

# VII

## **Consolidated financial statements – Credit Suisse (Bank)**

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# Report of the Statutory Auditor

To the General Meeting of Credit Suisse AG, Zurich

## Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Credit Suisse AG and subsidiaries (the "Bank"), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income, changes in equity and cash flows for each of the years in the three-year period ended December 31, 2016, and the related notes.

### Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the consolidated financial statements in accordance with U.S. Generally Accepted Accounting Principles and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Swiss law and Swiss Auditing Standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position as of December 31, 2016 and 2015, and the results of operations and the cash flows for each of the years in the three-year period ended December 31, 2016, in accordance with U.S. Generally Accepted Accounting Principles, and comply with Swiss law.



### Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority



**Valuation of financial instruments reported at fair value**



**Goodwill**



**Valuation of deferred tax assets**



**Provisions for litigation and regulatory actions**



**Valuation of the allowance for loan losses**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as of and for the year ended December 31, 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



**Valuation of financial instruments reported at fair value**

#### Key Audit Matter

The Bank reports financial assets reported at fair value of CHF 320.8 billion and financial liabilities reported at fair value of CHF 186.7 billion as of December 31, 2016. These financial assets represented 40% of total assets and these financial liabilities represented 25% of total liabilities as of December 31, 2016.

The fair value of the majority of the Bank's financial instruments is based on quoted prices in active markets or observable inputs.

In addition, the Bank holds financial instruments for which no prices are available and which have little or no observable inputs. For these financial instruments fair value is determined through the application of valuation techniques, which often involve the exercise of judgment by management including the use of assumptions and estimates. In particular for financial instruments which do not have directly observable market prices, judgment is often required to determine modelling assumptions that are used in the determination of fair value. The Bank also has certain financial instruments that utilize significant, judgmental inputs with varying degrees of observability for purposes of determining fair value. Further, the Bank applies significant judgment in calculating certain valuation adjustments including credit, debit and funding valuation adjustments.

#### Our response

We assessed and tested the design and operating effectiveness of the key controls over financial reporting with respect to the valuation of financial instruments reported at fair value. This included controls over independent price verification, valuation model approval and the calculation, validation and recording of valuation adjustments.

For a sample of financial instruments, we examined the appropriateness of models used and valuation inputs or data. We compared observable inputs and data against independent sources and externally available market data.

For a sample of instruments which do not have directly observable market prices, we critically examined and challenged the assumptions and models used or re-performed an independent valuation assessment, by reference to what we considered to be available alternative methods and sensitivities to key factors.

We also evaluated the methodology and inputs used in determining key judgmental valuation adjustments by critically examining and challenging these assumptions and models, and performing recalculations for a sample of these adjustments.

We made use of our own valuation specialists in performing the above procedures, in particular in



relation to the most judgmental financial instruments, models, methodologies and assumptions.

For further information on the valuation of financial instruments reported at fair value refer to the following:

- Note 15 Trading assets and liabilities
- Note 34 Financial instruments



## Goodwill

### Key Audit Matter

The Bank reports goodwill totalling CHF 4.0 billion as of December 31, 2016. Goodwill is allocated to reporting units and the carrying value is primarily supported by the future cash flows of the underlying businesses. During 2016, as a result of the reorganization of reporting units, goodwill impairment testing was performed as of March 31 and June 30 in addition to the annual impairment assessment as of December 31, 2016.

Due to the inherent uncertainty associated with the forecasts used in determining the fair value of each reporting unit, this is an area in which significant judgment is applied. There is a greater degree of sensitivity to the impact of changes to estimates of future cash flows and other key assumptions for those reporting units where headroom between fair value and carrying value is limited.

### Our response

We assessed and tested the design and operating effectiveness of the key controls over financial reporting with respect to the valuation of goodwill. This included controls over the annual impairment analysis, including the assumptions used in determining the fair value of each reporting unit, the development and approval of the financial plan, and management's annual comparison of forecasts to past performance.

We evaluated the reasonableness of cash flow projections and compared key inputs, such as the discount rates and growth rates, to externally available industry, economic and financial data and the Bank's own historical data and performance. With the assistance of our own valuation specialists, we critically examined and challenged the assumptions and methodologies used to calculate fair value for those reporting units where the impact of changes to key estimates and assumptions was most sensitive.

For further information on goodwill refer to the following:

- Note 20 Goodwill



## Valuation of deferred tax assets

### Key Audit Matter

The Bank reports net deferred tax assets totalling CHF 5.7 billion as of December 31, 2016.

Significant judgment is required in relation to deferred tax assets as their recoverability is dependent on forecasts of future profitability over a number of years. The most significant deferred tax assets arise in the US and Switzerland.

### Our response

We assessed and tested the design and operating effectiveness of the key controls over financial reporting with respect to the valuation of deferred tax assets. This included controls over the recognition and measurement of deferred tax assets, the assessment and approval of assumptions used in projecting the future taxable profits in relevant jurisdictions / legal entities, the development and approval of the legal entity plans, and management's annual comparison of legal entity plans to past performance.



We substantively tested management's process for valuing deferred tax assets by critically examining management's analysis and comparing assumptions used in the forecast to independently obtained data points. We also examined the consistency between the financial plan used for goodwill impairment purposes and the legal entity plans used in the valuation of deferred tax assets.

For further information on the valuation of deferred tax assets refer to the following:

- Note 27 Tax



#### Provisions for litigation and regulatory actions

##### Key Audit Matter

The Bank is involved in a number of judicial, regulatory and arbitration proceedings concerning matters arising in connection with the conduct of its businesses. The outcome of such cases is dependent on the future outcome of continuing legal and regulatory processes. Consequently, the calculations of the provisions are subject to inherent uncertainty as they rely on management judgment about the likelihood and amount of liabilities arising from litigation and regulatory claims.

##### Our response

We assessed and tested the design and operating effectiveness of the key controls over financial reporting with respect to provisions for litigation and regulatory actions. This included controls over the valuation of the litigation provisions and their approval, review and disclosure.

We evaluated the Bank's assessment of the nature and status of litigation, claims and regulatory actions. We considered the legal advice received by the Bank from in-house counsel, as well as external counsel, when relevant, for certain of the more significant cases.

We examined the Bank's conclusions with respect to the provisions and disclosures made for significant cases, considering the results of corroborative information obtained from management. In view of the significance of the judgments required, we examined the more significant provisions in detail. For the significant cases, we obtained correspondence directly from the Bank's outside attorneys and, where appropriate, performed corroborative inquiry of outside counsel and tested data and inputs used by management in determining their litigation provisions.

For further information on provisions for litigation and regulatory actions refer to the following:

- Note 38 Litigation



### Valuation of the allowance for loan losses

#### Key Audit Matter

The Bank reports gross loans of CHF 260.5 billion and has recorded an allowance for loan losses of CHF 0.8 billion as of December 31, 2016.

The valuation of the allowance for loan losses relies on the application of significant management judgment and the use of different modelling techniques and assumptions. The specific allowance for loan losses involves judgment to estimate the recoverable amount and the collateral value. The collective allowance for loan losses involves judgment in determining the methodology and parameters in calculating the allowance at a portfolio level.

#### Our response

We assessed and tested the design and operating effectiveness of the key controls over financial reporting with respect to the valuation of the allowance for loan losses. This included controls over the calculation, approval, recording and monitoring of the allowance for loan losses. This also included controls over model approval, validation and approval of key data inputs and the qualitative considerations for potential impairment that were not captured by management's models.

For a sample of loan loss allowances calculated on an individual basis we tested the assumptions underlying the impairment identification and quantification including forecasts of future cash flows, valuation of underlying collateral and estimates of recovery on default. We also examined a sample of loans which had not been identified by management as impaired and formed our own opinion about collectability.

For a sample of loan loss allowances calculated on a collective basis we tested the underlying models including the model approval and validation process. We also tested the reasonableness of the inputs to those models, such as recovery rates, by comparing data and assumptions made to external benchmarks, when available.

For further information on the valuation of allowance for loan losses refer to the following:

- Note 18 Loans, allowance for loan losses and credit quality



### Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

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 consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Bank's internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control – Integrated Framework 2013* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), and our report dated March 24, 2017 expressed an unqualified opinion on the effectiveness of the Bank's internal control over financial reporting.

KPMG AG

A handwritten signature in black ink, appearing to read 'N. Edmonds'.

Nicholas Edmonds  
Licensed Audit Expert  
Auditor in Charge

A handwritten signature in black ink, appearing to read 'Anthony Anzevino'.

Anthony Anzevino  
Global Lead Partner

Zurich, Switzerland  
March 24, 2017



# Consolidated financial statements

## Consolidated statements of operations

	Reference to notes	2016	2015	2014
<b>Consolidated statements of operations (CHF million)</b>				
Interest and dividend income	6	16,925	18,857	18,585
Interest expense	6	(9,737)	(9,990)	(9,908)
Net interest income	6	7,188	8,867	8,677
Commissions and fees	7	10,817	11,846	12,887
Trading revenues	8	370	1,298	1,790
Other revenues	9	1,427	1,200	2,235
<b>Net revenues</b>		<b>19,802</b>	<b>23,211</b>	<b>25,589</b>
<b>Provision for credit losses</b>	10	<b>216</b>	<b>276</b>	<b>125</b>
Compensation and benefits	11	10,645	11,523	11,382
General and administrative expenses	12	9,758	8,614	9,573
Commission expenses		1,441	1,614	1,548
Goodwill impairment	20	0	3,797	0
Restructuring expenses	13	510	325	–
Total other operating expenses		11,709	14,350	11,121
<b>Total operating expenses</b>		<b>22,354</b>	<b>25,873</b>	<b>22,503</b>
<b>Income/(loss) from continuing operations before taxes</b>		<b>(2,768)</b>	<b>(2,938)</b>	<b>2,961</b>
Income tax expense	27	357	439	1,299
<b>Income/(loss) from continuing operations</b>		<b>(3,125)</b>	<b>(3,377)</b>	<b>1,662</b>
Income from discontinued operations, net of tax	4	0	0	102
<b>Net income/(loss)</b>		<b>(3,125)</b>	<b>(3,377)</b>	<b>1,764</b>
Net income/(loss) attributable to noncontrolling interests		(6)	(7)	445
<b>Net income/(loss) attributable to shareholder</b>		<b>(3,119)</b>	<b>(3,370)</b>	<b>1,319</b>
of which from continuing operations		(3,119)	(3,370)	1,217
of which from discontinued operations		0	0	102

## Consolidated statements of comprehensive income

		2016	2015	2014
<b>Comprehensive income/(loss) (CHF million)</b>				
Net income/(loss)		(3,125)	(3,377)	1,764
Gains/(losses) on cash flow hedges		(22)	24	(27)
Foreign currency translation		499	(1,147)	2,284
Unrealized gains/(losses) on securities		2	(6)	21
Actuarial gains/(losses)		210	44	58
Net prior service credit/(cost)		(1)	(14)	14
Gains/(losses) on liabilities related to credit risk		(1,083)	–	–
Other comprehensive income/(loss), net of tax		(395)	(1,099)	2,350
<b>Comprehensive income/(loss)</b>		<b>(3,520)</b>	<b>(4,476)</b>	<b>4,114</b>
Comprehensive income/(loss) attributable to noncontrolling interests		11	(26)	614
<b>Comprehensive income/(loss) attributable to shareholder</b>		<b>(3,531)</b>	<b>(4,450)</b>	<b>3,500</b>

The accompanying notes to the consolidated financial statements are an integral part of these statements.

## Consolidated financial statements

## Consolidated balance sheets

	Reference to notes	2016	end of 2015
<b>Assets (CHF million)</b>			
Cash and due from banks		118,973	90,521
of which reported at fair value		200	89
of which reported from consolidated VIEs		369	1,693
Interest-bearing deposits with banks		3,117	4,953
of which reported at fair value		26	2
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	14	135,128	123,436
of which reported at fair value		87,331	83,565
of which reported from consolidated VIEs		0	53
Securities received as collateral, at fair value		32,564	28,511
of which encumbered		30,762	27,940
Trading assets, at fair value	15	165,356	191,096
of which encumbered		52,322	62,559
of which reported from consolidated VIEs		2,744	2,372
Investment securities	16	2,192	2,698
of which reported at fair value		2,192	2,698
of which reported from consolidated VIEs		511	1,009
Other investments	17	6,488	6,787
of which reported at fair value		4,088	4,227
of which reported from consolidated VIEs		2,006	1,986
Net loans	18	259,541	254,915
of which reported at fair value		19,528	20,820
of which encumbered		132	108
of which reported from consolidated VIEs		284	1,312
allowance for loan losses		(816)	(724)
Premises and equipment	19	4,563	4,439
of which reported from consolidated VIEs		173	299
Goodwill	20	4,023	3,929
Other intangible assets	21	213	196
of which reported at fair value		138	112
Brokerage receivables		33,429	34,540
Other assets	22	36,735	57,910
of which reported at fair value		9,383	25,626
of which encumbered		257	671
of which reported from consolidated VIEs		2,616	14,450
<b>Total assets</b>		<b>802,322</b>	<b>803,931</b>

The accompanying notes to the consolidated financial statements are an integral part of these statements.

**Consolidated balance sheets (continued)**

	Reference to notes	2016	end of 2015
<b>Liabilities and equity (CHF million)</b>			
Due to banks	23	23,066	21,460
of which reported at fair value		445	490
Customer deposits	23	344,578	331,700
of which reported at fair value		3,567	3,656
of which reported from consolidated VIEs		0	0
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	14	33,016	46,598
of which reported at fair value		19,634	32,398
Obligation to return securities received as collateral, at fair value		32,564	28,511
Trading liabilities, at fair value	15	44,951	49,054
of which reported from consolidated VIEs		18	27
Short-term borrowings		15,385	8,657
of which reported at fair value		4,061	3,112
of which reported from consolidated VIEs		1	81
Long-term debt	24	187,325	192,094
of which reported at fair value		71,970	80,002
of which reported from consolidated VIEs		1,759	14,826
Brokerage payables		39,852	39,452
Other liabilities	22	39,834	41,715
of which reported at fair value		9,487	11,745
of which reported from consolidated VIEs		243	835
<b>Total liabilities</b>		<b>760,571</b>	<b>759,241</b>
Common shares		4,400	4,400
Additional paid-in capital		40,700	39,883
Retained earnings		8,833	12,427
Accumulated other comprehensive income/(loss)	25	(13,251)	(13,304)
<b>Total shareholder's equity</b>		<b>40,682</b>	<b>43,406</b>
Noncontrolling interests		1,069	1,284
<b>Total equity</b>		<b>41,751</b>	<b>44,690</b>
<b>Total liabilities and equity</b>		<b>802,322</b>	<b>803,931</b>

end of	2016	2015
<b>Additional share information</b>		
Par value (CHF)	1.00	1.00
Issued shares	4,399,680,200	4,399,680,200
Shares outstanding	4,399,680,200	4,399,680,200

The Bank's total share capital is fully paid and consists of 4,399,680,200 registered shares as of December 31, 2016. Each share is entitled to one vote. The Bank has no warrants on its own shares outstanding.

## Consolidated statements of changes in equity

	Attributable to shareholder							Total equity
	Common shares	Additional paid-in capital	Retained earnings	Treasury shares, at cost <sup>1</sup>	Accumulated other comprehensive income/(loss)	Total shareholder's equity	Non-controlling interests	
<b>2016 (CHF million)</b>								
<b>Balance at beginning of period</b>	<b>4,400</b>	<b>39,883</b>	<b>12,427</b>	<b>0</b>	<b>(13,304)</b>	<b>43,406</b>	<b>1,284</b>	<b>44,690</b>
Purchase of subsidiary shares from non-controlling interests, changing ownership	–	(13)	–	–	–	(13)	(6)	(19)
Purchase of subsidiary shares from non-controlling interests, not changing ownership <sup>2,3</sup>	–	–	–	–	–	–	(118)	(118)
Sale of subsidiary shares to noncontrolling interests, not changing ownership <sup>3</sup>	–	–	–	–	–	–	120	120
Net income/(loss)	–	–	(3,119)	–	–	(3,119)	(6)	(3,125)
Cumulative effect of accounting changes, net of tax	–	–	(465)	–	465	–	–	–
Total other comprehensive income/(loss), net of tax	–	–	–	–	(412)	(412)	17	(395)
Share-based compensation, net of tax	–	167 <sup>4</sup>	–	–	–	167	–	167
Dividends on share-based compensation, net of tax	–	(41)	–	–	–	(41)	–	(41)
Dividends paid	–	–	(10)	–	–	(10)	–	(10)
Changes in scope of consolidation, net	–	2	–	–	–	2	(194)	(192)
Other	–	702	–	–	–	702	(28)	674
<b>Balance at end of period</b>	<b>4,400</b>	<b>40,700</b>	<b>8,833</b>	<b>0</b>	<b>(13,251)</b>	<b>40,682</b>	<b>1,069</b>	<b>41,751</b>
<b>2015 (CHF million)</b>								
<b>Balance at beginning of period</b>	<b>4,400</b>	<b>34,842</b>	<b>15,877</b>	<b>0</b>	<b>(12,224)</b>	<b>42,895</b>	<b>1,746</b>	<b>44,641</b>
Purchase of subsidiary shares from non-controlling interests, not changing ownership	–	–	–	–	–	–	(434)	(434)
Sale of subsidiary shares to noncontrolling interests, not changing ownership	–	–	–	–	–	–	57	57
Net income/(loss)	–	–	(3,370)	–	–	(3,370)	(7)	(3,377)
Total other comprehensive income/(loss), net of tax	–	–	–	–	(1,080)	(1,080)	(19)	(1,099)
Share-based compensation, net of tax	–	(436)	–	–	–	(436)	–	(436)
Dividends on share-based compensation, net of tax	–	(12)	–	–	–	(12)	–	(12)
Dividends paid	–	–	(80)	–	–	(80)	–	(80)
Changes in scope of consolidation, net	–	–	–	–	–	–	(57)	(57)
Other	–	5,489	–	–	–	5,489	(2)	5,487
<b>Balance at end of period</b>	<b>4,400</b>	<b>39,883</b>	<b>12,427</b>	<b>0</b>	<b>(13,304)</b>	<b>43,406</b>	<b>1,284</b>	<b>44,690</b>

<sup>1</sup> Reflects Credit Suisse Group shares which are reported as treasury shares. Those shares are held to economically hedge share award obligations.

<sup>2</sup> Distributions to owners in funds include the return of original capital invested and any related dividends.

<sup>3</sup> Transactions with and without ownership changes related to fund activity are all displayed under "not changing ownership".

<sup>4</sup> Includes a net tax charge of CHF (110) million from the excess recognized compensation expense over fair value of shares delivered.

**Consolidated statements of changes in equity (continued)**

	Attributable to shareholder							Total equity
	Common shares/ participation securities	Additional paid-in capital	Retained earnings	Treasury shares, at cost	Accumulated other comprehensive income/(loss)	Total shareholder's equity	Non-controlling interests	
<b>2014 (CHF million)</b>								
<b>Balance at beginning of period</b>	<b>4,400</b>	<b>34,851</b>	<b>14,621</b>	<b>0</b>	<b>(14,405)</b>	<b>39,467</b>	<b>4,165</b>	<b>43,632</b>
Purchase of subsidiary shares from non-controlling interests, changing ownership	–	26	–	–	–	26	–	26
Purchase of subsidiary shares from non-controlling interests, not changing ownership	–	–	–	–	–	–	(578)	(578)
Sale of subsidiary shares to noncontrolling interests, not changing ownership	–	–	–	–	–	–	40	40
Net income/(loss)	–	–	1,319	–	–	1,319	445	1,764
Total other comprehensive income/(loss), net of tax	–	–	–	–	2,181	2,181	169	2,350
Share-based compensation, net of tax	–	(61)	–	–	–	(61)	–	(61)
Dividends on share-based compensation, net of tax	–	(44)	–	–	–	(44)	–	(44)
Dividends paid	–	–	(63)	–	–	(63)	(21)	(84)
Changes in redeemable noncontrolling interests	–	2	–	–	–	2	–	2
Changes in scope of consolidation, net	–	–	–	–	–	–	(2,477)	(2,477)
Other	–	68	–	–	–	68	3	71
<b>Balance at end of period</b>	<b>4,400</b>	<b>34,842</b>	<b>15,877</b>	<b>0</b>	<b>(12,224)</b>	<b>42,895</b>	<b>1,746</b>	<b>44,641</b>

The accompanying notes to the consolidated financial statements are an integral part of these statements.

**Consolidated statements of cash flows**

in	2016	2015	2014
<b>Operating activities of continuing operations (CHF million)</b>			
<b>Net income/(loss)</b>	<b>(3,125)</b>	<b>(3,377)</b>	<b>1,764</b>
(Income)/loss from discontinued operations, net of tax	0	0	(102)
<b>Income/(loss) from continuing operations</b>	<b>(3,125)</b>	<b>(3,377)</b>	<b>1,662</b>
<b>Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities of continuing operations (CHF million)</b>			
Impairment, depreciation and amortization	926	4,879	1,276
Provision for credit losses	216	276	125
Deferred tax provision/(benefit)	(233)	2	619
Share of net income/(loss) from equity method investments	(12)	(101)	147
Trading assets and liabilities, net	21,218	26,141	(5,096)
(Increase)/decrease in other assets	9,740	11,367	6,483
Increase/(decrease) in other liabilities	(1,019)	(22,312)	(24,146)
Other, net	(911)	(1,950)	730
Total adjustments	29,925	18,302	(19,862)
<b>Net cash provided by/(used in) operating activities of continuing operations</b>	<b>26,800</b>	<b>14,925</b>	<b>(18,200)</b>
<b>Investing activities of continuing operations (CHF million)</b>			
(Increase)/decrease in interest-bearing deposits with banks	1,858	(929)	(727)
(Increase)/decrease in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	(6,958)	36,578	11,677
Purchase of investment securities	(88)	(376)	(1,060)
Proceeds from sale of investment securities	14	19	118
Maturities of investment securities	271	887	187
Investments in subsidiaries and other investments	(1,345)	(555)	(1,228)
Proceeds from sale of other investments	1,693	1,895	1,519
(Increase)/decrease in loans	(5,353)	(3,941)	(23,690)
Proceeds from sales of loans	2,468	1,579	1,255
Capital expenditures for premises and equipment and other intangible assets	(1,155)	(1,087)	(1,043)
Proceeds from sale of premises and equipment and other intangible assets	55	13	1
Other, net	676	402	601
<b>Net cash provided by/(used in) investing activities of continuing operations</b>	<b>(7,864)</b>	<b>34,485</b>	<b>(12,390)</b>

**Consolidated statements of cash flows (continued)**

in	2016	2015	2014
<b>Financing activities of continuing operations (CHF million)</b>			
Increase/(decrease) in due to banks and customer deposits	9,865	(28,757)	27,137
Increase/(decrease) in short-term borrowings	6,594	(18,148)	3,509
Increase/(decrease) in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	(14,525)	(22,149)	(31,001)
Issuances of long-term debt	51,956	76,883	74,150
Repayments of long-term debt	(46,616)	(48,919)	(37,871)
Dividends paid	(10)	(10)	(84)
Other, net	1,040	4,789	(488)
<b>Net cash provided by/(used in) financing activities of continuing operations</b>	<b>8,304</b>	<b>(36,311)</b>	<b>35,352</b>
<b>Effect of exchange rate changes on cash and due from banks (CHF million)</b>			
<b>Effect of exchange rate changes on cash and due from banks</b>	<b>1,212</b>	<b>(578)</b>	<b>5,617</b>
<b>Net cash provided by/(used in) discontinued operations (CHF million)</b>			
<b>Net cash provided by/(used in) discontinued operations</b>	<b>0</b>	<b>0</b>	<b>(460)</b>
<b>Net increase/(decrease) in cash and due from banks (CHF million)</b>			
<b>Net increase/(decrease) in cash and due from banks</b>	<b>28,452</b>	<b>12,521</b>	<b>9,919</b>
Cash and due from banks at beginning of period	90,521	78,000	68,081
<b>Cash and due from banks at end of period</b>	<b>118,973</b>	<b>90,521</b>	<b>78,000</b>

**Supplemental cash flow information**

in	2016	2015	2014
<b>Cash paid for income taxes and interest (CHF million)</b>			
Cash paid for income taxes	611	946	1,455
Cash paid for interest	9,059	10,158	9,419
<b>Assets acquired and liabilities assumed in business acquisitions (CHF million)</b>			
Fair value of assets acquired	0	3	143
Fair value of liabilities assumed	0	0	29
<b>Assets and liabilities sold in business divestitures (CHF million)</b>			
Assets sold	425	35	687
Liabilities sold	383	7	1,084

# Notes to the consolidated financial statements

## 1 Summary of significant accounting policies

The accompanying consolidated financial statements of Credit Suisse AG (the Bank), the direct bank subsidiary of Credit Suisse Group AG (the Group), are prepared in accordance with accounting principles generally accepted in the US (US GAAP) and are stated in Swiss francs (CHF). The financial year for the Bank ends on December 31. Certain reclassifications have been made to the prior year's consolidated financial statements to conform to the current presentation which had no impact on net income/(loss) or total shareholders' equity.

In preparing the consolidated financial statements, management is required to make estimates and assumptions including, but not limited to, the fair value measurements of certain financial assets and liabilities, the allowance for loan losses, the evaluation of variable interest entities (VIEs), the impairment of assets other than loans, recognition of deferred tax assets, tax uncertainties, pension liabilities and various contingencies. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the dates of the consolidated balance sheets and the reported amounts of revenues and expenses during the reporting period. While management evaluates its estimates and assumptions on an ongoing basis, actual results could differ materially from management's estimates. Market conditions may increase the risk and complexity of the judgments applied in these estimates.

▶ Refer to "Note 1 – Summary of significant accounting policies" in V – Consolidated financial statements – Credit Suisse Group for a summary of significant accounting policies, with the exception of the following accounting policies.

### Pensions and other post-retirement benefits

Credit Suisse sponsors a Group defined benefit pension plan in Switzerland that covers eligible employees of the Bank domiciled in Switzerland. The Bank also has single-employer defined benefit pension plans and defined contribution pension plans in Switzerland and other countries around the world.

For the Bank's participation in the Group defined benefit pension plan, no retirement benefit obligation is recognized in the consolidated balance sheets of the Bank and defined contribution accounting is applied, as the Bank is not the sponsoring entity of the Group plan.

For single-employer defined benefit plans, the Bank uses the projected unit credit actuarial method to determine the present value of its projected benefit obligations (PBO) and the current and past service costs or credits related to its defined benefit and other post-retirement benefit plans. The measurement date used to perform the actuarial valuation is December 31.

Certain key assumptions are used in performing the actuarial valuations. These assumptions must be made concerning the future events that will determine the amount and timing of the benefit payments and thus require significant judgment and estimates by Bank

management. For example, assumptions have to be made with regard to discount rates, expected return on plan assets and salary increases.

The assumed discount rates reflect the rates at which the pension benefits could be effectively settled. These rates are determined based on yields of high-quality corporate bonds currently available and are expected to be available during the period to maturity of the pension benefits. In countries where no deep market in high-quality corporate bonds exists, the estimate is based on governmental bonds adjusted to include a risk premium reflecting the additional risk for corporate bonds.

The expected long-term rate of return on plan assets is determined on a plan-by-plan basis, taking into account asset allocation, historical rate of return, benchmark indices for similar-type pension plan assets, long-term expectations of future returns and investment strategy.

Health care cost trend rates are determined by reviewing external data and the Bank's own historical trends for health care costs. Salary increases are determined by reviewing external data and considering internal projections.

The funded status of the Bank's defined benefit post-retirement and pension plans is recognized in the consolidated balance sheets.

Actuarial gains and losses in excess of 10% of the greater of the PBO or the market value of plan assets and unrecognized prior service costs or credits are amortized to net periodic pension and other post-retirement benefit costs on a straight-line basis over the average remaining service life of active employees expected to receive benefits.

The Bank records pension expense for defined contribution plans when the employee renders service to the company, essentially coinciding with the cash contributions to the plans.

### Own shares, own bonds and financial instruments on Group shares

The Bank's shares are wholly-owned by Credit Suisse Group AG and are not subject to trading. The Bank may buy and sell Credit Suisse Group AG shares (Group shares), own bonds and financial instruments on Group shares within its normal trading and market-making activities. In addition, the Bank may hold Group shares to economically hedge commitments arising from employee share-based compensation awards. Group shares are reported as trading assets, unless those shares are held to economically hedge share award obligations. Hedging shares are reported as treasury shares, resulting in a reduction to total shareholder's equity. Financial instruments on Group shares are recorded as assets or liabilities and carried at fair value. Dividends received on Group shares and unrealized and realized gains and losses on Group shares are recorded according to the classification of the shares as trading assets or treasury shares. Purchases of bonds originally issued by the Bank are recorded as an extinguishment of debt.



## 2 Recently issued accounting standards

► Refer to “Note 2 – Recently issued accounting standards” in V – Consolidated financial statements – Credit Suisse Group for recently adopted accounting standards and standards to be adopted in future periods.

The impact on the Bank’s and Group’s financial position, results of operations or cash flows was or is expected to be identical.

## 3 Business developments, significant shareholders and subsequent events

► Refer to “Note 3 – Business developments, significant shareholders and subsequent events” in V – Consolidated financial statements – Credit Suisse Group for further information.

## 4 Discontinued operations

There were no operations that were discontinued in 2016 and 2015.

► Refer to “Note 4 – Discontinued operations” in V – Consolidated financial statements – Credit Suisse Group for further information.

### Income/(loss) from discontinued operations

in	2014
<b>Operations-related (CHF million)</b>	
<b>Net revenues</b>	<b>31</b>
of which German private banking business	27
Operating expenses	35
of which German private banking business	33
Income tax expense/(benefit)	1
<b>Income/(loss), net of tax</b>	<b>(5)</b>
of which German private banking business	(6)
<b>Transaction-related (CHF million)</b>	
<b>Gain on disposal</b>	<b>200</b>
of which German private banking business	109
of which CFG	91
Operating expenses	54
of which German private banking business	48
Income tax expense/(benefit)	39
of which CFG	42
<b>Income/(loss), net of tax</b>	<b>107</b>
of which German private banking business	61
of which CFG	49
<b>Discontinued operations – total (CHF million)</b>	
<b>Income/(loss) from discontinued operations, net of tax</b>	<b>102</b>
of which German private banking business	55
of which CFG	49

## 5 Segment information

For the purposes of the presentation of reportable segments, the Bank has included accounts of affiliate entities wholly owned by the same parent which are managed together with the operating segments of the Bank. These affiliate entities include certain bank and trust affiliates, primarily managed by Swiss Universal Bank. Income from continuing operations before taxes of these non-consolidated affiliate entities included in the segment presentation for the years ended December 31, 2016, 2015 and 2014 was CHF 239 million, CHF 279 million and CHF 264 million,

respectively. For the same periods, net revenues of these non-consolidated affiliate entities included in the segment presentation were CHF 605 million, CHF 644 million and CHF 656 million, respectively, and total assets of these non-consolidated affiliate entities included in the segment presentation as of December 31, 2016 and 2015, were CHF 27.1 billion and CHF 27.6 billion, respectively.

► Refer to “Note 5 – Segment information” in V – Consolidated financial statements – Credit Suisse Group for further information.

### Net revenues and income/(loss) from continuing operations before taxes

in	2016	2015	2014
<b>Net revenues (CHF million)</b>			
Swiss Universal Bank	5,759	5,721	5,912
International Wealth Management	4,698	4,552	4,942
Asia Pacific	3,597	3,839	3,335
Global Markets	5,497	6,826	7,426
Investment Banking & Capital Markets	1,972	1,787	2,109
Strategic Resolution Unit	(1,271)	511	1,838
Adjustments <sup>1</sup>	(450)	(25)	27
<b>Net revenues</b>	<b>19,802</b>	<b>23,211</b>	<b>25,589</b>
<b>Income/(loss) before taxes (CHF million)</b>			
Swiss Universal Bank	2,025	1,675	2,024
International Wealth Management	1,121	723	1,260
Asia Pacific	725	377	900
Global Markets	48	(1,931)	2,014
Investment Banking & Capital Markets	261	(314)	511
Strategic Resolution Unit	(5,759)	(2,652)	(3,107)
Adjustments <sup>1</sup>	(1,189)	(816)	(641)
<b>Income/(loss) from continuing operations before taxes</b>	<b>(2,768)</b>	<b>(2,938)</b>	<b>2,961</b>

<sup>1</sup> Adjustments represent certain consolidating entries and balances, including those relating to items that are managed but are not legally owned by the Bank and vice versa, and certain expenses that were not allocated to the segments.

### Total assets

end of	2016	2015
<b>Total assets (CHF million)</b>		
Swiss Universal Bank	228,363	220,359
International Wealth Management	91,083	96,085
Asia Pacific	97,221	85,929
Global Markets	239,700	234,276
Investment Banking & Capital Markets	20,784	18,712
Strategic Resolution Unit	80,297	100,823
Adjustments <sup>1</sup>	44,874	47,747
<b>Total assets</b>	<b>802,322</b>	<b>803,931</b>

<sup>1</sup> Adjustments represent certain consolidating entries and balances, including those relating to items that are managed but are not legally owned by the Bank and vice versa, and certain expenses that were not allocated to the segments.

**Net revenues and income/(loss) from continuing operations before taxes by geographic location**

in	2016	2015	2014
<b>Net revenues (CHF million)</b>			
Switzerland	7,894	7,967	7,585
EMEA	2,036	3,819	4,301
Americas	7,267	8,514	11,173
Asia Pacific	2,605	2,911	2,530
<b>Net revenues</b>	<b>19,802</b>	<b>23,211</b>	<b>25,589</b>
<b>Income/(loss) from continuing operations before taxes (CHF million)</b>			
Switzerland	1,677	1,315	(179)
EMEA	(2,487)	(1,493)	(621)
Americas	(1,602)	(2,909)	3,723
Asia Pacific	(356)	149	38
<b>Income/(loss) from continuing operations before taxes</b>	<b>(2,768)</b>	<b>(2,938)</b>	<b>2,961</b>

The designation of net revenues and income/(loss) from continuing operations before taxes is based on the location of the office recording the transactions. This presentation does not reflect the way the Bank is managed.

**Total assets by geographic location**

end of	2016	2015
<b>Total assets (CHF million)</b>		
Switzerland	231,042	204,715
EMEA	156,484	162,093
Americas	333,115	355,481
Asia Pacific	81,681	81,642
<b>Total assets</b>	<b>802,322</b>	<b>803,931</b>

The designation of total assets by region is based upon customer domicile.

**6 Net interest income**

in	2016	2015	2014
<b>Net interest income (CHF million)</b>			
Loans	5,203	4,957	4,606
Investment securities	59	63	27
Trading assets	7,483	9,045	9,507
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	2,765	2,622	2,317
Other	1,415	2,170	2,128
<b>Interest and dividend income</b>	<b>16,925</b>	<b>18,857</b>	<b>18,585</b>
Deposits	(1,026)	(864)	(1,035)
Short-term borrowings	(84)	(105)	(119)
Trading liabilities	(3,602)	(3,855)	(3,938)
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	(1,387)	(1,264)	(1,042)
Long-term debt	(3,437)	(3,696)	(3,484)
Other	(201)	(206)	(290)
<b>Interest expense</b>	<b>(9,737)</b>	<b>(9,990)</b>	<b>(9,908)</b>
<b>Net interest income</b>	<b>7,188</b>	<b>8,867</b>	<b>8,677</b>

## 7 Commissions and fees

in	2016	2015	2014
<b>Commissions and fees (CHF million)</b>			
Lending business	1,763	1,532	1,711
Investment and portfolio management	3,017	3,319	3,630
Other securities business	60	66	94
Fiduciary business	3,077	3,385	3,724
Underwriting	1,364	1,659	1,911
Brokerage	2,999	3,616	3,669
Underwriting and brokerage	4,363	5,275	5,580
Other services	1,614	1,654	1,872
<b>Commissions and fees</b>	<b>10,817</b>	<b>11,846</b>	<b>12,887</b>

## 8 Trading revenues

in	2016	2015	2014
<b>Trading revenues (CHF million)</b>			
Interest rate products	6,232	2,947	5,661
Foreign exchange products	(2,531)	(1,127)	(4,405)
Equity/index-related products	(1,738)	(276)	273
Credit products	(2,124)	1	265
Commodity and energy products	177	(46)	(228)
Other products	354	(201)	224
<b>Total</b>	<b>370</b>	<b>1,298</b>	<b>1,790</b>

Represents revenues on a product basis which are not representative of business results within segments, as segment results utilize financial instruments across various product types.

- ▶ Refer to "Note 8 – Trading revenues" in V – Consolidated financial statements – Credit Suisse Group for further information.

## 9 Other revenues

in	2016	2015	2014
<b>Other revenues (CHF million)</b>			
Noncontrolling interests without SEI	0	3	451
Loans held-for-sale	(51)	(19)	(4)
Long-lived assets held-for-sale	428 <sup>1</sup>	34	391
Equity method investments	154	210	239
Other investments	7	147	276
Other	889	825	882
<b>Other revenues</b>	<b>1,427</b>	<b>1,200</b>	<b>2,235</b>

<sup>1</sup> Primarily reflects gains from the sale of real estate.

## 10 Provision for credit losses

in	2016	2015	2014
<b>Provision for credit losses (CHF million)</b>			
Provision for loan losses	213	248	85
Provision for lending-related and other exposures	3	28	40
<b>Provision for credit losses</b>	<b>216</b>	<b>276</b>	<b>125</b>

## 11 Compensation and benefits

in	2016	2015	2014
<b>Compensation and benefits (CHF million)</b>			
Salaries and variable compensation	8,952	9,826	9,685
Social security	681	771	775
Other <sup>1</sup>	1,012	926	922
<b>Compensation and benefits</b>	<b>10,645</b>	<b>11,523</b>	<b>11,382</b>

<sup>1</sup> Includes pension and other post-retirement expense of CHF 688 million, CHF 579 million and CHF 624 million in 2016, 2015 and 2014, respectively.

## 12 General and administrative expenses

in	2016	2015	2014
<b>General and administrative expenses (CHF million)</b>			
Occupancy expenses	988	1,004	1,161
IT, machinery, etc.	1,150	1,254	1,436
Provisions and losses	3,009	1,157	2,782
Travel and entertainment	312	366	339
Professional services	2,936	3,188	2,338
Amortization and impairment of other intangible assets	8	19	24
Other	1,355	1,626	1,493
<b>General and administrative expenses</b>	<b>9,758</b>	<b>8,614</b>	<b>9,573</b>

### 13 Restructuring expenses

► Refer to "Note 13 – Restructuring expenses" in V – Consolidated financial statements – Credit Suisse Group for further information.

In connection with the strategic review of the Bank, restructuring expenses of CHF 510 million and CHF 325 million were recognized in 2016 and 2015, respectively.

#### Restructuring expenses by segment

in	2016	2015
<b>Restructuring expenses by segment (CHF million)</b>		
Swiss Universal Bank	60	42
International Wealth Management	54	36
Asia Pacific	53	3
Global Markets	217	96
Investment Banking & Capital Markets	28	22
Strategic Resolution Unit	121	156
Corporate Center	7	0
Adjustments <sup>1</sup>	(30)	(30)
<b>Total restructuring expenses</b>	<b>510</b>	<b>325</b>

<sup>1</sup> Adjustments represent certain consolidating entries and balances, including those relating to items that are managed but are not legally owned by the Bank and vice versa.

#### Restructuring expenses by type

in	2016	2015
<b>Restructuring expenses by type (CHF million)</b>		
Compensation and benefits-related expenses	355	279
of which severance expenses	215	191
of which accelerated deferred compensation	140	87
of which pension expenses	0	1
General and administrative-related expenses	155	46
<b>Total restructuring expenses</b>	<b>510</b>	<b>325</b>

#### Restructuring provision

	2016			2015		
	Compen- sation and benefits	General and administrative expenses	Total	Compen- sation and benefits	General and administrative expenses	Total
<b>Restructuring provision (CHF million)</b>						
<b>Balance at beginning of period</b>	<b>187</b>	<b>12</b>	<b>199</b>	<b>0</b>	<b>0</b>	<b>0</b>
Net additional charges <sup>1</sup>	215	137	352	191	46	237
Utilization	(186)	(55)	(241)	(4)	(34)	(38)
<b>Balance at end of period</b>	<b>216</b>	<b>94</b>	<b>310</b>	<b>187</b>	<b>12</b>	<b>199</b>

<sup>1</sup> The following items for which expense accretion was accelerated in 2016 and 2015 due to the restructuring of the Bank are not included in the restructuring provision: unsettled share-based compensation of CHF 34 million and CHF 23 million and unsettled pension obligations of CHF 0 million and CHF 1 million, respectively, which remain classified as a component of total shareholder's equity; and unsettled cash-based deferred compensation of CHF 106 million and CHF 64 million, respectively, which remain classified as compensation liabilities; and accelerated accumulated depreciation and impairment of CHF 18 million and CHF 0 million, respectively, which remain classified as premises and equipment. The settlement date for the unsettled share-based compensation remains unchanged at three years.

## 14 Securities borrowed, lent and subject to repurchase agreements

end of	2016	2015
<b>Securities borrowed or purchased under agreements to resell (CHF million)</b>		
Central bank funds sold and securities purchased under resale agreements	81,802	78,861
Deposits paid for securities borrowed	53,326	44,575
<b>Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions</b>	<b>135,128</b>	<b>123,436</b>
<b>Securities lent or sold under agreements to repurchase (CHF million)</b>		
Central bank funds purchased and securities sold under repurchase agreements	26,106	36,754
Deposits received for securities lent	6,910	9,844
<b>Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions</b>	<b>33,016</b>	<b>46,598</b>

► Refer to "Note 15 – Securities borrowed, lent and subject to repurchase agreements" in V – Consolidated financial statements – Credit Suisse Group for further information.

## 15 Trading assets and liabilities

end of	2016	2015
<b>Trading assets (CHF million)</b>		
Debt securities	65,675	80,546
Equity securities	63,873	71,102
Derivative instruments <sup>1</sup>	26,978	28,579
Other	8,830	10,869
<b>Trading assets</b>	<b>165,356</b>	<b>191,096</b>
<b>Trading liabilities (CHF million)</b>		
Short positions	24,587	25,509
Derivative instruments <sup>1</sup>	20,364	23,545
<b>Trading liabilities</b>	<b>44,951</b>	<b>49,054</b>

<sup>1</sup> Amounts shown after counterparty and cash collateral netting.

## Cash collateral on derivative instruments

end of	2016	2015
<b>Cash collateral – netted (CHF million) <sup>1</sup></b>		
Cash collateral paid	33,615	32,127
Cash collateral received	23,007	22,027
<b>Cash collateral – not netted (CHF million) <sup>2</sup></b>		
Cash collateral paid	5,701	7,987
Cash collateral received	11,497	13,991

<sup>1</sup> Recorded as cash collateral netting on derivative instruments in Note 26 – Offsetting of financial assets and financial liabilities.

<sup>2</sup> Recorded as cash collateral on derivative instruments in Note 22 – Other assets and other liabilities.

**16 Investment securities**

end of	2016	2015
<b>Investment securities (CHF million)</b>		
Securities available-for-sale	2,192	2,698
<b>Total investment securities</b>	<b>2,192</b>	<b>2,698</b>

**Investment securities by type**

end of	2016				2015			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
<b>Investment securities by type (CHF million)</b>								
Debt securities issued by foreign governments	1,279	31	0	1,310	1,292	30	0	1,322
Corporate debt securities	283	0	0	283	281	0	0	281
Residential mortgage-backed securities	497	0	0	497	750	0	0	750
Commercial mortgage-backed securities	14	0	0	14	259	0	0	259
Debt securities available-for-sale	2,073	31	0	2,104	2,582	30	0	2,612
Banks, trust and insurance companies	65	23	0	88	65	20	0	85
Industry and all other	0	0	0	0	1	0	0	1
Equity securities available-for-sale	65	23	0	88	66	20	0	86
<b>Securities available-for-sale</b>	<b>2,138</b>	<b>54</b>	<b>0</b>	<b>2,192</b>	<b>2,648</b>	<b>50</b>	<b>0</b>	<b>2,698</b>

**Proceeds from sales, realized gains and realized losses from available-for-sale securities**

in	2016		2015		2014	
	Debt securities	Equity securities	Debt securities	Equity securities	Debt securities	Equity securities
<b>Additional information (CHF million)</b>						
Proceeds from sales	9	4	1	17	103	15
Realized gains	0	0	0	2	0	1

**Amortized cost, fair value and average yield of debt securities**

end of	Debt securities available-for-sale		Average yield (in %)
	Amortized cost	Fair value	
<b>2016 (CHF million)</b>			
Due within 1 year	436	437	0.07
Due from 1 to 5 years	1,126	1,156	0.99
Due from 5 to 10 years	0	0	–
Due after 10 years	511	511	4.41
<b>Total debt securities</b>	<b>2,073</b>	<b>2,104</b>	<b>1.64</b>



## 17 Other investments

end of	2016	2015
<b>Other investments (CHF million)</b>		
Equity method investments	2,918	2,728
Non-marketable equity securities <sup>1</sup>	1,672	1,951
Real estate held for investment <sup>2</sup>	241	375
Life finance instruments <sup>3</sup>	1,657	1,733
<b>Total other investments</b>	<b>6,488</b>	<b>6,787</b>

<sup>1</sup> Includes private equity, hedge funds and restricted stock investments as well as certain investments in non-marketable mutual funds for which the Bank has neither significant influence nor control over the investee.

<sup>2</sup> As of December 31, 2016 and 2015, real estate held for investment included foreclosed or repossessed real estate of CHF 29 million and CHF 37 million, respectively, of which CHF 27 million and CHF 36 million, respectively were related to residential real estate.

<sup>3</sup> Includes life settlement contracts at investment method and SPIA contracts.

Non-marketable equity securities include investments in entities that regularly calculate net asset value per share or its equivalent.

► Refer to "Note 34 – Financial instruments" for further information on such investments.

Substantially all non-marketable equity securities are carried at fair value. There were no non-marketable equity securities not carried at fair value that have been in a continuous unrealized loss position.

The Bank performs a regular impairment analysis of real estate portfolios. The carrying values of the impaired properties were written down to their respective fair values, establishing a new cost base. For these properties, the fair values were measured based on either discounted cash flow analyses or external market appraisals. Impairments of CHF 31 million, CHF 21 million and CHF 10 million were recorded in 2016, 2015 and 2014, respectively.

Accumulated depreciation related to real estate held for investment amounted to CHF 340 million, CHF 319 million and CHF 304 million for 2016, 2015 and 2014, respectively.

► Refer to "Note 18 – Other investments" in V – Consolidated financial statements – Credit Suisse Group for further information.

## 18 Loans, allowance for loan losses and credit quality

end of	2016	2015
<b>Loans (CHF million)</b>		
Mortgages	89,800	88,566
Loans collateralized by securities	37,087	37,833
Consumer finance	825	1,092
Consumer	127,712	127,491
Real estate	23,188	23,561
Commercial and industrial loans	81,048	74,967
Financial institutions	24,501	26,375
Governments and public institutions	4,093	3,445
Corporate & institutional	132,830	128,348
<b>Gross loans</b>	<b>260,542</b>	<b>255,839</b>
of which held at amortized cost	241,014	235,019
of which held at fair value	19,528	20,820
Net (unearned income)/deferred expenses	(185)	(200)
Allowance for loan losses	(816)	(724)
<b>Net loans</b>	<b>259,541</b>	<b>254,915</b>
<b>Gross loans by location (CHF million)</b>		
Switzerland	142,356	137,729
Foreign	118,186	118,110
<b>Gross loans</b>	<b>260,542</b>	<b>255,839</b>
<b>Impaired loan portfolio (CHF million)</b>		
Non-performing loans	1,076	810
Non-interest-earning loans	248	251
Total non-performing and non-interest-earning loans	1,324	1,061
Restructured loans	358	282
Potential problem loans	545	373
Total other impaired loans	903	655
<b>Gross impaired loans</b>	<b>2,227</b>	<b>1,716</b>

## Allowance for loan losses

	2016			2015			2014		
	Consumer	Corporate & institutional	Total	Consumer	Corporate & institutional	Total	Consumer	Corporate & institutional	Total
<b>Allowance for loan losses (CHF million)</b>									
<b>Balance at beginning of period</b>	<b>113</b>	<b>611</b>	<b>724</b>	<b>131</b>	<b>466</b>	<b>597</b>	<b>134</b>	<b>557</b>	<b>691</b>
Net movements recognized in statements of operations	27	186	213	21	227	248	7	78	85
Gross write-offs	(29)	(189)	(218)	(51)	(107)	(158)	(35)	(232)	(267)
Recoveries	8	53	61	6	16	22	12	24	36
Net write-offs	(21)	(136)	(157)	(45)	(91)	(136)	(23)	(208)	(231)
Provisions for interest	11	8	19	7	12	19	3	19	22
Foreign currency translation impact and other adjustments, net	0	17	17	(1)	(3)	(4)	10	20	30
<b>Balance at end of period</b>	<b>130</b>	<b>686</b>	<b>816</b>	<b>113</b>	<b>611</b>	<b>724</b>	<b>131</b>	<b>466</b>	<b>597</b>
of which individually evaluated for impairment	105	505	610	84	455	539	104	309	413
of which collectively evaluated for impairment	25	181	206	29	156	185	27	157	184
<b>Gross loans held at amortized cost (CHF million)</b>									
<b>Balance at end of period</b>	<b>127,689</b>	<b>113,325</b>	<b>241,014</b>	<b>127,471</b>	<b>107,548</b>	<b>235,019</b>	<b>125,804</b>	<b>107,974</b>	<b>233,778</b>
of which individually evaluated for impairment <sup>1</sup>	507	1,720	2,227	468	1,248	1,716	393	739	1,132
of which collectively evaluated for impairment	127,182	111,605	238,787	127,003	106,300	233,303	125,411	107,235	232,646

<sup>1</sup> Represents gross impaired loans both with and without a specific allowance.

## Purchases, reclassifications and sales

in	2016			2015			2014		
	Consumer	Corporate & institutional	Total	Consumer	Corporate & institutional	Total	Consumer	Corporate & institutional	Total
<b>Loans held at amortized cost (CHF million)</b>									
Purchases <sup>1</sup>	30	3,405	<b>3,435</b>	389	4,294	<b>4,683</b>	181	4,127	<b>4,308</b>
Reclassifications from loans held-for-sale <sup>2</sup>	0	125	<b>125</b>	0	355	<b>355</b>	0	397	<b>397</b>
Reclassifications to loans held-for-sale <sup>3</sup>	1,632	2,768	<b>4,400</b>	1,641	735	<b>2,376</b>	1,055	806	<b>1,861</b>
Sales <sup>3</sup>	72	2,087	<b>2,159</b>	0	373	<b>373</b>	0	272	<b>272</b>

<sup>1</sup> Includes drawdowns under purchased loan commitments.

<sup>2</sup> Includes loans previously reclassified to held-for-sale that were not sold and were reclassified back to loans held-to-maturity.

<sup>3</sup> All loans held at amortized cost which are sold are reclassified to loans held-for-sale on or prior to the date of the sale.

## Gross loans held at amortized cost by internal counterparty rating

end of	Investment grade		Non-investment grade		Total
	AAA to BBB	BB to C	D		
<b>2016 (CHF million)</b>					
Mortgages	81,986	7,654	160		89,800
Loans collateralized by securities	33,961	2,910	216		37,087
Consumer finance	523	214	65		802
Consumer	116,470	10,778	441		127,689
Real estate	17,856	4,808	64		22,728
Commercial and industrial loans	35,316	34,473	1,392		71,181
Financial institutions	16,297	1,865	107		18,269
Governments and public institutions	1,074	59	14		1,147
Corporate & institutional	70,543	41,205	1,577		113,325
<b>Gross loans held at amortized cost</b>	<b>187,013</b>	<b>51,983</b>	<b>2,018</b>		<b>241,014</b>
Value of collateral <sup>1</sup>	167,425	44,785	1,386		213,596
<b>2015 (CHF million)</b>					
Mortgages	79,664	8,697	205		88,566
Loans collateralized by securities	36,028	1,667	138		37,833
Consumer finance	743	231	98		1,072
Consumer	116,435	10,595	441		127,471
Real estate	17,717	4,995	77		22,789
Commercial and industrial loans	31,720	30,898	802		63,420
Financial institutions	17,445	2,951	149		20,545
Governments and public institutions	691	103	0		794
Corporate & institutional	67,573	38,947	1,028		107,548
<b>Gross loans held at amortized cost</b>	<b>184,008</b>	<b>49,542</b>	<b>1,469</b>		<b>235,019</b>
Value of collateral <sup>1</sup>	166,086	41,583	957		208,626

<sup>1</sup> Includes the value of collateral up to the amount of the outstanding related loans. For mortgages, the value of collateral is determined at the time of granting the loan and thereafter regularly reviewed according to the Bank's risk management policies and directives, with maximum review periods determined by property type, market liquidity and market transparency.

## Gross loans held at amortized cost – aging analysis

end of	Current				Past due		Total	Total
		Up to 30 days	31-60 days	61-90 days	More than 90 days			
<b>2016 (CHF million)</b>								
Mortgages	87,719	1,862	29	33	157	2,081	89,800	
Loans collateralized by securities	36,772	93	1	1	220	315	37,087	
Consumer finance	512	219	12	26	33	290	802	
Consumer	125,003	2,174	42	60	410	2,686	127,689	
Real estate	22,065	582	17	2	62	663	22,728	
Commercial and industrial loans	69,379	828	124	130	720	1,802	71,181	
Financial institutions	18,116	49	0	0	104	153	18,269	
Governments and public institutions	1,088	44	1	0	14	59	1,147	
Corporate & institutional	110,648	1,503	142	132	900	2,677	113,325	
<b>Gross loans held at amortized cost</b>	<b>235,651</b>	<b>3,677</b>	<b>184</b>	<b>192</b>	<b>1,310</b>	<b>5,363</b>	<b>241,014</b>	
<b>2015 (CHF million) <sup>1</sup></b>								
Mortgages	87,150	1,288	10	0	118	1,416	88,566	
Loans collateralized by securities	37,438	214	7	1	173	395	37,833	
Consumer finance	913	120	7	19	13	159	1,072	
Consumer	125,501	1,622	24	20	304	1,970	127,471	
Real estate	22,325	407	3	1	53	464	22,789	
Commercial and industrial loans	62,317	575	103	68	357	1,103	63,420	
Financial institutions	20,306	84	45	2	108	239	20,545	
Governments and public institutions	793	1	0	0	0	1	794	
Corporate & institutional	105,741	1,067	151	71	518	1,807	107,548	
<b>Gross loans held at amortized cost</b>	<b>231,242</b>	<b>2,689</b>	<b>175</b>	<b>91</b>	<b>822</b>	<b>3,777</b>	<b>235,019</b>	

<sup>1</sup> Prior period has been corrected.

## Gross impaired loans by category

end of	Non-performing and non-interest earning loans			Other impaired loans			Total
	Non-performing	Non-interest-earning	Total	Re-structured	Potential problem	Total	
<b>2016 (CHF million)</b>							
Mortgages	172	10	182	13	22	35	217 <sup>1</sup>
Loans collateralized by securities	193	17	210	0	13	13	223
Consumer finance	62	4	66	0	1	1	67
Consumer	427	31	458	13	36	49	507
Real estate	62	5	67	0	0	0	67
Commercial and industrial loans	515	166	681	345	482	827	1,508
Financial institutions	58	46	104	0	27	27	131
Governments and public institutions	14	0	14	0	0	0	14
Corporate & institutional	649	217	866	345	509	854	1,720
<b>Gross impaired loans</b>	<b>1,076</b>	<b>248</b>	<b>1,324</b>	<b>358</b>	<b>545</b>	<b>903</b>	<b>2,227</b>
<b>2015 (CHF million)</b>							
Mortgages	173	13	186	18	25	43	229 <sup>1</sup>
Loans collateralized by securities	108	27	135	0	3	3	138
Consumer finance	77	23	100	0	1	1	101
Consumer	358	63	421	18	29	47	468
Real estate	51	19	70	0	11	11	81
Commercial and industrial loans	314	119	433	263	298	561	994
Financial institutions	87	50	137	1	35	36	173
Corporate & institutional	452	188	640	264	344	608	1,248
<b>Gross impaired loans</b>	<b>810</b>	<b>251</b>	<b>1,061</b>	<b>282</b>	<b>373</b>	<b>655</b>	<b>1,716</b>

<sup>1</sup> As of December 31, 2016 and 2015, CHF 54 million and CHF 57 million, respectively, were related to consumer mortgages secured by residential real estate for which formal foreclosure proceedings according to local requirements of the applicable jurisdiction were in process.

As of December 31, 2016 and 2015, loans held-to-maturity carried at amortized cost did not include any subprime residential mortgages. Accordingly, impaired loans did not include any subprime residential mortgages. As of December 31, 2016 and 2015, the Bank did not have any material commitments to lend additional funds to debtors whose loan terms have been modified in troubled debt restructurings.

## Gross impaired loan details

end of	2016			2015		
	Recorded investment	Unpaid principal balance	Associated specific allowance	Recorded investment	Unpaid principal balance	Associated specific allowance
<b>Gross impaired loan detail (CHF million)</b>						
Mortgages	182	170	16	163	153	19
Loans collateralized by securities	209	193	54	117	112	14
Consumer finance	59	55	35	94	88	51
Consumer	450	418	105	374	353	84
Real estate	46	40	7	57	52	7
Commercial and industrial loans	1,224	1,197	452	760	745	365
Financial institutions	126	122	46	171	166	83
Governments and public institutions	14	14	0	0	0	0
Corporate & institutional	1,410	1,373	505	988	963	455
<b>Gross impaired loans with a specific allowance</b>	<b>1,860</b>	<b>1,791</b>	<b>610</b>	<b>1,362</b>	<b>1,316</b>	<b>539</b>
Mortgages	35	35	–	66	65	–
Loans collateralized by securities	14	14	–	21	22	–
Consumer finance	8	8	–	7	7	–
Consumer	57	57	–	94	94	–
Real estate	21	21	–	24	24	–
Commercial and industrial loans	284	284	–	234	234	–
Financial institutions	5	5	–	2	2	–
Corporate & institutional	310	310	–	260	260	–
<b>Gross impaired loans without specific allowance</b>	<b>367</b>	<b>367</b>	<b>–</b>	<b>354</b>	<b>354</b>	<b>–</b>
<b>Gross impaired loans</b>	<b>2,227</b>	<b>2,158</b>	<b>610</b>	<b>1,716</b>	<b>1,670</b>	<b>539</b>
of which consumer	507	475	105	468	447	84
of which corporate & institutional	1,720	1,683	505	1,248	1,223	455

## Gross impaired loan details (continued)

in	2016			2015			2014		
	Average recorded investment	Interest income recognized	Interest income recognized (cash basis)	Average recorded investment	Interest income recognized	Interest income recognized (cash basis)	Average recorded investment	Interest income recognized	Interest income recognized (cash basis)
<b>Gross impaired loan detail (CHF million)</b>									
Mortgages	158	2	1	152	1	1	163	2	2
Loans collateralized by securities	153	1	1	82	0	0	65	1	1
Consumer finance	83	1	1	92	1	1	81	1	1
Consumer	394	4	3	326	2	2	309	4	4
Real estate	52	1	0	67	0	0	74	0	0
Commercial and industrial loans	984	10	4	566	7	1	597	10	4
Financial institutions	154	1	0	149	1	1	127	0	0
Governments and public institutions	5	0	0	0	0	0	5	0	0
Corporate & institutional	1,195	12	4	782	8	2	803	10	4
<b>Gross impaired loans with a specific allowance</b>	<b>1,589</b>	<b>16</b>	<b>7</b>	<b>1,108</b>	<b>10</b>	<b>4</b>	<b>1,112</b>	<b>14</b>	<b>8</b>
Mortgages	76	3	0	46	3	0	30	5	0
Loans collateralized by securities	24	0	0	33	0	0	29	1	1
Consumer finance	11	0	0	7	0	0	21	0	0
Consumer	111	3	0	86	3	0	80	6	1
Real estate	31	1	0	9	1	0	9	4	0
Commercial and industrial loans	301	7	1	97	3	0	17	3	0
Financial institutions	5	0	0	4	0	0	0	0	0
Governments and public institutions	5	0	0	0	0	0	0	0	0
Corporate & institutional	342	8	1	110	4	0	26	7	0
<b>Gross impaired loans without specific allowance</b>	<b>453</b>	<b>11</b>	<b>1</b>	<b>196</b>	<b>7</b>	<b>0</b>	<b>106</b>	<b>13</b>	<b>1</b>
<b>Gross impaired loans</b>	<b>2,042</b>	<b>27</b>	<b>8</b>	<b>1,304</b>	<b>17</b>	<b>4</b>	<b>1,218</b>	<b>27</b>	<b>9</b>
of which consumer	505	7	3	412	5	2	389	10	5
of which corporate & institutional	1,537	20	5	892	12	2	829	17	4

## Restructured loans held at amortized cost

in	2016			2015			2014		
	Number of contracts	Recorded investment – pre-modification	Recorded investment – post-modification	Number of contracts	Recorded investment – pre-modification	Recorded investment – post-modification	Number of contracts	Recorded investment – pre-modification	Recorded investment – post-modification
<b>Restructured loans (CHF million, except where indicated)</b>									
Mortgages	0	0	0	1	13	13	1	4	4
Loans collateralized by securities	0	0	0	1	0	0	0	0	0
Commercial and industrial loans	16	201	201	13	207	210	10	290	238
Financial institutions	0	0	0	1	2	2	0	0	0
<b>Total</b>	<b>16</b>	<b>201</b>	<b>201</b>	<b>16</b>	<b>222</b>	<b>225</b>	<b>11</b>	<b>294</b>	<b>242</b>

In 2015, the Bank reported the default of one loan within commercial and industrial loans with a recorded investment amount of CHF 65 million, which had been restructured within the previous 12 months. In 2016 and 2014, the Bank did not experience a default of such loans.

In 2016, the loan modifications of the Bank included extended loan repayment and interest payment terms including the

suspension of annual contractual credit limit reductions, cash margin requirements on new trade finance transactions, waiver of covenants, release of cash collateral and corporate guarantees, waiver of interest and margin reductions.

► Refer to "Note 19 – Loans, allowance for loan losses and credit quality" in V – Consolidated financial statements – Credit Suisse Group for further information.

## 19 Premises and equipment

end of	2016	2015
<b>Premises and equipment (CHF million)</b>		
Buildings and improvements	2,041	2,110
Land	313	394
Leasehold improvements	2,146	2,045
Software	6,651	5,889
Equipment	2,035	1,946
<b>Premises and equipment</b>	<b>13,186</b>	<b>12,384</b>
Accumulated depreciation	(8,623)	(7,945)
<b>Total premises and equipment, net</b>	<b>4,563</b>	<b>4,439</b>

## Depreciation and impairment

in	2016	2015	2014
<b>CHF million</b>			
Depreciation	875	1,002	1,224
Impairment	25	24	23

## 20 Goodwill

### Goodwill

2016	Swiss Universal Bank	International Wealth Management	Asia Pacific	Global Markets	Investment Banking & Capital Markets	Strategic Resolution Unit	Bank
<b>Gross amount of goodwill (CHF million)</b>							
<b>Balance at beginning of period</b>	<b>496</b>	<b>1,511</b>	<b>2,046</b>	<b>2,838</b>	<b>917</b>	<b>12</b>	<b>7,820</b>
Goodwill acquired during the year	5	0	0	0	0	0	5
Foreign currency translation impact	9	32	34	4	16	0	95
Other	0	7	(13)	0	0	0	(6)
<b>Balance at end of period</b>	<b>510</b>	<b>1,550</b>	<b>2,067</b>	<b>2,842</b>	<b>933</b>	<b>12</b>	<b>7,914</b>
<b>Accumulated impairment (CHF million)</b>							
<b>Balance at beginning of period</b>	<b>0</b>	<b>0</b>	<b>772</b>	<b>2,719</b>	<b>388</b>	<b>12</b>	<b>3,891</b>
<b>Balance at end of period</b>	<b>0</b>	<b>0</b>	<b>772</b>	<b>2,719</b>	<b>388</b>	<b>12</b>	<b>3,891</b>
<b>Net book value (CHF million)</b>							
<b>Net book value</b>	<b>510</b>	<b>1,550</b>	<b>1,295</b>	<b>123</b>	<b>545</b>	<b>0</b>	<b>4,023</b>



**Goodwill (continued)**

2015	Swiss Universal Bank	International Wealth Management	Asia Pacific	Global Markets	Investment Banking & Capital Markets	Strategic Resolution Unit	Bank
<b>Gross amount of goodwill (CHF million)</b>							
<b>Balance at beginning of period</b>	<b>499</b>	<b>1,518</b>	<b>2,058</b>	<b>2,853</b>	<b>920</b>	<b>12</b>	<b>7,860</b>
Foreign currency translation impact	(2)	(7)	(4)	(4)	0	0	(17)
Other	(1)	0	(8)	(11)	(3)	0	(23)
<b>Balance at end of period</b>	<b>496</b>	<b>1,511</b>	<b>2,046</b>	<b>2,838</b>	<b>917</b>	<b>12</b>	<b>7,820</b>
<b>Accumulated impairment (CHF million)</b>							
<b>Balance at beginning of period</b>	<b>0</b>	<b>0</b>	<b>16</b>	<b>58</b>	<b>8</b>	<b>12</b>	<b>94</b>
Impairment losses	0	0	756	2,661	380	0	3,797
<b>Balance at end of period</b>	<b>0</b>	<b>0</b>	<b>772</b>	<b>2,719</b>	<b>388</b>	<b>12</b>	<b>3,891</b>
<b>Net book value (CHF million)</b>							
<b>Net book value</b>	<b>496</b>	<b>1,511</b>	<b>1,274</b>	<b>119</b>	<b>529</b>	<b>0</b>	<b>3,929</b>

► Refer to "Note 21 – Goodwill" in V – Consolidated financial statements – Credit Suisse Group for further information.

**21 Other intangible assets**

end of	2016						2015
	Gross carrying amount	Accumu- lated amorti- zation	Net carrying amount	Gross carrying amount	Accumu- lated amorti- zation	Net carrying amount	
<b>Other intangible assets (CHF million)</b>							
Trade names/trademarks	28	(26)	2	27	(25)	2	
Client relationships	50	(14)	36	113	(70)	43	
Other	6	(3)	3	5	(3)	2	
<b>Total amortizing other intangible assets</b>	<b>84</b>	<b>(43)</b>	<b>41</b>	<b>145</b>	<b>(98)</b>	<b>47</b>	
Non-amortizing other intangible assets	172	–	172	149	–	149	
of which mortgage servicing rights, at fair value	138	–	138	112	–	112	
<b>Total other intangible assets</b>	<b>256</b>	<b>(43)</b>	<b>213</b>	<b>294</b>	<b>(98)</b>	<b>196</b>	

**Additional information**

in	2016	2015	2014
<b>Aggregate amortization and impairment (CHF million)</b>			
Aggregate amortization	8	18	22
Impairment	0	16	1
of which related to restructuring expenses	0	15	–
of which related to discontinued operations	0	0	0

**Estimated amortization**

<b>Estimated amortization (CHF million)</b>	
2017	8
2018	7
2019	4
2020	3
2021	2

## 22 Other assets and other liabilities

end of	2016	2015
<b>Other assets (CHF million)</b>		
Cash collateral on derivative instruments	5,701	7,987
Cash collateral on non-derivative transactions	1,237	327
Derivative instruments used for hedging	148	186
Assets held-for-sale	8,214	26,061
of which loans <sup>1</sup>	8,062	25,839
of which real estate <sup>2</sup>	122	182
of which long-lived assets	30	40
Assets held for separate accounts	431	1,307
Interest and fees receivable	4,795	5,643
Deferred tax assets	5,815	6,068
Prepaid expenses	382	442
Failed purchases	2,423	2,770
Defined benefit pension and post-retirement plan assets	995	825
Other	6,594	6,294
<b>Other assets</b>	<b>36,735</b>	<b>57,910</b>
<b>Other liabilities (CHF million)</b>		
Cash collateral on derivative instruments	11,497	13,991
Cash collateral on non-derivative transactions	369	518
Derivative instruments used for hedging	2	110
Deposits held-for-sale	1,577	0
Provisions	4,066	1,841
of which off-balance sheet risk	87	87
Restructuring liabilities	310	199
Liabilities held for separate accounts	431	1,307
Interest and fees payable	5,986	5,926
Current tax liabilities	607	577
Deferred tax liabilities	96	41
Failed sales	737	1,551
Defined benefit pension and post-retirement plan liabilities	516	659
Other	13,640	14,995
<b>Other liabilities</b>	<b>39,834</b>	<b>41,715</b>

<sup>1</sup> Included as of 2016 and 2015 were CHF 681 million and CHF 1,135 million, respectively, in restricted loans, which represented collateral on secured borrowings, and CHF 0 million and CHF 60 million, respectively, in loans held in trusts, which are consolidated as a result of failed sales under US GAAP.

<sup>2</sup> As of 2016 and 2015, real estate held-for-sale included foreclosed or repossessed real estate of CHF 16 million and CHF 31 million, respectively, of which CHF 13 million and CHF 3 million, respectively, were related to residential real estate.

## 23 Deposits

end of	2016			2015		
	Switzer-land	Foreign	Total	Switzer-land	Foreign	Total
<b>Deposits (CHF million)</b>						
Non-interest-bearing demand deposits	2,956	1,646	4,602	3,157	3,780	6,937
Interest-bearing demand deposits	118,497	33,765	152,262	123,336	33,975	157,311
Savings deposits	54,505	2	54,507	54,615	5	54,620
Time deposits	36,446	119,827	156,273 <sup>1</sup>	33,012	101,280	134,292 <sup>1</sup>
<b>Total deposits</b>	<b>212,404</b>	<b>155,240</b>	<b>367,644<sup>2</sup></b>	<b>214,120</b>	<b>139,040</b>	<b>353,160<sup>2</sup></b>
of which due to banks	–	–	23,066	–	–	21,460
of which customer deposits	–	–	344,578	–	–	331,700

The designation of deposits in Switzerland versus foreign deposits is based upon the location of the office where the deposit is recorded.

<sup>1</sup> Included CHF 156,211 million and CHF 133,988 million as of December 31, 2016 and 2015, respectively, of the Swiss franc equivalent of individual time deposits greater than USD 100,000 in Switzerland and foreign offices.

<sup>2</sup> Not included as of December 31, 2016 and 2015 were CHF 0 million and CHF 2 million, respectively, of overdrawn deposits reclassified as loans.

## 24 Long-term debt

end of	2016	2015
<b>Long-term debt (CHF million)</b>		
Senior	163,521	153,372
Subordinated	22,045	23,896
Non-recourse liabilities from consolidated VIEs	1,759	14,826
<b>Long-term debt</b>	<b>187,325</b>	<b>192,094</b>
of which reported at fair value	71,970	80,002
of which structured notes	59,544	54,848

## Structured notes by product

end of	2016	2015
<b>Structured notes (CHF million)</b>		
Equity	35,980	35,594
Fixed income	16,395	11,534
Credit	5,713	5,261
Other	1,456	2,459
<b>Total structured notes</b>	<b>59,544</b>	<b>54,848</b>

## Long-term debt by maturities

end of	2017	2018	2019	2020	2021	Thereafter	Total
<b>Long-term debt (CHF million)</b>							
<b>Senior debt</b>							
Fixed rate	12,106	10,920	15,250	8,839	7,324	31,059	85,498
Variable rate	19,168	13,343	7,234	5,648	7,055	25,575	78,023
Interest rates (range in %) <sup>1</sup>	0.0–14.6	0.0–14.2	0.0–13.6	0.1–14.3	0.1–4.0	0.1–8.2	–
<b>Subordinated debt</b>							
Fixed rate	163	10,532	0	1,933	19	9,145	21,792
Variable rate	51	0	202	0	0	0	253
Interest rates (range in %) <sup>1</sup>	1.6–7.0	4.9–13.3	0.8	3.4–7.0	0.0	1.6–8.0	–
<b>Non-recourse liabilities from consolidated VIEs</b>							
Fixed rate	421	255	357	1	30	0	1,064
Variable rate	5	25	0	0	0	665	695
Interest rates (range in %) <sup>1</sup>	3.0–4.0	2.8–3.3	3.0	0.0	3.3–9.3	0.9–10.5	–
<b>Total long-term debt</b>	<b>31,914</b>	<b>35,075</b>	<b>23,043</b>	<b>16,421</b>	<b>14,428</b>	<b>66,444</b>	<b>187,325</b>
of which structured notes	11,116	9,713	5,278	4,964	4,601	23,872	59,544

The maturity of perpetual debt is based on the earliest callable date. The maturity of all other debt is based on contractual maturity.

<sup>1</sup> Excludes structured notes for which fair value has been elected as the related coupons are dependent upon the embedded derivatives and prevailing market conditions at the time each coupon is paid.

► Refer to "Note 25 – Long-term debt" in V – Consolidated financial statements – Credit Suisse Group for further information.

## 25 Accumulated other comprehensive income

	Gains/ (losses) on cash flow hedges	Cumulative translation adjustments	Unrealized gains/ (losses) on securities	Actuarial gains/ (losses)	Net prior service credit/ (cost)	Gains/ (losses) on liabilities relating to credit risk	Accumu- lated other compre- hensive income/ (loss)
<b>2016 (CHF million)</b>							
<b>Balance at beginning of period</b>	<b>6</b>	<b>(12,751)</b>	<b>50</b>	<b>(612)</b>	<b>3</b>	<b>–</b>	<b>(13,304)</b>
Increase/(decrease)	(6)	410	2	131	(1)	(1,083)	(547)
Decrease due to equity method investments	0	0	0	0	0	0	0
Reclassification adjustments, included in net income/(loss)	(16)	72	0	79	0	0	135
Cumulative effect of accounting changes, net of tax	0	0	0	0	0	465	465
Total increase/(decrease)	(22)	482	2	210	(1)	(618)	53
<b>Balance at end of period</b>	<b>(16)</b>	<b>(12,269)</b>	<b>52</b>	<b>(402)</b>	<b>2</b>	<b>(618)</b>	<b>(13,251)</b>
<b>2015 (CHF million)</b>							
<b>Balance at beginning of period</b>	<b>(18)</b>	<b>(11,623)</b>	<b>56</b>	<b>(656)</b>	<b>17</b>	<b>–</b>	<b>(12,224)</b>
Increase/(decrease)	0	(1,133)	(5)	(30)	(1)	–	(1,169)
Decrease due to equity method investments	0	(1)	0	0	0	–	(1)
Reclassification adjustments, included in net income/(loss)	24	6	(1)	74	(13)	–	90
Total increase/(decrease)	24	(1,128)	(6)	44	(14)	–	(1,080)
<b>Balance at end of period</b>	<b>6</b>	<b>(12,751)</b>	<b>50</b>	<b>(612)</b>	<b>3</b>	<b>–</b>	<b>(13,304)</b>
<b>2014 (CHF million)</b>							
<b>Balance at beginning of period</b>	<b>9</b>	<b>(13,738)</b>	<b>35</b>	<b>(714)</b>	<b>3</b>	<b>–</b>	<b>(14,405)</b>
Increase/(decrease)	(11)	2,115	21	14	20	–	2,159
Reclassification adjustments, included in net income/(loss)	(16)	0	0	44	(6)	–	22
Total increase/(decrease)	(27)	2,115	21	58	14	–	2,181
<b>Balance at end of period</b>	<b>(18)</b>	<b>(11,623)</b>	<b>56</b>	<b>(656)</b>	<b>17</b>	<b>–</b>	<b>(12,224)</b>

Refer to "Note 27 – Tax" and "Note 30 – Pension and other post-retirement benefits" for income tax expense/(benefit) on the movements of accumulated other comprehensive income/(loss).

## Details of significant reclassification adjustments

in	2016	2015	2014
<b>Reclassification adjustments, included in net income/(loss) (CHF million)</b>			
<b>Cumulative translation adjustments</b>			
Reclassification adjustments	<b>72<sup>1</sup></b>	<b>6</b>	<b>0</b>
<b>Actuarial gains/(losses)</b>			
Amortization of recognized actuarial losses <sup>2</sup>	123	98	62
Tax expense/(benefit)	(44)	(24)	(18)
<b>Net of tax</b>	<b>79</b>	<b>74</b>	<b>44</b>

<sup>1</sup> Includes net releases of CHF 59 million on the sale of Credit Suisse (Gibraltar) Limited and net releases of CHF 17 million on the liquidation of Credit Suisse Principal Investments Limited and AJP Cayman Ltd. These were reclassified from cumulative translation adjustments and included in net income in other revenues.

<sup>2</sup> These components are included in the computation of total benefit costs. Refer to "Note 30 – Pension and other post-retirement benefits" for further information.

## 26 Offsetting of financial assets and financial liabilities

► Refer to "Note 27 – Offsetting of financial assets and financial liabilities" in V – Consolidated financial statements – Credit Suisse Group for further information.

### Offsetting of derivatives

end of	2016		2015	
	Derivative assets	Derivative liabilities	Derivative assets	Derivative liabilities
<b>Gross derivatives subject to enforceable master netting agreements (CHF billion)</b>				
OTC-cleared	8.2	7.5	15.7	14.5
OTC	129.0	121.6	152.9	146.3
Exchange-traded	0.1	0.1	0.0	0.0
<b>Interest rate products</b>	<b>137.3</b>	<b>129.2</b>	<b>168.6</b>	<b>160.8</b>
OTC	59.3	69.2	58.1	68.2
Exchange-traded	0.0	0.1	0.3	0.3
<b>Foreign exchange products</b>	<b>59.3</b>	<b>69.3</b>	<b>58.4</b>	<b>68.5</b>
OTC	11.2	11.6	12.0	13.5
Exchange-traded	11.5	13.0	8.9	11.2
<b>Equity/index-related products</b>	<b>22.7</b>	<b>24.6</b>	<b>20.9</b>	<b>24.7</b>
OTC-cleared	2.1	2.3	3.8	4.0
OTC	5.8	6.2	13.5	12.4
<b>Credit derivatives</b>	<b>7.9</b>	<b>8.5</b>	<b>17.3</b>	<b>16.4</b>
OTC-cleared	0.0	0.0	0.0	0.1
OTC	2.2	1.1	2.7	1.5
Exchange-traded	0.0	0.1	0.0	0.2
<b>Other products</b>	<b>2.2</b>	<b>1.2</b>	<b>2.7</b>	<b>1.8</b>
OTC-cleared	10.3	9.8	19.5	18.6
OTC	207.5	209.7	239.2	241.9
Exchange-traded	11.6	13.3	9.2	11.7
<b>Total gross derivatives subject to enforceable master netting agreements</b>	<b>229.4</b>	<b>232.8</b>	<b>267.9</b>	<b>272.2</b>
<b>Offsetting (CHF billion)</b>				
OTC-cleared	(8.5)	(7.8)	(19.0)	(18.6)
OTC	(188.5)	(199.1)	(217.1)	(226.7)
Exchange-traded	(11.1)	(11.9)	(9.0)	(9.8)
<b>Offsetting</b>	<b>(208.1)</b>	<b>(218.8)</b>	<b>(245.1)</b>	<b>(255.1)</b>
of which counterparty netting	(184.6)	(184.6)	(223.0)	(223.0)
of which cash collateral netting	(23.5)	(34.2)	(22.1)	(32.1)
<b>Net derivatives presented in the consolidated balance sheets (CHF billion)</b>				
OTC-cleared	1.8	2.0	0.5	0.0
OTC	19.0	10.6	22.1	15.2
Exchange-traded	0.5	1.4	0.2	1.9
<b>Total net derivatives subject to enforceable master netting agreements</b>	<b>21.3</b>	<b>14.0</b>	<b>22.8</b>	<b>17.1</b>
<b>Total derivatives not subject to enforceable master netting agreements <sup>1</sup></b>	<b>5.8</b>	<b>6.4</b>	<b>6.0</b>	<b>6.5</b>
<b>Total net derivatives presented in the consolidated balance sheets</b>	<b>27.1</b>	<b>20.4</b>	<b>28.8</b>	<b>23.6</b>
of which recorded in trading assets and trading liabilities	27.0	20.4	28.6	23.5
of which recorded in other assets and other liabilities	0.1	0.0	0.2	0.1

<sup>1</sup> Represents derivatives where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.

**Offsetting of securities purchased under resale agreements and securities borrowing transactions**

end of	2016						2015
	Gross	Offsetting	Net	Gross	Offsetting	Net	
<b>Securities purchased under resale agreements and securities borrowing transactions (CHF billion)</b>							
Securities purchased under resale agreements	100.2	(26.9)	73.3	92.4	(19.6)	72.8	
Securities borrowing transactions	24.0	(4.5)	19.5	21.4	(3.9)	17.5	
<b>Total subject to enforceable master netting agreements</b>	<b>124.2</b>	<b>(31.4)</b>	<b>92.8</b>	<b>113.8</b>	<b>(23.5)</b>	<b>90.3</b>	
<b>Total not subject to enforceable master netting agreements<sup>1</sup></b>	<b>42.2</b>	<b>–</b>	<b>42.2</b>	<b>33.1</b>	<b>–</b>	<b>33.1</b>	
<b>Total</b>	<b>166.4</b>	<b>(31.4)</b>	<b>135.0<sup>2</sup></b>	<b>146.9</b>	<b>(23.5)</b>	<b>123.4<sup>2</sup></b>	

<sup>1</sup> Represents securities purchased under resale agreements and securities borrowing transactions where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.

<sup>2</sup> CHF 87,331 million and CHF 83,565 million of the total net amount as of December 31, 2016 and 2015, respectively, are reported at fair value.

**Offsetting of securities sold under repurchase agreements and securities lending transactions**

end of	2016						2015
	Gross	Offsetting	Net	Gross	Offsetting	Net	
<b>Securities sold under repurchase agreements and securities lending transactions (CHF billion)</b>							
Securities sold under repurchase agreements	51.3	(29.0)	22.3	43.2	(21.4)	21.8	
Securities lending transactions	8.3	(2.4)	5.9	9.8	(2.1)	7.7	
Obligation to return securities received as collateral, at fair value	31.9	0.0	31.9	19.4	0.0	19.4	
<b>Total subject to enforceable master netting agreements</b>	<b>91.5</b>	<b>(31.4)</b>	<b>60.1</b>	<b>72.4</b>	<b>(23.5)</b>	<b>48.9</b>	
<b>Total not subject to enforceable master netting agreements<sup>1</sup></b>	<b>5.5</b>	<b>–</b>	<b>5.5</b>	<b>26.2</b>	<b>–</b>	<b>26.2</b>	
<b>Total</b>	<b>97.0</b>	<b>(31.4)</b>	<b>65.6</b>	<b>98.6</b>	<b>(23.5)</b>	<b>75.1</b>	
of which securities sold under repurchase agreements and securities lending transactions	64.4	(31.4)	33.0 <sup>2</sup>	70.1	(23.5)	46.6 <sup>2</sup>	
of which obligation to return securities received as collateral, at fair value	32.6	0.0	32.6	28.5	0.0	28.5	

<sup>1</sup> Represents securities sold under repurchase agreements and securities lending transactions where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.

<sup>2</sup> CHF 19,634 million and CHF 32,398 million of the total net amount as of December 31, 2016 and 2015, respectively, are reported at fair value.

**Amounts not offset in the consolidated balance sheets**

end of	2016								2015
	Net	Financial instruments <sup>1</sup>	Cash collateral received/pledged <sup>1</sup>	Net exposure	Net	Financial instruments <sup>1</sup>	Cash collateral received/pledged <sup>1</sup>	Net exposure	
<b>Financial assets subject to enforceable master netting agreements (CHF billion)</b>									
Derivatives	21.3	6.3	0.0	15.0	22.8	6.2	0.8	15.8	
Securities purchased under resale agreements	73.3	73.3	0.0	0.0	72.8	72.8	0.0	0.0	
Securities borrowing transactions	19.5	18.6	0.0	0.9	17.5	17.1	0.0	0.4	
<b>Total financial assets subject to enforceable master netting agreements</b>	<b>114.1</b>	<b>98.2</b>	<b>0.0</b>	<b>15.9</b>	<b>113.1</b>	<b>96.1</b>	<b>0.8</b>	<b>16.2</b>	
<b>Financial liabilities subject to enforceable master netting agreements (CHF billion)</b>									
Derivatives	14.0	3.3	0.0	10.7	17.1	3.4	0.0	13.7	
Securities sold under repurchase agreements	22.3	22.3	0.0	0.0	21.8	21.8	0.0	0.0	
Securities lending transactions	5.9	5.7	0.0	0.2	7.7	7.4	0.0	0.3	
Obligation to return securities received as collateral, at fair value	31.9	30.4	0.0	1.5	19.4	18.5	0.0	0.9	
<b>Total financial liabilities subject to enforceable master netting agreements</b>	<b>74.1</b>	<b>61.7</b>	<b>0.0</b>	<b>12.4</b>	<b>66.0</b>	<b>51.1</b>	<b>0.0</b>	<b>14.9</b>	

<sup>1</sup> The total amount reported in financial instruments (recognized financial assets and financial liabilities and non-cash financial collateral) and cash collateral is limited to the amount of the related instruments presented in the consolidated balance sheets and therefore any over-collateralization of these positions is not included.

## 27 Tax

### Details of current and deferred taxes

in	2016	2015	2014
<b>Current and deferred taxes (CHF million)</b>			
Switzerland	91	(25)	56
Foreign	499	462	624
<b>Current income tax expense</b>	<b>590</b>	<b>437</b>	<b>680</b>
Switzerland	(166)	166	(384)
Foreign	(67)	(164)	1,003
<b>Deferred income tax expense</b>	<b>(233)</b>	<b>2</b>	<b>619</b>
<b>Income tax expense</b>	<b>357</b>	<b>439</b>	<b>1,299</b>
Income tax expense on discontinued operations	0	0	40
Income tax expense/(benefit) reported in shareholder's equity related to:			
Gains/(losses) on cash flow hedges	(6)	(4)	4
Cumulative translation adjustment	(4)	(14)	(117)
Unrealized gains/(losses) on securities	1	(3)	7
Actuarial gains/(losses)	87	14	(27)
Net prior service cost	0	(9)	9
Share-based compensation and treasury shares	106	28	68

### Reconciliation of taxes computed at the Swiss statutory rate

in	2016	2015	2014
<b>Income/(loss) from continuing operations before taxes (CHF million)</b>			
Switzerland	1,677	1,315	(179)
Foreign	(4,445)	(4,253)	3,140
<b>Income/(loss) from continuing operations before taxes</b>	<b>(2,768)</b>	<b>(2,938)</b>	<b>2,961</b>
<b>Reconciliation of taxes computed at the Swiss statutory rate (CHF million)</b>			
Income tax expense/(benefit) computed at the statutory tax rate of 22%	(609)	(646)	651
Increase/(decrease) in income taxes resulting from			
Foreign tax rate differential	(541)	(731)	347
Non-deductible amortization of other intangible assets and goodwill impairment	1	1,432	6
Other non-deductible expenses	1,533	389	666
Additional taxable income	87	15	2
Lower taxed income	(216)	(272)	(265)
(Income)/loss taxable to noncontrolling interests	(10)	7	(173)
Changes in tax law and rates	145	347	151
Changes in deferred tax valuation allowance	76	(108)	1,071
Change in recognition of outside basis difference	211	262	(450)
Tax deductible impairments of Swiss subsidiary investments	(68)	(258)	(555)
Other	(252)	2	(152)
<b>Income tax expense</b>	<b>357</b>	<b>439</b>	<b>1,299</b>

#### 2016

**Foreign tax rate differential** of CHF 541 million reflected a foreign tax benefit mainly driven by losses made in higher tax jurisdictions, such as the US, partially offset by foreign tax rate differential related to profits earned in lower tax jurisdictions, mainly the Bahamas. The foreign tax rate expense of CHF 432 million was not only impacted by the foreign tax benefit based on statutory tax rates but also by tax impacts related to additional reconciling items as explained below.

**Other non-deductible expenses** of CHF 1,533 million included the impact of CHF 983 million related to the non-deductible portion of the litigation provisions and settlement charges, CHF 420 million relating to non-deductible interest expenses, CHF 52 million related to non-deductible bank levy costs and other non-deductible compensation expenses and management costs, CHF 31 million related to non-deductible foreign exchange losses, CHF 25 million related to onerous lease provisions, and other various smaller non-deductible expenses of CHF 22 million.

**Lower taxed income** of CHF 216 million included a tax benefit of CHF 71 million related to non-taxable life insurance income, CHF 58 million related to non-taxable dividend income, CHF 19 million in respect of income taxed at rates lower than the statutory tax rate, CHF 11 million related to exempt income, and various smaller items.

**Changes in tax law and rates** of CHF 145 million reflected a tax expense of CHF 139 million caused by the reduction of deferred tax assets from the enactment of UK corporation tax rate changes, and CHF 6 million related to changes in other countries.

**Changes in deferred tax valuation allowances** of CHF 76 million included the net impact of the increase in valuation allowances on deferred tax assets of CHF 308 million, mainly in respect of four of the Bank's operating entities, two in the UK, one in Hong Kong and one in Switzerland. Additionally, 2016 included an accrual of valuation allowances of CHF 91 million for previously recognized deferred tax assets in respect of one of the Bank's operating entities in Hong Kong. Also included was a tax benefit from the release of valuation allowances of CHF 193 million, mainly in respect of one of the Bank's operating entities in the UK. The change in UK corporation tax rates caused a release of valuation allowances of CHF 130 million in respect of four of the Bank's operating entities in the UK.

**Change in recognition of outside basis difference** of CHF 211 million reflected a tax expense related to the expected reversal of the outside basis differences relating to Swiss subsidiary investments.

**Other** of CHF 252 million included a tax benefit of CHF 340 million relating to the re-assessment of deferred tax balances in Switzerland reflecting changes in forecasted future profitability and CHF 33 million from prior year adjustments, partially offset by CHF 89 million tax litigation expense and associated interest and penalties relating to two Italian income tax matters which have been resolved as part of an agreement with the Italian tax authorities, and CHF 22 million relating to the increase of tax contingency accruals. The remaining balance included various smaller items.

► Refer to "Note 38 – Litigation" for further information on the Italian tax matters.

## 2015

**Foreign tax rate differential** of CHF 731 million reflected a foreign tax benefit mainly driven by losses made in higher tax jurisdictions, such as Brazil and the US, partially offset by foreign tax rate differential related to profits earned in lower tax jurisdictions, mainly Guernsey and the Bahamas. The foreign tax rate benefit in relation to total foreign tax expense of CHF 298 million was more than offset by tax impacts related to additional reconciling items as explained below.

**Non-deductible amortization of other intangible assets and goodwill impairment** of CHF 1,432 million reflected the non-deductible nature of the goodwill impairment.

**Other non-deductible expenses** of CHF 389 million included the impact of CHF 219 million relating to non-deductible interest expenses, CHF 69 million related to non-deductible bank levy costs and other non-deductible compensation expenses and management costs, CHF 50 million related to the non-deductible portion of the litigation provisions and settlement charges, and other various smaller non-deductible expenses of CHF 51 million.

**Lower taxed income** of CHF 272 million included a tax benefit of CHF 59 million related to non-taxable dividend income, CHF 58 million related to non-taxable life insurance income, CHF 50 million related to exempt income, CHF 49 million related to non-taxable foreign exchange gains, CHF 16 million in respect of income taxed at rates lower than the statutory tax rate, and various smaller items.

**Changes in tax law and rates** of CHF 347 million reflected a tax expense of CHF 189 million related to the change in New York City tax law, CHF 175 million caused by the reduction of deferred tax assets from the enactment of UK corporation tax rate changes and introduction of the bank corporation tax surcharge, and CHF 10 million related to changes in other countries, partially offset by a tax benefit of CHF 16 million from a change in the Brazil tax rate and CHF 11 million related to a change in New York state tax law.

**Changes in deferred tax valuation allowances** of CHF 108 million included the net impact of the release of valuation allowances of CHF 109 million, mainly in respect of two of the Bank's operating entities, one in the UK and one in Hong Kong, relating to current year earnings. Additionally, 2015 included a release of valuation allowances of CHF 88 million for previously recognized deferred tax assets in respect of one of the Bank's operating entities in Hong Kong. The change in UK corporation tax rates and introduction of the bank corporation tax surcharge in 2015 caused a release of valuation allowances of CHF 162 million in respect of four of the Bank's operating entities in the UK. Also included was a tax expense of CHF 251 million resulting from the increase in valuation allowances on deferred tax assets mainly from three of the Bank's operating entities, two in the UK and one in Switzerland.

**Change in recognition of outside basis difference** of CHF 262 million reflected a tax expense related to the expected reversal of the outside basis differences relating to Swiss subsidiary investments.

**Other** of CHF 2 million included a tax expense of CHF 48 million relating to the increase of tax contingency accruals, a tax expense of CHF 28 million from prior year adjustments and various smaller items, partially offset by a tax benefit of CHF 109 million relating to the re-assessment of deferred tax balances in Switzerland reflecting changes in forecasted future profitability.

## 2014

**Foreign tax rate differential** of CHF 347 million reflected a foreign tax expense in respect of profits earned in higher tax



jurisdictions, mainly Brazil and the US, partially offset by foreign tax rate differential related to profits earned in lower tax jurisdictions, mainly Guernsey and the Bahamas. The total foreign tax expense of CHF 1,627 million was not only impacted by the foreign tax expense based on statutory tax rates but also by tax impacts related to additional reconciling items as explained below.

**Other non-deductible expenses** of CHF 666 million included the impact of CHF 390 million relating to the non-deductible portion of the litigation provisions and settlement charges, non-deductible interest expenses of CHF 179 million, non-deductible bank levy costs and other non-deductible compensation expenses and management costs of CHF 59 million, and other various smaller non-deductible expenses of CHF 38 million.

**Lower taxed income** of CHF 265 million included a net tax benefit of CHF 84 million related to non-taxable dividend income, CHF 56 million related to non-taxable life insurance income, CHF 35 million in respect of income taxed at rates lower than the statutory tax rate, CHF 34 million related to exempt offshore income and various smaller items.

**Changes in tax law and rates** of CHF 151 million reflected a tax expense related to the change in New York state tax law.

**Changes in deferred tax valuation allowances** of CHF 1,071 million included the net impact of the increase of valuation allowances of CHF 434 million, mainly in respect of six of the Bank's operating entities, three in the UK and one in each of Germany, Italy and Switzerland, relating to current year's earnings. Additionally, 2014 included an increase in valuation allowance for previously recognized deferred tax assets in respect of two of the Bank's operating entities in the UK of CHF 662 million. Also included was a tax benefit of CHF 25 million resulting from the release of valuation allowances on deferred tax assets from one of the Bank's operating entities in Spain.

**Change in recognition of outside basis difference** of CHF 450 million reflected a tax benefit related to the enactment of a Swiss GAAP change impacting the expected reversal of the outside basis differences relating to Swiss subsidiary investments.

**Other** of CHF 152 million included a tax benefit of CHF 189 million following audit closures and tax settlements, together with a benefit of CHF 4 million relating to the decrease of tax contingency accruals, partially offset by CHF 33 million return to accrual adjustments and a tax expense of CHF 26 million relating to non-recoverable foreign and withholding taxes. The remaining balance included various smaller items.

As of December 31, 2016, the Bank had accumulated undistributed earnings from foreign subsidiaries of CHF 5.0 billion. No deferred tax liability was recorded in respect of those amounts as these earnings are considered indefinitely reinvested. It is not practicable to estimate the amount of unrecognized deferred tax liabilities for these undistributed foreign earnings.

## Deferred tax assets and liabilities

end of	2016	2015
<b>Deferred tax assets and liabilities (CHF million)</b>		
Compensation and benefits	1,990	2,316
Loans	326	326
Investment securities	467	547
Provisions	1,341	1,718
Derivatives	100	117
Real estate	346	340
Net operating loss carry-forwards	6,523	5,831
Other	116	113
<b>Gross deferred tax assets before valuation allowance</b>	<b>11,209</b>	<b>11,308</b>
Less valuation allowance	(4,168)	(3,898)
<b>Gross deferred tax assets net of valuation allowance</b>	<b>7,041</b>	<b>7,410</b>
Compensation and benefits	(238)	(211)
Loans	(29)	(31)
Investment securities	(251)	(273)
Provisions	(359)	(449)
Business combinations	(1)	(1)
Derivatives	(238)	(187)
Leasing	(8)	(18)
Real estate	(51)	(66)
Other	(147)	(147)
<b>Gross deferred tax liabilities</b>	<b>(1,322)</b>	<b>(1,383)</b>
<b>Net deferred tax assets</b>	<b>5,719</b>	<b>6,027</b>
of which deferred tax assets	5,815	6,068
of which net operating losses	2,172	1,753
of which deductible temporary differences	3,643	4,315
of which deferred tax liabilities	(96)	(41)

The decrease in net deferred tax assets from 2015 to 2016 of CHF 308 million was primarily due to the impact of CHF 750 million in connection with the establishment of Credit Suisse (Schweiz) AG and the tax impacts directly recorded in equity and other comprehensive income, mainly related to the net impact of share-based compensation, pension plan re-measurement and other tax recorded directly in equity of CHF 229 million. These decreases were partially offset by an increase of deferred tax assets of CHF 176 million from the re-measurement of deferred tax balances in Switzerland and Hong Kong, CHF 289 million related to current year earnings, and foreign exchange translation gains of CHF 206 million, which are included within the currency translation adjustments recorded in accumulated other comprehensive income/(loss) (AOCI).

Due to uncertainty concerning its ability to generate the necessary amount and mix of taxable income in future periods, the Bank recorded a valuation allowance against deferred tax assets in the amount of CHF 4.2 billion as of December 31, 2016 compared to CHF 3.9 billion as of December 31, 2015.

**Amounts and expiration dates of net operating loss carry-forwards**

end of 2016	Total
<b>Net operating loss carry-forwards (CHF million)</b>	
Due to expire within 1 year	1,505
Due to expire within 2 to 5 years	3,277
Due to expire within 6 to 10 years	9,556
Due to expire within 11 to 20 years	5,376
<b>Amount due to expire</b>	<b>19,714</b>
Amount not due to expire	17,556
<b>Total net operating loss carry-forwards</b>	<b>37,270</b>

**Movements in the valuation allowance**

in	2016	2015	2014
<b>Movements in the valuation allowance (CHF million)</b>			
<b>Balance at beginning of period</b>	<b>3,898</b>	<b>4,107</b>	<b>2,704</b>
Net changes	270	(209)	1,403
<b>Balance at end of period</b>	<b>4,168</b>	<b>3,898</b>	<b>4,107</b>

**Uncertain tax positions****Reconciliation of the beginning and ending amount of gross unrecognized tax benefits**

in	2016	2015	2014
<b>Movements in gross unrecognized tax benefits (CHF million)</b>			
<b>Balance at beginning of period</b>	<b>360</b>	<b>382</b>	<b>416</b>
Increases in unrecognized tax benefits as a result of tax positions taken during a prior period	52	44	2
Decreases in unrecognized tax benefits as a result of tax positions taken during a prior period	(43)	(3)	(47)
Increases in unrecognized tax benefits as a result of tax positions taken during the current period	17	15	37
Decreases in unrecognized tax benefits relating to settlements with tax authorities	(2)	0	(10)
Reductions to unrecognized tax benefits as a result of a lapse of the applicable statute of limitations	(7)	(22)	(24)
Other (including foreign currency translation)	24	(56)	8
<b>Balance at end of period</b>	<b>401</b>	<b>360</b>	<b>382</b>
of which, if recognized, would affect the effective tax rate	401	360	382

**Interest and penalties**

in	2016	2015	2014
<b>Interest and penalties (CHF million)</b>			
Interest and penalties recognized in the consolidated statements of operations	2	13	21
Interest and penalties recognized in the consolidated balance sheets	85	85	85

Interest and penalties are reported as tax expense. The Bank is currently subject to ongoing tax audits, inquiries and litigation with the tax authorities in a number of jurisdictions, including Brazil, the Netherlands, the US, the UK and Switzerland. Although the timing

**Tax benefits associated with share-based compensation**

in	2016	2015	2014
<b>Tax benefits associated with share-based compensation (CHF million)</b>			
Tax benefits recorded in the consolidated statements of operations <sup>1</sup>	390	447	506
Windfall tax benefits/(shortfall tax charges) recorded in additional paid-in capital	(110)	(28)	(69)
Tax benefits in respect of tax on dividend equivalent payments	0	0	1

<sup>1</sup> Calculated at the statutory tax rate before valuation allowance considerations.

► Refer to "Note 28 – Employee deferred compensation" for further information on share-based compensation.

Windfall deductions and dividend equivalents aggregating CHF 1.1 billion and CHF 1.1 billion at the end of 2016 and 2015, respectively, did not result in a reduction of income taxes payable because certain entities were in a net operating loss position. When the income tax benefit of these deductions is realized, an estimated CHF 85 million tax benefit will be recorded in retained earnings.

► Refer to "Note 2 – Recently issued accounting standards" for further information on the adoption of ASU 2016-09.

of completion is uncertain, it is reasonably possible that some of these will be resolved within 12 months of the reporting date.

It is reasonably possible that there will be a decrease of between zero and CHF 116 million in unrecognized tax benefits within 12 months of the reporting date.

The Bank remains open to examination from federal, state, provincial or similar local jurisdictions from the following years onward in these major countries: Japan – 2012; Switzerland – 2011; Brazil – 2010; the US – 2010; the UK – 2009; and the Netherlands – 2005.

► Refer to "Note 28 – Tax" in V – Consolidated financial statements – Credit Suisse Group for further information.

## 28 Employee deferred compensation

### Deferred compensation for employees

► Refer to "Note 29 – Employee deferred compensation" in V – Consolidated financial statements – Credit Suisse Group for further information.

The following tables show the compensation expense for deferred compensation awards granted in 2016 and prior years that was recognized in the consolidated statements of operations during 2016, 2015 and 2014, the total shares delivered, the estimated unrecognized compensation expense for deferred compensation awards granted in 2016 and prior years outstanding as of December 31, 2016 and the remaining requisite service period over which the estimated unrecognized compensation expense will be recognized. The recognition of compensation expenses for the deferred compensation awards granted in February 2017 began in 2017 and thus had no impact on the 2016 consolidated financial statements.

### Deferred compensation expense

in	2016	2015	2014
<b>Deferred compensation expense (CHF million)</b>			
Share awards	623	849	935
Performance share awards	369	562	610
Contingent Capital Awards	234	429	213
Contingent Capital share awards	30	–	–
Capital Opportunity Facility awards	13	16	13
Plus Bond awards <sup>1</sup>	5	22	36
2011 Partner Asset Facility awards <sup>2</sup>	0	2	7
Restricted Cash Awards	0	39	92
Scaled Incentive Share Units <sup>3</sup>	0	0	(3)
2008 Partner Asset Facility awards <sup>4</sup>	13	34	87
Other cash awards	331	398	394
Discontinued operations	0	0	(8)
<b>Total deferred compensation expense</b>	<b>1,618</b>	<b>2,351</b>	<b>2,376</b>
<b>Total shares delivered (million)</b>			
Total shares delivered	41.5	43.8	36.5

<sup>1</sup> Compensation expense primarily relates to mark-to-market changes of the underlying assets of the Plus Bonds and the amortization of the voluntary Plus Bonds elected in the first quarter of 2013 and expensed over a three-year vesting period.

<sup>2</sup> Compensation expense mainly includes the change in the underlying fair value of the indexed assets prior to the Contingent Capital Awards conversion.

<sup>3</sup> Including forfeitures and downward adjustments according to the plan terms and conditions.

<sup>4</sup> Compensation expense mainly includes the change in the underlying fair value of the indexed assets during the period.

### Estimated unrecognized deferred compensation

end of	2016
<b>Estimated unrecognized compensation expense (CHF million)</b>	
Share awards	441
Performance share awards	119
Contingent Capital Awards	109
Contingent Capital share awards	24
Other cash awards	162
<b>Total</b>	<b>855</b>
<b>Aggregate remaining weighted-average requisite service period (years)</b>	
Aggregate remaining weighted-average requisite service period	1.3

Does not include the estimated unrecognized compensation expense relating to grants made in 2017 for 2016.

### Share awards

On February 15, 2017, the Bank granted 37.5 million share awards with a total value of CHF 562 million. The estimated unrecognized compensation expense of CHF 561 million was determined based on the fair value of the award on the grant date, includes the current estimate of future forfeitures and will be recognized over the vesting period, subject to early retirement rules.

### Share awards granted for previous years

For compensation year	2016	2015	2014
<b>Share awards granted for previous years</b>			
Shares awarded (million)	37.5	28.7	36.9
Value of shares awarded (CHF million)	562	547	636

On February 15, 2017, the Bank granted 2.4 million blocked shares with a total value of CHF 37 million that vested immediately upon grant, have no future service requirements and were attributed to services performed in 2016.

### Blocked share awards granted for previous years

For compensation year	2016	2015	2014
<b>Blocked share awards granted for previous years</b>			
Shares awarded (million)	2.4	0.6	1.5
Value of shares awarded (CHF million)	37	12	35

## Share award activities

	2016		2015		2014	
	Number of share awards in million	Weighted-average grant-date fair value in CHF	Number of share awards in million	Weighted-average grant-date fair value in CHF	Number of share awards in million	Weighted-average grant-date fair value in CHF
<b>Share awards</b>						
<b>Balance at beginning of period</b>	<b>78.9</b>	<b>21.56</b>	<b>76.5</b>	<b>28.63</b>	<b>72.2</b>	<b>30.07</b>
Granted	38.0	17.59	46.1 <sup>1</sup>	16.49	37.3	27.60
Settled	(37.1)	22.68	(39.8)	29.02	(29.1)	30.41
Forfeited	(9.1)	21.88	(3.9)	24.03	(3.9)	32.24
<b>Balance at end of period</b>	<b>70.7</b>	<b>18.78</b>	<b>78.9</b>	<b>21.56</b>	<b>76.5</b>	<b>28.63</b>
of which vested	8.1	–	4.7	–	6.1	–
of which unvested	62.6	–	74.2	–	70.4	–

<sup>1</sup> Includes an adjustment for share awards granted in the fourth quarter of 2015 to compensate for the proportionate dilution of Group shares resulting from the rights offering approved on November 19, 2015. The number of deferred share-based awards held by each individual was increased by 2.89%. The terms and conditions of the adjusted shares were the same as the existing share-based awards thereby ensuring that holders of the awards were neither advantaged nor disadvantaged by the additional shares granted.

## Performance share awards

On February 15, 2017, the Bank granted 29.5 million performance share awards with a total value of CHF 448 million. The estimated unrecognized compensation expense of CHF 443 million was determined based on the fair value of the award at the grant date, includes the current estimated outcome of the relevant performance criteria and estimated future forfeitures and will be recognized over the vesting period.

## Performance share awards granted for previous years

For compensation year	2016	2015	2014
<b>Performance share awards granted for previous years</b>			
Performance shares awarded (million)	29.5	21.2	30.3
Value of performance shares awarded (CHF million)	448	427	523

## Performance share award activities

	2016		2015		2014	
	Number of performance share awards in million	Weighted-average grant-date fair value in CHF	Number of performance share awards in million	Weighted-average grant-date fair value in CHF	Number of performance share awards in million	Weighted-average grant-date fair value in CHF
<b>Performance share awards</b>						
<b>Balance at beginning of period</b>	<b>55.3</b>	<b>21.01</b>	<b>47.5</b>	<b>26.89</b>	<b>40.7</b>	<b>25.51</b>
Granted	21.3	18.62	32.1 <sup>1</sup>	16.11	24.0	28.13
Settled	(26.3)	22.66	(23.0)	26.25	(15.8)	25.27
Forfeited	(2.3)	18.98	(1.3)	21.78	(1.4)	26.28
<b>Balance at end of period</b>	<b>48.0</b>	<b>19.12</b>	<b>55.3</b>	<b>21.01</b>	<b>47.5</b>	<b>26.89</b>
of which vested	6.8	–	3.3	–	3.2	–
of which unvested	41.2	–	52.0	–	44.3	–

<sup>1</sup> Includes an adjustment for performance share awards granted in the fourth quarter of 2015 to compensate for the proportionate dilution of Group shares resulting from the rights offering approved on November 19, 2015. The number of deferred share-based awards held by each individual was increased by 2.89%. The terms and conditions of the adjusted performance shares were the same as the existing share-based awards thereby ensuring that holders of the awards were neither advantaged nor disadvantaged by the additional performance shares granted.

**Contingent Capital Awards**

On February 15, 2017, the Bank awarded CHF 228 million of Contingent Capital Awards (CCA) that will be expensed over the vesting period from the grant date. The estimated unrecognized compensation expense of CHF 216 million was determined based on the fair value of the award on the grant date and includes the current estimated outcome of the relevant performance criteria, the estimated future forfeitures and the expected semi-annual cash payments of interest and will be recognized over the vesting period.

**Contingent Capital Awards granted for previous years**

For compensation year	2016	2015	2014
<b>Contingent Capital Awards granted for previous years</b>			
CCA awarded (CHF million)	228	217	355

**Contingent Capital share awards**

In March 2016, the Bank executed a voluntary exchange offer, under which employees had the right to voluntarily convert all or a portion of their respective CCA into Contingent Capital share awards at a conversion price of CHF 14.57. CCA holders elected to convert CHF 213 million of their CCA into Contingent Capital share awards during the election period. This fair value represented

an approximate conversion rate of 15%. Each Contingent Capital share award had a grant-date fair value of CHF 14.45 and contains the same contractual term, vesting period, performance criteria and other terms and conditions as the original CCA.

**Contingent Capital share award activities**

	2016
<b>Contingent Capital share awards</b>	
<b>Balance at beginning of period</b>	–
Granted	15.5
Settled	(2.5)
Forfeited	(0.3)
<b>Balance at end of period</b>	<b>12.7</b>
of which vested	1.0
of which unvested	11.7

**Other variable compensation**

In 2016, the Bank granted deferred share and cash retention awards of CHF 249 million relating to the reorganization of the Global Markets and Investment Banking & Capital Markets businesses. Amortization of these awards in 2016 of CHF 118 million was recognized in the Corporate Center.

**29 Related parties**

The Group owns all of the Bank's outstanding voting registered shares. The Bank is involved in significant financing and other transactions with subsidiaries of the Group. The Bank generally enters into these transactions in the ordinary course of business and believes that these transactions are generally on market terms that could be obtained from unrelated third parties.

▶ Refer to "Note 30 – Related parties" in V – Consolidated financial statements – Credit Suisse Group for further information.

**Related party assets and liabilities**

end of	2016	2015
<b>Assets (CHF million)</b>		
Cash and due from banks	966	1,345
Interest-bearing deposits with banks	2,350	4,091
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	289	387
Trading assets	147	143
Net loans	6,687	5,154
Other assets	46	89
<b>Total assets</b>	<b>10,485</b>	<b>11,209</b>
<b>Liabilities (CHF million)</b>		
Due to banks/customer deposits	1,670	1,838
Trading liabilities	24	87
Long-term debt	4,173	4,092
Other liabilities	246	232
<b>Total liabilities</b>	<b>6,113</b>	<b>6,249</b>

**Related party revenues and expenses**

in	2016	2015	2014
<b>Revenues (CHF million)</b>			
Interest and dividend income	4	5	70
Interest expense	(273)	(269)	(223)
<b>Net interest income</b>	<b>(269)</b>	<b>(264)</b>	<b>(153)</b>
Commissions and fees	29	4	(11)
Other revenues	170	169	178
<b>Net revenues</b>	<b>(70)</b>	<b>(91)</b>	<b>14</b>
<b>Expenses (CHF million)</b>			
<b>Total operating expenses</b>	<b>144</b>	<b>193</b>	<b>165</b>

**Related party guarantees**

end of	2016	2015
<b>Guarantees (CHF million)</b>		
Credit guarantees and similar instruments	1	0
Performance guarantees and similar instruments	1	0
Other guarantees	34	65
<b>Total guarantees</b>	<b>36</b>	<b>65</b>

**Executive Board and Board of Directors loans**

	2016	2015	2014
<b>Loans to members of the Executive Board (CHF million)</b>			
Balance at beginning of period	26 <sup>1</sup>	5	10
Additions	6	21	3
Reductions	(7)	0	(8)
Balance at end of period	25 <sup>1</sup>	26	5
<b>Loans to members of the Board of Directors (CHF million)</b>			
Balance at beginning of period	8 <sup>2</sup>	16	55
Additions	3	1	6
Reductions	(1)	(9)	(45)
Balance at end of period	10 <sup>2</sup>	8	16

<sup>1</sup> The number of individuals with outstanding loans at the beginning and the end of the year was six and seven, respectively.

<sup>2</sup> The number of individuals with outstanding loans at the beginning and the end of the year was three and four, respectively.

**Liabilities due to own pension funds**

Liabilities due to the Bank's own defined benefit pension funds as of December 31, 2016 and 2015 of CHF 521 million and CHF 1,580 million, respectively, were reflected in various liability accounts in the Bank's consolidated balance sheets.

**30 Pension and other post-retirement benefits**

The Bank participates in a defined benefit pension plan sponsored by the Group and has defined contribution pension plans, single-employer defined benefit pension plans and other post-retirement defined benefit plans. The Bank's principal plans are located in Switzerland, the US and the UK.

**DEFINED CONTRIBUTION PENSION PLANS**

The Bank contributes to various defined contribution pension plans primarily in the US and the UK as well as other countries throughout the world. During 2016, 2015 and 2014, the Bank contributed to these plans and recognized as expense CHF 160 million, CHF 156 million and CHF 181 million, respectively.

► Refer to "Note 31 – Pension and other post-retirement benefits" in V – Consolidated financial statements – Credit Suisse Group for further information on defined contribution pension plans.

**DEFINED BENEFIT PENSION AND OTHER POST-RETIREMENT BENEFIT PLANS****Defined benefit pension plans**

► Refer to "Note 31 – Pension and other post-retirement benefits" in V – Consolidated financial statements – Credit Suisse Group for further information on defined benefit pension plans.

**Group pension plan**

The Bank covers pension requirements for its employees in Switzerland by participating in a defined benefit pension plan sponsored by the Group (Group plan), the Group's most significant defined benefit pension plan. The Group plan provides benefits in the event of retirement, death and disability. Various legal entities within the Group participate in the Group plan, which is set up as an independent trust domiciled in Zurich. Benefits in the Group plan are determined on the basis of the accumulated employer and employee contributions and accumulated interest credited. In accordance with US GAAP, the Group accounts for the Group

plan as a single-employer defined benefit pension plan and uses the projected unit credit actuarial method to determine the net periodic benefit costs, the PBO and the accumulated benefit obligation (ABO). The Bank accounts for the defined benefit pension plan sponsored by the Group as a multi-employer pension plan because other legal entities within the Group also participate in the Group plan and the assets contributed by the Bank are not segregated into a separate account or restricted to provide benefits only to employees of the Bank. The assets contributed by the Bank are commingled with the assets contributed by the other legal entities of the Group and can be used to provide benefits to any employee of any participating legal entity. The Bank's contributions to the Group plan comprise 95% of the total assets contributed to the Group plan by all participating legal entities on an annual basis.

The Bank accounts for the Group plan on a defined contribution basis whereby it only recognizes the amounts required to be contributed to the Group plan during the period as net periodic pension expense and only recognizes a liability for any contributions due and unpaid. No other expenses or balance sheet amounts related to the Group plan were recognized by the Bank. In the savings section of the Group plan, the Bank's contribution varies between 7.5% and 25% of the pensionable salary depending on the employees' age.

During 2016, 2015 and 2014, the Bank contributed and recognized as expense CHF 422 million, CHF 389 million and CHF 415 million to the Group plan, respectively. The Bank expects to contribute CHF 388 million to the Group plan during 2017. If the Bank had accounted for the Group plan as a single-employer defined benefit plan, the net periodic pension expense recognized by the Bank during 2016, 2015 and 2014 would have been lower by CHF 260 million, CHF 206 million and CHF 277 million, respectively, and the Bank would have recognized CHF 238 million, CHF 252 million and CHF 48 million, respectively, as amortization of actuarial losses and prior service cost for the Group plan.

As of December 31, 2016 and 2015, the ABO of the Group plan was CHF 15.0 billion and CHF 15.2 billion, the PBO was CHF 15.9 billion and CHF 16.1 billion and the fair value of plan assets was CHF 16.0 billion and CHF 15.6 billion, respectively. As of December 31, 2016 and 2015, the Group plan was overfunded on an ABO basis by CHF 989 million and CHF 442 million, respectively. On a PBO basis, the Group plan was overfunded by CHF 66 million and underfunded by CHF 486 million as of December 31, 2016 and 2015, respectively. If the Bank had accounted for the Group plan as a defined benefit pension plan, the Bank would have had to recognize the overfunding of the Group plan on a PBO basis of CHF 63 million as an asset as of December 31, 2016 and the underfunding of CHF 462 million as a liability as of December 31, 2015 in the consolidated balance sheets.

If the Bank had accounted for the Group plan as a defined benefit plan, the Bank would have used the assumptions made by the Group for the calculation of the expense and liability associated with the Group plan.

► Refer to "Note 31 – Pension and other post-retirement benefits" in V – Consolidated financial statements – Credit Suisse Group for information on assumptions made by the Group for Switzerland.

### International pension plans

Various defined benefit pension plans cover the Bank's employees outside Switzerland. These plans provide benefits in the event of retirement, death, disability or termination of employment.

Retirement benefits under the plans depend on age, contributions and salary. The Bank's principal defined benefit pension plans outside Switzerland are located in the US and in the UK. Both plans are funded, closed to new participants and have ceased accruing new benefits. Smaller defined benefit pension plans, both funded and unfunded, are operated in other locations.

### Other post-retirement defined benefit plans

In the US, the Bank's defined benefit plans provide post-retirement benefits other than pension benefits that primarily focus on health and welfare benefits for certain retired employees. In exchange for the current services provided by the employee, the Bank promises to provide health and welfare benefits after the employee retires. The Bank's obligation for that compensation is incurred as employees render the services necessary to earn their post-retirement benefits.

### Benefit costs of defined benefit plans

The net periodic benefit costs for defined benefit pension and other post-retirement defined benefit plans are the costs of the respective plan for a period during which an employee renders services. The actual amount to be recognized is determined using the standard actuarial methodology which considers, among other factors, current service cost, interest cost, expected return on plan assets and the amortization of both prior service cost/(credit) and actuarial losses/(gains) recognized in AOCI.

### Components of total benefit costs

in	International single-employer defined benefit pension plans			Other post-retirement defined benefit plans		
	2016	2015	2014	2016	2015	2014
<b>Total benefit costs (CHF million)</b>						
Service costs on benefit obligation	20	21	19	0	0	0
Interest costs on benefit obligation	124	129	134	8	7	7
Expected return on plan assets	(175)	(195)	(178)	0	0	0
Amortization of recognized prior service cost/(credit)	0	0	0	0	(23)	(9)
Amortization of recognized actuarial losses/(gains)	41	84	52	10	14	9
<b>Net periodic benefit costs/(credits)</b>	<b>10</b>	<b>39</b>	<b>27</b>	<b>18</b>	<b>(2)</b>	<b>7</b>
Settlement losses/(gains)	72	(1)	(2)	0	0	0
<b>Total benefit costs/(credits)</b>	<b>82</b>	<b>38</b>	<b>25</b>	<b>18</b>	<b>(2)</b>	<b>7</b>

Total benefit costs reflected in compensation and benefits – other for 2016, 2015 and 2014 were CHF 100 million, CHF 36 million and CHF 32 million, respectively. During the second half of 2016, lump-sum settlement offers were made to terminated vested

members of the pension fund in the US. As a result of members accepting this offer, there was an additional cost of CHF 72 million relating to the settlement of pension obligations for these members.

**Benefit obligation**

The following table shows the changes in the PBO, the ABO, the fair value of plan assets and the amounts recognized in the consolidated balance sheets for the international single-employer defined benefit pension plans and other post-retirement defined benefit plans.

**Obligations and funded status of the plans**

in / end of	International single-employer defined benefit pension plans		Other post-retirement defined benefit plans	
	2016	2015	2016	2015
<b>PBO (CHF million) <sup>1</sup></b>				
<b>Beginning of the measurement period</b>	<b>3,366</b>	<b>3,539</b>	<b>180</b>	<b>178</b>
Service cost	20	21	0	0
Interest cost	124	129	8	7
Settlements	(278)	0	0	0
Special termination benefits	1	2	0	0
Actuarial losses/(gains)	476	(97)	1	4
Benefit payments	(150)	(113)	(11)	(10)
Exchange rate losses/(gains)	(222)	(115)	6	1
<b>End of the measurement period</b>	<b>3,337</b>	<b>3,366</b>	<b>184</b>	<b>180</b>
<b>Fair value of plan assets (CHF million)</b>				
<b>Beginning of the measurement period</b>	<b>3,712</b>	<b>3,876</b>	<b>0</b>	<b>0</b>
Actual return on plan assets	824	62	0	0
Employer contributions	232	19	11	10
Settlements	(278)	0	0	0
Benefit payments	(150)	(113)	(11)	(10)
Exchange rate gains/(losses)	(340)	(132)	0	0
<b>End of the measurement period</b>	<b>4,000</b>	<b>3,712</b>	<b>0</b>	<b>0</b>
<b>Total funded status recognized (CHF million)</b>				
Funded status of the plan – over/(underfunded)	663	346	(184)	(180)
<b>Funded status recognized in the consolidated balance sheet as of December 31</b>	<b>663</b>	<b>346</b>	<b>(184)</b>	<b>(180)</b>
<b>Total amount recognized (CHF million)</b>				
Noncurrent assets	995	825	0	0
Current liabilities	(11)	(9)	(12)	(11)
Noncurrent liabilities	(321)	(470)	(172)	(169)
<b>Total amount recognized in the consolidated balance sheet as of December 31</b>	<b>663</b>	<b>346</b>	<b>(184)</b>	<b>(180)</b>
<b>ABO (CHF million) <sup>2</sup></b>				
<b>End of the measurement period</b>	<b>3,281</b>	<b>3,315</b>	<b>184</b>	<b>180</b>

<sup>1</sup> Including estimated future salary increases.

<sup>2</sup> Excluding estimated future salary increases.

The total net amount recognized in the consolidated balance sheets as of December 31, 2016 and 2015 was an overfunding of CHF 479 million and CHF 166 million, respectively.

In 2016 and 2015, the Bank made contributions of CHF 232 million and CHF 19 million, respectively, to the international single-employer defined benefit pension plans and CHF 11 million and CHF 10 million to the other post-retirement defined benefit plans. In 2017, the Bank expects to contribute CHF 22 million to the

international single-employer defined benefit pension plans and CHF 12 million to other post-retirement defined benefit plans.

**PBO or ABO in excess of plan assets**

The following table shows the aggregate PBO and ABO, as well as the aggregate fair value of plan assets for those plans with PBO in excess of plan assets and those plans with ABO in excess of plan assets as of December 31, 2016 and 2015, respectively.



**Defined benefit pension plans in which PBO or ABO exceeded plan assets**

December 31	PBO exceeds fair value of plan assets <sup>1</sup>		ABO exceeds fair value of plan assets <sup>1</sup>	
	2016	2015	2016	2015
<b>CHF million</b>				
PBO	1,426	1,630	1,407	1,613
ABO	1,391	1,600	1,378	1,589
Fair value of plan assets	1,095	1,152	1,079	1,137

<sup>1</sup> Includes only those defined benefit pension plans where the PBO/ABO exceeded the fair value of plan assets.

**Amount recognized in AOCI and other comprehensive income**

The following table shows the actuarial gains/(losses) and prior service credit/(cost) which were recorded in AOCI and subsequently recognized as components of net periodic benefit costs.

**Amounts recognized in AOCI, net of tax**

end of	International single-employer defined benefit pension plans		Other post-retirement defined benefit plans		Total	
	2016	2015	2016	2015	2016	2015
<b>Amounts recognized in AOCI (CHF million)</b>						
Actuarial gains/(losses)	(363)	(569)	(39)	(43)	(402)	(612)
Prior service credit/(cost)	(1)	0	3	3	2	3
<b>Total</b>	<b>(364)</b>	<b>(569)</b>	<b>(36)</b>	<b>(40)</b>	<b>(400)</b>	<b>(609)</b>

The following tables show the changes in other comprehensive income due to actuarial gains/(losses) and prior service credit/(cost) recognized in AOCI during 2016 and 2015 and the

amortization of the aforementioned items as components of net periodic benefit costs for these periods, as well as the amounts expected to be amortized in 2017.

**Amounts recognized in other comprehensive income**

in	International single-employer defined benefit pension plans			Other post-retirement defined benefit plans			Total net
	Gross	Tax	Net	Gross	Tax	Net	
<b>2016 (CHF million)</b>							
Actuarial gains/(losses)	174	(44)	130	(1)	0	(1)	129
Amortization of actuarial losses/(gains)	41	(12)	29	10	(4)	6	35
Immediate recognition due to curtailment/settlement	72	(27)	45	0	0	0	45
<b>Total</b>	<b>287</b>	<b>(83)</b>	<b>204</b>	<b>9</b>	<b>(4)</b>	<b>5</b>	<b>209</b>
<b>2015 (CHF million)</b>							
Actuarial gains/(losses)	(36)	8	(28)	(4)	2	(2)	(30)
Amortization of actuarial losses/(gains)	84	(19)	65	14	(5)	9	74
Amortization of prior service cost/(credit)	0	0	0	(23)	9	(14)	(14)
Immediate recognition due to curtailment/settlement	(1)	0	(1)	0	0	0	(1)
<b>Total</b>	<b>47</b>	<b>(11)</b>	<b>36</b>	<b>(13)</b>	<b>6</b>	<b>(7)</b>	<b>29</b>

## Amounts in AOCI, net of tax, expected to be amortized in 2017

in 2017	International single-employer defined benefit pension plans	Other post-retirement defined benefit plans
<b>CHF million</b>		
Amortization of actuarial losses/(gains)	48	5
<b>Total</b>	<b>48</b>	<b>5</b>

## Assumptions

The measurement of both the net periodic benefit costs and the benefit obligation is determined using explicit assumptions, each of which individually represents the best estimate of a particular future event.

► Refer to “Note 31 – Pension and other post-retirement benefits” in V – Consolidated financial statements – Credit Suisse Group for information on assumptions made by the Group for Switzerland.

## Weighted-average assumptions used to determine net periodic benefit costs and benefit obligation

December 31	International single-employer defined benefit pension plans			Other post-retirement defined benefit plans		
	2016	2015	2014	2016	2015	2014
<b>Net periodic benefit cost (%)</b>						
Discount rate	4.05	3.82	4.71	4.50	4.20	5.10
Salary increases	3.56	4.19	4.31	–	–	–
Expected long-term rate of return on plan assets	5.07	6.00	6.16	–	–	–
<b>Benefit obligation (%)</b>						
Discount rate	3.10	4.05	3.82	4.21	4.50	4.20
Salary increases	3.55	3.56	4.19	–	–	–

## Mortality tables and life expectancies for major plans

December 31		Life expectancy at age 65 for a male member currently				Life expectancy at age 65 for a female member currently			
		aged 65		aged 45		aged 65		aged 45	
		2016	2015	2016	2015	2016	2015	2016	2015
<b>Life expectancy (years)</b>									
UK	SPAS S2 light tables	24.0 <sup>1</sup>	24.0 <sup>2</sup>	25.5 <sup>1</sup>	26.1 <sup>2</sup>	25.1 <sup>1</sup>	25.2 <sup>2</sup>	26.8 <sup>1</sup>	27.4 <sup>2</sup>
US	RP-2014 mortality tables <sup>3</sup>	21.4	21.3	22.6	22.6	23.3	23.2	24.4	24.3

<sup>1</sup> 95% of Self-Administered Pension Scheme (SAPS) S2 light tables was used, which included proposed CMI projections with a long-term rate of improvement of 1.5% per annum.

<sup>2</sup> Core CMI projections were applied.

<sup>3</sup> The Retirement Projection 2014 (RP-2014) mortality tables were used, with projections based on the Social Security Administrations' intermediate improvement scale.

**Health care cost assumptions**

The health care cost trend is used to determine the appropriate other post-retirement defined benefit costs. In determining those costs, an annual weighted-average rate is assumed in the cost of covered health care benefits.

The following table provides an overview of assumed health care cost trend rates and the sensitivity of a one percentage point increase or decrease of the rate.

**Health care cost trend rates and sensitivity**

in / end of	2016	2015	2014
<b>Health care cost trend rate (%)</b>			
Annual weighted-average health care cost trend rate <sup>1</sup>	8.30	8.00	8.00
<b>Increase/(decrease) in post-retirement expenses (CHF million)</b>			
One percentage point increase in health care cost trend rates	0.2	0.2	0.2
One percentage point decrease in health care cost trend rates	(0.2)	(0.2)	(0.3)
<b>Increase/(decrease) in post-retirement benefit obligation (CHF million)</b>			
One percentage point increase in health care cost trend rates	4	4	5
One percentage point decrease in health care cost trend rates	(4)	(4)	(4)

<sup>1</sup> The annual health care cost trend rate is assumed to decrease gradually to achieve the long-term health care cost trend rate of 5% by 2022.

The annual health care cost trend rate used to determine the defined benefit cost for 2017 is 8.30%.

As of December 31, 2016 and 2015, no Group debt or equity securities were included in plan assets for the international single-employer defined benefit pension plans.

**Plan assets and investment strategy**

▶ Refer to "Note 31 – Pension and other post-retirement benefits" in V – Consolidated financial statements – Credit Suisse Group for further information.

**Fair value of plan assets**

The following tables present the plan assets measured at fair value on a recurring basis as of December 31, 2016 and 2015, for the Bank's defined benefits plans.

**Plan assets measured at fair value on a recurring basis**

end of	2016					2015				
	Level 1	Level 2	Level 3	Assets measured at net asset value per share	Total	Level 1	Level 2	Level 3	Assets measured at net asset value per share	Total
<b>Plan assets at fair value (CHF million)</b>										
Cash and cash equivalents	49	170	0	0	219	46	147	0	0	193
Debt securities	1,071	1,174	33	248	2,526	890	860	50	127	1,927
of which governments	491	7	0	0	498	368	7	0	0	375
of which corporates	580	1,167	33	248	2,028	522	853	50	127	1,552
Equity securities	196	187	0	226	609	208	424	0	337	969
Real estate – indirect	0	0	58	0	58	0	87	48	0	135
Alternative investments	0	321	0	177	498	0	230	0	157	387
of which hedge funds	0	0	0	177	177	0	0	0	157	157
of which other	0	321 <sup>1</sup>	0	0	321	0	230 <sup>1</sup>	0	0	230
Other investments	0	90	0	0	90	0	101	0	0	101
<b>Total plan assets at fair value</b>	<b>1,316</b>	<b>1,942</b>	<b>91</b>	<b>651</b>	<b>4,000</b>	<b>1,144</b>	<b>1,849</b>	<b>98</b>	<b>621</b>	<b>3,712</b>

<sup>1</sup> Primarily related to derivative instruments.

## Plan assets measured at fair value on a recurring basis for level 3

	Balance at beginning of period	Transfers in	Transfers out	Actual return on plan assets		Purchases, sales, settlements	Foreign currency translation impact	Balance at end of period
				On assets still held at reporting date	On assets sold during the period			
<b>2016 (CHF million)</b>								
Debt securities – corporates	50	6	0	0	(1)	(24)	2	33
Real estate – indirect	48	48	0	(14)	18	(44)	2	58
<b>Total plan assets at fair value</b>	<b>98</b>	<b>54</b>	<b>0</b>	<b>(14)</b>	<b>17</b>	<b>(68)</b>	<b>4</b>	<b>91</b>
<b>2015 (CHF million)</b>								
Debt securities – corporates	61	0	(11)	(4)	0	5	(1)	50
Real estate – indirect	116	0	(86)	14	0	4	0	48
<b>Total plan assets at fair value</b>	<b>177</b>	<b>0</b>	<b>(97)</b>	<b>10</b>	<b>0</b>	<b>9</b>	<b>(1)</b>	<b>98</b>

## Plan asset allocation

The following table shows the plan asset allocation as of the measurement date calculated based on the fair value at that date including the performance of each asset class.

## Weighted-average plan asset allocation

December 31	2016	2015
<b>Weighted-average plan asset allocation (%)</b>		
Cash and cash equivalents	5.5	5.2
Debt securities	63.2	51.9
Equity securities	15.3	26.1
Real estate	1.4	3.6
Alternative investments	12.4	10.4
Insurance	2.2	2.8
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

The following table shows the target plan asset allocation for 2017 in accordance with the Bank's investment strategy. The target plan asset allocation is used to determine the expected return on plan assets to be considered in the net periodic benefit costs for 2017.

## Weighted-average target plan asset allocation for 2017

<b>2017 (%)</b>	
Debt securities	72.3
Equity securities	12.2
Real estate	0.6
Alternative investments	12.4
Insurance	2.5
<b>Total</b>	<b>100.0</b>

## Estimated future benefit payments for defined benefit plans

The following table shows the estimated future benefit payments for defined benefit pension and other post-retirement defined benefit plans.

## Estimated future benefit payments for defined benefit plans

	International single-employer defined benefit pension plans	Other post-retirement defined benefit plans
<b>Estimated future benefit payments (CHF million)</b>		
2017	87	12
2018	89	12
2019	93	13
2020	99	13
2021	121	13
For five years thereafter	615	60

### 31 Derivatives and hedging activities

▶ Refer to "Note 32 – Derivatives and hedging activities" in V – Consolidated financial statements – Credit Suisse Group for further information.

forecasted transactions, excluding those forecasted transactions related to the payment of variable interest on existing financial instruments, was five years.

#### Hedge accounting

##### Cash flow hedges

As of the end of 2016, the maximum length of time over which the Bank hedged its exposure to the variability in future cash flows for

#### Fair value of derivative instruments

	Trading			Hedging <sup>1</sup>		
	Notional amount	Positive replacement value (PRV)	Negative replacement value (NRV)	Notional amount	Positive replacement value (PRV)	Negative replacement value (NRV)
<b>end of 2016</b>						
<b>Derivative instruments (CHF billion)</b>						
Forwards and forward rate agreements	8,321.9	3.3	3.2	0.0	0.0	0.0
Swaps	13,190.9	91.0	85.4	41.5	0.8	0.8
Options bought and sold (OTC)	2,164.4	43.1	41.1	0.0	0.0	0.0
Futures	522.1	0.0	0.0	0.0	0.0	0.0
Options bought and sold (exchange-traded)	468.0	0.2	0.2	0.0	0.0	0.0
<b>Interest rate products</b>	<b>24,667.3</b>	<b>137.6</b>	<b>129.9</b>	<b>41.5</b>	<b>0.8</b>	<b>0.8</b>
Forwards	1,212.7	19.2	20.8	11.0	0.1	0.0
Swaps	819.3	34.5	42.0	0.0	0.0	0.0
Options bought and sold (OTC)	416.8	8.1	8.4	4.8	0.0	0.0
Futures	17.8	0.0	0.0	0.0	0.0	0.0
Options bought and sold (exchange-traded)	4.1	0.0	0.0	0.0	0.0	0.0
<b>Foreign exchange products</b>	<b>2,470.7</b>	<b>61.8</b>	<b>71.2</b>	<b>15.8</b>	<b>0.1</b>	<b>0.0</b>
Forwards	1.3	0.0	0.0	0.0	0.0	0.0
Swaps	191.4	4.7	5.3	0.0	0.0	0.0
Options bought and sold (OTC)	206.8	8.0	7.7	0.0	0.0	0.0
Futures	41.5	0.0	0.0	0.0	0.0	0.0
Options bought and sold (exchange-traded)	355.9	11.6	13.1	0.0	0.0	0.0
<b>Equity/index-related products</b>	<b>796.9</b>	<b>24.3</b>	<b>26.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Credit derivatives<sup>2</sup></b>	<b>558.7</b>	<b>8.1</b>	<b>9.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Forwards	7.2	0.1	0.2	0.0	0.0	0.0
Swaps	20.1	2.0	1.4	0.0	0.0	0.0
Options bought and sold (OTC)	20.2	0.4	0.3	0.0	0.0	0.0
Futures	14.3	0.0	0.0	0.0	0.0	0.0
Options bought and sold (exchange-traded)	3.4	0.0	0.1	0.0	0.0	0.0
<b>Other products<sup>3</sup></b>	<b>65.2</b>	<b>2.5</b>	<b>2.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Total derivative instruments</b>	<b>28,558.8</b>	<b>234.3</b>	<b>238.4</b>	<b>57.3</b>	<b>0.9</b>	<b>0.8</b>

The notional amount, PRV and NRV (trading and hedging) was CHF 28,616.1 billion, CHF 235.2 billion and CHF 239.2 billion, respectively, as of December 31, 2016.

<sup>1</sup> Relates to derivative contracts that qualify for hedge accounting under US GAAP.

<sup>2</sup> Primarily credit default swaps.

<sup>3</sup> Primarily precious metals, commodity and energy products.

## Fair value of derivative instruments (continued)

	Trading			Hedging <sup>1</sup>		
	Notional amount	Positive replacement value (PRV)	Negative replacement value (NRV)	Notional amount	Positive replacement value (PRV)	Negative replacement value (NRV)
end of 2015						
<b>Derivative instruments (CHF billion)</b>						
Forwards and forward rate agreements	7,229.5	1.0	1.2	0.0	0.0	0.0
Swaps	16,740.0	118.4	112.8	49.3	1.2	0.8
Options bought and sold (OTC)	2,856.0	49.2	47.3	0.0	0.0	0.0
Futures	1,789.9	0.0	0.0	0.0	0.0	0.0
Options bought and sold (exchange-traded)	198.4	0.1	0.0	0.0	0.0	0.0
<b>Interest rate products</b>	<b>28,813.8</b>	<b>168.7</b>	<b>161.3</b>	<b>49.3</b>	<b>1.2</b>	<b>0.8</b>
Forwards	1,499.1	16.6	16.9	10.7	0.0	0.1
Swaps	1,050.8	30.5	40.8	0.0	0.0	0.0
Options bought and sold (OTC)	534.8	12.8	12.8	8.2	0.0	0.0
Futures	22.5	0.0	0.0	0.0	0.0	0.0
Options bought and sold (exchange-traded)	13.0	0.3	0.3	0.0	0.0	0.0
<b>Foreign exchange products</b>	<b>3,120.2</b>	<b>60.2</b>	<b>70.8</b>	<b>18.9</b>	<b>0.0</b>	<b>0.1</b>
Forwards	1.3	0.0	0.1	0.0	0.0	0.0
Swaps	203.9	5.0	6.7	0.0	0.0	0.0
Options bought and sold (OTC)	193.9	8.7	8.0	0.0	0.0	0.0
Futures	39.9	0.0	0.0	0.0	0.0	0.0
Options bought and sold (exchange-traded)	284.4	9.1	11.4	0.0	0.0	0.0
<b>Equity/index-related products</b>	<b>723.4</b>	<b>22.8</b>	<b>26.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Credit derivatives<sup>2</sup></b>	<b>831.9</b>	<b>17.8</b>	<b>17.3</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Forwards	6.3	0.1	0.1	0.0	0.0	0.0
Swaps	19.6	2.6	1.7	0.0	0.0	0.0
Options bought and sold (OTC)	8.8	0.4	0.3	0.0	0.0	0.0
Futures	11.9	0.0	0.0	0.0	0.0	0.0
Options bought and sold (exchange-traded)	1.1	0.1	0.1	0.0	0.0	0.0
<b>Other products<sup>3</sup></b>	<b>47.7</b>	<b>3.2</b>	<b>2.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Total derivative instruments</b>	<b>33,537.0</b>	<b>272.7</b>	<b>277.8</b>	<b>68.2</b>	<b>1.2</b>	<b>0.9</b>

The notional amount, PRV and NRV (trading and hedging) was CHF 33,605.2 billion, CHF 273.9 billion and CHF 278.7 billion, respectively, as of December 31, 2015.

<sup>1</sup> Relates to derivative contracts that qualify for hedge accounting under US GAAP.

<sup>2</sup> Primarily credit default swaps.

<sup>3</sup> Primarily precious metals, commodity, energy and emission products.

**Fair value hedges**

in	2016	2015	2014
<b>Gains/(losses) recognized in income on derivatives (CHF million)</b>			
Interest rate products	(105)	(94)	(142)
Foreign exchange products	0	0	3
<b>Total</b>	<b>(105)</b>	<b>(94)</b>	<b>(139)</b>
<b>Gains/(losses) recognized in income on hedged items (CHF million)</b>			
Interest rate products	97	76	136
Foreign exchange products	0	0	(3)
<b>Total</b>	<b>97</b>	<b>76</b>	<b>133</b>
<b>Details of fair value hedges (CHF million)</b>			
Net gains/(losses) on the ineffective portion	(8)	(18)	(6)

Represents gains/(losses) recognized in trading revenues.

**Cash flow hedges**

in	2016	2015	2014
<b>Gains/(losses) recognized in AOCI on derivatives (CHF million)</b>			
Interest rate products	(5)	21	40
Foreign exchange products	(3)	(17)	(47)
<b>Total</b>	<b>(8)</b>	<b>4</b>	<b>(7)</b>
<b>Gains/(losses) reclassified from AOCI into income (CHF million)</b>			
Interest rate products	29 <sup>1</sup>	37 <sup>1</sup>	21 <sup>2</sup>
Foreign exchange products	(7) <sup>3</sup>	(53) <sup>2,3</sup>	(5) <sup>3</sup>
<b>Total</b>	<b>22</b>	<b>(16)</b>	<b>16</b>
<b>Details of cash flow hedges (CHF million)</b>			
Net gains on the ineffective portion <sup>2</sup>	(1)	(12)	(1)

Represents gains/(losses) on effective portion.

<sup>1</sup> Included in interest and other dividend income.

<sup>2</sup> Included in trading revenues.

<sup>3</sup> Included in total other operating expenses.

The net loss associated with cash flow hedges expected to be reclassified from AOCI within the next 12 months was CHF 6 million.

**Net investment hedges**

in	2016	2015	2014
<b>Gains/(losses) recognized in AOCI on derivatives (CHF million)</b>			
Foreign exchange products	(537)	443	(1,672)
<b>Total</b>	<b>(537)</b>	<b>443</b>	<b>(1,672)</b>

Represents gains/(losses) on effective portion.

The Bank includes all ◻ derivative instruments not included in hedge accounting relationships in its trading activities.

► Refer to "Note 8 – Trading revenues" for gains and losses on trading activities by product type.

**Disclosures relating to contingent credit risk**

The following table provides the Bank's current net exposure from contingent credit risk relating to derivative contracts with bilateral counterparties and special purpose entities (SPEs) that include credit support agreements, the related collateral posted and the additional collateral required in a one-notch, two-notch and a three-notch downgrade event, respectively. The table also includes derivative contracts with contingent credit risk features without credit support agreements that have accelerated termination event conditions. The current net exposure for derivative contracts with bilateral counterparties and contracts with accelerated termination event conditions is the aggregate ◻ fair value of derivative instruments that were in a net liability position. For SPEs, the current net exposure is the contractual amount that is used to determine the collateral payable in the event of a downgrade. The contractual amount could include both the negative replacement value and a percentage of the notional value of the derivative.

**Contingent credit risk**

end of	2016				2015			
	Bilateral counterparties	Special purpose entities	Accelerated terminations	Total	Bilateral counterparties	Special purpose entities	Accelerated terminations	Total
<b>Contingent credit risk (CHF billion)</b>								
Current net exposure	10.5	0.2	1.1	<b>11.8</b>	13.2	0.5	1.4	<b>15.1</b>
Collateral posted	9.5	0.2	–	<b>9.7</b>	12.3	0.5	–	<b>12.8</b>
Additional collateral required in a one-notch downgrade event	0.3	0.2	0.0	<b>0.5</b>	0.7	0.4	0.1	<b>1.2</b>
Additional collateral required in a two-notch downgrade event	1.3	0.4	0.5	<b>2.2</b>	1.8	0.7	0.6	<b>3.1</b>
Additional collateral required in a three-notch downgrade event	1.5	0.7	0.7	<b>2.9</b>	2.1	1.3	0.8	<b>4.2</b>

**Credit derivatives**

► Refer to “Note 32 – Derivatives and hedging activities” in V – Consolidated financial statements – Credit Suisse Group for further information.

**Credit protection sold/purchased**

The following tables do not include all credit derivatives and differ from the credit derivatives in the “Fair value of derivative instruments” table. This is due to the exclusion of certain credit derivative instruments under US GAAP, which defines a credit derivative as a derivative instrument (a) in which one or more of its

underlyings are related to the credit risk of a specified entity (or a group of entities) or an index based on the credit risk of a group of entities and (b) that exposes the seller to potential loss from credit risk-related events specified in the contract.

◉ Total return swaps (TRS) of CHF 7.8 billion and CHF 9.8 billion as of December 31, 2016 and 2015, respectively, were also excluded because a TRS does not expose the seller to potential loss from credit risk-related events specified in the contract. A TRS only provides protection against a loss in asset value and not against additional amounts as a result of specific credit events.

**Credit protection sold/purchased**

end of	2016										2015 <sup>4</sup>
	Credit protection sold	Credit protection purchased <sup>1</sup>	Net credit protection (sold)/purchased	Other protection purchased	Fair value of credit protection sold	Credit protection sold	Credit protection purchased <sup>1</sup>	Net credit protection (sold)/purchased	Other protection purchased	Fair value of credit protection sold	
<b>Single-name instruments (CHF billion)</b>											
Investment grade <sup>2</sup>	(72.4)	67.4	(5.0)	14.3	0.7	(172.8)	164.8	(8.0)	30.7	1.4	
Non-investment grade	(30.3)	28.1	(2.2)	18.1	(1.0)	(58.9)	55.3	(3.6)	14.1	(2.4)	
<b>Total single-name instruments</b>	<b>(102.7)</b>	<b>95.5</b>	<b>(7.2)</b>	<b>32.4</b>	<b>(0.3)</b>	<b>(231.7)</b>	<b>220.1</b>	<b>(11.6)</b>	<b>44.8</b>	<b>(1.0)</b>	
of which sovereign	(27.7)	25.6	(2.1)	6.5	(0.9)	(47.5)	44.0	(3.5)	8.4	(1.2)	
of which non-sovereign	(75.0)	69.9	(5.1)	25.9	0.6	(184.2)	176.1	(8.1)	36.4	0.2	
<b>Multi-name instruments (CHF billion)</b>											
Investment grade <sup>2</sup>	(115.0)	113.9	(1.1)	41.2	0.0	(114.5)	112.7	(1.8)	33.3	(0.8)	
Non-investment grade	(20.9)	19.5 <sup>3</sup>	(1.4)	9.8	0.3	(29.0)	26.8 <sup>3</sup>	(2.2)	9.6	0.6	
<b>Total multi-name instruments</b>	<b>(135.9)</b>	<b>133.4</b>	<b>(2.5)</b>	<b>51.0</b>	<b>0.3</b>	<b>(143.5)</b>	<b>139.5</b>	<b>(4.0)</b>	<b>42.9</b>	<b>(0.2)</b>	
of which sovereign	(0.3)	0.2	(0.1)	0.7	0.1	(0.9)	1.1	0.2	0.0	0.0	
of which non-sovereign	(135.6)	133.2	(2.4)	50.3	0.2	(142.6)	138.4	(4.2)	42.9	(0.2)	
<b>Total instruments (CHF billion)</b>											
Investment grade <sup>2</sup>	(187.4)	181.3	(6.1)	55.5	0.7	(287.3)	277.5	(9.8)	64.0	0.6	
Non-investment grade	(51.2)	47.6	(3.6)	27.9	(0.7)	(87.9)	82.1	(5.8)	23.7	(1.8)	
<b>Total instruments</b>	<b>(238.6)</b>	<b>228.9</b>	<b>(9.7)</b>	<b>83.4</b>	<b>0.0</b>	<b>(375.2)</b>	<b>359.6</b>	<b>(15.6)</b>	<b>87.7</b>	<b>(1.2)</b>	
of which sovereign	(28.0)	25.8	(2.2)	7.2	(0.8)	(48.4)	45.1	(3.3)	8.4	(1.2)	
of which non-sovereign	(210.6)	203.1	(7.5)	76.2	0.8	(326.8)	314.5	(12.3)	79.3	0.0	

<sup>1</sup> Represents credit protection purchased with identical underlyings and recoveries.

<sup>2</sup> Based on internal ratings of BBB and above.

<sup>3</sup> Includes synthetic securitized loan portfolios.

<sup>4</sup> Prior period has been corrected.

The following table reconciles the notional amount of credit derivatives included in the table “Fair value of derivative instruments” to the table “Credit protection sold/purchased”.

**Credit derivatives**

end of	2016	2015
<b>Credit derivatives (CHF billion)</b>		
Credit protection sold	238.6	375.2
Credit protection purchased	228.9	359.6
Other protection purchased	83.4	87.7
Other instruments <sup>1</sup>	7.8	9.4
<b>Total credit derivatives</b>	<b>558.7</b>	<b>831.9</b>

<sup>1</sup> Consists of total return swaps and other derivative instruments.

**Maturity of credit protection sold**

end of	Maturity less than 1 year	Maturity between 1 to 5 years	Maturity greater than 5 years	Total
<b>2016 (CHF billion)</b>				
Single-name instruments	24.2	72.7	5.8	102.7
Multi-name instruments	27.5	84.7	23.7	135.9
<b>Total instruments</b>	<b>51.7</b>	<b>157.4</b>	<b>29.5</b>	<b>238.6</b>
<b>2015 (CHF billion)<sup>1</sup></b>				
Single-name instruments	52.6	170.6	8.5	231.7
Multi-name instruments	24.3	102.2	17.0	143.5
<b>Total instruments</b>	<b>76.9</b>	<b>272.8</b>	<b>25.5</b>	<b>375.2</b>

<sup>1</sup> Prior period has been corrected.



## 32 Guarantees and commitments

### Guarantees

end of	Maturity less than 1 year	Maturity between 1 to 3 years	Maturity between 3 to 5 years	Maturity greater than 5 years	Total gross amount	Total net amount <sup>1</sup>	Carrying value	Collateral received
<b>2016 (CHF million)</b>								
Credit guarantees and similar instruments	1,955	500	262	402	3,119	2,900	12	2,038
Performance guarantees and similar instruments	5,019	1,514	163	237	6,933	5,943	74	3,057
Derivatives <sup>2</sup>	15,864	3,377	3,590	976	23,807	23,807	684	– <sup>3</sup>
Other guarantees	3,326	835	561	578	5,300	5,296	43	3,591
<b>Total guarantees</b>	<b>26,164</b>	<b>6,226</b>	<b>4,576</b>	<b>2,193</b>	<b>39,159</b>	<b>37,946</b>	<b>813</b>	<b>8,686</b>
<b>2015 (CHF million)</b>								
Credit guarantees and similar instruments	2,908	743	285	451	4,387	4,178	24	1,727
Performance guarantees and similar instruments	4,201	1,929	603	81	6,814	5,915	75	3,104
Derivatives <sup>2</sup>	23,528	10,061	3,149	1,451	38,189	38,189	755	– <sup>3</sup>
Other guarantees	3,901	517	445	516	5,379	5,374	51	3,492
<b>Total guarantees</b>	<b>34,538</b>	<b>13,250</b>	<b>4,482</b>	<b>2,499</b>	<b>54,769</b>	<b>53,656</b>	<b>905</b>	<b>8,323</b>

<sup>1</sup> Total net amount is computed as the gross amount less any participations.

<sup>2</sup> Excludes derivative contracts with certain active commercial and investment banks and certain other counterparties, as such contracts can be cash settled and the Bank had no basis to conclude it was probable that the counterparties held, at inception, the underlying instruments.

<sup>3</sup> Collateral for derivatives accounted for as guarantees is not significant.

► Refer to "Note 33 – Guarantees and commitments" in V – Consolidated financial statements – Credit Suisse Group for further information.

Deposit-taking banks and securities dealers in Switzerland and certain other European countries are required to ensure the payout of privileged deposits in case of specified restrictions or compulsory liquidation of a deposit-taking bank. In Switzerland, deposit-taking banks and securities dealers 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 Bank's contribution will be calculated based on its share of privileged deposits in proportion to total privileged deposits. Based on FINMA's estimate for the Bank, the Bank's share in the deposit insurance guarantee program for the period July 1, 2016 to June 30, 2017 is CHF 0.5 billion. These deposit insurance guarantees were reflected in other guarantees.

### Representations and warranties on residential mortgage loans sold

In connection with the former Investment Banking division's sale of US residential mortgage loans, the Bank has provided certain representations and warranties relating to the loans sold.

### Lease commitments

<b>Lease commitments (CHF million)</b>	
2017	575
2018	556
2019	502
2020	473
2021	370
Thereafter	3,271
<b>Future operating lease commitments</b>	<b>5,747</b>
Less minimum non-cancellable sublease rentals	153
<b>Total net future minimum lease commitments</b>	<b>5,594</b>

### Rental expense for operating leases

in	2016	2015	2014
<b>Rental expense for operating leases (CHF million)</b>			
Minimum rental expense	546	558	572
Sublease rental income	(89)	(92)	(81)
<b>Total net expenses for operating leases</b>	<b>457</b>	<b>466</b>	<b>491</b>

**Operating lease commitments****Sale-leaseback transactions**

During 2016, 2015 and 2014, the Bank entered into several smaller sale-leaseback transactions in respect of own property, which were all recognized as operating lease arrangements with

lease terms of two years, between two and ten years and between five and ten years, respectively. The total contractual rental expenses were CHF 19 million for the 2016 sale-leaseback transactions, CHF 67 million for the 2015 sale-leaseback transactions and CHF 17 million for the 2014 sale-leaseback transactions.

**Other commitments**

end of	Maturity less than 1 year	Maturity between 1 to 3 years	Maturity between 3 to 5 years	Maturity greater than 5 years	Total gross amount	Total net amount <sup>1</sup>	Collateral received
<b>2016 (CHF million)</b>							
Irrevocable commitments under documentary credits	4,354	0	0	0	4,354	4,280	2,748
Irrevocable loan commitments	30,265	34,397	44,503	7,562	116,727 <sup>2</sup>	112,768	46,067
Forward reverse repurchase agreements	84	0	0	0	84	84	84
Other commitments	437	24	75	51	587	587	0
<b>Total other commitments</b>	<b>35,140</b>	<b>34,421</b>	<b>44,578</b>	<b>7,613</b>	<b>121,752</b>	<b>117,719</b>	<b>48,899</b>
<b>2015 (CHF million)</b>							
Irrevocable commitments under documentary credits	4,020	4	3	0	4,027	3,932	2,468
Irrevocable loan commitments	33,776	45,286	44,755	13,586	137,403 <sup>2</sup>	133,583	63,275
Forward reverse repurchase agreements	48	0	0	0	48	48	48
Other commitments	404	124	29	168	725	726	6
<b>Total other commitments</b>	<b>38,248</b>	<b>45,414</b>	<b>44,787</b>	<b>13,754</b>	<b>142,203</b>	<b>138,289</b>	<b>65,797</b>

<sup>1</sup> Total net amount is computed as the gross amount less any participations.

<sup>2</sup> Irrevocable loan commitments do not include a total gross amount of CHF 92,471 million and CHF 95,025 million of unused credit limits as of December 31, 2016 and 2015, respectively, which were revocable at the Bank's sole discretion upon notice to the client.

### 33 Transfers of financial assets and variable interest entities

#### TRANSFERS OF FINANCIAL ASSETS

► Refer to "Note 34 – Transfers of financial assets and variable interest entities" in V – Credit Suisse Group – Consolidated financial statements for further information.

#### Securizations

The following table provides the gains or losses and proceeds from the transfer of assets relating to 2016, 2015 and 2014 securitizations of financial assets that qualify for sale accounting and subsequent derecognition, along with the cash flows between the Bank and the SPEs used in any securitizations in which the Bank still has continuing involvement, regardless of when the securitization occurred.

#### Securizations

in	2016	2015	2014
<b>Gains and cash flows (CHF million)</b>			
<b>CMBS</b>			
Net gain/(loss) <sup>1</sup>	(2)	1	7
Proceeds from transfer of assets	3,954	9,813	5,335
Cash received on interests that continue to be held	69	148	102
<b>RMBS</b>			
Net gain/(loss) <sup>1</sup>	(4)	5	13
Proceeds from transfer of assets	9,866	20,062	22,728
Purchases of previously transferred financial assets or its underlying collateral	0	(1)	(4)
Servicing fees	2	3	2
Cash received on interests that continue to be held	529	457	444
<b>Other asset-backed financings</b>			
Net gain <sup>1</sup>	26	24	29
Proceeds from transfer of assets	2,813 <sup>2</sup>	1,740	1,819
Fees <sup>3</sup>	137	0	0
Cash received on interests that continue to be held	2	3	17

<sup>1</sup> Includes underwriting revenues, deferred origination fees, gains or losses on the sale of collateral to the SPE and gains or losses on the sale of newly issued securities to third parties, but excludes net interest income on assets prior to the securitization. The gains or losses on the sale of the collateral is the difference between the fair value on the day prior to the securitization pricing date and the sale price of the loans.

<sup>2</sup> Excludes a net impact of CHF 3,109 million from transfers of assets prior to January 1, 2016 related to certain variable interest entities deconsolidated as a result of the adoption of ASU 2015-02, Amendments to the Consolidation Analysis, on January 1, 2016.

<sup>3</sup> Represents market making activity and voluntary repurchases at fair value where no repurchase obligations were present.

#### Continuing involvement in transferred financial assets

The following table provides the outstanding principal balance of assets to which the Bank continued to be exposed after the transfer of the financial assets to any SPE and the total assets of the SPE as of December 31, 2016 and 2015, regardless of when the transfer of assets occurred.

#### Principal amounts outstanding and total assets of SPEs resulting from continuing involvement

end of	2016	2015
<b>CHF million</b>		
<b>CMBS</b>		
Principal amount outstanding	28,779	40,625
Total assets of SPE	40,234	56,118
<b>RMBS</b>		
Principal amount outstanding	38,319	54,164
Total assets of SPE	39,680	55,833
<b>Other asset-backed financings</b>		
Principal amount outstanding	19,777 <sup>1</sup>	21,653
Total assets of SPE	36,049 <sup>1</sup>	22,787

Principal amount outstanding relates to assets transferred from the Bank and does not include principle amounts for assets transferred from third parties.

<sup>1</sup> Includes a net impact of CHF 3,208 million in principal amount outstanding and of CHF 16,625 million in total assets of the SPE from transfers of assets prior to January 1, 2016 related to certain variable interest entities deconsolidated as a result of the adoption of ASU 2015-02, Amendments to the Consolidation Analysis, on January 1, 2016.

#### Fair value of beneficial interests

The fair value measurement of beneficial interests held at the time of transfer and as of the reporting date that result from any continuing involvement is determined using fair value estimation techniques, such as the present value of estimated future cash flows that incorporate assumptions that market participants customarily use in these valuation techniques. The fair value of the assets or liabilities that result from any continuing involvement does not include any benefits from financial instruments that the Bank may utilize to hedge the inherent risks.

#### Key economic assumptions at the time of transfer

► Refer to "Note 34 – Financial instruments" for further information on the fair value hierarchy.

**Key economic assumptions used in measuring fair value of beneficial interests at time of transfer**

at time of transfer, in	2016		2015		2014	
	CMBS	RMBS	CMBS	RMBS	CMBS	RMBS
<b>CHF million, except where indicated</b>						
Fair value of beneficial interests	69	2,068	1,512	2,110	1,341	4,023
of which level 2	69	1,827	1,442	1,695	1,242	3,791
of which level 3	0	241	70	415	100	232
Weighted-average life, in years	8.4	7.2	8.2	9.0	4.1	7.7
Prepayment speed assumption (rate per annum), in % <sup>1</sup>	- <sup>2</sup>	5.0–33.0	- <sup>2</sup>	1.1–30.1	- <sup>2</sup>	1.5–23.0
Cash flow discount rate (rate per annum), in % <sup>3</sup>	2.4–4.9	1.2–24.4	1.7–7.2	1.7–33.7	1.0–11.0	1.9–17.8
Expected credit losses (rate per annum), in %	0.0–0.0	2.5–11.2	0.7–5.9	0.5–15.9	1.0–2.2	0.4–15.3

Transfers of assets in which the Bank does not have beneficial interests are not included in this table.

<sup>1</sup> Prepayment speed assumption (PSA) is an industry standard prepayment speed metric used for projecting prepayments over the life of a residential mortgage loan. PSA utilizes the constant prepayment rate (CPR) assumptions. A 100% prepayment assumption assumes a prepayment rate of 0.2% per annum of the outstanding principal balance of mortgage loans in the first month. This increases by 0.2 percentage points thereafter during the term of the mortgage loan, leveling off to a CPR of 6% per annum beginning in the 30th month and each month thereafter during the term of the mortgage loan. 100 PSA equals 6 CPR.

<sup>2</sup> To deter prepayment, commercial mortgage loans typically have prepayment protection in the form of prepayment lockouts and yield maintenances.

<sup>3</sup> The rate was based on the weighted-average yield on the beneficial interests.

**Key economic assumptions as of the reporting date**

The following table provides the sensitivity analysis of key economic assumptions used in measuring the fair value of beneficial interests held in SPEs as of December 31, 2016 and 2015.

**Key economic assumptions used in measuring fair value of beneficial interests held in SPEs**

end of	2016			2015		
	CMBS <sup>1</sup>	RMBS	Other asset-backed financing activities <sup>2</sup>	CMBS <sup>1</sup>	RMBS	Other asset-backed financing activities <sup>2</sup>
<b>CHF million, except where indicated</b>						
Fair value of beneficial interests	258	1,851	443	1,007	2,274	56
of which non-investment grade	70	523	32	73	581	55
Weighted-average life, in years	7.2	8.1	5.6	6.7	9.7	2.5
Prepayment speed assumption (rate per annum), in % <sup>3</sup>	-	2.0–26.9	-	-	1.0–37.1	-
Impact on fair value from 10% adverse change	-	(28.7)	-	-	(30.5)	-
Impact on fair value from 20% adverse change	-	(55.9)	-	-	(57.6)	-
Cash flow discount rate (rate per annum), in % <sup>4</sup>	2.3–28.8	1.7–47.2	0.8–21.2	2.1–13.3	1.5–35.5	5.7–21.2
Impact on fair value from 10% adverse change	(6.0)	(48.1)	(8.3)	(18.1)	(63.1)	(0.7)
Impact on fair value from 20% adverse change	(11.7)	(93.5)	(16.4)	(35.6)	(122.5)	(1.5)
Expected credit losses (rate per annum), in %	0.7–28.0	0.9–44.9	0.9–21.2	0.9–12.7	1.3–34.3	0.2–14.2
Impact on fair value from 10% adverse change	(3.5)	(27.3)	(5.1)	(8.0)	(32.3)	(0.7)
Impact on fair value from 20% adverse change	(6.9)	(53.3)	(10.0)	(15.9)	(63.2)	(1.5)

<sup>1</sup> To deter prepayment, commercial mortgage loans typically have prepayment protection in the form of prepayment lockouts and yield maintenances.

<sup>2</sup> CDOs within this category are generally structured to be protected from prepayment risk.

<sup>3</sup> PSA is an industry standard prepayment speed metric used for projecting prepayments over the life of a residential mortgage loan. PSA utilizes the CPR assumptions. A 100% prepayment assumption assumes a prepayment rate of 0.2% per annum of the outstanding principal balance of mortgage loans in the first month. This increases by 0.2 percentage points thereafter during the term of the mortgage loan, leveling off to a CPR of 6% per annum beginning in the 30th month and each month thereafter during the term of the mortgage loan. 100 PSA equals 6 CPR.

<sup>4</sup> The rate was based on the weighted-average yield on the beneficial interests.

**Transfers of financial assets where sale treatment was not achieved**

The following table provides the carrying amounts of transferred financial assets and the related liabilities where sale treatment was not achieved as of December 31, 2016 and 2015.

**Carrying amounts of transferred financial assets and liabilities where sale treatment was not achieved**

end of	2016	2015
<b>CHF million</b>		
<b>RMBS</b>		
Other assets	0	266
Liability to SPE, included in Other liabilities	0	(266)
<b>Other asset-backed financings</b>		
Trading assets	240	155
Other assets	12	122
Liability to SPE, included in Other liabilities	(252)	(277)

**Transfers of financial assets accounted for as a sale**

The following table presents information about the transfers of financial assets accounted for as sales with agreements that result in the Bank retaining substantially all of the exposure to the economic return on the transferred assets at the date of sale and remain outstanding as of December 31, 2016 and 2015, respectively, gross cash proceeds received for assets derecognized at the date of sale and the fair values of transferred assets and the types of agreements as of December 31, 2016 and 2015.

**Transfer of financial assets accounted for as sales – by transaction type**

	at date of derecognition		end of		
	Carrying amount derecognized	Gross cash proceeds received for assets derecognized	Fair value of transferred assets	Gross derivative assets recorded <sup>1</sup>	Gross derivative liabilities recorded <sup>1</sup>
<b>2016 (CHF million)</b>					
Sales with longevity swaps	277	340	374	556	–
<b>Total transactions outstanding</b>	<b>277</b>	<b>340</b>	<b>374</b>	<b>556<sup>2</sup></b>	<b>0</b>
<b>2015 (CHF million)</b>					
Sales with total return swaps	395	397	398	7	7
Sales with longevity swaps	308	378	375	546	–
<b>Total transactions outstanding</b>	<b>703</b>	<b>775</b>	<b>773</b>	<b>553<sup>3</sup></b>	<b>7<sup>3</sup></b>

<sup>1</sup> Balances presented on a gross basis, before application of counterparty and cash collateral netting.

<sup>2</sup> As of December 31, 2016, gross derivative assets of CHF 556 million were included in other products, as disclosed in Note 31 – Derivatives and hedging activities.

<sup>3</sup> As of December 31, 2015, gross derivative assets of CHF 7 million and CHF 546 million were included in equity/index-related products and other products, respectively, and gross derivative liabilities of CHF 7 million were included in equity/index-related products, as disclosed in Note 31 – Derivatives and hedging activities.

### Securities sold under repurchase agreements and securities lending transactions accounted for as secured borrowings

The following tables provide the gross obligation relating to securities sold under repurchase agreements, securities lending transactions and obligation to return securities received as collateral by the class of collateral pledged and by remaining contractual maturity as of December 31, 2016 and 2015.

### Securities sold under repurchase agreements, securities lending transactions and obligation to return securities received as collateral – by class of collateral pledged

end of	2016	2015
<b>CHF billion</b>		
Government debt securities	29.4	21.1
Corporate debt securities	13.9	15.2
Asset-backed securities	10.3	21.6
Equity securities	1.1	0.1
Other	0.3	0.1
<b>Securities sold under repurchase agreements</b>	<b>55.0</b>	<b>58.1</b>
Government debt securities	2.5	3.1
Corporate debt securities	0.5	0.4
Equity securities	6.0	8.2
Other	0.4	0.3
<b>Securities lending transactions</b>	<b>9.4</b>	<b>12.0</b>
Government debt securities	0.7	0.5
Corporate debt securities	0.4	0.1
Equity securities	31.5	27.9
<b>Obligation to return securities received as collateral, at fair value</b>	<b>32.6</b>	<b>28.5</b>
<b>Total</b>	<b>97.0</b>	<b>98.6</b>

### Securities sold under repurchase agreements, securities lending transactions and obligation to return securities received as collateral – by remaining contractual maturity

end of	Remaining contractual maturities				Total
	On demand <sup>1</sup>	Up to 30 days <sup>2</sup>	31-90 days	More than 90 days	
<b>2016 (CHF billion)</b>					
Securities sold under repurchase agreements	6.8	31.9	8.4	7.9	55.0
Securities lending transactions	6.7	2.4	0.0	0.3	9.4
Obligation to return securities received as collateral, at fair value	32.2	0.4	0.0	0.0	32.6
<b>Total</b>	<b>45.7</b>	<b>34.7</b>	<b>8.4</b>	<b>8.2</b>	<b>97.0</b>
<b>2015 (CHF billion)</b>					
Securities sold under repurchase agreements	7.7	29.9	8.1	12.4	58.1
Securities lending transactions	6.0	3.6	1.8	0.6	12.0
Obligation to return securities received as collateral, at fair value	26.2	2.3	0.0	0.0	28.5
<b>Total</b>	<b>39.9</b>	<b>35.8</b>	<b>9.9</b>	<b>13.0</b>	<b>98.6</b>

<sup>1</sup> Includes contracts with no contractual maturity that may contain termination arrangements subject to a notice period.

<sup>2</sup> Includes overnight transactions.

► Refer to "Note 26 – Offsetting of financial assets and financial liabilities" for further information on the gross amount of securities sold under repurchase agreements, securities lending transactions and obligation to return securities received as collateral and the net amounts disclosed in the consolidated balance sheets.

## **VARIABLE INTEREST ENTITIES**

► Refer to “Note 34 – Transfers of financial assets and variable interest entities” in V – Consolidated financial statements – Credit Suisse Group for further information.

### **Commercial paper conduit**

In the fourth quarter of 2015, the Bank elected to stop issuing CP from an existing asset-backed CP conduit, Alpine Securitization Corp. (old Alpine), and all outstanding CP was fully repaid as of December 31, 2015. As of December 31, 2016, old Alpine did not have any third-party assets.

In the second quarter of 2016, the Bank established Alpine Securitization Ltd (Alpine), a multi-seller asset-backed CP conduit used for client and Bank financing purposes. The Bank acts as the administrator and provider of liquidity and credit enhancement facilities for Alpine. Alpine discloses to CP investors certain portfolio and asset data and submits its portfolio to rating agencies for public ratings. This CP conduit purchases assets such as loans and receivables or enters into reverse repurchase agreements and finances such activities through the issuance of CP backed by these assets. The CP conduit can enter into liquidity facilities with third-party entities pursuant to which it may purchase assets from these entities to provide them with liquidity and credit support. The financing transactions are structured to provide credit support to the CP conduit in the form of over-collateralization and other asset-specific enhancements. Alpine is a separate legal entity that

is wholly owned by the Bank. However, its assets are available to satisfy only the claims of its creditors. In addition, the Bank, as administrator and liquidity facility provider, has significant exposure to and power over the activities of Alpine. Alpine is considered a VIE for accounting purposes and the Bank is deemed the primary beneficiary and consolidates this entity.

The overall average maturity of the conduit's outstanding CP was approximately 103 days as of December 31, 2016. Alpine was rated A-1(sf) by Standard & Poor's and P-1(sf) by Moody's and had exposures in a reverse repurchase agreement, credit card receivables, student loans and car loans.

The Bank's commitment to this CP conduit consists of obligations under liquidity agreements. The liquidity agreements are asset-specific arrangements, which require the Bank to purchase assets from the CP conduit in certain circumstances, including a lack of liquidity in the CP market such that the CP conduit cannot refinance its obligations or, in some cases, a default of an underlying asset. The asset-specific credit enhancements provided by the client seller of the assets remain unchanged as a result of such a purchase. In entering into such agreements, the Bank reviews the credit risk associated with these transactions on the same basis that would apply to other extensions of credit.

The Bank's economic risks associated with the CP conduit are included in the Bank's risk management framework including counterparty, economic risk capital and scenario analysis.

**Consolidated VIEs**

The Bank has significant involvement with VIEs in its role as a financial intermediary on behalf of clients. The Bank consolidated all VIEs related to financial intermediation for which it was the primary beneficiary.

**Consolidated VIEs in which the Bank was the primary beneficiary**

end of	CDO/ CLO	CP Conduit	Financial intermediation				Total
			Securi- tizations	Funds	Loans	Other	
<b>2016 (CHF million)</b>							
Cash and due from banks	43	1	41	52	50	182	369
Trading assets	0	0	0	478	933	1,333	2,744
Investment securities	0	0	511	0	0	0	511
Other investments	0	0	0	228	1,446	332	2,006
Net loans	0	0	0	0	30	254	284
Premises and equipment	0	0	0	0	173	0	173
Other assets	0	0	1,483	48	50	1,035	2,616
of which loans held-for-sale	0	0	415	0	7	0	422
<b>Total assets of consolidated VIEs</b>	<b>43</b>	<b>1</b>	<b>2,035</b>	<b>806</b>	<b>2,682</b>	<b>3,136</b>	<b>8,703</b>
Trading liabilities	0	0	0	0	18	0	18
Short-term borrowings	0	0	0	1	0	0	1
Long-term debt	54	0	1,639	7	57	2	1,759
Other liabilities	0	0	1	15	124	103	243
<b>Total liabilities of consolidated VIEs</b>	<b>54</b>	<b>0</b>	<b>1,640</b>	<b>23</b>	<b>199</b>	<b>105</b>	<b>2,021</b>
<b>2015 (CHF million)</b>							
Cash and due from banks	1,351	0	21	9	93	219	1,693
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	0	53	0	0	0	0	53
Trading assets	283	49	0	941	1,001	98	2,372
Investment securities	0	0	1,009	0	0	0	1,009
Other investments	0	0	0	0	1,553	433	1,986
Net loans	0	0	0	0	27	1,285	1,312
Premises and equipment	0	0	0	0	299	0	299
Other assets	10,839	123	1,671	0	82	1,735	14,450
of which loans held-for-sale	10,790	0	469	0	16	0	11,275
<b>Total assets of consolidated VIEs</b>	<b>12,473</b>	<b>225</b>	<b>2,701</b>	<b>950</b>	<b>3,055</b>	<b>3,770</b>	<b>23,174</b>
Trading liabilities	8	0	0	0	18	1	27
Short-term borrowings	0	0	81	0	0	0	81
Long-term debt	12,428	0	2,128	125	136	9	14,826
Other liabilities	51	3	3	1	134	643	835
<b>Total liabilities of consolidated VIEs</b>	<b>12,487</b>	<b>3</b>	<b>2,212</b>	<b>126</b>	<b>288</b>	<b>653</b>	<b>15,769</b>



**Non-consolidated VIEs**

Non-consolidated VIE assets are related to the non-consolidated VIEs with which the Bank has variable interests. These amounts represent the assets of the entities themselves and are typically unrelated to the exposures the Bank has with the entity and thus are not amounts that are considered for risk management purposes.

**Non-consolidated VIEs**

end of	CDO/ CLO	Financial intermediation				Total
		Securi- tizations	Funds	Loans	Other	
<b>2016 (CHF million)</b>						
Trading assets	440	3,881	1,526	528	191	6,566
Net loans	4	105	1,937	4,634	608	7,288
Other assets	5	14	4	4	520	547
<b>Total variable interest assets</b>	<b>449</b>	<b>4,000</b>	<b>3,467</b>	<b>5,166</b>	<b>1,319</b>	<b>14,401</b>
<b>Maximum exposure to loss</b>	<b>449</b>	<b>7,171</b>	<b>3,467</b>	<b>9,215</b>	<b>1,821</b>	<b>22,123</b>
<b>Non-consolidated VIE assets</b>	<b>9,774</b>	<b>65,820</b>	<b>65,057</b>	<b>32,651</b>	<b>6,756</b>	<b>180,058</b>
<b>2015 (CHF million)</b>						
Trading assets	90	6,021	871	425	8	7,415
Net loans	36	1,508	2,634	5,053	1,723	10,954
Other assets	0	11	13	0	161	185
<b>Total variable interest assets</b>	<b>126</b>	<b>7,540</b>	<b>3,518</b>	<b>5,478</b>	<b>1,892</b>	<b>18,554</b>
<b>Maximum exposure to loss</b>	<b>126</b>	<b>12,986</b>	<b>3,518</b>	<b>11,866</b>	<b>2,570</b>	<b>31,066</b>
<b>Non-consolidated VIE assets</b>	<b>6,590</b>	<b>113,530</b>	<b>54,112</b>	<b>41,824</b>	<b>11,463</b>	<b>227,519</b>

**34 Financial instruments**

► Refer to "Note 35 – Financial instruments" in V – Consolidated financial statements – Credit Suisse Group for further information.

## Assets and liabilities measured at fair value on a recurring basis

end of 2016	Level 1	Level 2	Level 3	Netting impact <sup>1</sup>	Assets measured at net asset value per share <sup>2</sup>	Total
<b>Assets (CHF million)</b>						
Cash and due from banks	0	200	0	–	–	200
Interest-bearing deposits with banks	0	25	1	–	–	26
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	0	87,157	174	–	–	87,331
Debt	619	419	1	–	–	1,039
of which corporates	1	375	1	–	–	377
Equity	30,706	750	69	–	–	31,525
Securities received as collateral	31,325	1,169	70	–	–	32,564
Debt	29,498	32,200	3,977	–	–	65,675
of which foreign governments	29,226	2,408	292	–	–	31,926
of which corporates	180	12,332	1,674	–	–	14,186
of which RMBS	0	14,153	605	–	–	14,758
of which CMBS	0	2,227	65	–	–	2,292
of which CDO	0	1,074	1,165	–	–	2,239
Equity	58,492	3,795	240	–	1,346	63,873
Derivatives	5,633	224,461	4,305	(207,421)	–	26,978
of which interest rate products	3,074	133,891	748	–	–	–
of which foreign exchange products	18	61,452	355	–	–	–
of which equity/index-related products	2,538	20,777	914	–	–	–
of which credit derivatives	0	7,388	688	–	–	–
Other	2,267	2,320	4,243	–	–	8,830
Trading assets	95,890	262,776	12,765	(207,421)	1,346	165,356
Debt	103	1,929	72	–	–	2,104
of which foreign governments	103	1,207	0	–	–	1,310
of which corporates	0	283	0	–	–	283
of which RMBS	0	425	72	–	–	497
of which CMBS	0	14	0	–	–	14
Equity	2	86	0	–	–	88
Investment securities	105	2,015	72	–	–	2,192
Private equity	0	0	8	–	565	573
of which equity funds	0	0	0	–	232	232
Hedge funds	0	0	0	–	546	546
of which debt funds	0	0	0	–	292	292
Other equity investments	22	64	310	–	985	1,381
of which private	15	64	310	–	984	1,373
Life finance instruments	0	0	1,588	–	–	1,588
Other investments	22	64	1,906	–	2,096	4,088
Loans	0	12,943	6,585	–	–	19,528
of which commercial and industrial loans	0	6,051	3,816	–	–	9,867
of which financial institutions	0	4,403	1,829	–	–	6,232
Other intangible assets (mortgage servicing rights)	0	0	138	–	–	138
Other assets	260	8,202	1,679	(758)	–	9,383
of which loans held-for-sale	0	4,640	1,316	–	–	5,956
<b>Total assets at fair value</b>	<b>127,602</b>	<b>374,551</b>	<b>23,390</b>	<b>(208,179)</b>	<b>3,442</b>	<b>320,806</b>
Less other investments – equity at fair value attributable to noncontrolling interests	0	0	(116)	–	(565)	(681)
Less assets consolidated under ASU 2009-17 <sup>3</sup>	0	(829)	(300)	–	–	(1,129)
<b>Assets at fair value excluding noncontrolling interests and assets not risk-weighted under the Basel framework</b>	<b>127,602</b>	<b>373,722</b>	<b>22,974</b>	<b>(208,179)</b>	<b>2,877</b>	<b>318,996</b>

<sup>1</sup> Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.

<sup>2</sup> In accordance with US GAAP, certain investments that are measured at fair value using the net asset value per share practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheet.

<sup>3</sup> Assets of consolidated VIEs that are not risk-weighted under the Basel framework.

## Assets and liabilities measured at fair value on a recurring basis (continued)

end of 2016	Level 1	Level 2	Level 3	Netting impact <sup>1</sup>	Liabilities measured at net asset value per share <sup>2</sup>	Total
<b>Liabilities (CHF million)</b>						
Due to banks	0	445	0	–	–	445
Customer deposits	0	3,157	410	–	–	3,567
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	0	19,634	0	–	–	19,634
Debt	619	419	1	–	–	1,039
of which corporates	1	375	1	–	–	377
Equity	30,706	750	69	–	–	31,525
Obligation to return securities received as collateral	31,325	1,169	70	–	–	32,564
Debt	4,376	3,564	23	–	–	7,963
of which foreign governments	4,374	547	0	–	–	4,921
of which corporates	0	2,760	23	–	–	2,783
Equity	16,387	191	41	–	1	16,620
Derivatives	5,407	229,300	3,673	(218,012)	–	20,368
of which interest rate products	2,946	126,200	538	–	–	–
of which foreign exchange products	18	71,009	150	–	–	–
of which equity/index-related products	2,442	22,687	1,181	–	–	–
of which credit derivatives	0	8,350	851	–	–	–
Trading liabilities	26,170	233,055	3,737	(218,012)	1	44,951
Short-term borrowings	0	3,545	516	–	–	4,061
Long-term debt	0	58,555	13,415	–	–	71,970
of which treasury debt over two years	0	3,217	0	–	–	3,217
of which structured notes over one year and up to two years	0	6,852	326	–	–	7,178
of which structured notes over two years	0	39,824	12,434	–	–	52,258
of which other debt instruments over two years	0	2,311	634	–	–	2,945
of which other subordinated bonds	0	4,584	1	–	–	4,585
of which non-recourse liabilities	0	1,742	17	–	–	1,759
Other liabilities	0	8,624	1,679	(816)	–	9,487
of which failed sales	0	507	219	–	–	726
<b>Total liabilities at fair value</b>	<b>57,495</b>	<b>328,184</b>	<b>19,827</b>	<b>(218,828)</b>	<b>1</b>	<b>186,679</b>

<sup>1</sup> Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.

<sup>2</sup> In accordance with US GAAP, certain investments that are measured at fair value using the net asset value per share practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheet.

## Assets and liabilities measured at fair value on a recurring basis (continued)

end of 2015	Level 1	Level 2	Level 3	Netting impact <sup>1</sup>	Assets measured at net asset value per share <sup>2</sup>	Total
<b>Assets (CHF million)</b>						
Cash and due from banks	0	89	0	–	–	89
Interest-bearing deposits with banks	0	2	0	–	–	2
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	0	83,407	158	–	–	83,565
Debt	811	493	0	–	–	1,304
of which corporates	0	261	0	–	–	261
Equity	27,141	66	0	–	–	27,207
Securities received as collateral	27,952	559	0	–	–	28,511
Debt	27,932	48,050	4,564	–	–	80,546
of which foreign governments	27,710	3,737	285	–	–	31,732
of which corporates	13	15,765	1,746	–	–	17,524
of which RMBS	0	22,302	814	–	–	23,116
of which CMBS	0	3,924	215	–	–	4,139
of which CDO	0	2,317	1,298	–	–	3,615
Equity	64,351	4,195	871	–	1,685	71,102
Derivatives	2,625	265,362	4,831	(244,239)	–	28,579
of which interest rate products	657	167,269	791	–	–	–
of which foreign exchange products	104	59,742	383	–	–	–
of which equity/index-related products	1,857	20,053	936	–	–	–
of which credit derivatives	0	16,267	1,568	–	–	–
Other	2,034	4,569	4,266	–	–	10,869
Trading assets	96,942	322,176	14,532	(244,239)	1,685	191,096
Debt	1,322	1,142	148	–	–	2,612
of which foreign governments	1,322	0	0	–	–	1,322
of which corporates	0	281	0	–	–	281
of which RMBS	0	602	148	–	–	750
of which CMBS	0	259	0	–	–	259
Equity	2	84	0	–	–	86
Investment securities	1,324	1,226	148	–	–	2,698
Private equity	0	0	0	–	1,033	1,033
of which equity funds	0	0	0	–	428	428
Hedge funds	0	0	0	–	295	295
of which debt funds	0	0	0	–	260	260
Other equity investments	0	23	365	–	840	1,228
of which private	0	14	365	–	840	1,219
Life finance instruments	0	2	1,669	–	–	1,671
Other investments	0	25	2,034	–	2,168	4,227
Loans	0	11,870	8,950	–	–	20,820
of which commercial and industrial loans	0	5,811	5,735	–	–	11,546
of which financial institutions	0	4,102	1,729	–	–	5,831
Other intangible assets (mortgage servicing rights)	0	0	112	–	–	112
Other assets	687	18,863	7,087	(1,011)	–	25,626
of which loans held-for-sale	0	14,378	6,768	–	–	21,146
<b>Total assets at fair value</b>	<b>126,905</b>	<b>438,217</b>	<b>33,021</b>	<b>(245,250)</b>	<b>3,853</b>	<b>356,746</b>
Less other investments – equity at fair value attributable to noncontrolling interests	0	(9)	(119)	–	(473)	(601)
Less assets consolidated under ASU 2009-17 <sup>3</sup>	0	(9,212)	(3,558)	–	–	(12,770)
<b>Assets at fair value excluding noncontrolling interests and assets not risk-weighted under the Basel framework</b>	<b>126,905</b>	<b>428,996</b>	<b>29,344</b>	<b>(245,250)</b>	<b>3,380</b>	<b>343,375</b>

<sup>1</sup> Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.<sup>2</sup> In accordance with US GAAP, certain investments that are measured at fair value using the net asset value per share practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheet.<sup>3</sup> Assets of consolidated VIEs that are not risk-weighted under the Basel framework.

## Assets and liabilities measured at fair value on a recurring basis (continued)

end of 2015	Level 1	Level 2	Level 3	Netting impact <sup>1</sup>	Liabilities measured at net asset value per share <sup>2</sup>	Total
<b>Liabilities (CHF million)</b>						
Due to banks	0	490	0	–	–	490
Customer deposits	0	3,402	254	–	–	3,656
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	0	32,398	0	–	–	32,398
Debt	811	493	0	–	–	1,304
of which corporates	0	261	0	–	–	261
Equity	27,141	66	0	–	–	27,207
Obligation to return securities received as collateral	27,952	559	0	–	–	28,511
Debt	4,100	4,289	16	–	–	8,405
of which foreign governments	4,050	491	0	–	–	4,541
of which corporates	30	3,597	16	–	–	3,643
Equity	16,899	154	45	–	6	17,104
Derivatives	3,062	270,135	4,554	(254,206)	–	23,545
of which interest rate products	671	160,026	578	–	–	–
of which foreign exchange products	82	70,382	329	–	–	–
of which equity/index-related products	2,299	22,515	1,347	–	–	–
of which credit derivatives	0	15,522	1,757	–	–	–
Trading liabilities	24,061	274,578	4,615	(254,206)	6	49,054
Short-term borrowings	0	3,040	72	–	–	3,112
Long-term debt	0	65,879	14,123	–	–	80,002
of which treasury debt over two years	0	4,590	0	–	–	4,590
of which structured notes over one year and up to two years	0	6,396	364	–	–	6,760
of which structured notes over two years	0	38,066	9,924	–	–	47,990
of which other debt instruments over two years	0	1,435	638	–	–	2,073
of which other subordinated bonds	0	4,547	0	–	–	4,547
of which non-recourse liabilities	0	10,642	3,197	–	–	13,839
Other liabilities	0	9,999	2,483	(737)	–	11,745
of which failed sales	0	530	454	–	–	984
<b>Total liabilities at fair value</b>	<b>52,013</b>	<b>390,345</b>	<b>21,547</b>	<b>(254,943)</b>	<b>6</b>	<b>208,968</b>

<sup>1</sup> Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.

<sup>2</sup> In accordance with US GAAP, certain investments that are measured at fair value using the net asset value per share practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheet.

## Transfers between level 1 and level 2

in	2016		2015		
	Transfers to level 1 out of level 2	Transfers out of level 1 to level 2	Transfers to level 1 out of level 2	Transfers out of level 1 to level 2	
<b>Assets (CHF million)</b>					
Debt		2,012	1,698	85	187
Equity		723	1,074	566	1,257
Derivatives		3,404	0	4,328	24
<b>Trading assets</b>		<b>6,139</b>	<b>2,772</b>	<b>4,979</b>	<b>1,468</b>
<b>Investment securities</b>		<b>0</b>	<b>1,229</b>	<b>0</b>	<b>0</b>
<b>Liabilities (CHF million)</b>					
Debt		2	46	108	79
Equity		108	166	85	139
Derivatives		4,047	29	4,552	114
<b>Trading liabilities</b>		<b>4,157</b>	<b>241</b>	<b>4,745</b>	<b>332</b>

## Assets and liabilities measured at fair value on a recurring basis for level 3

2016	Balance at beginning of period	Transfers in	Transfers out	Purchases	Sales	Issuances
<b>Assets (CHF million)</b>						
Interest-bearing deposits with banks	0	0	0	49	(49)	0
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	158	0	0	0	0	279
Securities received as collateral	0	0	0	100	(33)	0
Debt	4,564	1,574	(1,487)	3,753	(4,514)	0
of which corporates	1,746	836	(677)	2,642	(2,945)	0
of which RMBS	814	587	(573)	525	(668)	0
of which CMBS	215	26	(12)	51	(169)	0
of which CDO	1,298	82	(166)	488	(578)	0
Equity	871	111	(136)	527	(1,057)	0
Derivatives	4,831	1,683	(1,017)	0	0	1,484
of which interest rate products	791	48	(60)	0	0	130
of which equity/index-related products	936	282	(328)	0	0	428
of which credit derivatives	1,568	961	(617)	0	0	543
Other	4,266	858	(1,221)	3,848	(3,644)	0
Trading assets	14,532	4,226	(3,861)	8,128	(9,215)	1,484
Investment securities	148	18	(38)	95	(121)	0
Equity	365	7	(2)	123	(258)	0
Life finance instruments	1,669	0	0	186	(353)	0
Other investments	2,034	7	(2)	309	(611)	0
Loans	8,950	969	(1,942)	524	(1,443)	3,574
of which commercial and industrial loans	5,735	486	(583)	97	(1,007)	1,994
of which financial institutions	1,729	77	(348)	335	(348)	974
Other intangible assets (mortgage servicing rights)	112	0	0	16	(1)	0
Other assets	7,087	572	(1,497)	2,464	(6,801)	898
of which loans held-for-sale <sup>2</sup>	6,768	355	(1,251)	2,192	(6,696)	898
<b>Total assets at fair value</b>	<b>33,021</b>	<b>5,792</b>	<b>(7,340)</b>	<b>11,685</b>	<b>(18,274)</b>	<b>6,235</b>
<b>Liabilities (CHF million)</b>						
Customer deposits	254	0	(41)	0	0	240
Obligation to return securities received as collateral	0	0	0	100	(33)	0
Trading liabilities	4,615	1,588	(1,026)	51	(52)	1,259
of which interest rate derivatives	578	87	(28)	0	0	141
of which foreign exchange derivatives	329	55	(5)	0	0	14
of which equity/index-related derivatives	1,347	130	(293)	0	0	423
of which credit derivatives	1,757	940	(689)	0	0	421
Short-term borrowings	72	45	(30)	0	0	598
Long-term debt	14,123	3,865	(2,393)	0	0	4,510
of which structured notes over two years	9,924	3,484	(2,166)	0	0	4,044
of which non-recourse liabilities	3,197	0	(3)	0	0	182
Other liabilities	2,483	208	(226)	219	(376)	17
of which failed sales	454	44	(121)	142	(308)	0
<b>Total liabilities at fair value</b>	<b>21,547</b>	<b>5,706</b>	<b>(3,716)</b>	<b>370</b>	<b>(461)</b>	<b>6,624</b>
<b>Net assets/(liabilities) at fair value</b>	<b>11,474</b>	<b>86</b>	<b>(3,624)</b>	<b>11,315</b>	<b>(17,813)</b>	<b>(389)</b>

<sup>1</sup> For all transfers to level 3 or out of level 3, the Bank determines and discloses as level 3 events only gains or losses through the last day of the reporting period.

<sup>2</sup> Includes unrealized losses recorded in trading revenues of CHF (182) million primarily related to subprime exposures in securitized products business and market movements across the wider loans held-for-sale portfolio.

## Notes to the consolidated financial statements

Settlements	Trading revenues		Other revenues		Accumulated other comprehensive income		Foreign currency translation impact	Balance at end of period
	On transfers in / out <sup>1</sup>	On all other	On transfers in / out <sup>1</sup>	On all other	On transfers in / out	On all other		
0	0	1	0	0	0	0	0	1
(270)	0	1	0	0	0	0	6	174
0	0	0	0	0	0	0	3	70
0	(1)	(134)	0	10	0	0	212	3,977
0	0	(42)	0	8	0	0	106	1,674
0	(6)	(91)	0	0	0	0	17	605
0	(1)	(45)	0	0	0	0	0	65
0	2	2	0	2	0	0	35	1,165
0	(45)	(38)	0	0	0	0	7	240
(2,972)	7	173	0	(22)	0	0	138	4,305
(293)	0	117	0	0	0	0	15	748
(473)	9	32	0	(22)	0	0	50	914
(1,710)	1	(64)	0	0	0	0	6	688
(314)	7	290	0	0	0	0	153	4,243
(3,286)	(32)	291	0	(12)	0	0	510	12,765
(124)	(10)	100	0	0	0	0	4	72
0	0	31	0	22	0	0	30	318
0	0	33	0	0	0	0	53	1,588
0	0	64	0	22	0	0	83	1,906
(4,281)	(43)	(11)	0	0	0	0	288	6,585
(2,987)	(14)	(74)	0	0	0	0	169	3,816
(701)	1	41	0	0	0	0	69	1,829
0	0	0	0	6	0	0	5	138
(975)	(46)	(208)	0	(9)	0	0	194	1,679
(975)	(59)	(88)	0	(8)	0	0	180	1,316
<b>(8,936)</b>	<b>(131)</b>	<b>238</b>	<b>0</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>1,093</b>	<b>23,390</b>
(20)	0	(64)	0	0	0	41	0	410
0	0	0	0	0	0	0	3	70
(3,494)	100	589	0	(12)	0	0	119	3,737
(244)	14	(25)	0	0	0	0	15	538
(408)	2	160	0	0	0	0	3	150
(748)	32	227	0	0	0	0	63	1,181
(1,806)	50	162	0	0	0	0	16	851
(205)	1	17	(3)	3	0	0	18	516
(7,149)	(64)	(124)	0	0	1	240	406	13,415
(3,004)	(78)	(403)	0	0	1	240	392	12,434
(3,398)	3	48	0	0	0	0	(12)	17
(611)	(72)	(160)	(1)	139	0	0	59	1,679
0	(3)	3	0	0	0	0	8	219
<b>(11,479)</b>	<b>(35)</b>	<b>258</b>	<b>(4)</b>	<b>130</b>	<b>1</b>	<b>281</b>	<b>605</b>	<b>19,827</b>
<b>2,543</b>	<b>(96)</b>	<b>(20)</b>	<b>4</b>	<b>(123)</b>	<b>(1)</b>	<b>(281)</b>	<b>488</b>	<b>3,563</b>

## Assets and liabilities measured at fair value on a recurring basis for level 3 (continued)

2015	Balance at beginning of period	Transfers in	Transfers out	Purchases
<b>Assets (CHF million)</b>				
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	77	0	(41)	0
Securities received as collateral	0	0	0	4
Debt	4,461	1,591	(1,464)	2,942
of which corporates	1,430	823	(468)	1,273
of which RMBS	612	492	(615)	1,064
of which CMBS	257	127	(83)	207
of which CDO	1,421	72	(252)	379
Equity	896	749	(702)	1,185
Derivatives	6,823	2,310	(1,243)	0
of which interest rate products	1,803	53	(282)	0
of which equity/index-related products	1,063	530	(362)	0
of which credit derivatives	2,569	1,574	(599)	0
Other	4,323	1,157	(895)	4,086
Trading assets	16,503	5,807	(4,304)	8,213
Investment securities	3	8	(97)	320
Equity	554	1	(9)	15
Life finance instruments	1,834	0	0	201
Other investments	2,388	1	(9)	216
Loans	9,353	1,347	(1,153)	686
of which commercial and industrial loans	5,853	985	(365)	69
of which financial institutions	1,494	329	(266)	296
Other intangible assets (mortgage servicing rights)	70	0	0	18
Other assets	7,468	4,025	(3,937)	4,244
of which loans held-for-sale	6,851	4,016	(3,841)	4,137
<b>Total assets at fair value</b>	<b>35,862</b>	<b>11,188</b>	<b>(9,541)</b>	<b>13,701</b>
<b>Liabilities (CHF million)</b>				
Customer deposits	100	12	(16)	0
Obligation to return securities received as collateral	0	0	0	4
Trading liabilities	6,417	2,515	(1,891)	63
of which interest rate derivatives	1,202	109	(400)	0
of which foreign exchange derivatives	560	19	(36)	0
of which equity/index-related derivatives	1,466	297	(796)	0
of which credit derivatives	2,760	1,860	(628)	0
Short-term borrowings	95	98	(37)	0
Long-term debt	14,608	2,603	(4,819)	0
of which structured notes over two years	10,267	1,117	(3,293)	0
of which non-recourse liabilities	2,952	1,197	(902)	0
Other liabilities	3,358	249	(1,238)	184
of which failed sales	616	14	(18)	132
<b>Total liabilities at fair value</b>	<b>24,578</b>	<b>5,477</b>	<b>(8,001)</b>	<b>251</b>
<b>Net assets/(liabilities) at fair value</b>	<b>11,284</b>	<b>5,711</b>	<b>(1,540)</b>	<b>13,450</b>

<sup>1</sup> For all transfers to level 3 or out of level 3, the Bank determines and discloses as level 3 events only gains or losses through the last day of the reporting period.



## Notes to the consolidated financial statements

Sales	Issuances	Settlements	Trading revenues		Other revenues		Foreign currency translation impact	Balance at end of period
			On transfers in / out <sup>1</sup>	On all other	On transfers in / out <sup>1</sup>	On all other		
0	259	(141)	0	0	0	0	4	158
(4)	0	0	0	0	0	0	0	0
(2,958)	0	0	(30)	218	0	0	(196)	4,564
(1,373)	0	0	(17)	185	0	0	(107)	1,746
(772)	0	0	(6)	29	0	0	10	814
(265)	0	0	(2)	(24)	0	0	(2)	215
(364)	0	0	(6)	51	0	0	(3)	1,298
(1,010)	0	0	(34)	(210)	0	0	(3)	871
0	1,493	(3,875)	11	(545)	0	0	(143)	4,831
0	304	(719)	6	(341)	0	0	(33)	791
0	366	(680)	10	32	0	0	(23)	936
0	405	(1,776)	(5)	(547)	0	0	(53)	1,568
(4,276)	0	(292)	(7)	182	0	0	(12)	4,266
(8,244)	1,493	(4,167)	(60)	(355)	0	0	(354)	14,532
(102)	0	(36)	6	39	0	0	7	148
(109)	0	0	0	(19)	0	(28)	(40)	365
(361)	0	0	0	(1)	0	0	(4)	1,669
(470)	0	0	0	(20)	0	(28)	(44)	2,034
(1,055)	3,519	(3,371)	1	(207)	(4)	(14)	(152)	8,950
(687)	2,205	(2,072)	1	(85)	(4)	(14)	(151)	5,735
(213)	811	(639)	0	(85)	0	0	2	1,729
0	0	0	0	9	0	14	1	112
(3,691)	784	(1,309)	(8)	(208)	0	(5)	(276)	7,087
(3,410)	784	(1,309)	(13)	(178)	0	(3)	(266)	6,768
<b>(13,566)</b>	<b>6,055</b>	<b>(9,024)</b>	<b>(61)</b>	<b>(742)</b>	<b>(4)</b>	<b>(33)</b>	<b>(814)</b>	<b>33,021</b>
0	213	(28)	0	(18)	0	0	(9)	254
(4)	0	0	0	0	0	0	0	0
(57)	1,460	(3,098)	20	(697)	0	(18)	(99)	4,615
0	140	(343)	13	(127)	0	0	(16)	578
0	20	(76)	1	(151)	0	0	(8)	329
0	689	(349)	48	3	0	0	(11)	1,347
0	330	(2,098)	(43)	(362)	0	0	(62)	1,757
0	371	(442)	(1)	(10)	0	0	(2)	72
0	7,386	(4,874)	(16)	(801)	0	(5)	41	14,123
0	5,464	(3,104)	(7)	(566)	0	0	46	9,924
0	912	(807)	(3)	(148)	0	0	(4)	3,197
(218)	10	(244)	11	18	8	403	(58)	2,483
(127)	0	0	2	(160)	0	0	(5)	454
<b>(279)</b>	<b>9,440</b>	<b>(8,686)</b>	<b>14</b>	<b>(1,508)</b>	<b>8</b>	<b>380</b>	<b>(127)</b>	<b>21,547</b>
<b>(13,287)</b>	<b>(3,385)</b>	<b>(338)</b>	<b>(75)</b>	<b>766</b>	<b>(12)</b>	<b>(413)</b>	<b>(687)</b>	<b>11,474</b>

### Gains and losses on assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (level 3)

in	2016			2015		
	Trading revenues	Other revenues	Total revenues	Trading revenues	Other revenues	Total revenues
<b>Gains and losses on assets and liabilities (CHF million)</b>						
Net realized/unrealized gains/(losses) included in net revenues	(116)	(119)	<b>(235)</b> <sup>1</sup>	691	(425)	<b>266</b> <sup>1</sup>
Whereof:						
Unrealized gains/(losses) relating to assets and liabilities still held as of the reporting date	125	29	<b>154</b>	83	6	<b>89</b>

<sup>1</sup> Excludes net realized/unrealized gains/(losses) attributable to foreign currency translation impact.

### Quantitative information about level 3 assets at fair value

end of 2016	Fair value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average <sup>1</sup>
<b>CHF million, except where indicated</b>						
Interest-bearing deposits with banks	1	–	–	–	–	–
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	174	Discounted cash flow	Funding spread, in bp	10	450	259
Securities received as collateral	70	–	–	–	–	–
Debt	3,977					
of which corporates	1,674					
of which	448	Option model	Correlation, in %	(85)	98	23
of which	817	Market comparable	Price, in %	0	117	86
of which	101	Discounted cash flow	Credit spread, in bp	3	1,004	308
of which RMBS	605					
of which	445	Discounted cash flow	Discount rate, in %	0	47	8
			Prepayment rate, in %	2	30	12
			Default rate, in %	0	10	3
			Loss severity, in %	0	100	43
of which	120	Market comparable	Price, in %	21	30	26
of which CMBS	65	Discounted cash flow	Capitalization rate, in %	8	9	9
			Discount rate, in %	2	27	10
			Prepayment rate, in %	0	15	9
of which CDO	1,165					
of which	195	Discounted cash flow	Discount rate, in %	7	27	15
			Prepayment rate, in %	0	30	10
			Credit spread, in bp	328	328	328
			Default rate, in %	0	5	2
			Loss severity, in %	3	100	45
of which	851	Market comparable	Price, in %	208	208	208
Equity	240	Market comparable	EBITDA multiple	3	8	6
			Price, in %	0	100	70

<sup>1</sup> Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.

## Quantitative information about level 3 assets at fair value (continued)

end of 2016	Fair value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average <sup>1</sup>
<b>CHF million, except where indicated</b>						
Derivatives	4,305					
of which interest rate products	748	Option model	Correlation, in %	20	100	65
			Prepayment rate, in %	1	32	16
			Volatility skew, in %	(7)	1	(2)
of which equity/index-related products	914	Option model	Correlation, in %	(85)	98	21
			Volatility, in %	2	180	32
			Buyback probability, in % <sup>2</sup>	50	100	62
			Gap risk, in % <sup>3</sup>	0	2	1
of which credit derivatives	688	Discounted cash flow	Credit spread, in bp	0	1,635	396
			Recovery rate, in %	0	45	10
			Discount rate, in %	1	45	21
			Default rate, in %	0	33	5
			Loss severity, in %	15	100	69
			Correlation, in %	97	97	97
			Prepayment rate, in %	0	13	5
Other	4,243					
of which	3,005	Market comparable	Price, in %	0	116	39
of which	882	Discounted cash flow	Market implied life expectancy, in years	3	19	8
Trading assets	12,765					
Investment securities	72	–	–	–	–	–
Private equity	8	–	–	–	–	–
Other equity investments	310	–	–	–	–	–
Life finance instruments	1,588	Discounted cash flow	Market implied life expectancy, in years	2	19	6
Other investments	1,906					
Loans	6,585					
of which commercial and industrial loans	3,816					
of which	2,959	Discounted cash flow	Credit spread, in bp	5	5,400	544
of which	852	Market comparable	Price, in %	0	100	51
of which financial institutions	1,829					
of which	1,588	Discounted cash flow	Credit spread, in bp	67	952	342
of which	149	Market comparable	Price, in %	0	550	483
Other intangible assets (mortgage servicing rights)	138	–	–	–	–	–
Other assets	1,679					
of which loans held-for-sale	1,316					
of which	760	Discounted cash flow	Credit spread, in bp	117	1,082	334
			Recovery rate, in %	6	100	74
of which	356	Market comparable	Price, in %	0	102	78
<b>Total level 3 assets at fair value</b>	<b>23,390</b>					

<sup>1</sup> Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.

<sup>2</sup> Estimate of the probability of structured notes being put back to the Bank at the option of the investor over the remaining life of the financial instruments.

<sup>3</sup> Risk of unexpected large declines in the underlying values occurring between collateral settlement dates.

## Quantitative information about level 3 assets at fair value (continued)

end of 2015	Fair value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average <sup>1</sup>
<b>CHF million, except where indicated</b>						
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	158	Discounted cash flow	Funding spread, in bp	350	475	361
Debt	4,564					
of which corporates	1,746					
of which	240	Option model	Correlation, in %	(87)	99	17
of which	836	Market comparable	Price, in %	0	128	29
of which	285	Discounted cash flow	Credit spread, in bp	134	1,408	493
of which RMBS	814	Discounted cash flow	Discount rate, in %	1	36	8
			Prepayment rate, in %	0	27	9
			Default rate, in %	0	20	3
			Loss severity, in %	0	100	50
of which CMBS	215	Discounted cash flow	Capitalization rate, in %	7	8	7
			Discount rate, in %	0	23	8
			Prepayment rate, in %	0	16	3
			Default rate, in %	0	32	1
			Loss severity, in %	0	75	4
of which CDO	1,298					
of which	66	Vendor price	Price, in %	0	100	96
of which	329	Discounted cash flow	Discount rate, in %	1	25	11
			Prepayment rate, in %	0	20	14
			Credit spread, in bp	293	336	309
			Default rate, in %	0	10	2
			Loss severity, in %	0	100	46
of which	807	Market comparable	Price, in %	214	214	214
Equity	871					
of which	342	Option model	Volatility, in %	2	253	29
of which	471	Market comparable	EBITDA multiple	3	12	8
			Price, in %	0	202	96

<sup>1</sup> Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.

## Quantitative information about level 3 assets at fair value (continued)

end of 2015	Fair value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average <sup>1</sup>
<b>CHF million, except where indicated</b>						
Derivatives	4,831					
of which interest rate products	791	Option model	Correlation, in %	17	100	63
			Prepayment rate, in %	1	36	16
			Volatility skew, in %	(8)	0	(2)
			Mean reversion, in % <sup>2</sup>	5	10	10
			Credit spread, in bp	130	1,687	330
of which equity/index-related products	936					
of which	778	Option model	Correlation, in %	(87)	99	23
			Volatility, in %	0	253	26
of which	109	Market comparable	EBITDA multiple	4	10	7
			Price, in %	97	97	97
of which credit derivatives	1,568	Discounted cash flow	Credit spread, in bp	1	2,349	331
			Recovery rate, in %	0	60	23
			Discount rate, in %	2	50	19
			Default rate, in %	1	35	6
			Loss severity, in %	15	100	64
			Correlation, in %	43	97	85
			Prepayment rate, in %	0	12	4
			Funding spread, in bp	61	68	67
Other	4,266					
of which	2,859	Market comparable	Price, in %	0	106	45
of which	865	Discounted cash flow	Market implied life expectancy, in years	3	18	8
Trading assets	14,532					
Investment securities	148	–	–	–	–	–
Other equity investments	365	–	–	–	–	–
Life finance instruments	1,669	Discounted cash flow	Market implied life expectancy, in years	2	20	8
Other investments	2,034					
Loans	8,950					
of which commercial and industrial loans	5,735					
of which	3,799	Discounted cash flow	Credit spread, in bp	70	2,528	474
of which	1,146	Market comparable	Price, in %	0	106	65
of which financial institutions	1,729					
of which	1,451	Discounted cash flow	Credit spread, in bp	84	826	359
of which	109	Market comparable	Price, in %	0	100	98
Other intangible assets (mortgage servicing rights)	112	–	–	–	–	–
Other assets	7,087					
of which loans held-for-sale	6,768					
of which	3,594	Vendor price	Price, in %	0	101	97
of which	722	Discounted cash flow	Credit spread, in bp	99	3,220	515
			Recovery rate, in %	1	1	1
of which	2,251	Market comparable	Price, in %	0	104	76
<b>Total level 3 assets at fair value</b>	<b>33,021</b>					

<sup>1</sup> Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.

<sup>2</sup> Management's best estimate of the speed at which interest rates will revert to the long-term average.

## Quantitative information about level 3 liabilities at fair value

end of 2016	Fair value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average <sup>1</sup>
<b>CHF million, except where indicated</b>						
Customer deposits	410	–	–	–	–	–
Obligation to return securities received as collateral	70	–	–	–	–	–
Trading liabilities	3,737					
of which interest rate derivatives	538	Option model	Basis spread, in bp	(2)	66	33
			Correlation, in %	20	100	57
			Prepayment rate, in %	1	32	9
			Gap risk, in % <sup>2</sup>	20	20	20
			Funding spread, in bp	237	237	237
of which foreign exchange derivatives	150					
of which	65	Option model	Correlation, in %	(10)	70	49
			Prepayment rate, in %	22	32	27
of which	69	Discounted cash flow	Contingent probability, in %	95	95	95
of which equity/index-related derivatives	1,181	Option model	Correlation, in %	(85)	98	23
			Volatility, in %	2	180	28
			Buyback probability, in % <sup>3</sup>	50	100	62
of which credit derivatives	851	Discounted cash flow	Credit spread, in bp	0	1,635	163
			Discount rate, in %	2	45	21
			Default rate, in %	0	33	5
			Recovery rate, in %	20	60	35
			Loss severity, in %	15	100	70
			Correlation, in %	43	85	63
			Prepayment rate, in %	0	13	5
Short-term borrowings	516	–	–	–	–	–
Long-term debt	13,415					
of which structured notes over two years	12,434					
of which	12,008	Option model	Correlation, in %	(85)	99	23
			Volatility, in %	0	180	23
			Buyback probability, in % <sup>3</sup>	50	100	62
			Gap risk, in % <sup>2</sup>	0	2	1
			Mean reversion, in % <sup>4</sup>	(14)	(1)	(6)
of which	286	Discounted cash flow	Credit spread, in bp	1	452	89
Other liabilities	1,679					
of which failed sales	219					
of which	163	Market comparable	Price, in %	0	100	68
of which	39	Discounted cash flow	Discount rate, in %	11	29	21
<b>Total level 3 liabilities at fair value</b>	<b>19,827</b>					

<sup>1</sup> Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.

<sup>2</sup> Risk of unexpected large declines in the underlying values between collateral settlement dates.

<sup>3</sup> Estimate of the probability of structured notes being put back to the Bank at the option of the investor over the remaining life of the financial instruments.

<sup>4</sup> Management's best estimate of the speed at which interest rates will revert to the long-term average.

## Quantitative information about level 3 liabilities at fair value (continued)

end of 2015	Fair value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average <sup>1</sup>
<b>CHF million, except where indicated</b>						
Customer deposits	254	–	–	–	–	–
Trading liabilities	4,615					
of which interest rate derivatives	578	Option model	Basis spread, in bp	(7)	53	25
			Correlation, in %	17	100	75
			Mean reversion, in % <sup>2</sup>	5	10	8
			Prepayment rate, in %	0	36	9
			Gap risk, in % <sup>3</sup>	20	20	20
			Funding spread, in bp	218	218	218
of which foreign exchange derivatives	329	Option model	Correlation, in %	(10)	70	54
			Prepayment rate, in %	24	36	30
of which equity/index-related derivatives	1,347	Option model	Correlation, in %	(87)	99	17
			Volatility, in %	2	253	26
			Buyback probability, in % <sup>4</sup>	50	100	59
of which credit derivatives	1,757	Discounted cash flow	Credit spread, in bp	1	1,687	275
			Discount rate, in %	2	50	19
			Default rate, in %	1	33	5
			Recovery rate, in %	8	60	27
			Loss severity, in %	15	100	64
			Correlation, in %	17	95	80
			Funding spread, in bp	51	68	68
			Prepayment rate, in %	0	12	5
Short-term borrowings	72	–	–	–	–	–
Long-term debt	14,123					
of which structured notes over two years	9,924	Option model	Correlation, in %	(87)	99	17
			Volatility, in %	2	253	28
			Buyback probability, in % <sup>4</sup>	50	100	59
			Gap risk, in % <sup>3</sup>	0	3	1
			Credit spread, in bp	153	182	177
of which non-recourse liabilities	3,197					
of which	3,183	Vendor price	Price, in %	0	101	97
of which	14	Market comparable	Price, in %	0	87	9
Other liabilities	2,483					
of which failed sales	454					
of which	379	Market comparable	Price, in %	0	106	90
of which	68	Discounted cash flow	Credit spread, in bp	571	1,687	1,425
			Discount rate, in %	7	23	15
<b>Total level 3 liabilities at fair value</b>	<b>21,547</b>					

<sup>1</sup> Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.

<sup>2</sup> Management's best estimate of the speed at which interest rates will revert to the long-term average.

<sup>3</sup> Risk of unexpected large declines in the underlying values between collateral settlement dates.

<sup>4</sup> Estimate of the probability of structured notes being put back to the Bank at the option of the investor over the remaining life of the financial instruments.

## Fair value, unfunded commitments and term of redemption conditions

end of	2016							2015	
	Non-redeemable	Redeemable	Total fair value	Unfunded commitments	Non-redeemable	Redeemable	Total fair value	Unfunded commitments	
<b>Fair value and unfunded commitments (CHF million)</b>									
Debt funds	0	0	0	0	2	0	2	0	
Equity funds	65	1,281 <sup>1</sup>	1,346	0	79	1,606 <sup>2</sup>	1,685	0	
Equity funds sold short	0	(1)	(1)	0	0	(6)	(6)	0	
Total funds held in trading assets and liabilities	65	1,280	1,345	0	81	1,600	1,681	0	
Debt funds	215	77	292	0	184	76	260	1	
Equity funds	2	51	53	0	0	0	0	0	
Others	0	201	201	0	0	35	35	0	
Hedge funds	217	329 <sup>3</sup>	546	0	184	111 <sup>4</sup>	295	1	
Debt funds	5	0	5	20	11	0	11	17	
Equity funds	232	0	232	41	428	0	428	114	
Real estate funds	212	0	212	50	282	0	282	76	
Others	116	0	116	58	312	0	312	141	
Private equities	565	0	565	169	1,033	0	1,033	348	
Equity method investments	348	637	985	218	660	196	856	100	
Total funds held in other investments	1,130	966	2,096	387	1,877	307	2,184	449	
<b>Total fair value</b>	<b>1,195<sup>5</sup></b>	<b>2,246<sup>6</sup></b>	<b>3,441</b>	<b>387<sup>7</sup></b>	<b>1,958<sup>5</sup></b>	<b>1,907<sup>6</sup></b>	<b>3,865</b>	<b>449<sup>7</sup></b>	

<sup>1</sup> 58% of the redeemable fair value amount of equity funds is redeemable on demand with a notice period primarily of less than 30 days, 23% is redeemable on a monthly basis with a notice period primarily of less than 30 days, 17% is redeemable on a quarterly basis with a notice period primarily of more than 45 days, and 2% is redeemable on an annual basis with a notice period of more than 60 days.

<sup>2</sup> 40% of the redeemable fair value amount of equity funds is redeemable on demand with a notice period primarily of less than 30 days, 31% is redeemable on an annual basis with a notice period of more than 60 days, 23% is redeemable on a monthly basis with a notice period primarily of less than 30 days, and 6% is redeemable on a quarterly basis with a notice period primarily of more than 45 days.

<sup>3</sup> 68% of the redeemable fair value amount of hedge funds is redeemable on a quarterly basis with a notice period primarily of more than 60 days, 26% is redeemable on a monthly basis with a notice period primarily of less than 30 days, 5% is redeemable on demand with a notice period primarily of less than 30 days, and 1% is redeemable on an annual basis with a notice period primarily of more than 45 days.

<sup>4</sup> 87% of the redeemable fair value amount of hedge funds is redeemable on a quarterly basis with a notice period primarily of more than 60 days, 5% is redeemable on demand with a notice period primarily of less than 30 days, 5% is redeemable on an annual basis with a notice period of more than 60 days, and 3% is redeemable on a monthly basis with a notice period of more than 30 days.

<sup>5</sup> Includes CHF 334 million and CHF 464 million attributable to noncontrolling interests in 2016 and 2015, respectively.

<sup>6</sup> Includes CHF 231 million and CHF 9 million attributable to noncontrolling interests in 2016 and 2015, respectively.

<sup>7</sup> Includes CHF 88 million and CHF 176 million attributable to noncontrolling interests in 2016 and 2015, respectively.

## Nonrecurring fair value changes

end of	2016	2015
<b>Assets held-for-sale recorded at fair value on a nonrecurring basis (CHF billion)</b>		
<b>Assets held-for-sale recorded at fair value on a nonrecurring basis</b>	<b>0.1</b>	<b>0.1</b>
of which level 2	0.1	0.1



### Difference between the aggregate fair value and the aggregate unpaid principal balances of loans and financial instruments

end of	2016			2015		
	Aggregate fair value	Aggregate unpaid principal	Difference	Aggregate fair value	Aggregate unpaid principal	Difference
<b>Loans (CHF million)</b>						
Non-interest-earning loans	1,276	4,495	(3,219)	1,628	5,019	(3,391)
<b>Financial instruments (CHF million)</b>						
Interest-bearing deposits with banks	26	25	1	2	2	0
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	87,331	87,208	123	83,565	83,397	168
Loans	19,528	20,144	(616)	20,820	22,289	(1,469)
Other assets <sup>1</sup>	8,369	11,296	(2,927)	23,906	30,308	(6,402)
Due to banks and customer deposits	(1,120)	(1,059)	(61)	(913)	(826)	(87)
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	(19,634)	(19,638)	4	(32,398)	(32,381)	(17)
Short-term borrowings	(4,061)	(4,017)	(44)	(3,112)	(3,263)	151
Long-term debt	(71,970)	(75,106)	3,136	(80,002)	(84,351)	4,349
Other liabilities	(727)	(2,331)	1,604	(984)	(2,619)	1,635

<sup>1</sup> Primarily loans held-for-sale.

### Gains and losses on financial instruments

in	2016	2015	2014
	Net gains/ (losses)	Net gains/ (losses)	Net gains/ (losses)
<b>Financial instruments (CHF million)</b>			
Interest-bearing deposits with banks	4 <sup>1</sup>	(38) <sup>2</sup>	9 <sup>1</sup>
of which related to credit risk	1	1	3
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	1,440 <sup>1</sup>	1,279 <sup>1</sup>	913 <sup>1</sup>
Other investments	214 <sup>2</sup>	240 <sup>3</sup>	373 <sup>3</sup>
of which related to credit risk	(3)	0	5
Loans	1,643 <sup>1</sup>	439 <sup>1</sup>	10 <sup>2</sup>
of which related to credit risk	(16)	(236)	(151)
Other assets	(507) <sup>2</sup>	111 <sup>1</sup>	1,302 <sup>1</sup>
of which related to credit risk	(200)	(511)	387
Due to banks and customer deposits	(12) <sup>1</sup>	4 <sup>2</sup>	(59) <sup>2</sup>
of which related to credit risk	(22)	19	(17)
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	(112) <sup>1</sup>	55 <sup>2</sup>	205 <sup>2</sup>
Short-term borrowings	323 <sup>2</sup>	439 <sup>2</sup>	152 <sup>2</sup>
Long-term debt	(1,136) <sup>2</sup>	5,398 <sup>2</sup>	678 <sup>2</sup>
of which related to credit risk <sup>4</sup>	22	224	527
Other liabilities	443 <sup>2</sup>	314 <sup>3</sup>	(175) <sup>2</sup>
of which related to credit risk	312	(95)	(162)

<sup>1</sup> Primarily recognized in net interest income.

<sup>2</sup> Primarily recognized in trading revenues.

<sup>3</sup> Primarily recognized in other revenues.

<sup>4</sup> Changes in fair value related to credit risk are due to the change in the Bank's own credit spreads. Other changes in fair value are attributable to changes in foreign currency exchange rates and interest rates, as well as movements in the reference price or index for structured notes.

## Own credit gains/(losses) on fair value option elected instruments recorded in AOCI

in	Gains/(losses) recorded into AOCI <sup>1</sup>		Gains/(losses) recorded in AOCI transferred to net income <sup>1</sup>
	2016	Cumulatively	2016
<b>Financial instruments (CHF million)</b>			
Deposits	(29)	(34)	0
Short-term borrowings	0	(1)	0
Long-term debt	(1,355)	(715)	0
of which treasury debt over two years	(397)	(30)	0
of which structured notes over two years	(958)	(676)	0
<b>Total</b>	<b>(1,384)</b>	<b>(750)</b>	<b>0</b>

<sup>1</sup> Amounts are reflected gross of tax.

## Carrying value and fair value of financial instruments not carried at fair value

end of	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
<b>2016 (CHF million)</b>					
<b>Financial assets</b>					
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	47,797	0	47,797	0	47,797
Loans	237,292	0	239,582	4,602	244,184
Other financial assets <sup>1</sup>	171,602	118,888	51,678	1,324	171,890
<b>Financial liabilities</b>					
Due to banks and deposits	363,631	190,446	173,161	0	363,607
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	13,382	0	13,382	0	13,382
Short-term borrowings	11,324	0	11,327	0	11,327
Long-term debt	115,355	0	116,984	521	117,505
Other financial liabilities <sup>2</sup>	62,376	1,595	60,661	116	62,372
<b>2015 (CHF million)</b>					
<b>Financial assets</b>					
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	39,871	0	39,872	0	39,872
Loans	231,395	4	232,391	6,150	238,545
Other financial assets <sup>1</sup>	150,743	90,740	58,466	1,796	150,992
<b>Financial liabilities</b>					
Due to banks and deposits	349,015	197,645	151,774	0	349,419
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	14,200	0	14,401	0	14,401
Short-term borrowings	5,546	0	5,545	0	5,545
Long-term debt	112,091	0	112,638	778	113,416
Other financial liabilities <sup>2</sup>	63,970	32	63,496	578	64,106

<sup>1</sup> Primarily includes cash and due from banks, interest-bearing deposits with banks, brokerage receivables, loans held-for-sale, cash collateral on derivative instruments, interest and fee receivables and non-marketable equity securities.

<sup>2</sup> Primarily includes brokerage payables, cash collateral on derivative instruments and interest and fee payables.

### 35 Assets pledged and collateral

#### Assets pledged

The Bank pledges assets mainly for repurchase agreements and other securities financing. Certain pledged assets may be encumbered, meaning they have the right to be sold or repledged. The encumbered assets are parenthetically disclosed on the consolidated balance sheet.

#### Assets pledged

end of	2016	2015
<b>Assets pledged (CHF million)</b>		
Total assets pledged or assigned as collateral	116,030	130,983
of which encumbered	83,473	91,278

#### Collateral

The Bank receives cash and securities in connection with resale agreements, securities borrowing and loans, derivative transactions and margined broker loans. A substantial portion of the collateral and securities received by the Bank was sold or repledged in connection with repurchase agreements, securities sold not yet purchased, securities borrowings and loans, pledges to clearing organizations, segregation requirements under securities laws and regulations, derivative transactions and bank loans.

#### Collateral

end of	2016	2015
<b>Collateral (CHF million)</b>		
Fair value of collateral received with the right to sell or repledge	402,690	422,659
of which sold or repledged	167,493	186,298

#### Other information

end of	2016	2015
<b>Other information (CHF million)</b>		
Cash and securities restricted under foreign banking regulations	27,590	24,592
Swiss National Bank required minimum liquidity reserves	1,873	1,890

► Refer to "Note 36 – Assets pledged and collateral" in V – Consolidated financial statements – Credit Suisse Group for further information.

### 36 Capital adequacy

The Bank is subject to regulation by FINMA. The capital levels of the Bank are subject to qualitative judgments by regulators, including FINMA, about the components of capital, risk weightings and other factors. Since January 2013, the Bank has operated under the international capital adequacy standards known as Basel III, as issued by the Basel Committee on Banking Supervision, the standard setting committee within the Bank for International Settlements (BIS). These standards have affected the measurement of both total eligible capital and risk-weighted assets.

As of December 31, 2016 and 2015, the Bank was adequately capitalized under the regulatory provisions outlined under both FINMA and the BIS guidelines.

► Refer to "Note 37 – Capital adequacy" in V – Consolidated financial statements – Credit Suisse Group for further information.

#### Broker-dealer operations

Certain of the Bank's broker-dealer subsidiaries are also subject to capital adequacy requirements. As of December 31, 2016 and 2015, the Bank and its subsidiaries complied with all applicable regulatory capital adequacy requirements.

#### Dividend restrictions

Certain of the Bank's subsidiaries are subject to legal restrictions governing the amount of dividends they can pay (for


example, pursuant to corporate law as defined by the Swiss Code of Obligations).

As of December 31, 2016 and 2015, the Bank was not subject to restrictions on its ability to pay the proposed dividends.

#### BIS statistics – Basel III

end of	2016	2015
<b>Eligible capital (CHF million)</b>		
CET1 capital	35,177	40,013
Additional tier 1 capital	11,605	10,557
<b>Total tier 1 capital</b>	<b>46,782</b>	<b>50,570</b>
Tier 2 capital	6,921	9,672
<b>Total eligible capital</b>	<b>53,703</b>	<b>60,242</b>
<b>Risk-weighted assets (CHF million)</b>		
Credit risk	169,400	185,574
Market risk	23,198	29,755
Operational risk	66,055	66,438
Non-counterparty risk	5,116	5,180
<b>Risk-weighted assets</b>	<b>263,769</b>	<b>286,947</b>
<b>Capital ratios (%)</b>		
CET1 ratio	13.3	13.9
Tier 1 ratio	17.7	17.6
Total capital ratio	20.4	21.0

### 37 Assets under management

The following disclosure provides information regarding client assets, assets under management and net new assets as regulated by the  FINMA.

► Refer to “Note 38 – Assets under management” in V – Consolidated financial statements – Credit Suisse Group for further information.

#### Assets under management

end of	2016	2015
<b>Assets under management (CHF billion)</b>		
Assets in collective investment instruments managed by Credit Suisse	165.7	186.9
Assets with discretionary mandates	228.1	220.3
Other assets under management	840.1	789.7
<b>Assets under management (including double counting)</b>	<b>1,233.9</b>	<b>1,196.9</b>
of which double counting	32.0	46.8

#### Changes in assets under management

	2016	2015
<b>Assets under management (CHF billion)</b>		
<b>Assets under management at beginning of period <sup>1</sup></b>	<b>1,196.9</b>	<b>1,351.1</b>
Net new assets/(net asset outflows)	26.5	46.4
Market movements, interest, dividends and foreign exchange	35.1	(26.6)
of which market movements, interest and dividends <sup>2</sup>	16.7	10.0
of which foreign exchange	18.4	(36.6)
Other effects	(24.6)	(174.0) <sup>3</sup>
<b>Assets under management at end of period</b>	<b>1,233.9</b>	<b>1,196.9</b>

<sup>1</sup> Including double counting.

<sup>2</sup> Net of commissions and other expenses and net of interest expenses charged.

<sup>3</sup> Effective as of July 1, 2015, the Group updated its assets under management policy primarily to introduce more specific criteria and indicators to evaluate whether client assets qualify as assets under management. The introduction of this updated policy resulted in a reclassification of CHF 45.9 billion of assets under management to assets under custody within client assets, which has been reflected as a structural effect in the third quarter of 2015.

### 38 Litigation

► Refer to “Note 39 – Litigation” in V – Consolidated financial statements – Credit Suisse Group for further information.

## 39 Significant subsidiaries and equity method investments

## Significant subsidiaries

Equity interest in %	Company name	Domicile	Currency	Nominal capital in million
<b>as of December 31, 2016</b>				
<b>Credit Suisse AG</b>				
100	AJP Cayman Ltd.	George Town, Cayman Islands	JPY	8,025.6
100	Asset Management Finance LLC	Wilmington, United States	USD	341.8
100	Banco Credit Suisse (Brasil) S.A.	São Paulo, Brazil	BRL	53.6
100	Banco Credit Suisse (México), S.A.	Mexico City, Mexico	MXN	1,716.7
100	Banco de Investimentos Credit Suisse (Brasil) S.A.	São Paulo, Brazil	BRL	164.8
100	Boston Re Ltd.	Hamilton, Bermuda	USD	2.0
100	CJSC Bank Credit Suisse (Moscow)	Moscow, Russia	USD	37.8
100	Column Financial, Inc.	Wilmington, United States	USD	0.0
100	Credit Suisse (Australia) Limited	Sydney, Australia	AUD	34.1
100	Credit Suisse (Brasil) Distribuidora de Títulos e Valores Mobiliários S.A.	São Paulo, Brazil	BRL	5.0
100	Credit Suisse (Brasil) S.A. Corretora de Títulos e Valores Mobiliários	São Paulo, Brazil	BRL	98.4
100	Credit Suisse (Channel Islands) Limited	St. Peter Port, Guernsey	USD	6.1
100	Credit Suisse (Deutschland) Aktiengesellschaft	Frankfurt, Germany	EUR	130.0
100	Credit Suisse (Hong Kong) Limited	Hong Kong, China	HKD	13,758.0
100	Credit Suisse (Italy) S.p.A.	Milan, Italy	EUR	139.6
100	Credit Suisse (Luxembourg) S.A.	Luxembourg, Luxembourg	CHF	230.9
100	Credit Suisse (Monaco) S.A.M.	Monte Carlo, Monaco	EUR	18.0
100	Credit Suisse (Poland) Sp. z o.o	Warsaw, Poland	PLN	20.0
100	Credit Suisse (Qatar) LLC	Doha, Qatar	USD	29.0
100	Credit Suisse (Schweiz) AG	Zurich, Switzerland	CHF	100.0
100	Credit Suisse (Singapore) Limited	Singapore, Singapore	SGD	743.3
100	Credit Suisse (UK) Limited	London, United Kingdom	GBP	245.2
100	Credit Suisse (USA), Inc.	Wilmington, United States	USD	0.0
100	Credit Suisse Asset Management (UK) Holding Limited	London, United Kingdom	GBP	144.2
100	Credit Suisse Asset Management Immobilien Kapitalanlagegesellschaft GmbH	Frankfurt, Germany	EUR	6.1
100	Credit Suisse Asset Management International Holding Ltd	Zurich, Switzerland	CHF	20.0
100	Credit Suisse Asset Management Investments Ltd	Zurich, Switzerland	CHF	0.1
100	Credit Suisse Asset Management Limited	London, United Kingdom	GBP	45.0
100	Credit Suisse Asset Management, LLC	Wilmington, United States	USD	1,086.8
100	Credit Suisse Atlas I Investments (Luxembourg) S.à.r.l.	Luxembourg, Luxembourg	USD	0.0
100	Credit Suisse Business Analytics (India) Private Limited	Mumbai, India	INR	40.0
100	Credit Suisse Capital LLC	Wilmington, United States	USD	937.6

## Significant subsidiaries (continued)

Equity interest in %	Company name	Domicile	Currency	Nominal capital in million
100	Credit Suisse Energy LLC	Wilmington, United States	USD	0.0
100	Credit Suisse Equities (Australia) Limited	Sydney, Australia	AUD	62.5
100	Credit Suisse Finance (India) Private Limited	Mumbai, India	INR	1,050.1
100	Credit Suisse First Boston (Latam Holdings) LLC	George Town, Cayman Islands	USD	23.8
100	Credit Suisse First Boston Finance B.V.	Amsterdam, The Netherlands	EUR	0.0
100	Credit Suisse First Boston Mortgage Capital LLC	Wilmington, United States	USD	356.6
100	Credit Suisse First Boston Next Fund, Inc.	Wilmington, United States	USD	10.0
100	Credit Suisse Fund Management S.A.	Luxembourg, Luxembourg	CHF	0.3
100	Credit Suisse Fund Services (Luxembourg) S.A.	Luxembourg, Luxembourg	CHF	1.5
100	Credit Suisse Funds AG	Zurich, Switzerland	CHF	7.0
100	Credit Suisse Group Finance (U.S.) Inc.	Wilmington, United States	USD	100.0
100	Credit Suisse Hedging-Griffo Corretora de Valores S.A.	São Paulo, Brazil	BRL	29.6
100	Credit Suisse Holding Europe (Luxembourg) S.A.	Luxembourg, Luxembourg	CHF	32.6
100	Credit Suisse Holdings (Australia) Limited	Sydney, Australia	AUD	42.0
100 <sup>1</sup>	Credit Suisse Holdings (USA), Inc.	Wilmington, United States	USD	550.0
100	Credit Suisse Istanbul Menkul Degerler A.S.	Istanbul, Turkey	TRY	6.8
100	Credit Suisse Leasing 92A, L.P.	New York, United States	USD	43.9
100	Credit Suisse Life & Pensions AG	Vaduz, Liechtenstein	CHF	15.0
100	Credit Suisse Life (Bermuda) Ltd.	Hamilton, Bermuda	USD	1.0
100	Credit Suisse Loan Funding LLC	Wilmington, United States	USD	0.0
100	Credit Suisse Management LLC	Wilmington, United States	USD	896.8
100	Credit Suisse Prime Securities Services (USA) LLC	Wilmington, United States	USD	263.3
100	Credit Suisse Principal Investments Limited	George Town, Cayman Islands	JPY	3,324.0
100	Credit Suisse Private Equity, LLC	Wilmington, United States	USD	42.2
100	Credit Suisse PSL GmbH	Zurich, Switzerland	CHF	0.0
100	Credit Suisse Saudi Arabia	Riyadh, Saudi Arabia	SAR	300.0
100	Credit Suisse Securities (Canada), Inc.	Toronto, Canada	CAD	3.4
100	Credit Suisse Securities (Europe) Limited	London, United Kingdom	USD	3,859.3
100	Credit Suisse Securities (Hong Kong) Limited	Hong Kong, China	HKD	2,080.9
100	Credit Suisse Securities (India) Private Limited	Mumbai, India	INR	2,214.7
100	Credit Suisse Securities (Japan) Limited	Tokyo, Japan	JPY	78,100.0
100	Credit Suisse Securities (Johannesburg) Proprietary Limited	Johannesburg, South Africa	ZAR	0.0
100	Credit Suisse Securities (Malaysia) Sdn. Bhd.	Kuala Lumpur, Malaysia	MYR	100.0
100	Credit Suisse Securities (Moscow)	Moscow, Russia	RUB	97.1
100	Credit Suisse Securities (Singapore) Pte Limited	Singapore, Singapore	SGD	30.0
100	Credit Suisse Securities (Thailand) Limited	Bangkok, Thailand	THB	500.0
100	Credit Suisse Securities (USA) LLC	Wilmington, United States	USD	1,131.7
100	Credit Suisse Services (India) Private Limited	Pune, India	INR	0.1
100	Credit Suisse Services (USA) LLC	Wilmington, United States	USD	0.0
100	CSAM Americas Holding Corp.	Wilmington, United States	USD	0.0
100	CS Non-Traditional Products Ltd.	Nassau, Bahamas	USD	0.1
100	DLJ Merchant Banking Funding, Inc	Wilmington, United States	USD	0.0
100	DLJ Mortgage Capital, Inc.	Wilmington, United States	USD	0.0
100	Fides Treasury Services AG	Zurich, Switzerland	CHF	2.0
100	Merban Equity AG	Zug, Switzerland	CHF	0.1
100	Merchant Holding, Inc	Wilmington, United States	USD	0.0
100	SPS Holding Corporation	Wilmington, United States	USD	0.1
99	PT Credit Suisse Securities Indonesia	Jakarta, Indonesia	IDR	235,000.0
98	Credit Suisse Hypotheken AG	Zurich, Switzerland	CHF	0.1
98 <sup>2</sup>	Credit Suisse International	London, United Kingdom	USD	12,366.1

<sup>1</sup> 43% of voting rights held by Credit Suisse Group AG, Guernsey Branch.

<sup>2</sup> Remaining 2% held directly by Credit Suisse Group AG. 98% of voting rights and 98% of equity interest held by Credit Suisse AG.

**Significant equity method investments**

Equity interest in %	Company name	Domicile
<b>as of December 31, 2016</b>		
<b>Credit Suisse AG</b>		
33	Credit Suisse Founder Securities Limited	Beijing, China
23	E.L. & C. Baillieu Stockbroking (Holdings) Pty Ltd	Melbourne, Australia
20	ICBC Credit Suisse Asset Management Co., Ltd.	Beijing, China
5 <sup>1</sup>	York Capital Management Global Advisors, LLC	New York, United States
0 <sup>1</sup>	Holding Verde Empreendimentos e Participações S.A.	São Paulo, Brazil

<sup>1</sup> The Bank holds a significant noncontrolling interest.

**40 Significant valuation and income recognition differences between US GAAP and Swiss GAAP banking law (true and fair view)**

► Refer to “Note 43 – Significant valuation and income recognition differences between US GAAP and Swiss GAAP banking law (true and fair view)” in V – Consolidated financial statements – Credit Suisse Group for further information.



# Controls and procedures

## **EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES**

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The Bank has evaluated the effectiveness of the design and operation of its disclosure controls and procedures as of the end of the period covered by this report under the supervision and with the participation of management, including the Bank Chief Executive Officer (CEO) and Chief Financial Officer (CFO), pursuant to Rule 13(a)-15(a) under the Securities Exchange Act of 1934 (the Exchange Act). There are inherent limitations to the effectiveness of any system of controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective controls and procedures can only provide reasonable assurance of achieving their control objectives.

The CEO and CFO concluded that, as of December 31, 2016, the design and operation of the Bank's disclosure controls and procedures were effective, in all material respects, to ensure that information required to be disclosed in reports filed and submitted under the Exchange Act is recorded, processed, summarized and reported as and when required.

## **MANAGEMENT REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

Management has made an evaluation and assessment of the Bank's internal control over financial reporting as of December 31, 2016 using the criteria issued in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in "Internal Control – Integrated Framework".

Based upon its review and evaluation, management, including the Bank CEO and CFO, has concluded that the Bank's internal control over financial reporting is effective as of December 31, 2016.

The Bank's independent auditors, KPMG AG, have issued an unqualified opinion on the effectiveness of the Bank's internal control over financial reporting as of December 31, 2016, as stated in their report, which follows.

## **CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING**

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There were no changes in the Bank's internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Bank's internal control over financial reporting.



## Report of the Independent Registered Public Accounting Firm

Credit Suisse AG, Zurich

We have audited Credit Suisse AG and subsidiaries' (the "Bank") internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control – Integrated Framework 2013* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). The Bank's Board of Directors and management are responsible for maintaining effective internal control over financial reporting and the Bank's management is responsible for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Bank's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Bank maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control – Integrated Framework 2013* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) and Swiss Auditing Standards, the consolidated balance sheets of the Bank as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2016, and our report dated March 24, 2017 expressed an unqualified opinion on those consolidated financial statements.

KPMG AG

Nicholas Edmonds  
Licensed Audit Expert  
Auditor in Charge

Anthony Arzevino  
Global Lead Partner

Zurich, Switzerland  
March 24, 2017

KPMG AG, Badenerstrasse 172, PO Box, CH-8036 Zurich

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