse repurchase agreements	10	7,270	8,648
Due from customers	11	33,711	33,881
Mortgage loans	11	138,472	138,175
Trading assets	12	1,023	1,094
Positive replacement values of derivative financial instruments	13	1,334	2,179
Financial investments	14	249	249
Accrued income and prepaid expenses		334	388
Participations		931	906
Tangible fixed assets		461	456
Intangible assets		0	411
Other assets	15	500	852
Total assets		**253,370**	**250,367**
Total subordinated receivables		90	90
of which receivables subject to contractual mandatory conversion and/or cancellation		40	40
Liabilities and shareholders' equity			
Due to banks		19,865	22,155
Securities lending and repurchase agreements	10	2,509	4,908
Customer deposits		186,859	179,946
Trading liabilities	12	0	2
Negative replacement values of derivative financial instruments	13	738	1,202
Medium-term notes		119	179
Bonds and mortgage-backed bonds		28,266	27,171
Accrued expenses and deferred income		726	768
Other liabilities	15	654	452
Provisions	18	96	120
Total liabilities		**239,832**	**236,903**
Share capital	20	100	100
Legal capital reserves		12,144	12,644
of which capital contribution reserves		11,122	11,622
Retained earnings carried forward		20	79
Net profit		1,274	641
Total shareholders' equity		**13,538**	**13,464**
Total liabilities and shareholders' equity		**253,370**	**250,367**
Total subordinated liabilities		13,306	13,306
of which liabilities subject to contractual mandatory conversion and/or cancellation		3,105	3,105

Off-balance sheet transactions

end of	2021	2020
CHF million		
Contingent liabilities	15,016	16,774
Irrevocable commitments	15,347	12,891
Obligations for calls on shares and additional payments	101	101

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 950 million and CHF 4,738 million as of December 31, 2021 and 2020, respectively, which are pledged under the international covered bond program of Credit Suisse AG and for which the related liabilities of CHF 627 million and CHF 3,390 million as of December 31, 2021 and 2020 are reported by Credit Suisse AG. As of December 31, 2021 and 2020, the contingent liabilities of Credit Suisse (Schweiz) AG under this covered bond program of Credit Suisse AG are CHF 627 million and CHF 3,390 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 Credit Suisse Group AG's Swiss value added tax (VAT) group and therefore subject to joint and several liability according to the Swiss VAT Act.

Deposit insurance guarantee program

Deposit-taking banks and securities dealers in Switzerland are required to ensure the payout of privileged deposits in the case of specified restrictions or compulsory liquidation of a deposit-taking bank, and they jointly guarantee an amount of up to CHF 6 billion. Upon occurrence of a payout event triggered by a specified restriction of business imposed by the Swiss Financial Market Supervisory Authority FINMA (FINMA) or by the compulsory liquidation of another deposit-taking bank, the participating bank's contribution will be calculated based on its share of privileged deposits in proportion to total privileged deposits. Based on FINMA's estimate, Credit Suisse (Schweiz) AG's share in the deposit insurance guarantee program for the period July 1, 2021 to June 30, 2022 is CHF 444 million. This deposit insurance guarantee is reflected in irrevocable commitments.

Statement of changes in equity

		Legal capital reserves				
	Share capital	Total	of which: capital contribution reserves [1]	Retained earnings carried forward	Net profit	**Total shareholders' equity**
2021 (CHF million)						
Balance at beginning of period	**100**	**12,644**	**11,622**	**79**	**641**	**13,464**
Appropriation of net profit	–	–	–	641	(641)	–
Dividends and other distributions	–	(500)	(500)	(700)	–	(1,200)
Net profit	–	–	–	–	1,274	1,274
Balance at end of period	**100**	**12,144**	**11,122**	**20**	**1,274**	**13,538**

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

Notes to the financial statements

1 Company details, business developments and subsequent events

Company details

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

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

Number of employees

end of	**2021**	2020
Full-time equivalents		
Switzerland	7,280	7,470
Total	**7,280**	**7,470**

Business developments

Credit Suisse Group strategy

On November 4, 2021, Credit Suisse Group announced that its board of directors had unanimously agreed on a long-term strategic direction for the Group and approved the introduction of a global business and regional matrix structure. Credit Suisse (Schweiz) AG will continue to operate with the same remit in terms of product offering, client and geographical coverage.

COVID-19 pandemic

The COVID-19 pandemic continued to affect the economic environment throughout 2021. Infection rates ebbed and flowed across the world during the course of 2021, including in countries where Credit Suisse has a significant presence. Vaccination programs during the year continued to reduce significantly the correlation between COVID-19 infection and serious illness, although booster shots were increasingly required to sustain a high level of protection. In addition, in the fourth quarter of 2021 a further challenge arose with the emergence of the Omicron variant, which was more transmissible than previous variants. However, in early 2022 there were signs that the Omicron infection wave was peaking and that governments would relatively soon be able to ease social and economic activity restrictions. Credit Suisse (Schweiz) AG continues to closely monitor the COVID-19 pandemic and its effects on the bank's operations and businesses.

Credit Suisse (Schweiz) AG played an active role in developing the bridge loan solution for Swiss companies that was announced in 2020, in cooperation with the Swiss Federal Department of Finance, the Swiss National Bank, FINMA and the Swiss Bankers Association. Since inception, Credit Suisse (Schweiz) AG has granted more than 16,700 COVID-19 bridge loans with a total volume of approximately CHF 3 billion. The loans granted under this program did not generate any profits in 2021, as confirmed by an external review.

Supply chain finance fund matter

In early March 2021, the boards of four supply chain finance funds managed by certain Group subsidiaries (collectively, the SCFFs) decided to suspend redemptions and subscriptions of those funds to protect the interests of the funds' investors, to terminate the SCFFs and to proceed to their liquidation.

The last published net asset value of the SCFFs in late February 2021 was approximately USD 10 billion in the aggregate. As of January 31, 2022, together with the cash already distributed to investors and cash remaining in the funds, total cash collected in the SCFFs amounts to approximately USD 7.3 billion including the cash position in the funds at the time of suspension. Redemption payments totaling approximately USD 6.7 billion have been made to their investors in six cash distributions. There remains considerable uncertainty regarding the valuation of a significant part of the remaining assets, including the fact that certain of the notes underlying the funds were not paid when they fell due and the portfolio manager has been informed that further notes will not be paid when they fall due in the future. It therefore can be assumed that the investors of the SCFFs will suffer a loss. The amount of loss of the investors is currently unknown.

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

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

Recent media reports

In February 2022, a consortium of media outlets issued reports focused on Credit Suisse and purported client relationships. Credit Suisse strongly rejects the allegations and insinuations about the bank's purported business practices. In their reporting, the consortium refers to a large number of external sources, including those previously known, as well as an alleged leak. Credit Suisse takes the information about the purported leak very seriously and will continue with its related investigation, with an internal task force including specialist external experts, building on its data protection and data leakage prevention controls.

Subsequent event

In late February 2022, the Russian government launched a military attack on Ukraine. In response to Russia's military attack, the US, EU, UK, Switzerland and other countries across the world imposed severe sanctions against Russia's financial system and on Russian government officials and Russian business leaders. The sanctions included limitations on the ability of Russian banks to access the

SWIFT financial messaging service and restrictions on transactions with the Russian central bank. The Russian government has also imposed certain countermeasures, which include restrictions relating to foreign currency accounts and security transactions. These measures followed earlier sanctions that had already been imposed by the US, EU and UK in 2021 in response to alleged Russian activities related to Syria, cybersecurity, electoral interference and other matters. Credit Suisse (Schweiz) AG is assessing the impact of the sanctions already imposed, and potential future escalations, on its exposures and client relationships. As of December 31, 2021, Credit Suisse (Schweiz) AG had a net credit exposure to Russia of approximately CHF 0.2 billion primarily comprised of corporate and institutional loans and trade finance activities. This exposure has not materially changed until the publishing date of these financial statements. Credit Suisse (Schweiz) AG is currently monitoring settlement risk on certain open transactions with Russian counterparties, and market closures, the imposition of exchange controls, sanctions or other actions may limit Credit Suisse (Schweiz) AG's ability to settle existing transactions or realize on collateral, which could result in unexpected increases in exposures. These recent developments may affect Credit Suisse (Schweiz) AG's financial performance, including credit loss estimates, albeit given the early stage of these developments, it is not yet possible to estimate the size of any reasonably possible losses.

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.

Credit Suisse (Schweiz) AG is included in the scope of the published annual report of Credit Suisse Group AG and Credit Suisse AG, which includes a Group management report and consolidated financial statements prepared in accordance with accounting principles generally accepted in the US (US GAAP). Credit Suisse (Schweiz) AG has no listed shares outstanding. Accordingly, Credit Suisse (Schweiz) AG is exempt from providing certain disclosures in its standalone annual report, such as management report, statements of cash flows and certain notes to the financial statements.

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

Recording of transactions

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

Foreign currency translations

The functional currency of Credit Suisse (Schweiz) AG is Swiss francs (CHF). Transactions denominated in currencies other than the functional currency are recorded using the foreign exchange rates at the date of the transaction.

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

The following table provides the foreign exchange rates applied for the preparation of the Credit Suisse (Schweiz) AG standalone financial statements.

Foreign exchange rates

end of	**2021**	2020
1 USD / 1 CHF	0.91	0.88
1 EUR / 1 CHF	1.03	1.08
1 GBP / 1 CHF	1.24	1.20
100 JPY / 1 CHF	0.79	0.85

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.

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.

Credit Suisse (Schweiz) AG 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, Credit Suisse (Schweiz) AG 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 statements 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 interests from financial assets are 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.

Prior to January 1, 2021, the allowance for credit losses reflected probable incurred credit losses.

Credit Suisse (Schweiz) AG'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. Credit Suisse (Schweiz) AG 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. The designation as trading position has to be made, and documented accordingly, upon conclusion of the transaction.

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

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

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

Derivative financial instruments and hedge accounting
Derivative financial instruments consist of trading and hedging instruments.

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

Replacement values of derivative financial instruments arising from transactions for the account of customers are recognized 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 Credit Suisse (Schweiz) AG during the remaining term of the contract.

Hedge accounting is determined, tested for effectiveness and disclosed in accordance with US GAAP as allowed under the Swiss GAAP statutory accounting rules for banks. Derivative financial instruments used as hedging instruments in hedging relationships are always recorded at fair value. The effectiveness of hedging relationships is assessed both prospectively and retrospectively. The prospective assessment is performed both at the inception of a hedging relationship and on an ongoing basis, and requires the justification that the relationship will be highly effective over future periods. The retrospective assessment is performed on an ongoing basis and requires the confirmation whether or not the hedging relationship has actually been effective.

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

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

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

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

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 Credit Suisse (Schweiz) AG intends to hold until maturity, and debt securities available-for-sale, which Credit Suisse (Schweiz) AG 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 statements 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 Credit Suisse (Schweiz) AG qualify as a participation if these securities are held for the purpose of permanent investment, irrespective of the percentage of voting shares held, or, if these equity securities are in a banking and financial market infrastructure enterprise, in particular participations in joint organizations.

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

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

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

Due to banks
Amounts due to banks are recognized at their nominal value.

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

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

Provisions
Provisions are recorded to cover specific risks related to a past event prior to the balance sheet date. 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.

Commission income
Commission income is recognized when arrangements exist, services have been rendered, the revenue is fixed or determinable and collectability is reasonably assured. As applicable, commissions and fees are recognized ratably over the service period and either accrued or deferred in the balance sheet in the line items accrued income and prepaid expenses and accrued expenses and deferred income, respectively.

Commission income and commission expense are generally recorded on a gross basis in the statements of income.

Income tax accounting
Income taxes are based on the tax laws of each tax jurisdiction and are expensed in the period in which the taxable profits are made.

Tax provisions are recognized in the statements of income in the line item taxes and included in provisions on the balance sheet.

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

Extraordinary income and expense
The recognition of extraordinary income or expense is limited to transactions which are non-recurring and non-operating, such as the disposal of fixed assets or participations, the reversal of

prior-period impairment on participations, or income and expense related to other reporting periods if they account for the correction of errors with regard to non-operating transactions of prior periods.

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

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 Credit Suisse (Schweiz) AG if the commitment is drawn and the cash flows that Credit Suisse (Schweiz) AG 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.

Capital adequacy disclosures

Capital adequacy disclosures for the Group and Credit Suisse (Schweiz) AG are presented in the publications "Pillar 3 and regulatory disclosures – Credit Suisse Group AG" and "Regulatory disclosures – Subsidiaries", respectively.

→ Refer to credit-suisse.com/regulatorydisclosures for additional information.

Recently adopted accounting policies

Expected credit losses
The new FINMA Accounting Ordinance and the revised FINMA circular 2020/1, "Accounting – banks", became effective on January 1, 2020. In addition to a formal restructuring of the guidance, changes with regard to valuation adjustments for default risks were introduced. For larger banks, such as Credit Suisse (Schweiz) AG, the new guidance requires the introduction of an expected credit loss approach for default risks on loans, receivables, debt securities held-to-maturity and certain off-balance sheet credit exposures such as irrevocable loan commitments. In accordance with the transitional provisions, Credit Suisse (Schweiz) AG adopted the expected credit loss approach for its standalone financial statements as of January 1, 2021, applying US GAAP in line with the Group and as allowed under Swiss GAAP statutory accounting rules for banks. The net adoption impact was recorded on January 1, 2021 and included total expenses of CHF 37 million before taxes. Of the net adoption impact, CHF 4 million was related to on-balance sheet credit exposures and reported in the statements of income in (increase)/release of allowance for default risks and losses from interest activities and CHF 33 million was related to off-balance sheet credit exposures and reported in the statements of income in increase/(release) of provisions and other valuation adjustments, and losses.

Prior period information

For 2020, the balance of amounts payable to members of governing bodies has been revised from CHF 88 million to CHF 70 million.

→ Refer to "Note 23 – Amounts receivable from and amounts payable to related parties" for further information.

3 Risk management, derivatives and hedging activities

Risk management

Risk governance

Risk management of Credit Suisse (Schweiz) AG is aligned to the overall risk management governance of the Group. Credit Suisse (Schweiz) AG's risk governance includes a committee structure and a comprehensive set of corporate policies which are developed, reviewed and approved by the Board of Directors (Board), the Executive Board, their respective committees, the Chief Risk Officer (CRO), the Chief Financial Officer (CFO) and the Chief Compliance Officer (CCO), in accordance with their respective responsibilities and levels of authority.

The risk governance framework of Credit Suisse (Schweiz) AG is based on a "three lines of defense" governance model, where each line has a specific role with defined responsibilities and works in close collaboration to identify, assess and mitigate risks.

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

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

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

Board of Directors

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

The Risk Committee is responsible for assisting the Board in fulfilling its oversight responsibilities by periodically reviewing Credit Suisse (Schweiz) AG's risk management function, its resources and key risks, and, jointly with the Audit Committee, reviews and assesses the internal control environment.

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

Executive Board

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

Executive Board and other risk governance committees

The Capital Allocation & Risk Management Committee (CARMC) of Credit Suisse (Schweiz) AG is responsible for overseeing and directing the risk profile, recommending risk limits to the Risk Committee and the Board, establishing and allocating risk appetite among the various businesses, reviewing new significant business strategies or changes in business strategies, including business migrations, making risk-related decisions on escalations, and for applying measures, methodologies and tools to monitor and manage the risk portfolio. CARMC of Credit Suisse (Schweiz) AG operates in two committees: the Risk Management Committee (RMC) and the Asset Liability Management Committee (ALMC). The RMC is the main governance and decision-making body with respect to market, liquidity, credit and position risk-related matters as well as with respect to operational risks, legal, compliance and regulatory issues and internal control matters. The RMC is responsible for the supervision and control of the risk profile, its future development and its adequacy with the risk strategy of Credit Suisse (Schweiz) AG. The RMC is also responsible for assessing the allocation of risk capital and making recommendations to the Board as well as establishing and allocating risk limits. The ALMC is responsible for capital, liquidity and funding-related matters, including interest rate risk management, foreign exchange risk and balance sheet development within defined limits.

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

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

Risk appetite framework

Credit Suisse (Schweiz) AG maintains an integrated and cohesive risk appetite framework, which is governed by a policy and provides a robust foundation for risk appetite setting and management. The framework also encompasses the processes and methodologies for calibrating and allocating the appropriate level of risk appetite required to constrain the overall risk profile of Credit Suisse (Schweiz) AG. The Credit Suisse (Schweiz) AG risk appetite framework is aligned to and reflected as a distinct part of the Group risk appetite framework, which is governed by an overarching global policy that encompasses the suite of specific policies, processes and systems with which the risk constraints are calibrated and the risk profile is managed.

Credit Suisse (Schweiz) AG's risk appetite is derived from strategic risk objectives (SROs). The SROs are reviewed and approved by the Board on at least an annual basis, to ensure they remain current, adequate and aligned with the Group's SROs. For 2022, the following SROs have been defined for Credit Suisse (Schweiz) AG:

- promoting stability of earnings to support performance in line with financial objectives;

- ensuring sound management of funding and liquidity risk in normal and stressed conditions;
- maintaining capital adequacy under both normal and stressed conditions;
- maintaining the integrity of Credit Suisse (Schweiz) AG's business and operations; and
- managing intercompany risks.

The risk appetite of Credit Suisse (Schweiz) AG is determined in partnership with the strategic and financial planning process. Scenario-driven 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.

A key element of the framework is a detailed risk appetite statement, that is embedded across the organization through a suite of different types of risk constraints as part of Credit Suisse (Schweiz) AG's efforts to ensure it operates within the boundaries defined by the Board. The risk constraints may be both quantitative and qualitative, and restrict the maximum amount of a specific risk that the bank is allowed to take. Risk constraints are classified according to type and authority, with the principal constraint types consisting of limits, guidelines, tolerances and flags.

The risk appetite is reviewed and approved on at least an annual basis through a number of internal governance forums, including joint approval by both the CRO and the CFO, the Risk Appetite Committee of Credit Suisse (Schweiz) AG, the RMC of Credit Suisse (Schweiz) AG, the Board's Risk Committee and subsequently by the Board of Credit Suisse (Schweiz) AG. Ad hoc risk appetite reviews may be triggered by changes in either the external environment (e.g., regulatory landscape and macroeconomic or business developments) or by internal factors (e.g., strategic shifts and material loss events).

Risk coverage and management

Credit Suisse (Schweiz) AG uses a wide range of risk management practices to address the variety of risks that arise from its business activities. Policies, processes, standards, risk assessment and measurement methodologies, risk appetite constraints and risk monitoring and reporting are key components of Credit Suisse (Schweiz) AG's risk management practices. The risk management practices of Credit Suisse (Schweiz) AG complement each other in the analysis of potential loss, support the identification of interdependencies and interactions of risks across the organization and provide a comprehensive view of its exposures. Credit Suisse (Schweiz) AG regularly reviews and updates its risk management practices to promote consistency with its business activities and relevance to its business and financial strategies. The main risk types of Credit Suisse (Schweiz) AG include the following:
- Capital risk;
- Credit risk;
- Market risk (including non-traded market risk);
- Liquidity and funding risk;
- Non-financial risk (e.g., operational risk, technology risk, cyber risk, compliance risk, regulatory risk, legal risk and conduct risk);
- Model risk;
- Reputational risk;
- Business risk;
- Climate-related risks; and
- Fiduciary risk.

Climate-related risks are a core element of sustainability risks. Sustainability risks are potentially adverse impacts on the environment, on people or society, which may be caused by, contributed to or directly linked to financial service providers through the activities of their clients. These may manifest themselves as reputational risks, but potentially also as credit, operational or other risks. Credit Suisse considers sustainability risks in its Group-wide reputational risk review process.

→ Refer to "Reputational risk" for further information on sustainability risks.

Capital risk

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

Under the Basel framework, Credit Suisse (Schweiz) AG is required to maintain a robust and comprehensive framework for assessing capital adequacy, defining internal capital targets and ensuring that these capital targets are consistent with Credit Suisse (Schweiz) AG's overall risk profile and the current operating environment.

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

Tools used by Credit Suisse (Schweiz) AG to evaluate and manage capital risk include for example stress testing and economic risk capital. The capital management framework is designed to ensure that Credit Suisse (Schweiz) AG meets all regulatory capital requirements for Credit Suisse (Schweiz) AG and its regulated subsidiaries.

Stress testing framework

Stress testing (or scenario analysis) represents a risk management approach that assesses financial impacts from a potential historical or hypothetical scenario.

Stress testing is a fundamental element of Credit Suisse (Schweiz) AG's risk management framework included in overall risk management to ensure that Credit Suisse (Schweiz) AG's financial position and risk profile provide sufficient resilience to withstand the impact of severe adverse macroeconomic conditions. Stress testing is also used to support Credit Suisse (Schweiz) AG's internal capital adequacy assessment process. Additionally, specific stress testing constraints are defined in the risk appetite statement, in particular for post-stress capital ratios and position stress loss amounts. These constraints are monitored on periodic basis.

Credit risk

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

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

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

- counterparty and transaction assessments: application of internal credit ratings (PD), assignment of LGD and EAD values in relation to counterparties and transactions;
- credit limits: establishment of credit limits, 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, insurance or hedging instruments.

In addition to traditional credit exposure measurement, monitoring and management using current and potential future exposure metrics, Credit Risk performs counterparty and portfolio credit risk assessments of the impact of various internal stress test scenarios. Credit Risk 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 which are aligned with those used by the Market Risk and Enterprise Risk Management functions.

Counterparty and transaction assessments

Credit Suisse (Schweiz) AG evaluates and assesses counterparties and clients to whom it has credit exposures. For the majority of counterparties and clients, Credit Suisse (Schweiz) AG uses internally developed statistical rating models to determine internal credit ratings, which are intended to reflect the risk of default of each counterparty.

→ Refer to "Credit quality information" in Note 19 – 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. Credit limits are established to constrain lending business where exposure is typically related to committed loan amounts, and similarly in relation to 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 within the divisions where the credit exposures are generated, and, where significant in terms of size or risk profile, are subject to further escalation to the Group chief credit officer or the CRO.

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

Credit monitoring, impairments and provisions

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

In the event that a deterioration in creditworthiness is likely to result in a default, credit exposures are transferred to the recovery management function within Credit Risk. 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 reviews depends on the individual risk profile of the respective positions.

Credit Suisse (Schweiz) AG has an impairment process for loans valued at amortized cost which are specifically classified as potential problem loans, non-performing loans, non-interest-earning loans or restructured loans. Credit Suisse (Schweiz) AG maintains specific allowances for credit losses, which Credit Suisse (Schweiz) AG 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 regularly revalued by the recovery management function depending on the risk profile of the borrower or credit-relevant events.

→ Refer to "Estimating expected credit losses" in Note 19 – 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 to ensure exposures remain adequately collateralized. Depending on the quality of the collateral, appropriate haircuts are applied for risk management purposes.

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

Clients may also take positions through derivative contracts in selected instruments or issuers, which expose the clients to the performance of the underlying securities. Such positions provide synthetic financing and present a similar risk to that of direct financing of securities, and are often executed with clients such as hedge funds. These positions are closely monitored and subject to margining.

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

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

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

Market risk

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

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

Non-traded market risk primarily relates to asset and liability mismatch exposures in the banking books. The businesses of Credit Suisse (Schweiz) AG and Treasury have non-traded portfolios that carry market risks, mainly related to changes in interest rates, but also to changes in foreign exchange rates. Interest rate risks are assumed through lending and deposit-taking as well as money market and funding activities. Non-maturing products, such as savings accounts, have no contractual maturity date or direct market-linked interest rate and are risk-managed on a pooled basis using replication portfolios on behalf of the business divisions. Replication portfolios transform non-maturing products into a series of fixed-term products that approximate the re-pricing and volume behavior of the pooled client transactions.

Credit Suisse (Schweiz) AG uses market risk measurement and management methods capable of calculating comparable exposures across its many activities and employs focused tools that can model specific characteristics of certain instruments or portfolios. The tools are used for internal market risk management, internal market risk reporting and external disclosure purposes. Credit Suisse (Schweiz) AG's principal market risk measures for traded market risk are value-at-risk (VaR), scenario analysis, as included in the stress testing framework 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. The Credit Suisse (Schweiz) AG's risk management practices are regularly reviewed to ensure they remain appropriate and fit for purpose.

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

Liquidity and funding risk
Liquidity and funding risk is the risk that Credit Suisse (Schweiz) AG, although solvent, either does not have sufficient financial resources to enable it to meet its obligations as they fall due, or can secure such resources only at excessive cost. The liquidity and funding profile of Credit Suisse (Schweiz) AG reflects its strategy and risk appetite and is driven by business activity levels and the overall market and operating environment. The liquidity and funding strategy is approved by the ALMC and overseen by the Board. The implementation and execution of the funding and liquidity strategy is managed within the Credit Suisse (Schweiz) AG's CFO function (Finance) by Treasury and the Global Liquidity Group. The global liquidity group was established in 2018 to centralize control of liability and collateral management with the aim of optimizing liquidity sourcing, funding costs and the high-quality liquid assets (HQLA) portfolio on behalf of Treasury. Treasury ensures adherence to the funding policies and the Global Liquidity Group is focused on the efficient coordination of the short-term unsecured and secured funding desks. This approach enhances the ability of Credit Suisse (Schweiz) AG to manage potential liquidity and funding risks and to promptly adjust its liquidity and funding levels to absorb potential stress situations.

The RMC and the Board's Risk Committee of Credit Suisse (Schweiz) AG define at least annually a liquidity and funding risk appetite framework, which ensures that the liquidity buffer and funding flows of Credit Suisse (Schweiz) AG are sized and managed in order to comply to all liquidity regulatory requirements and in addition to withstand a series of defined market- and liquidity-specific stress situations. The liquidity and funding profile of Credit Suisse (Schweiz) AG is regularly reported to the ALMC, RMC and the Board, including the set of risk metrics and parameters for the balance sheet and funding usage of its businesses.

Non-financial risk
Non-financial risk is the risk of an adverse direct or indirect impact originating from sources outside the financial markets, including but not limited to operational risk, technology risk, cyber risk, compliance risk, regulatory risk, legal risk and conduct risk. Non-financial risk is inherent in most aspects of the Credit Suisse (Schweiz) AG's business, including the systems and processes that support its activities. It comprises a large number of disparate risks that can manifest in a variety of ways. Examples include the risk of damage to physical assets, business disruption, failures relating to data integrity and trade processing, cyber attacks, internal or external fraudulent or unauthorized transactions, inappropriate cross-border activities, money laundering, improper handling of confidential information, conflicts of interest, improper gifts and entertainment and failure in duties to clients. Non-financial risk can arise from a wide variety of internal and external forces, including human error, inappropriate conduct, failures in systems, processes and controls, pandemic, deliberate attack or natural and man-made disasters. Outsourcing and external third parties may also create risks around maintaining business processes, system stability, data loss, data management, reputation and regulatory compliance.

Each business area and function within Credit Suisse (Schweiz) AG is responsible for its non-financial risks and the provision of adequate resources and procedures for the management of those risks. They are supported by the designated second line of defense functions responsible for independent risk and compliance oversight, methodologies, tools and reporting within their areas as well as working with management on non-financial risk issues that arise. Relevant first and second line of defense control functions meet regularly to discuss risk issues and identify required actions to mitigate risks.

The Non-Financial Risk function oversees the established non-financial risk framework (NFRF), providing a consistent and unified approach to evaluating and monitoring all relevant non-financial risks. 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. Risk and control assessments are in place and consist of the risk and control self-assessment, compliance risk assessment and legal risk assessment. Key non-financial risks are identified annually and represent the most significant risks requiring senior management attention. Where appropriate, remediation plans are put in place with ownership by senior management and ongoing Executive Board level oversight through RMC and Operational Risk & Compliance Committee (ORCC).

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

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

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

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

Model risk
Model risk is the risk of adverse consequences from decisions made based on model results that may be incorrect, misinterpreted or used inappropriately. All 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. This framework is owned by the Model Risk Management function, which is structured as a second line of defense independent from the first line of defense, i.e., the model users, developers and supervisors who own, develop, implement and maintain models.

Through the global model risk management and governance framework, Credit Suisse (Schweiz) AG seeks to identify, measure and mitigate significant risks arising from the use of models embedded within its 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 the bank 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 tolerances and metrics to senior management. The Model Risk Management function additionally oversees controls to facilitate a complete and accurate bank-wide model inventory and performs semi-annual attestations with the aim of achieving completeness and accuracy of the bank's model inventory.

Reputational risk
Reputational risk is the risk that negative perception by stakeholders of Credit Suisse (Schweiz) AG, including clients, counterparties, employees, shareholders, regulators and the general public, may adversely impact client acquisition and damage the business relationships of Credit Suisse (Schweiz) AG with clients and counterparties, affecting staff morale and reducing access to funding sources.

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

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

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

Business risk
Business risk is the risk of not achieving the financial goals and ambitions in connection with the strategy of Credit Suisse (Schweiz) AG and how the business is managed in response to the external operating environment. External factors include both market and economic conditions, as well as shifts in the regulatory environment. Internally, Credit Suisse (Schweiz) AG faces risks arising from inappropriate strategic decisions, ineffective implementation of business strategies or an inability to adapt business strategies in response to changes in the operating

environment, including in relation to client and competitor behavior.

The Credit Suisse (Schweiz) AG financial plan serves as the basis for the financial goals and ambitions against which the businesses are assessed regularly throughout the year. These regular reviews include evaluations of financial performance, key business risks, overall operating environment and business strategy. This enables management to identify and execute changes to Credit Suisse (Schweiz) AG's operations and strategy where needed.

Climate-related risks

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

In 2021, Credit Suisse Group published its climate-related risk disclosures following the structure provided by the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) recommendations for the first time. These were included in the Sustainability Report and summarized in a dedicated TCFD extract. The disclosures included quantitative metrics alongside explanations of the frameworks relied upon, and Credit Suisse's overall climate strategy. Credit Suisse Group expects to continue to evolve its disclosures, incorporating portfolio views as they become available.

→ Refer to credit-suisse.com/sustainabilityreport for the Group's Sustainability Report and to credit-suisse.com/tcfd for an extract of disclosures in accordance with TCFD.

Fiduciary risk

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

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

Fiduciary risks from activities other than discretionary investment management, such as the advised portfolios, are managed and monitored in a similar oversight program. This program is actively managed in cooperation with the Group's compliance function and is based on the suitability framework.

Use of derivative financial instruments and hedge accounting

Business policy for use of derivative financial instruments

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

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

Economic hedges

Economic hedges arise when Credit Suisse (Schweiz) AG enters into derivative contracts for its own risk management purposes, but the contracts entered into do not qualify for hedge accounting. These economic hedges include the following types:

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

Derivatives used in economic hedges are included as trading assets or trading liabilities in the balance sheets and the respective gains and losses included in net income/(loss) from trading activities and fair value option.

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

Hedge accounting

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

Credit Suisse (Schweiz) AG designates fair value hedges for individual mortgages, loans and mortgage-backed bonds as part of an overall interest rate risk management strategy that incorporates the use of derivative instruments to minimize fluctuations in earnings that are caused by interest rate volatility.

Credit Suisse (Schweiz) AG designates cash flow hedges as part of its strategy to mitigate its risk to interest rate variability in relation to pools of identified future interest-related cash flows with the same underlying risks on mortgages and loans by using interest rate swaps to convert variable rate assets to fixed rates.

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

4 Net income from interest activities

Net income from interest activities for 2021 includes an increase of allowance for default risks of CHF 4 million from the adoption of the CECL accounting guidance on January 1, 2021.

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

Negative interest income and expense

in	2021	2020
CHF million		
Negative interest income debited to interest income	(73)	(79)
Negative interest expenses credited to interest expense	366	319

Negative interest income is debited to interest income and negative interest expense is credited to interest expense.

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

in	2021	2020
By risk of underlying instruments (CHF million)		
Interest rate instruments [1]	48	(37)
Equity instruments	0	1
Foreign exchange	301	403
of which foreign exchange risk hedging activities by treasury function [2]	264	365
Precious metals	4	9
Credit instruments	(88)	(57)
Other instruments	(1)	0
Net income/(loss) from trading activities and fair value option	**264**	**319**
of which net income/(loss) from fair value option	0	0

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

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

6 Personnel expenses

in	2021	2020
CHF million		
Salaries	981	1,072
of which variable compensation expenses [1]	103	214
Social benefit expenses	247	257
of which pension and other post-retirement expenses	160	169
Other personnel expenses	27	23
Personnel expenses	**1,255**	**1,352**

1 Includes current and deferred variable compensation expenses.

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

7 General and administrative expenses

in	2021	2020
CHF million		
Professional services	91	80
Occupancy expenses	150	140
Marketing and advertising	73	54
Travel and entertainment	38	38
Postage and courier services	10	11
Market data services	28	29
Information and communication technology expenses	30	29
Furniture and equipment	11	9
Fees to external audit companies	5	5
of which fees for financial and regulatory audits [1]	5	5
Operating expenses charged by related parties [2]	1,034	988
Other operating expenses	55	43
General and administrative expenses	**1,525**	**1,426**

1 Represents total fees for financial statement, regulatory and related audit services paid by legal entity Credit Suisse (Schweiz) AG to external audit companies.
2 Includes operating expenses charged by Credit Suisse Services AG, Credit Suisse AG and other affiliated companies, mainly for IT, operations, business support services, occupancy and other central functions provided to Credit Suisse (Schweiz) AG.

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

in	2021	2020
CHF million		
Increase/(release) of provisions	32 [1]	82 [2]
Other losses	2	3
Increase/(release) of provisions and other valuation adjustments, and losses	**34**	**85**
Gains realized from the disposal of participations	6 [3]	1
Gains realized from the disposal of tangible fixed assets	37 [4]	0
Extraordinary income	**43**	**1**

1 Primarily related to provisions for off-balance sheet default risks and litigation provisions. In 2021, provisions for off-balance sheet default risks included an expense of CHF 33 million from the adoption of the CECL accounting guidance on January 1, 2021.
2 Primarily related to litigation provisions and provisions for off-balance sheet default risks.
3 Related to the liquidation of a participation.
4 Includes realized gains from the sale of real estate (bank premises).

9 Taxes

in	2021	2020
CHF million		
Current income tax (expense)/benefit	(238)	(89)
Non-income-based tax (expense)/benefit [1]	(18)	(21)
Taxes	**(256)**	**(110)**

1 Includes capital taxes.

For the financial years ended December 31, 2021 and 2020, the average tax rate, defined as income tax expense divided by the sum of profit before income tax, was 16% and 12%, respectively. In 2021 and 2020, Credit Suisse (Schweiz) AG had no tax losses carried forward.

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

end of	2021	2020
CHF million		
Carrying value of receivables from cash collateral paid for securities borrowed and reverse repurchase agreements – gross	7,523	8,884
Impact from master netting agreements	(253)	(236)
Carrying value of receivables from cash collateral paid for securities borrowed and reverse repurchase agreements – net	**7,270**	**8,648**
Carrying value of liabilities from cash collateral received for securities lent and repurchase agreements – gross	2,762	5,144
Impact from master netting agreements	(253)	(236)
Carrying value of liabilities from cash collateral received for securities lent and repurchase agreements – net	**2,509**	**4,908**
Carrying value of securities transferred under securities lending and borrowing and repurchase agreements	0	0
Fair value of securities received under securities lending and borrowing and reverse repurchase agreements with the right to resell or repledge	34,351	39,364
of which repledged	12,052	14,774
of which resold	1,844	2,710

11 Collateral and impaired loans and receivables

Collateralization of loans and receivables

end of	Mortgages	Other collateral	Secured [1] Total	Unsecured	Total
2021 (CHF million)					
Due from customers	1,158	20,475	21,633	12,365	33,998
Residential property	114,617	0	114,617	28	114,645
Offices and commercial property	12,887	0	12,887	0	12,887
Manufacturing and industrial property	9,328	0	9,328	11	9,339
Other	1,677	0	1,677	0	1,677
Mortgage loans	138,509	0	138,509	39	138,548
Gross amount	**139,667**	**20,475**	**160,142**	**12,404**	**172,546**
Allowance for credit losses	(43)	(65)	(108)	(255)	(363)
Net amount	**139,624**	**20,410**	**160,034**	**12,149**	**172,183**
of which due from customers	1,152	20,410	21,562	12,149	33,711
of which mortgage loans	138,472	0	138,472	0	138,472
2020 (CHF million)					
Due from customers	1,661	20,131	21,792	12,487	34,279
Residential property	114,169	0	114,169	0	114,169
Offices and commercial property	12,480	0	12,480	0	12,480
Manufacturing and industrial property	9,899	0	9,899	0	9,899
Other	1,723	0	1,723	0	1,723
Mortgage loans	138,271	0	138,271	0	138,271
Gross amount	**139,932**	**20,131**	**160,063**	**12,487**	**172,550**
Allowance for credit losses [2]	(109)	(43)	(152)	(342)	(494)
Net amount	**139,823**	**20,088**	**159,911**	**12,145**	**172,056**
of which due from customers	1,648	20,088	21,736	12,145	33,881
of which mortgage loans	138,175	0	138,175	0	138,175

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

2 Measured under the previous accounting guidance (incurred loss model).

Collateralization of off-balance sheet transactions

end of	Mortgages	Other collateral	Secured [1] Total	Unsecured	Total
2021 (CHF million)					
Contingent liabilities	296	7,981	8,277	6,739 [2]	15,016
Irrevocable commitments	301	2,471	2,772	12,575	15,347
Obligations for calls on shares and additional payments	0	0	0	101	101
Off-balance sheet transactions	**597**	**10,452**	**11,049**	**19,415**	**30,464**
2020 (CHF million)					
Contingent liabilities	363	7,520	7,883	8,891 [2]	16,774
Irrevocable commitments	364	1,761	2,125	10,766	12,891
Obligations for calls on shares and additional payments	0	0	0	101	101
Off-balance sheet transactions	**727**	**9,281**	**10,008**	**19,758**	**29,766**

1 Includes the market value of collateral up to the notional amount of the related off-balance sheet transaction. For mortgage-backed off-balance sheet exposures, the market value of collateral is determined at the time of granting the credit facility and thereafter regularly reviewed according to the risk management policies and directives of Credit Suisse (Schweiz) AG, with maximum review periods determined by property type, market liquidity and market transparency. For impaired exposures, the market value of collateral is determined annually or more frequently by credit risk management within the impairment review process.

2 Includes a contingent liability of CHF 627 million and CHF 3,390 million as of December 31, 2021 and 2020, respectively, in favor of Credit Suisse AG representing the amount of actual liabilities recorded by Credit Suisse AG under the international covered bond program for which Credit Suisse (Schweiz) AG holds the underlying mortgages.

Impaired loans and receivables

end of	Gross amount outstanding	Estimated realizable collateral value [1]	Net amount outstanding	Specific allowance
2021 (CHF million)				
Impaired loans and receivables	734	357	377	256
2020 (CHF million)				
Impaired loans and receivables	833	343	490	338

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

Changes in impaired loans and receivables

			2021			2020
	Due from customers	Mortgage loans	**Total**	Due from customers	Mortgage loans	**Total**
CHF million						
Balance at beginning of period	**517**	**316**	**833**	**300**	**265**	**565**
Merger of Neue Aargauer Bank AG	–	–	–	45	53	98
New impaired balances	138	314	452	332	227	559
Increase of existing impaired balances	42	18	60	15	8	23
Reclassifications to non-impaired status	(10)	(220)	(230)	(45)	(125)	(170)
Repayments	(96)	(76)	(172)	(71)	(62)	(133)
Liquidation of collateral, insurance and guarantee payments	(33)	(41)	(74)	(7)	(47)	(54)
Write-offs	(132)	(3)	(135)	(45)	(3)	(48)
Sales	(1)	0	(1)	(2)	0	(2)
Foreign exchange translation impact	1	0	1	(5)	0	(5)
Balance at end of period	**426**	**308**	**734**	**517**	**316**	**833**

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

→ Refer to "Note 18 – Provisions and allowance for credit losses" and "Note 19 – Expected credit losses and credit quality" for further information.

12 Trading assets and liabilities

end of	**2021**	2020
CHF million		
Precious metals and commodities	1,023	1,094
Trading assets	**1,023**	**1,094**
of which carrying value determined based on a valuation model	0	0
CHF million		
Debt securities, money market instruments and money market transactions	0	2
of which exchange-traded	0	2
Trading liabilities	**0**	**2**
of which carrying value determined based on a valuation model	0	0

13 Derivative financial instruments

end of 2021	Trading Notional amount	Trading Positive replacement value	Trading Negative replacement value	Hedging [1] Notional amount	Hedging [1] Positive replacement value	Hedging [1] Negative replacement value
CHF million						
Swaps	325,756	1,087	926	18,454	0	0
Options bought and sold (OTC)	1,810	130	124	0	0	0
Interest rate products	**327,566**	**1,217**	**1,050**	**18,454**	**0**	**0**
Forwards and forward rate agreements	403,751	2,040	2,360	0	0	0
Swaps [2]	1,196	20	19	0	0	0
Options bought and sold (OTC)	5,226	73	73	0	0	0
Foreign exchange products	**410,173**	**2,133**	**2,452**	**0**	**0**	**0**
Forwards and forward rate agreements	2,323	13	10	0	0	0
Options bought and sold (OTC)	580	12	12	0	0	0
Precious metal products	**2,903**	**25**	**22**	**0**	**0**	**0**
Options bought and sold (OTC)	2,739	99	99	0	0	0
Equity/index-related products	**2,739**	**99**	**99**	**0**	**0**	**0**
Credit default swaps	1,411	20	5	0	0	0
Credit derivatives	**1,411**	**20**	**5**	**0**	**0**	**0**
Derivative financial instruments [3]	**744,792**	**3,494**	**3,628**	**18,454**	**0**	**0**
of which replacement value determined based on a valuation model	–	3,494	3,628	–	0	0

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

Derivative financial instruments (continued)

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

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

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

end of	2021	2020
Before consideration of master netting agreements (CHF million)		
Positive replacement values – trading and hedging	3,494	4,832
Negative replacement values – trading and hedging	3,628	5,115
After consideration of master netting agreements		
Positive replacement values – trading and hedging [1]	1,334	2,179
Negative replacement values – trading and hedging [1]	738	1,202

1 Netting includes counterparty exposure and cash collateral netting.

Net positive replacement values by counterparty type

end of	2021	2020
CHF million		
Banks and securities dealers	232	149
Other counterparties [1]	1,102	2,030
Positive replacement values	**1,334**	**2,179**

1 Primarily related to bilateral OTC derivative contracts with clients.

Gains/(losses) on fair value hedges

	2021		2020	
in	Interest and discount income	Interest expense	Interest and discount income	Interest expense
Interest rate products (CHF million)				
Hedged items	(465)	91	104	13
Derivatives designated as hedging instruments	452	(86)	(93)	(12)

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

Hedged items in fair value hedges

	2021			2020		
	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	53	(4)	18	61	3	25
Mortgage loans	16,565	(159)	198	20,265	161	499
Liabilities						
Bonds and mortgage-backed bonds	1,167	(8)	123	3,881	201	24

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

Cash flow hedges

in	2021	2020
Deferred gains and losses on derivative financial instruments related to cash flow hedges (CHF million) [1]		
Deferred gains/(losses) at beginning of period	**19**	**13**
Interest rate products		
Gains/(losses) on derivatives deferred in the compensation account	(26)	6
Interest and discount income	6	0
(Gains)/losses reclassified from the compensation account into income or expense	6	0
Deferred gains/(losses) at end of period	**(1)**	**19**

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

As of December 31, 2021, the net gain associated with cash flow hedges expected to be reclassified from other assets and other liabilities to the statements of income within the next 12 months was CHF 2 million.

As of December 31, 2021, Credit Suisse (Schweiz) AG had no cash flow hedges that hedged any exposure to the variability in future cash flows for forecasted transactions, excluding those forecasted transactions related to the payment of variable interest on existing financial instruments.

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

14 Financial investments

	2021		2020	
end of	Carrying value	Fair value	Carrying value	Fair value
CHF million				
Debt securities	243	244	238	238
of which held-to-maturity	90	90	90	90
of which available-for-sale	153	154	148	148
Equity securities	1	11	1	12
of which qualified participations [1]	–	–	–	–
Real estate [2]	5	5	10	10
Financial investments	**249**	**260**	**249**	**260**
of which securities eligible for repurchase transactions in accordance with liquidity regulations	0	–	0	–

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

15 Other assets and other liabilities

end of	2021	2020
CHF million		
Compensation account [1]	–	441
Coupons	78	62
Indirect taxes and duties	18	13
Receivables under documentary letters of credit	14	13
Other	390	323
Other assets	**500**	**852**

1 Includes changes in the book values of assets and liabilities that are not recognized in the statement of income, such as hedge effectiveness, impacts from changes in own credit spreads and deferred gains or losses from the sale of debt securities held-to-maturity.

end of	2021	2020
CHF million		
Compensation account [1]	64	–
Indirect taxes and duties	121	105
Accounts payable for goods and services	17	50
Settlement accounts	69	82
Payables under documentary letters of credit	14	13
Other	369	202
Other liabilities	**654**	**452**

16 Assets pledged

end of	2021 Carrying value	2021 Actual liabilities	2020 Carrying value	2020 Actual liabilities
CHF million [1]				
Due from customers	1,876	1,876	2,492	2,492
Mortgage loans	21,554 [2]	14,821	24,199 [2]	13,732
Assets pledged	**23,430**	**16,697**	**26,691**	**16,224**

1 Excludes assets pledged in connection with securities lending and borrowing, repurchase agreements and reverse repurchase agreements.
2 Includes a portfolio of mortgage loans with a carrying value of CHF 950 million and CHF 4,738 million as of December 31, 2021 and 2020, respectively, which is pledged to Credit Suisse Hypotheken AG under the international covered bond program of Credit Suisse AG. The related actual liabilities of CHF 627 million and CHF 3,390 million as of December 31, 2021 and 2020, respectively, are recorded in the financial statements of Credit Suisse AG and recognized as a contingent liability by Credit Suisse (Schweiz) AG. Refer to "Joint and several liability" in Off-balance sheet transactions for further information.

17 Pension plans

Liabilities due to own pension plans of Credit Suisse (Schweiz) AG as of December 31, 2021 and 2020 of CHF 331 million and CHF 643 million, respectively, are reflected in various liability accounts in the balance sheet of Credit Suisse (Schweiz) AG.

Swiss pension plans

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

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

Employer contribution reserves

	Employer contribution reserves – notional		Amount subject to waiver		Employer contribution reserves – net [1]		Increase/(Release) of employer contribution reserves included in personnel expenses	
end of / in	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
CHF million								
Swiss pension plans	28	22	0	0	28	22	0	0
Total	**28**	**22**	**0**	**0**	**28**	**22**	**0**	**0**

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

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

	Over/(Under) -funding		Economic benefit/ (obligation) recorded [1]			Pension contributions		Pension expenses included in personnel expenses	
end of / in	**2021**	2020	**2021**	2020	Change	**2021**	2020	**2021**	2020
CHF million									
Swiss pension plan – status overfunded	1,061 [2]	1,042 [2]	–	–	–	132	126	125	131
Swiss pension plan – without over-/underfunding	–	–	–	–	–	38	38	35	38
Total	**1,061**	**1,042**	**–**	**–**	**–**	**170**	**164**	**160**	**169**

1 In line with Swiss GAAP statutory accounting guidance, the economic benefit of Credit Suisse (Schweiz) AG from its share in the overfunding of the Swiss pension plan is not recorded in the statutory balance sheet of Credit Suisse (Schweiz) AG.
2 Represents Credit Suisse (Schweiz) AG's share of 42.78% and 43.77% in the reserve for the fluctuation in net asset value of the Swiss pension plan of CHF 2,480 million and CHF 2,380 million as of December 31, 2021 and 2020, respectively.

18 Provisions and allowance for credit losses

Provisions

2021	Balance at beginning of period	Utilized for purpose	Reclassifi-cations	Foreign exchange translation differences	New charges to income statement	Releases to income statement	**Balance at end of period**
CHF million							
Provisions for off-balance sheet default risks	44	0	(5)	0	35	(12)	62 [1]
of which provisions for probable obligations (Art. 28 par. 1 FINMA-AO)	36	0	(5)	0	2	(12)	21
of which provisions for expected credit losses	8 [2]	0	0	0	33 [3,4]	0 [4]	41
Provisions for other business risks	11	(8)	0	0	6	(1)	8 [5]
Other provisions	65	(49)	5	1	6	(2)	26 [6]
Provisions	**120**	**(57)**	**0**	**1**	**47**	**(15)**	**96**

1 Provisions are mainly related to irrevocable loan commitments and guarantees. Partially discounted at rates between (0.84)% and 13.35%.
2 Reflects non-specific provisions for off-balance sheet default risks under the previous incurred loss model which has been released with the adoption of the CECL methodology on January 1, 2021.
3 Includes an impact of CHF 33 million from the adoption of the CECL methodology on January 1, 2021.
4 Changes in provisions for off-balance sheet default risks on non-impaired financial instruments are reflected as a net charge or a net release.
5 Provisions are not discounted due to their short-term nature.
6 Includes litigation provisions of CHF 7 million and CHF 52 million as of December 31, 2021 and 2020, respectively. Partially discounted at rates between 0.00% and 3.59%.

Allowance for credit losses

2021	Balance at beginning of period	Utilized for purpose [1]	Reclassifi-cations	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**
CHF million								
Due from banks	35	0	0	2	0	19	(14)	42
Due from customers	398	(137)	7	3	5	72	(61)	287
Mortgage loans	96	(3)	(2)	0	3	10	(28)	76
Accrued income and prepaid expenses	0	0	0	0	0	1	(1)	0
Other assets	0	0	0	0	0	1	(1)	0
Allowance for credit losses	**529**	**(140)**	**5**	**5**	**8**	**103**	**(105)**	**405**
of which allowance for credit losses from impaired receivables	368	(140)	5	4	8	78	(34)	289
of which allowance for expected credit losses	161 [4]	0	0	1	0	25 [5]	(71)	116

1 Reflects write-offs.
2 Includes increases and releases of allowances for endangered interest.
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.
4 Reflects a non-specific allowance for credit losses under the previous incurred loss model which has been released with the adoption of the CECL methodology on January 1, 2021.
5 Includes an impact of CHF 4 million from the adoption of the CECL methodology on January 1, 2021.

Write-offs

In Credit Suisse (Schweiz) AG's recovery management function, write-offs are made based on an individual counterparty assessment. An evaluation is performed on the need for write-offs on impaired loans individually and on an ongoing 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 on loans included in the allowance for credit losses year-on-year movements are reflected in column "Utilized for purpose". Gross write-offs of CHF 140 million in 2021 compared to gross write-offs of CHF 52 million in 2020 and were primarily related to commodity trade finance and small and medium-sized enterprises.

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

19 Expected credit losses and credit quality

This disclosure provides an overview of Credit Suisse (Schweiz) AG's balance sheet positions that include financial assets subject to the CECL accounting guidance, adopted on January 1, 2021. It includes the following main subjects:

- A tabular overview of financial assets subject to the expected credit loss approach and related purchases and sales with counterparties that are not part of Credit Suisse Group;
- A description of main classes of financial assets subject to the expected credit loss approach, including 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 Credit Suisse (Schweiz) AG'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, 2021, Credit Suisse (Schweiz) AG 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

end of 2021	Gross amount [1]	Allowance for credit losses [2]	Net carrying value
Assets (CHF million)			
Cash and other liquid assets	58,054	0	**58,054**
Due from banks	2,197 [3]	(42)	**2,155**
Securities borrowing and reverse repurchase agreements	5,516	0	**5,516**
Due from customers	33,933 [3]	(287)	**33,646**
Mortgage loans	138,546 [3]	(76)	**138,470**
Accrued income and prepaid expenses	211	0	**211**
Other assets [4]	422	0	**422**
Total	**238,879**	**(405)**	**238,474**

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 Excludes accrued interest before allowance for credit losses in the total amount of CHF 37 million, with no related allowance for credit losses. These accrued interest balances are reported in the balance sheet in accrued income and prepaid expenses in accordance with Swiss GAAP statutory guidance.
4 The gross amount reflects the nominal value or cost base.

In 2021, the following purchases and sales of financial assets subject to the CECL accounting guidance were carried out by Credit Suisse (Schweiz) AG and affected the asset base subject to the estimate of the allowances for expected credit losses.

Purchases and sales

		2021
in	Purchases	Sales [1]
CHF million		
Due from banks	244 [2]	2
Due from customers	3,752 [2]	146
Mortgage loans	119 [2]	454

1 Excludes the sub-participation of loans in syndication-like financings where Credit Suisse (Schweiz) AG is the originator of the loan.
2 Includes drawdowns under purchased loan commitments.

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

Loans
Credit Suisse (Schweiz) AG'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 Group and its subsidiaries, 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 Credit Suisse (Schweiz) AG'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. Real estate loans are mostly reported in mortgage loans, with the remaining balance in due from customers.
- 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. A majority of commercial and industrial loans is 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. A majority of loans to financial institutions is reported in due from customers, with the remaining balances in mortgage loans and due from banks.
- Governments and public institutions includes lending to central government and state-owned enterprises; such credit exposure is sensitive to MEFs including economic growth. A majority of loans to governments and public institutions is reported in due from customers, with the remaining balance in mortgage loans.

As of December 31, 2021, mortgages, commercial and industrial loans and real estate loans were the largest sub-categories within the loan portfolio of Credit Suisse (Schweiz) AG.

Other classes of financial assets
Other classes of financial assets subject to the CECL accounting guidance, which are not reported as loans described above, include mainly the following balance sheet positions and related risk characteristics:
- Cash and other liquid assets includes cash balances held with the Swiss National Bank (SNB); such credit exposure is sensitive to the credit rating and profile of the SNB.
- 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 Credit Suisse (Schweiz) AG'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 rating-based approach (A-IRB). 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.

LGD estimates the size of the expected loss that may arise on a credit exposure in the event of a default. Credit Suisse (Schweiz) AG 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, Credit Suisse (Schweiz) AG 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 Credit Suisse (Schweiz) AG's forward-looking forecasts and applying regional segmentations where appropriate.

Credit Suisse (Schweiz) AG'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, Credit Suisse (Schweiz) AG immediately reverts to average economic environment variables as model input 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 Credit Suisse (Schweiz) AG's forward-looking forecasts as these are not meaningful for the estimate of expected credit losses in light of the short time-frame considered for closing out positions under daily margining arrangements.

Credit Suisse (Schweiz) AG 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 Credit Suisse (Schweiz) AG considers a longer period for risk management purposes. The maximum contractual period extends to the date at which Credit Suisse (Schweiz) AG 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 or (ii) the fair market value of collateral where the loan is collateral-dependent. 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, Credit Suisse (Schweiz) AG 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.

Restructured loans are considered impaired credit exposures in line with the bank's policies and subject to individual assessment and provisioning for expected credit losses by the recovery management function.

In addition, loans 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 watch list. All loans on the watch list are reviewed at least quarterly to determine whether they should be released, remain on the watch list or be moved to recovery management. For loans in recovery management, larger positions are reviewed on a quarterly basis for any event-driven changes. Otherwise, these loans are reviewed at least annually.

Macroeconomic scenarios

The estimation and application of forward-looking information requires quantitative analysis and significant expert judgment. Credit Suisse (Schweiz) AG's estimation of expected credit losses is based on a discounted probability-weighted estimate that considers three future macroeconomic scenarios: a baseline scenario, an upside scenario and a downside scenario. The baseline scenario represents the most likely outcome. The two other scenarios represent more optimistic and more pessimistic outcomes, with the downside scenario being more severe than the upside scenario. The scenarios are probability-weighted according to Credit Suisse (Schweiz) AG'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.

The scenario design team within the Group's Enterprise Risk Management (ERM) function determines the macroeconomic factors (MEFs) and market projections that are relevant for Credit Suisse (Schweiz) AG's three scenarios across the overall credit portfolio subject to the CECL accounting guidance. The scenario design team formulates the baseline scenario projections used for the calculation of expected credit losses from the Group's global chief investment office in-house economic research forecasts and, where deemed appropriate, from external sources such as the Bloomberg consensus of economist forecasts (covering the views of other investment banks and external economic consultancies), forecasts from nonpartisan think tanks, major central banks and multilateral institutions, such as the International Monetary Fund (IMF), the Organisation for Economic Co-operation and Development (OECD) and the World Bank. For factors where no in-house or credible external forecasts are available, an internal model is used to calibrate the baseline scenario projections. The downside and upside scenarios are derived from these baseline scenario projections. These three scenario projections are subject to a review and challenge process and any feedback from this process is incorporated into the scenario projections by the ERM scenario design team. The CECL scenario design working group is the governance forum. The working group performs an additional review and challenge and subsequently recommends approval of the MEFs and related market projections as well as the occurrence probability weights that are allocated to the baseline, downside and upside scenarios. MEFs and related market projections as well as the scenario occurrence probability weights used for the calculation of expected credit losses are approved by the Senior Management Approval Committee.

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

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. These MEFs have been selected based on the portfolios that are most material to the estimation of expected credit losses on non-impaired credit exposures from a longer-term perspective.

As of December 31, 2021, the forecast macroeconomic scenarios were weighted 50% for the baseline, 40% for the downside and 10% for the upside scenario, unchanged compared to the scenario weightings applied at adoption on January 1, 2021. The forecast range for the increase in Swiss nominal GDP was 0.2% to 5.0% for 2022 and 0.6% to 3.3% for 2023. The quarterly series for Swiss nominal GDP returned to pre-pandemic levels (i.e., the fourth quarter of 2019) in the second quarter of 2021. The forecast range for the increase in the eurozone nominal GDP was 0.1% to 7.3% for 2022 and 1.8% to 4.4% for 2023. The quarterly series for eurozone nominal GDP returned to pre-pandemic levels in the third quarter of 2021. The macroeconomic and market variable projections incorporate adjustments to reflect the impact of the COVID-19 pandemic related economic support programs provided by national governments and by central banks. While GDP growth rates 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.

For events which cannot be adequately reflected in CECL models the event may be embedded in the baseline scenario. In order to address circumstances where in management's judgment the CECL model outputs are overly sensitive to the effect of economic inputs that lie outside of their historical range, model overlays are applied. Such overlays are based on expert judgment and are applied in response to these circumstances to consider historical stressed losses and industry and counterparty credit level reviews. Overlays are also used to capture judgment on the economic uncertainty from global or regional developments or governmental actions with severe impacts on economies, such as the lockdowns and other actions directed towards managing the pandemic. As a result of such overlays, provisions for credit losses may not be primarily derived from MEF projections. As of December 31, 2021, Credit Suisse (Schweiz) AG has continued its approach of applying qualitative overlays to the CECL model outputs in a manner consistent with those prevailing at adoption of the CECL accounting guidance on January 1, 2021, in order to reflect the levels related to the global pandemic and resulting social restrictions, the strength of the economic recovery in Switzerland and to maintain the reserves in line with experts' loss expectations.

Interest income attributable to passage of time

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

Credit quality information

Credit Suisse (Schweiz) AG monitors the credit quality of financial assets held at amortized cost with the application of the Group 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 Credit Suisse (Schweiz) AG follows the same approach as for the Group 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 risk mitigation provided in relation to credit exposures, including through the use of cash sales, participations, collateral or guarantees or hedging instruments.

In addition to traditional credit exposure measurement, monitoring and management using current and potential future exposure metrics, Credit Risk performs counterparty and portfolio credit risk assessments of the impact of various internal stress test scenarios. Credit Risk 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 which are aligned with those used by the Market Risk and Enterprise Risk Management functions.

Credit Risk evaluates and assesses counterparties and clients to whom Credit Suisse (Schweiz) AG has credit exposures, primarily using internal rating models. Credit Risk uses these models 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. Credit Suisse (Schweiz) AG'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, Credit Risk 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. Credit Suisse (Schweiz) AG'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. Credit Suisse (Schweiz) AG'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.

Credit Suisse (Schweiz) AG 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. Credit Risk maintains regularly updated watch lists and holds review meetings to re-assess counterparties that could be subject to adverse changes in creditworthiness. The review of the credit quality of clients and counterparties does not depend on the accounting treatment of the asset or commitment.

→ 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	Up to 30 days	31-60 days	61-90 days	More than 90 days	Past due Total	Total
2021 (CHF million) [1]							
Due from banks	297	0	0	0	0	0	**297** [2]
Due from customers	33,284	199	9	22	216	446	**33,730** [2]
Mortgage loans	138,248	22	23	20	233	298	**138,546** [2]
Total	**171,829**	**221**	**32**	**42**	**449**	**744**	**172,573**

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 Excludes accrued interest in the total amount of CHF 37 million.

As of December 31, 2021, Credit Suisse (Schweiz) AG did not have any financial assets subject to the CECL accounting guidance that were more than 90 days past due and still accruing interest.

20 Composition of share capital, conversion and reserve capital

end of	2021 Quantity	2021 Total nominal value (CHF million)	2020 Quantity	2020 Total nominal value (CHF million)
Share capital				
Registered shares (at CHF 1 par value per share)	100,000,000	100 [1]	100,000,000	100 [1]
Total share capital		**100**		**100**
Conversion and reserve capital [2]				
Unlimited conversion capital (at CHF 1 par value per share) [3]	unlimited	unlimited	unlimited	unlimited
Reserve capital (at CHF 1 par value per share) [4]	200,000,000	200	200,000,000	200
of which used for capital increases	0	0	0	0
of which reserved for planned capital increases	0	0	0	0

1 The dividend eligible capital equals the total nominal value. As of December 31, 2021 and 2020, the total nominal value of registered shares was CHF 100,000,000 and fully paid.

2 Represents authorized capital.

3 For information on principal characteristics of unlimited conversion capital, refer to Article 5a in the Articles of Association of Credit Suisse (Schweiz) AG.

4 For information on principal characteristics of reserve capital, refer to Article 5b in the Articles of Association of Credit Suisse (Schweiz) AG.

Non-distributable reserves

As of December 31, 2021, the amount of non-distributable reserves in accordance with the Swiss Code of Obligations and the articles of association of Credit Suisse (Schweiz) AG was CHF 50 million. Not reflected in this amount are reserves which Credit Suisse (Schweiz) AG is required to retain in order to meet the regulatory capital requirements as a going concern.

Transactions with shareholders

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

21 Significant shareholders and groups of shareholders

end of	Number of shares (million)	Total nominal value (CHF million)	Share-holding (%) 2021	Number of shares (million)	Total nominal value (CHF million)	Share-holding (%) 2020
Direct shareholders						
Credit Suisse AG	100 [1]	100	100.00	100 [1]	100	100.00
Indirect shareholders through Credit Suisse AG						
Credit Suisse Group AG [2]	100	100	100.00	100	100	100.00
Indirect shareholders through Credit Suisse Group AG [3]						
Chase Nominees Ltd. [4]	11	11	11.48	13	13	13.21
Nortrust Nominees Ltd. [4]	7	7	7.42	8	8	7.53
The Bank of New York Mellon [4]	5	5	5.25	–	–	– [5]

1 All shares with voting rights.
2 Based on the percentage interest held in shares of Credit Suisse AG as per the share register of Credit Suisse AG on December 31 of the reporting period.
3 Pro-forma numbers calculated based on the percentage interest held in Group shares as per the share register of the Group on December 31 of the reporting period. Includes shareholders registered as nominees.
4 Nominee holdings in Group shares exceeding 2% are registered with a right to vote only if the nominee confirms that no individual shareholder holds more than 0.5% of the outstanding share capital or if the nominee discloses the identity of any beneficial owner holding more than 0.5% of the outstanding capital.
5 Participation was lower than the disclosure threshold of 5%.

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

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

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

In a disclosure notification that the Group published on November 17, 2021, the Group was notified that as of November 12, 2021, Qatar Holding LLC, a wholly-owned subsidiary of Qatar Investment Authority, held 133.2 million shares, or 5.03% of the voting rights, of the registered Group shares issued as of the date of the notified transaction.

Shareholders with a qualified participation

As of December 31, 2021, Credit Suisse AG as direct shareholder of Credit Suisse (Schweiz) AG and Credit Suisse Group AG as direct shareholder of Credit Suisse AG are the only shareholders with a qualified participation in accordance with Bank Law.

→ Refer to “Note 23 – Amounts receivable from and amounts payable to related parties” for further information on shareholders with a qualified participation.

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

Certain members of the Board also serve on the board of directors or executive board of the Group and Credit Suisse AG. Compensation to such members of the Board is determined by the Group on the basis of their overall function and responsibilities in the Group and paid by different legal entities of the Group depending on work location, local contracts, laws and regulations. Board members who also serve as member of the board of directors or executive board of the Group and Credit Suisse AG receive an annual subsidiary board fee paid in cash, except for the Group Chairman and the Group CEO who do not receive any additional fees from Credit Suisse (Schweiz) AG. Board members who are neither on the board of directors nor the executive board of the Group or Credit Suisse AG receive an annual base fee and chair fees paid in cash. In 2021 and 2020, no Group shares have been awarded to these Board members for services provided in relation to Credit Suisse (Schweiz) AG.

Share-based awards outstanding

	2021		2020	
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]				
Members of the Executive Board [2]	3.3	29	3.1	35
Employees	6.8	61	6.9	79
Share-based awards outstanding	**10.1**	**90**	**10.0**	**114**

1 All share-based compensation plans of Credit Suisse (Schweiz) AG are plans which are either settled in Group shares or in cash on the basis of the fair value of the Group shares.
2 Includes share-based awards of members of the Board of Directors that they earned in their previous role as member of the Executive Board of Credit Suisse (Schweiz) AG.

Compensation plans

For 2020, Credit Suisse (Schweiz) AG granted 1.8 million share awards with a total value of CHF 23.1 million, 1.9 million performance share awards with a total value of CHF 23.9 million and CHF 12.3 million of Contingent Capital Awards (CCA) as deferred variable incentive compensation on February 19, 2021. The fair value of each share award and performance share award was CHF 12.59, the Group share price on the grant date.

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

In 2021 and 2020, Credit Suisse (Schweiz) AG's total expenses related to deferred compensation plans were CHF 31 million and CHF 53 million, respectively.

For 2021 and 2020, all share-based compensation plans of Credit Suisse (Schweiz) AG were either settled in shares of the Group (Group shares) or in cash on the basis of the fair value of the Group shares.

Share awards

Share awards granted in February 2021 are similar to those granted in February 2020. Each share award granted entitles the holder of the award to receive one Group share, subject to service conditions. Share awards vest over three years with one third of the share awards vesting on each of the three anniversaries of the grant date (ratable vesting). Share awards are expensed over the service period of the awards. The value of the share awards is solely dependent on the Group share price at the time of delivery. The majority of share awards granted include the right to receive dividend equivalents on vested shares.

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

Performance share awards

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

Performance share awards are subject to a downward adjustment in the event of a divisional loss by the division in which the employees worked as of December 31, 2021, or a negative return on equity (ROE) of the Group, whichever results in a larger adjustment. For employees in corporate functions, the downward adjustment only applies in the event of a negative ROE of the Group and is not linked to the performance of the divisions. The basis for the ROE calculation may vary from year to year, depending on the Compensation Committee's determination for the year in which the performance shares are granted.

Contingent Capital Awards

CCA were granted in February 2021 and 2020 to certain employees as part of the 2020 and 2019 deferred variable compensation and have rights and risks similar to those of certain contingent capital instruments issued by the Group in the market. CCA are scheduled to vest on the third anniversary of the grant date. CCA will be expensed over the vesting period. CCA generally provide a conditional right to receive semi-annual cash payments of interest equivalents until settled, with rates being dependent upon the vesting period and currency of denomination. CCA granted to certain regulated employees that vest over three years are not eligible for semi-annual cash payments of interest equivalents.

- CCA granted in 2021 that are denominated in US dollars and vest three years from the date of grant receive interest equivalents at a rate of 3.60%, per annum plus the daily compounded (spread exclusive) US dollar Secured Overnight Financing Rate (SOFR);
- CCA granted in 2021 and 2020 that are denominated in Swiss francs and vest three years from the date of grant receive interest equivalents at a rate of 3.06% and 3.36%, respectively, per annum plus the daily compounded (spread exclusive) Swiss franc Swiss Average Rate Overnight (SARON); and
- The semi-annual interest equivalent cash payment calculation cycle up to February 2021 was based on the six-month US dollar London Interbank Offered Rate (LIBOR) for CCA denominated in US dollars and the six-month Swiss franc LIBOR for CCA denominated in Swiss francs.

The rates were set in line with market conditions at the time of grant and existing high-trigger and low-trigger contingent capital instruments that the Group has issued.

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

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

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

Other cash awards

Other cash awards include special awards as well as certain share and performance share awards settled in cash.

23 Amounts receivable from and amounts payable to related parties

	2021		2020	
end of	Amounts receivable	Amounts payable	Amounts receivable	Amounts payable
CHF million				
Shareholders with a qualified participation	5,487	27,037	775	30,369
Group companies	3,956	161	3,527	142
Affiliated companies	1,747	2,396	4,556	2,608
Members of governing bodies [1]	102	56	114	70 [2]

1 Includes both the governing bodies of Credit Suisse (Schweiz) AG and the governing bodies of its direct and indirect holding companies Credit Suisse AG and Credit Suisse Group AG. Governing bodies include members of the Board of Directors, the Executive Board and the statutory auditors and companies controlled by members of each of these bodies.
2 Prior period has been revised.

Significant off-balance sheet transactions

As part of the normal course of business, Credit Suisse (Schweiz) AG issues guarantees and loan commitments and enters into other agreements with group companies which are recorded as off-balance sheet transactions by Credit Suisse (Schweiz) AG. As of December 31, 2021 and 2020, Credit Suisse (Schweiz) AG had contingent liabilities of CHF 629 million and CHF 3,392 million, respectively, mainly related to the international covered bond program of Credit Suisse AG.

Additional information on related party transactions

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

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

24 Total assets by country rating

	2021		2020	
end of	CHF million [2]	%	CHF million [2]	%
Internal country rating [1]				
AAA	6,532	2.6%	5,776	2.3%
AA	5,889	2.3%	10,426	4.2%
A	1,217	0.5%	1,509	0.6%
BBB	597	0.2%	602	0.2%
Investment grade	14,235	5.6%	18,313	7.3%
BB	326	0.1%	511	0.2%
B	633	0.3%	551	0.2%
CCC	0	0.0%	7	0.0%
D	0	0.0%	7	0.0%
Non-investment grade	959	0.4%	1,076	0.4%
Foreign assets	**15,194**	**6.0%**	**19,389**	**7.7%**
Domestic assets	**238,176**	**94.0%**	**230,978**	**92.3%**
Total assets	**253,370**	**100.0%**	**250,367**	**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.

25 Fiduciary transactions

end of	2021	2020
CHF million		
Fiduciary placements with third-party institutions	3,036	2,705
Fiduciary placements with group companies and affiliated institutions	2,545	2,550
Fiduciary transactions	**5,581**	**5,255**

26 Assets under management

Assets under management

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

Assets under custody are client assets held mainly for execution-related or safekeeping/custody purposes only and therefore are not considered assets under management since Credit Suisse (Schweiz) AG does not generally provide asset allocation or financial advice.

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

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

The initial classification of the assets may not be permanent as the nature of the client relationship is reassessed on an on-going basis. If changes in client intent or activity warrant reclassification between client asset categories, the required reclassification adjustments are made immediately when the change in intent or activity occurs.

Reclassifications between assets under management and assets held for transaction-related or custodial purposes result in corresponding net asset inflows or outflows.

Assets under management

end of	**2021**	2020
CHF billion		
Assets with discretionary mandates	151.7	145.5
Other assets under management	579.3	525.7
Assets under management	**731.0**	**671.2**
of which double counting	–	–

Changes in assets under management

	2021	2020
CHF billion		
Balance at beginning of period	**671.2**	**635.0**
Net new assets/(Net asset outflows)	6.5	7.4
Market movements, interest, dividends and foreign exchange	54.7	10.5
of which market movements, interest and dividends [1]	53.6	20.2
of which foreign exchange	1.1	(9.7)
Other effects	(1.4)	18.3 [2]
Balance at end of period	**731.0**	**671.2**

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

Net new assets

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

Proposed appropriation of retained earnings and capital distribution

Proposed appropriation of retained earnings

end of	2021
Retained earnings (CHF million)	
Retained earnings carried forward	20
Net profit	1,274
Retained earnings	**1,294**
Dividend	(1,200)
Retained earnings to be carried forward	**94**

Proposed distribution out of capital contribution reserves

end of	2021
Capital contribution reserves (CHF million) [1]	
Balance at end of year	**11,122**
Distribution	(300)
Balance after distribution	**10,822**

1 Capital contribution reserves represent legal capital reserves.

List of abbreviations

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

B	
Board	Board of Directors

C	
CARMC	Capital Allocation & Risk Management Committee
CCA	Contingent Capital Awards
CCO	Chief Compliance Officer
CECL	Current expected credit loss
CEO	Chief Executive Officer
CET1	Common equity tier 1
CFO	Chief Financial Officer
CRO	Chief Risk Officer

D	
DCRC	Divisional Client Risk Committee

E	
EAD	Exposure at default
ERM	Enterprise Risk Management

F	
FINMA	Swiss Financial Market Supervisory Authority FINMA

G	
GDP	Gross domestic product

H	
HQLA	High-quality liquid assets

I	
IT	Information technology

L	
LGD	Loss given default
LIBOR	London Interbank Offered Rate

M	
MEFs	Macroeconomic factors

N	
NFRF	Non-financial risk framework

O	
OECD	Organization for Economic Co-operation and Development
OGR	Organizational Guidelines and Regulations
ORCC	Operational Risk & Compliance Committee
OTC	Over-the-counter

P	
PD	Probability of default
PRA	Prudential Regulation Authority

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

S	
SARON	Swiss Average Rate Overnight
SNB	Swiss National Bank
SOFR	Secured Overnight Financing Rate
SROs	Strategic risk objectives
SWIFT	Society for Worldwide Interbank Financial Telecommunication

T	
TCFD	Task Force on Climate-related Financial Disclosures
TLAC	Total loss absorbing capacity

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

V	
VaR	Value-at-risk
VAT	Value added tax

Cautionary statement regarding forward-looking information

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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