CREDIT SUISSE

Part of UBS Group

Financial Report 6M24

Credit Suisse (Schweiz) AG

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3 Interim financial statements – unaudited

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6 Notes to the interim financial statements – unaudited

For purposes of this report, unless the context otherwise requires, the term “Credit Suisse” means former Credit Suisse AG and its consolidated subsidiaries before the merger with UBS AG. The terms “UBS” and “UBS Group” are used for UBS Group AG and its consolidated subsidiaries. The term “UBS Group AG” is used when referring to UBS Group AG on a standalone basis or to the legal entity.

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

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

Interim financial statements – unaudited

Statement of income (unaudited)

in	**6M24**	6M23
Statement of income (CHF million)		
Interest and discount income	2,387	2,262
Interest and dividend income from trading activities	469	0
Interest and dividend income from financial investments	4	9
Interest expense	(2,021)	(1,726)
Gross income from interest activities	**839**	**545**
(Increase)/release of allowance for default risks and losses from interest activities	(79)	(87)
Net income from interest activities	**760**	**458**
Commission income from securities trading and investment activities	530	723
Commission income from lending activities	71	89
Commission income from other services	323	387
Commission expense	(363)	(410)
Net income from commission and service activities	**561**	**789**
Net income/(loss) from trading activities and fair value option	**91**	**483**
Income/(loss) from the disposal of financial investments	6	0
Income from participations	114	355
Income from real estate	0	1
Other ordinary income	224	137
Other ordinary expenses	0	(9)
Net income from other ordinary activities	**344**	**484**
Personnel expenses	722	682
General and administrative expenses	710	734
Total operating expenses	**1,432**	**1,416**
Impairment of participations, depreciation and amortization of tangible fixed assets and intangible assets	70	217
Increase/(release) of provisions and other valuation adjustments, and losses	102	6
Operating profit	**152**	**575**
Extraordinary income	0	1
Taxes	(33)	(53)
Net profit	**119**	**523**

Balance sheet (unaudited)

end of	**6M24**	2023
Assets (CHF million)		
Cash and other liquid assets	42,590	50,561
Due from banks	5,917	7,976
Securities borrowing and reverse repurchase agreements	9,736	10,368
Due from customers	29,798	30,367
Mortgage loans	119,607	124,268
Trading assets	1,009	867
Positive replacement values of derivative financial instruments	839	619
Financial investments	16	132
Accrued income and prepaid expenses	313	548
Participations	971	978
Tangible fixed assets	131	195
Other assets	378	264
Total assets	**211,305**	**227,143**
Total subordinated receivables	109	109
of which receivables subject to contractual mandatory conversion and/or cancellation	40	40
Liabilities and shareholders' equity		
Due to banks	63,915	50,881
Securities lending and repurchase agreements	6,165	9,011
Customer deposits	109,204	113,201
Negative replacement values of derivative financial instruments	733	1,351
Medium-term notes	28	37
Bonds and mortgage-backed bonds	18,039	39,087
Accrued expenses and deferred income	823	837
Other liabilities	1,621	1,516
Provisions	233	97
Total liabilities	**200,761**	**216,018**
Share capital	100	100
Legal capital reserves	10,244	10,244
of which capital contribution reserves	9,222	9,222
Retained earnings carried forward	81	185
Net profit	119	596
Total shareholders' equity	**10,544**	**11,125**
Total liabilities and shareholders' equity	**211,305**	**227,143**
Total subordinated liabilities	11,936	12,138
of which liabilities subject to contractual mandatory conversion and/or cancellation	3,109	3,110

Off-balance sheet transactions (unaudited)

end of	6M24	2023
CHF million		
Contingent liabilities	9,159	10,471
Irrevocable commitments	10,717	14,064
Obligations for calls on shares and additional payments	99	99

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 held assets at a carrying value of CHF 909 million and CHF 908 million as of June 30, 2024 and December 31, 2023, respectively, which were pledged under the UBS AG legacy international covered bonds program (previously the international covered bonds program of Credit Suisse AG) and for which the related liabilities of CHF 559 million and CHF 534 million as of June 30, 2024 and December 31, 2023 were included in the balance sheet of UBS AG and Credit Suisse AG, respectively. As of June 30, 2024 and December 31, 2023, the contingent liabilities of Credit Suisse (Schweiz) AG under this covered bonds program were CHF 559 million and CHF 534 million, respectively. As of June 30, 2024 and December 31, 2023, these contingent liabilities were fully collateralized through cash deposits from UBS AG and Credit Suisse AG, respectively, placed with Credit Suisse (Schweiz) AG. Credit Suisse (Schweiz) AG entered into a contractual arrangement under which it assumed joint and several liability in connection with Credit Suisse (Schweiz) AG's roles under this covered bonds program.

Since January 1, 2024, Credit Suisse (Schweiz) AG is a member of the Swiss value added tax (VAT) group "UBS VAT Group" and subject to joint and several liability according to the Swiss VAT Act.

Deposit insurance guarantee program

Deposit-taking banks and securities dealers in Switzerland are required to ensure the payout of protected deposits in case of specified restrictions or forced liquidation of a deposit-taking bank. In Switzerland, under the Swiss deposit insurance guarantee program ("esisuisse"), the jointly guaranteed amount is determined as the higher of CHF 6 billion or 1.6% of all protected deposits. As per notification from the administrator of the Swiss deposit insurance program, Credit Suisse (Schweiz) AG's respective share was CHF 518 million for the period July 1, 2023 to June 30, 2024. This deposit insurance guarantee was reflected in irrevocable commitments. Half of this deposit insurance guarantee is secured by cash held with the Swiss National Bank, which is callable by esisuisse upon a payout event. From July 1, 2024, Credit Suisse (Schweiz) AG's share in the deposit insurance program, as per notification from the administrator, was determined to be CHF 433 million.

Statement of changes in equity (unaudited)

		Legal capital reserves				
	Share capital	Total	of which: capital contribution reserves [1]	Retained earnings carried forward	Net profit	**Total shareholders' equity**
6M24 (CHF million)						
Balance at beginning of period	**100**	**10,244**	**9,222**	**185**	**596**	**11,125**
Appropriation of net profit	–	–	–	596	(596)	–
Dividends and other distributions	–	–	–	(700) [2]	–	(700)
Net profit	–	–	–	–	119	119
Balance at end of period	**100**	**10,244**	**9,222**	**81**	**119**	**10,544**

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

2 Included the distribution of a dividend in kind of CHF 1 approved by the Annual General Meeting of shareholders on April 23, 2024, which became effective with the effectiveness of the legal merger between Credit Suisse AG and UBS AG on May 31, 2024, and was distributed to Credit Suisse AG's legal successor, UBS AG. This dividend in kind was relating to a transfer of certain business pursuant to a dividend and transfer agreement entered into by Credit Suisse (Schweiz) AG, Credit Suisse AG and UBS AG.

Notes to the interim financial statements – unaudited

1 Company details, business developments and subsequent events

Company details

As of June 30, 2024, Credit Suisse (Schweiz) AG was a Swiss bank incorporated as a joint stock corporation (public limited company), with its registered office in Zurich, Switzerland.

Credit Suisse (Schweiz) AG was a wholly owned subsidiary of Credit Suisse AG. With the legal merger of Credit Suisse AG into UBS AG on May 31, 2024, Credit Suisse (Schweiz) AG became a wholly owned subsidiary of UBS AG. UBS AG is a wholly owned subsidiary of UBS Group AG; both entities are domiciled in Switzerland.

Business developments

Acquisition by UBS

The board of directors of UBS Group AG has approved the execution of a merger of UBS Switzerland AG and Credit Suisse (Schweiz) AG. Following approvals from their respective boards, both entities have entered into a merger agreement on February 9, 2024, subsequently amended on June 25, 2024, to reflect the audited merger balance sheet of Credit Suisse (Schweiz) AG as of March 31, 2024.

→ Refer to "Subsequent events" for further information.

Emergency liquidity assistance

In accordance with article 9 paragraph 1(e) of the National Bank Act, Credit Suisse (Schweiz) AG met the requirements to receive liquidity assistance from the Swiss National Bank (SNB). An Emergency Liquidity Assistance (ELA) facility was granted in the second half of March 2023. As of December 31, 2023, the amount outstanding under the ELA facility was CHF 38 billion. On March 22, 2024, following a comprehensive review with UBS of the funding situation, Credit Suisse (Schweiz) AG repaid loans drawn under the ELA facility, reducing the amount of loans outstanding under the ELA from CHF 38 billion to CHF 19 billion as of that date. On May 6, 2024, Credit Suisse (Schweiz) AG repaid further loans drawn under the ELA facility, reducing the amount of loans outstanding under the ELA from CHF 19 billion to CHF 9 billion as of that date. The remaining CHF 9 billion were repaid on June 11, 2024.

Supply chain finance fund matter

As previously reported, in early March 2021, the boards of four supply chain finance funds (SCFF) managed by certain Credit Suisse subsidiaries decided to suspend redemptions and subscriptions of those funds to protect the interests of the funds' investors, to terminate the SCFF and to proceed to their liquidation. In June 2024, the SCFF made a voluntary offer to redeem all outstanding fund units. Fund investors who chose to accept that offer, which closed on July 31, 2024, were redeemed at 90% of the net asset value determined on February 25, 2021, net of any payments made to the fund investors since that time, and released any claims they may have had against the SCFF, Credit Suisse or UBS. Based on the expected acceptance rate, Credit Suisse (Schweiz) AG recorded a provision of USD 95 million in June 2024.

Swisscard joint venture

On June 3, 2024, UBS announced the non-prolongation of the quota holder agreement that governs Credit Suisse's joint venture with American Express, Swisscard AECS GmbH. The non-prolongation is a pure contractual step that does not lead to any immediate changes for clients.

Subsequent events

On July 1, 2024, the merger by absorption between Credit Suisse (Schweiz) AG and UBS Switzerland AG, with UBS Switzerland AG as surviving entity, became legally effective under Swiss law by virtue of its registration with the commercial register in Switzerland. With the legal effectiveness of this merger, all assets, liabilities and contracts of Credit Suisse (Schweiz) AG were transferred by operation of law (universal succession) to UBS Switzerland AG, and UBS Switzerland AG succeeded to all the rights and obligations of Credit Suisse (Schweiz) AG. Simultaneously, Credit Suisse (Schweiz) AG was dissolved and deleted from the commercial register. In accordance with the Swiss Merger Act, and for tax purposes and the internal relationship between the merging entities only, UBS Switzerland AG and Credit Suisse (Schweiz) AG stipulated in the merger agreement a retroactive effect of the merger as of April 1, 2024. Retroactively as of this date, assets and liabilities of CHF 220,174 million and CHF 208,991 million, respectively, were taken over by UBS Switzerland AG. For the six-month period ended on June 30, 2024, separate interim financial statements have been prepared for UBS Switzerland AG and Credit Suisse (Schweiz) AG, reflecting pre-merger numbers.

As part of the ongoing restructuring and integration of the legacy Credit Suisse legal entities into the UBS structure, following the legal merger of Credit Suisse (Schweiz) AG with UBS Switzerland AG on July 1, 2024, the participations in Credit Suisse Asset Management (Schweiz) AG and Credit Suisse Fund Management (Luxembourg) SA, which were previously indirectly held by Credit Suisse (Schweiz) AG via its 49% shareholding in Credit Suisse Asset Management & Investor Services (Schweiz) Holding AG, were transferred from UBS Switzerland AG to UBS Asset Management AG on July 19, 2024. This transaction was carried out at book value.

2 Accounting and valuation principles

Summary of significant accounting and valuation principles

Basis for accounting

The Credit Suisse (Schweiz) AG standalone financial statements are prepared in accordance with the accounting rules of the Swiss Federal Law on Banks and Savings Banks (Bank Law), the corresponding Implementing Ordinance (Banking Ordinance), the Swiss Financial Market Supervisory Authority's Accounting Ordinance (FINMA Accounting Ordinance) and FINMA circular 2020/1, "Accounting – banks" (Swiss GAAP statutory) as applicable for the preparation of reliable assessment statutory single-entity financial statements *(Statutarischer Einzelabschluss mit zuverlässiger Darstellung)*. The financial year for Credit Suisse (Schweiz) AG ends on December 31. These interim financial statements should be read in conjunction with the standalone financial statements and notes thereto for the year ended December 31, 2023 included in the Annual Report 2023 of Credit Suisse (Schweiz) AG. These financial statements were prepared applying the valuation basis of a going concern.

→ Refer to "Note 2 – Accounting and valuation principles" in the Annual Report 2023 for further information.

Changes to accounting and valuation principles adopted during the reporting period

In connection with the merger between Credit Suisse (Schweiz) AG and UBS Switzerland AG, Credit Suisse (Schweiz) AG adopted several changes to its Swiss GAAP statutory accounting and valuation principles effective from April 1, 2024, in order to align to the accounting and valuation principles applied by UBS Switzerland AG.

After current income tax impacts of CHF 17 million, the net impact of Credit Suisse (Schweiz) AG's changes to its accounting and valuation principles adopted in 2024, was a loss of CHF 74 million, which was included in the statement of income for the six-month period ended on June 30, 2024. Adjustments with an impact on net profit were recognized in operating income or expenses. A summary of significant accounting and valuation changes is included below.

Changes with an impact on net profit

Loan origination costs and fees

Under its previous accounting policy, Credit Suisse (Schweiz) AG considered internal personnel expenses in connection with tasks directly related to loan origination as loan origination costs that were deferred and amortized to personnel expenses over the term of the loan. Loan origination fees received, for which the services had already been delivered, were directly recognized in the statement of income. With the adoption of the new accounting policy, such internal personnel expenses are not considered as loan origination costs since these expenses are not incremental and therefore not deferred. Also, loan origination fees received are now deferred and amortized to gross income from interest activities over the term of the loan. The related adoption impact was a loss of CHF 109 million, of which CHF 45 million was charged to personnel expenses reflecting the removal of the residual accumulated deferred internal personnel expenses related to loan originations, and CHF 64 million was charged to gross income from interest activities reflecting a reversal and deferral of previously recognized loan origination fee income.

Expected credit losses

Under its previous accounting policy, Credit Suisse (Schweiz) AG applied the US GAAP current expected credit loss (CECL) methodology for the measurement and disclosure of expected credit losses (ECL) under Swiss GAAP statutory. Under the CECL methodology, lifetime ECL was measured for all financial assets and off-balance sheet credit exposure (e.g., loan commitments and issued financial guarantees) in scope of the CECL measurement approach. With the adoption of the new accounting policy, Credit Suisse (Schweiz) AG applied the 3-stage model of the IFRS 9 ECL methodology. For financial assets and off-balance sheet credit exposure in stage 1 (no significant increase in credit risk since initial recognition of financial instrument), 12-month-ECL is measured, i.e., credit losses that are expected to occur from default events within 12 months after the reporting date. For financial assets and off-balance sheet credit exposure in stage 2 (significant increase in credit risk since initial recognition of financial instrument) and in stage 3 (credit impaired financial instruments), lifetime ECL is measured. The related adoption impact was a profit of CHF 26 million, recorded as a release of allowance for default risks and losses from interest activities of CHF 53 million, partially offset by an increase of provisions and other valuation adjustments and losses of CHF 27 million. The adoption impact reflected a partial release of allowances and provisions for credit losses for stage 1 financial assets and off-balance sheet credit exposure, partially offset by the impact of certain scope differences regarding financial assets and off-balance sheet exposure subject to ECL under IFRS 9.

Provision for anniversary awards

Under its previous accounting policy, Credit Suisse (Schweiz) AG recorded an accrual for a service anniversary award only upon vesting of such an award. Anniversary awards are granted in the form of service anniversary days, with a cash option for certain staff grades or anniversaries. With the adoption of the new accounting policy, Credit Suisse (Schweiz) AG now builds a provision for such anniversary awards straight-line over the whole vesting period. Upon vesting of a service anniversary award, a liability for anniversary awards is accrued and the related provision is released. The related adoption impact of CHF 15 million, charged through personnel expenses, reflected a provision for anniversary awards built straight-line over the vesting period until vesting (or forfeiture) of such awards.

Recognition of pension plan economic benefits

Under its previous accounting policy, in accordance with an accounting policy choice provided by FINMA Accounting Ordinance, Credit Suisse (Schweiz) AG did not record any asset

related to economic benefits from its pension plans, neither from overfunded plans nor from employer contribution reserves. With the adoption of the new accounting policy, Credit Suisse (Schweiz) AG can record an asset for its share in any overfunded pension plan, as measured under Swiss GAAP FER 16, if the surplus exceeds the target value of the fluctuation reserve and if this surplus is intended to be used for the employer's economic benefit. Also, Credit Suisse (Schweiz) AG now records an asset for its share in any employer contributions reserves. The related adoption impact of CHF 6 million, credited to personnel expenses, reflected the recognition of an asset for Credit Suisse (Schweiz) AG's share in the employer contribution reserves of the Swiss pension plan "Pensionskasse der Credit Suisse Group (Schweiz)".

Share-based compensation

Under its previous accounting policy, Credit Suisse (Schweiz) AG treated share-based awards that vest in annual installments (graded vesting) and only contain a service condition with an impact on vesting as a single award for which compensation expenses were recognized on a straight-line basis over the service period. With the adoption of the new accounting policy, the annual installments of such share awards with graded vesting are treated as separate awards, with compensation expenses for each of these awards recognized separately, resulting in a front-loading of expense recognition. The related adoption impact of CHF 1 million, charged through personnel expenses, reflects the front-loading effect on the expense recognition under the changed accounting policy.

Hedge ineffectiveness on cash flow hedges

Under Credit Suisse (Schweiz) AG's previous accounting policy, hedge accounting has been determined and tested for effectiveness applying US GAAP principles, with the ineffectiveness on cash flow hedges recorded in the income statement together with the effective portion of the hedge, when the hedged cash flows affect net income. With the adoption of the new accounting policy, hedge accounting is determined and tested for effectiveness applying IFRS principles, with the ineffectiveness on cash flow hedges recorded immediately in the income statement during the life of the hedge as it arises. The related adoption impact of CHF 1 million was credited to net income/(loss) from trading activities and fair value option.

Changes with no impact on net profit

In addition to the accounting and valuation policy changes discussed above, which had an impact on net profit, the following accounting policy changes resulted in reclassifications only, within the balance sheet or within the statement of income.

Mark-up fees on certain OTC transaction

Under Credit Suisse (Schweiz) AG's previous accounting policy, mark-up fees charged to Wealth Management clients and included in the pricing of certain OTC foreign exchange, precious metals spot, forward, swap and option transactions as well as equity forward transactions to compensate services provided by the client relationship management team were reclassified from net income/(loss) from trading activities and fair value option to commission income. With the adoption of the new accounting policy, such mark-up fees are no longer presented in commission income. In connection with this accounting policy alignment, an amount of CHF 78 million was reclassified from commission income from securities trading and investment activities to net income/(loss) from trading activities and fair value option.

Exchange-traded derivatives

In connection with an alignment of accounting policy regarding the recognition of client transactions in exchange-traded derivative financial instruments, Credit Suisse (Schweiz) AG has started recording such transactions as principal. Previously, Credit Suisse (Schweiz) AG recorded these transactions as agent. This accounting policy alignment resulted in an increase of positive and negative replacement values of derivative financial instruments of CHF 312 million recognized on the balance sheet of Credit Suisse (Schweiz) AG.

Gains and losses from economic hedging transactions

In connection with Credit Suisse (Schweiz) AG's alignment accounting policies regarding the recognition of gains and losses from economic hedging transactions, certain gains and losses on financial instruments used for economic hedging, previously recorded in net income/(loss) from trading activities and fair value option, are now recognized in the same statement of income position as the revenue from the hedged item. With the adoption of this accounting policy alignment, an amount of CHF 242 million from interest rate and foreign exchange swaps used for economic hedging was reclassified from net income/(loss) from trading activities and fair value option to gross income from interest activities.

Hedge ineffectiveness on fair value hedges

In connection with Credit Suisse (Schweiz) AG's adoption of IFRS-based accounting policies for hedge accounting, certain gains and losses on hedging instruments related to the ineffectiveness of fair value hedges, which were previously recorded in the same statement of income positions as the revenues from the hedged items, are now recognized in net income/(loss) from trading activities and fair value option. With the adoption of this accounting policy alignment, an amount of negative CHF 1 million was reclassified from gross income from interest activities to net income/(loss) from trading activities and fair value option.

Other balance sheet reclassifications

Under Credit Suisse (Schweiz) AG's previous accounting policy, back-to-back intra-group lending funded by capital instruments issued to the market was recorded as long-term debt in the balance sheet position bonds and mortgage-backed bonds of the issuing entity and as financial investment in the balance sheet of the investing entity. With the adoption of the new accounting policy, such intra-group lending is classified based on the nature of the group entities involved and, for lending between banking entities, classified as due to banks in the balance sheet of the issuing entity and as due from banks on the balance sheet of the investing entity. In connection with this accounting policy alignment,

an amount of CHF 20.9 billion was reclassified from bonds and mortgage-backed bonds to due to banks.

Furthermore, in alignment to UBS's accounting policies, an amount of CHF 0.1 billion related to intercompany revenue sharing and cost transfer agreements was reclassified from accrued expenses and deferred income to other liabilities.

3 Extraordinary income

In 6M23, Credit Suisse (Schweiz) AG realized a gain of CHF 1 million from the sale of shares in a participation which was recognized in extraordinary income.

Cautionary statement

This report and the information contained herein are provided solely for information purposes, and are not to be construed as solicitation of an offer to buy or sell any securities or other financial instruments in Switzerland, the United States or any other jurisdiction. No investment decision relating to securities of or relating to UBS Group AG, UBS AG or their affiliates should be made on the basis of this report.