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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 Financial Statements

As statutory auditor, we have audited the accompanying financial statements of Credit Suisse AG, which comprise the balance sheet, statement of income, statement of changes in equity and notes for the year ended December 31, 2017.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and Credit Suisse AG's articles of association. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of 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 financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. 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 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 financial statements for the year ended December 31, 2017, comply with Swiss law and Credit Suisse AG's articles of association.

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

Provisions for litigation and regulatory actions

Valuation of the allowance for loan losses

Valuation of participations

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

Valuation of financial instruments reported at fair value

Key Audit Matter

Credit Suisse AG reports financial assets reported at fair value of CHF 80.6 billion and financial liabilities reported at fair value of CHF 98.7 billion as of December 31, 2017. These financial assets represented 14.0% of total assets and these financial liabilities represented 18.7% of total liabilities as of December 31, 2017.

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

In addition, Credit Suisse AG 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. Credit Suisse AG also has certain financial instruments that utilize significant, judgmental inputs with varying degrees of observability for purposes of determining fair value. Further, Credit Suisse AG 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 (including credit, debit, and funding 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 2 Accounting and valuation principles, “Trading assets and liabilities”
— Note 12 Trading assets and liabilities and other financial instruments held at fair value
— Note 13 Derivative financial instruments

Provisions for litigation and regulatory actions

Key Audit Matter

Credit Suisse AG is involved in a number of judicial, regulatory and arbitration proceedings concerning matters arising in connection with the conduct of its businesses. 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 Credit Suisse AG’s assessment of the nature and status of litigation, claims and regulatory actions. We considered the legal advice received by Credit Suisse AG from in-house counsel, as well as external counsel, when relevant, for certain of the more significant cases.

We examined Credit Suisse AG’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 Credit Suisse AG’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 2 Accounting and valuation principles, “Provisions”
— Note 20 Provisions and valuation adjustments

Valuation of the allowance for loan losses

Key Audit Matter

Credit Suisse AG reports gross loans held at amortized cost of CHF 199.1 billion and has recorded an allowance for loan losses of CHF 0.9 billion as of December 31, 2017.

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 2 Accounting and valuation principles, "Due from customers and mortgage loans"

— Note 3 Risk management, "Credit Risk"

— Note 11 Collateral and impaired loans

Valuation of participations

Key Audit Matter

Credit Suisse AG reports participations of CHF 75.4 billion as of December 31, 2017. The participations portfolio consists of investments in subsidiary entities mainly operating in the banking and finance industry.

Participations are valued at acquisition cost less impairment. For the purpose of impairment testing, the portfolio valuation method is applied, and therefore impairment is assessed on the level of the entire portfolio of participations and not individually for each participation. The valuation of participations involves

Our response

We assessed and tested the design and implementation of the key controls over financial reporting with respect to the valuation of participations. This included controls over the identification and measurement of impairments, the evaluation of the valuation methodology, key inputs and assumptions used in the determination of the participation value, and management's annual comparison of legal entity plans to past performance.

judgment in the projections and assumptions used, which are sensitive to the expected future market developments that could affect the profitability of these entities.

For a sample of participations, we evaluated key assumptions applied in performing the valuation. We used our own valuation specialists to critically examine and challenge the key assumptions applied by benchmarking them against independent data.

For further information on the valuation of participations refer to the following:

— Note 2 Accounting and valuation principles, "Participations"

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

We further confirm that the proposed appropriation of available earnings complies with Swiss law and Credit Suisse AG's articles of association. We recommend that the financial statements submitted to you be approved.

KPMG AG

Nicholas Edmonds
Licensed Audit Expert
Auditor in Charge

Ralph Dicht
Licensed Audit Expert

Zurich, Switzerland
March 23, 2018

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

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Parent company financial statements

Statements of income

	Reference to notes	2017	in 2016
Statements of income (CHF million)			
Interest and discount income		8,038	8,188
Interest and dividend income from trading activities		592	627
Interest and dividend income from financial investments		20	5
Interest expense		(6,415)	(5,326)
Gross income from interest activities		**2,235**	**3,494**
(Increase)/release of allowance for default risks and losses from interest activities		(453)	(456)
Net income from interest activities	4	**1,782**	**3,038**
Commission income from securities trading and investment activities		2,397	3,008
Commission income from lending activities		753	812
Commission income from other services		244	626
Commission expense		(637)	(724)
Net income from commission and service activities		**2,757**	**3,722**
Net income/(loss) from trading activities and fair value option	5	**(199)**	**(2,408)**
Income/(loss) from the disposal of financial investments		(11)	7
Income from participations		772	206
Income from real estate		20	24
Other ordinary income		1,687	1,087
Other ordinary expenses		(333)	(405)
Net income from other ordinary activities		**2,135**	**919**
Personnel expenses	6	2,548	3,576
General and administrative expenses	7	3,070	3,106
Total operating expenses		**5,618**	**6,682**
Impairment of participations, depreciation and amortization of tangible fixed assets and intangible assets		432	1,459
Increase/(release) of provisions and other valuation adjustments, and losses	8	156	86
Operating profit/(loss)		**269**	**(2,956)**
Extraordinary income	8	364	523
Extraordinary expenses	8	(5)	0
Taxes	9	(403)	(404)
Net profit/(loss)		**225**	**(2,837)**

Balance sheets

	Reference to notes	2017	end of 2016
Assets (CHF million)			
Cash and other liquid assets		55,149	67,450
Due from banks		96,652	99,666
Securities borrowing and reverse repurchase agreements	10	66,677	40,783
Due from customers	11	193,106	180,426
Mortgage loans	11	5,051	4,952
Trading assets	12	48,629	17,586
Positive replacement values of derivative financial instruments	13	9,046	8,098
Other financial instruments held at fair value	12	322	314
Financial investments	14	18,591	6,956
Accrued income and prepaid expenses		2,810	3,624
Participations		75,439	74,085
Tangible fixed assets		2,370	2,592
Intangible assets		2	5
Other assets	15	2,374	1,263
Total assets		**576,218**	**507,800**
Total subordinated receivables		1,906	2,195 [1]
of which receivables subject to contractual mandatory conversion and/or cancellation		550	51
Liabilities and shareholder's equity (CHF million)			
Due to banks		74,992	57,569
Securities lending and repurchase agreements	10	61,064	21,709
Customer deposits		161,745	144,788
Trading liabilities	12,18	6,366	1,513
Negative replacement values of derivative financial instruments	13	8,373	8,055
Liabilities from other financial instruments held at fair value	12	60,945	61,411
Bonds and mortgage-backed bonds		149,831	164,958
Accrued expenses and deferred income		4,617	4,954
Other liabilities	15	564	445
Provisions	20	548	588
Total liabilities		**529,045**	**465,990**
Share capital	21	4,400	4,400
Legal capital reserves		38,477	33,330
of which capital contribution reserves		37,913	32,766
Legal income reserves		3,461	6,081
Voluntary income reserves		610	610
Retained earnings		0	226
Net profit/(loss)		225	(2,837)
Total shareholder's equity		**47,173**	**41,810**
Total liabilities and shareholder's equity		**576,218**	**507,800**
Total subordinated liabilities		22,461	22,474 [1]
of which liabilities subject to contractual mandatory conversion and/or cancellation		15,976	15,437 [1]

[1] Prior period has been corrected.

Off-balance sheet transactions

end of	2017	2016
Off-balance sheet transactions (CHF million)		
Contingent liabilities	74,877	170,909
Irrevocable commitments	85,539	95,213
Obligations for calls on shares and additional payments	57	155

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

Joint and several liability

On November 20, 2016, the Bank parent company transferred its universal bank business for Swiss customers, comprising a significant part of the division Swiss Universal Bank and parts of the former Sales and Trading Services (STS), a business area providing sales and trading services and which became part of International Trading Solutions, to Credit Suisse (Schweiz) AG. This business transfer was executed through a transfer of assets and liabilities in accordance with the Swiss Merger Act. By operation of the Swiss Merger Act, the Bank parent company assumed a three-year statutory joint and several liability for obligations existing at the transfer date on November 20, 2016 and which were transferred to Credit Suisse (Schweiz) AG. With the exception of certain claims of employees becoming due up to the date upon which the employment relationship could ordinarily have been terminated, or was terminated by the employee if the employee declined to transfer to Credit Suisse (Schweiz) AG, the Bank parent company has no liability for obligations incurred by Credit Suisse (Schweiz) AG after the asset transfer date.

The Bank parent company entered into a contractual arrangement under which it assumed joint and several liability with respect to liabilities of Credit Suisse (Schweiz) AG arising in connection with Credit Suisse (Schweiz) AG's roles under the covered bonds program.

The Bank parent company is a member of Credit Suisse Group AG's Swiss VAT group and therefore subject to joint and several liability according to the Swiss VAT Act.

Deposit insurance guarantee programs

Deposit-taking banks and securities dealers in Switzerland are required to ensure the payout of privileged deposits in case of specified restrictions or compulsory liquidation of a deposit-taking bank, and they jointly guarantee an amount of up to CHF 6 billion. Upon occurrence of a payout event triggered by a specified restriction of business imposed by the Swiss Financial Market Supervisory Authority FINMA (FINMA) or by the compulsory liquidation of another deposit-taking bank, the Bank parent company'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 parent company, the Bank's share in the deposit insurance guarantee program for the period July 1, 2017 to June 30, 2018 is CHF 55 million. This deposit insurance guarantee was reflected in contingent liabilities.

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

Statement of changes in equity

	Share capital	Legal capital reserves	Legal income reserves	Voluntary income reserves	Retained earnings	Net profit/(loss)	**Total shareholder's equity**
2017 (CHF million)							
Balance at beginning of period	**4,400**	**33,330**	**6,081**	**610**	**226**	**(2,837)**	**41,810**
Appropriation of net loss	–	–	–	–	(2,837)	2,837	–
Transfer of legal income reserves	–	–	(2,621)	–	2,621	–	–
Capital contributions	–	5,236 [1]	–	–	–	–	5,236
Transfer of legal capital reserves	–	(89) [2]	–	–	–	–	(89)
Dividends and other distributions	–	–	–	–	(10)	–	(10)
Net profit	–	–	–	–	–	225	225
Balance at end of period	**4,400**	**38,477** [3]	**3,461**	**610**	**0**	**225**	**47,173**

Rounding differences may occur.

[1] Represents a-fonds-perdu contributions in kind to capital contribution reserves of CHF 1,136 million by Credit Suisse Group AG on March 31, 2017 related to the transfer of the equity stakes of Neue Aargauer Bank AG, BANK-now AG and Swisscard AECS GmbH and an a-fonds-perdu contribution in cash by Credit Suisse Group AG to the capital contribution reserves of CHF 4,100 million on June 8 , 2017.

[2] Represents the asset surplus from the transfer of assets and liabilities to Credit Suisse Services AG on July 7, 2017 in accordance with the Swiss Merger Act by way of an a-fonds-perdu contribution. The appropriation of capital contribution reserves in the amount of the asset surplus was approved by the Extraordinary General Meeting on June 21, 2017.

[3] Includes capital contribution reserves of CHF 37,913 million. Distributions from capital contribution reserves are free of Swiss withholding tax.

Notes to the financial statements

1 Business activities, developments and subsequent events

Business activities

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

As of December 31, 2017, the Bank parent company had total assets of CHF 576.2 billion and shareholder's equity of CHF 47.2 billion.

The Bank parent company is a 100% subsidiary of Credit Suisse Group AG (Group parent company) domiciled in Switzerland.

The Bank parent company provides private banking and investment banking services which include comprehensive advice and a wide range of financial solutions to private, corporate and institutional clients. Private clients include ultra-high-net-worth and high-net-worth individuals around the globe. The corporate and institutional banking business serves large corporate clients, small and medium-sized enterprises, institutional clients and financial institutions. Services to affluent and retail clients in Switzerland and to corporate and institutional clients with a focus on the Swiss home market are provided by Credit Suisse (Schweiz) AG, a 100% banking subsidiary of the Bank parent company which started operations on November 20, 2016. Its service offering to private, corporate and institutional clients comprise of asset management services, which includes a wide range of investment products and solutions across a diversified range of asset classes, with a focus on alternative, traditional and multi-asset portfolios in many areas with a broad offering for emerging markets-related investment opportunities.

Number of employees

end of	2017	2016
Number of employees (full-time equivalents)		
Switzerland	7,500	8,950
Abroad	4,590	4,940
Total	**12,090**	**13,890**

Business developments

Developments of the corporate structure

In order to align the corporate structure of Credit Suisse (Schweiz) AG with that of the Swiss Universal Bank division, the following equity stakes held by the Group parent company were transferred to Credit Suisse (Schweiz) AG: (i) 100% equity stake in Neue Aargauer Bank AG, (ii) 100% equity stake in BANK-now AG, and (iii) 50% equity stake in Swisscard AECS GmbH. The transfer of these equity stakes took place by way of an a-fonds-perdu contribution (i.e., without consideration) from the Group parent company to the Bank parent company and immediately thereafter via a subsequent sale of these equity stakes from the Bank parent company to Credit Suisse (Schweiz) AG. The a-fonds-perdu contribution and the subsequent sale took place at the respective equity stakes' aggregate Swiss GAAP carrying value as recorded by the Group parent company. The transfer was executed on March 31, 2017.

In February 2017, Credit Suisse (Schweiz) AG and Credit Suisse Asset Management International Holding Ltd, which is wholly owned by the Bank parent company, with a participating interest of 49% and 51%, respectively, incorporated Credit Suisse Asset Management & Investor Services (Schweiz) Holding AG, a holding company domiciled in Switzerland. Credit Suisse Asset Management (Schweiz) AG was incorporated in February 2017 and received the Swiss-related asset management business from the Bank parent company by way of an a-fonds-perdu contribution through a transfer of assets in accordance with the Swiss Merger Act. All transfers of participations were made at the participations' Swiss GAAP carrying value as recorded by the transferor.

Other business developments

In connection with the Group's centralization of critical shared service functions, the Bank parent company transferred certain assets and liabilities, employment relationships and other contracts to Credit Suisse Services AG in July 2017 in accordance with the Swiss Merger Act by way of an a-fonds-perdu contribution. These assets, liabilities, employment relationships and other contract were related to critical shared services functions.

In November 2017, Credit Suisse Securities (USA) LLC transferred several businesses and related inventories, including its primary and secondary trading and repurchase agreement financing of US treasuries, agency specified pools and agency collateralized mortgage obligations, to the New York branch of Credit Suisse AG.

Subsequent events

There were no subsequent events.

2 Accounting and valuation principles

Summary of significant accounting and valuation principles

Basis for accounting

The Bank parent company's stand-alone financial statements are prepared in accordance with the accounting rules of the Swiss Federal Law on Banks and Savings Banks (Bank Law), the corresponding Implementing Ordinance and FINMA circular 2015/1, "Accounting rules for banks, securities dealers, financial groups and conglomerates" (Swiss GAAP statutory) as applicable for the preparation of reliable assessment statutory single-entity financial statements *(Statutarischer Einzelabschluss mit zuverlässiger Darstellung)*. Supplemental information on unsecured senior debt and structured notes as provided by Note 19 is not a required disclosure under these rules.

The Bank's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the US (US GAAP), which differ in certain material respects from Swiss GAAP statutory.

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

▸ Refer to "Note 39 – Significant valuation and income recognition differences between US GAAP and Swiss GAAP banking law (true and fair view)" in VIII – Consolidated financial statements – Credit Suisse (Bank) for information on significant valuation and income recognition differences between US GAAP and Swiss GAAP banking law (true and fair view).

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

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

Recording of transactions

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

Foreign currency translations

The Bank parent company's functional currency is Swiss francs (CHF). Transactions denominated in currencies other than the functional currency are recorded using the foreign exchange rates at the date of the transaction.

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

Assets and liabilities of foreign branches are translated to Swiss francs using spot rates as of the balance sheet date. Income and expense items of foreign branches are translated at weighted-average exchange rates for the year. All foreign exchange translation effects are recognized in the statements of income in net income/(loss) from trading activities and fair value option.

The following table provides the foreign exchange rates applied for the preparation of the Bank parent company's stand-alone financial statements.

Foreign exchange rates

	End of	
	2017	2016
1 USD / 1 CHF	0.98	1.02
1 EUR / 1 CHF	1.17	1.07
1 GBP / 1 CHF	1.32	1.26
100 JPY / 1 CHF	0.87	0.87

Cash and other liquid assets

Cash and other liquid assets are recognized at their nominal value.

Due from banks

Amounts due from banks, including interest due but not paid, are recognized at their nominal value less any necessary valuation adjustments.

Due from customers and mortgage loans

Amounts due from customers and mortgage loans, including interest due but not paid, are recognized at their nominal value less any necessary valuation adjustments.

All customer loans are assessed individually for default risks and, where necessary, valuation adjustments are recorded in accordance with internal policies. These valuation adjustments take into account the value of the collateral and the financial standing of the borrower (counterparty risk). The Bank parent company evaluates many factors when determining valuation adjustments, including the volatility of default probabilities, rating changes, the magnitude of potential loss, internal risk ratings, and geographic, industry and other economic factors.

Valuation adjustments are netted with the corresponding assets.

Trading assets and liabilities

In order to qualify as trading activity, positions (assets and liabilities) have to be actively managed with the objective of realizing gains from fluctuations in market prices which includes an ongoing willingness to increase, decrease, close or hedge risk positions. Trading positions also include positions held with the intention of generating gains from arbitrage. The designation as trading position has to be made, and documented accordingly, upon conclusion of the transaction.

Trading securities are carried at fair value with changes in fair value recorded in the statements of income in net income/

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

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

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

Derivative financial instruments and hedge accounting

Derivative financial instruments consist of trading and hedging instruments.

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

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

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

For fair value hedges, to the extent these hedges are effective, the gains and losses resulting from the valuation of the hedging instruments are recorded in the same statements of income line items in which gains and losses from the hedged items are recognized. Gains and losses resulting from fair valuing the risk being hedged of the hedged items are not recorded as an adjustment to the carrying value of the hedged items but are recorded in the compensation account included in other assets or other liabilities. Any changes in fair value representing hedging ineffectiveness are recorded in net income from trading activities and fair value option.

For cash flow hedges, to the extent these hedges are effective, gains and losses resulting from the valuation of the hedging instruments are deferred and recorded in the compensation account included in other assets or other liabilities. The deferred amounts are released and recorded in the statements of income in the same period when the cash flows from the hedged transactions or hedged items are recognized in earnings. Any changes in fair value representing hedging ineffectiveness are recorded in net income from trading activities and fair value option.

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

Financial instruments which are not part of the trading portfolio may be measured at fair value and classified in other financial instruments held at fair value or liabilities from other financial instruments held at fair value if all of the following conditions are met:

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

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

Participations

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

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

Other assets and other liabilities

Other assets and other liabilities are generally recorded at cost or nominal value. Other assets and other liabilities include the net balance of the compensation accounts. The compensation accounts

are used to record the hedge effectiveness, impacts from changes in own credit spreads and deferred gains or losses from the sale of debt securities held-to-maturity.

Changes in the book values of assets and liabilities that are not recognized in the statements of income of a reporting period are recorded in the compensation account as assets or liabilities. The gross amounts of compensation account assets and liabilities are offset and reported net on the balance sheet either in other assets or in other liabilities.

Due to banks

Amounts due to banks are recognized at their nominal value.

Customer deposits

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

Bonds and mortgage-backed bonds

Bonds and mortgage-backed bonds are carried at amortized cost. Debt issuance costs are recorded in other assets and other liabilities, respectively.

Provisions

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

Provisions which are no longer economically necessary and which are not used in the same reporting period to cover probable obligations of the same nature are released to income:

- tax provisions through line item taxes;
- provisions for pension benefit obligations and staff-related restructuring provisions through personnel expenses; and
- provisions for off-balance sheet related default risks and other provisions including litigation provisions through line item increase/(release) of provisions and other value adjustments, and losses.

Commission income

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

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

Income tax accounting

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

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

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

Extraordinary income and expense

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

Contingent liabilities and irrevocable commitments

Contingent liabilities are recorded as off-balance sheet transactions at their maximum potential payment amounts. Irrevocable commitments are recorded as off-balance sheet transactions at their nominal values, except for irrevocable commitments with a remaining maturity of less than six weeks which are excluded from the disclosure. As necessary, related provisions are recorded on the balance sheet in line item provisions.

Capital adequacy disclosures

Capital adequacy disclosures for the Group and the Bank parent company are presented in the publications "Pillar 3 and regulatory disclosures – Credit Suisse Group AG" and "Regulatory disclosures – Subsidiaries", respectively, which will be available on the Group's website *credit-suisse.com/regulatorydisclosures*.

New accounting policies to be adopted in future periods

Individual valuation of participations

Under the revised Banking Ordinance of April 30, 2014, which entered into force on January 1, 2015, certain regulations, such as the individual valuation of participations, tangible fixed assets and intangible assets are subject to transitional provisions until the full implementation of the regulation effective January 1, 2020. The requirements regarding individual valuation of tangible fixed assets and intangible assets are met by the Bank parent company's current accounting policies. For participations, the Bank parent company is currently assessing the impact of a change in valuation principle from the portfolio valuation method to the individual valuation method. It has not yet elected the adoption date for this new valuation principle.

As of December 31, 2017, the carrying value of participations included total unrealized losses on certain participations of CHF 6,947 million, which were netted with unrealized gains on other participations of the same amount in accordance with the portfolio method applied under the current accounting policy.

Prior period information

In the Bank parent company's balance sheet as of December 31, 2016, total subordinated receivables increased CHF 289 million, mainly reflecting a correction for subordinated trading book positions from a foreign branch. Total subordinated liabilities decreased CHF 142 million, mainly reflecting a correction for off-balance sheet collateral-related liabilities. Total subordinated liabilities subject to contractual mandatory conversion and/or cancellation include additional positions of CHF 8,125 million relating to certain low-trigger tier 1 capital instruments. In "Note 11 – Collateral and impaired loans", gross impaired loans as of December 31, 2016 increased CHF 261 million to reflect impaired accrued interest on certain loan portfolios. These changes had no impact on net profit/(loss) or shareholders' equity.

3 Risk management, use of derivative financial instruments and hedge accounting

Risk management

Prudent risk taking in line with the strategic priorities of the Bank parent company and its subsidiaries (the Bank) is fundamental to its business. The primary objectives of risk management are to protect the Bank's financial strength and reputation, while ensuring that capital is well deployed to support business growth and activities. The Bank's risk management framework is based on transparency, management accountability and independent oversight. Risk management is an integral part of the Bank's business planning process with strong senior management and Board of Directors (Board) involvement.

Risk governance

The Bank's risk governance framework is based on a "three lines of defense" governance model, where each line has a specific role with defined responsibilities and works in close collaboration to identify, assess and mitigate risks.

The first line of defense is the front office, which is responsible for pursuing suitable business opportunities within the strategic risk objectives and compliance requirements of the Bank. Its primary responsibility is to ensure compliance with relevant legal and regulatory requirements and maintain effective internal controls.

The second line of defense includes functions such as risk management, compliance, legal and product control. It articulates standards and expectations for the effective management of risk and controls, including advising on applicable legal and regulatory requirements and publishing related policies, and monitors and assesses compliance with regulatory and internal standards. The second line of defense is separate from the front office and acts as an independent control function, responsible for reviewing, measuring and challenging front office activities and producing independent assessments and risk management reporting for senior management and regulatory authorities.

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

Risk management of the Bank is aligned to the overall risk management governance of the Group. All members of the Board and the Executive Board of the Bank are also members of the Board and the Executive Board of the Group. The Bank's governance includes a committee structure and a comprehensive set of corporate policies which are developed, reviewed and approved by the Board, the Executive Board, their respective committees, the Group Chief Risk Officer (CRO) and the Group Chief Compliance and Regulatory Affairs Officer (CCRO), in accordance with their respective responsibilities and levels of authority.

Board of Directors

The Board is responsible for the Bank's strategic direction, supervision and control, and for defining the Bank's overall tolerance for risk in the form of a risk appetite statement and overall risk limits. Overall risk limits are set by the Board in consultation with its Risk Committee.

The Risk Committee is responsible for assisting the Board in fulfilling its oversight responsibilities by providing guidance regarding risk governance and the development of the Bank's risk profile and capital adequacy, including the regular review of major risk exposures and overall risk limits.

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

Executive Board

The Executive Board is responsible for developing and implementing the Bank's strategic business plans, subject to approval by the Board. It further reviews and coordinates significant initiatives for the risk management function and establishes Bank-wide risk policies. The Group CRO and CCRO are members of the Executive Board and represent the risk management and compliance functions, respectively, reporting to the Group Chief Executive Officer (CEO) and, at least annually, to the Board.

Executive Board committees

The Capital Allocation & Risk Management Committee (CARMC) is responsible for overseeing and directing the Bank's risk profile, recommending risk limits at the Bank level to the Risk Committee and the Board, establishing and allocating risk appetite among the various businesses, reviewing new significant business strategies or changes in business strategies including business migrations, making risk-related decisions on escalations, and for applying measures, methodologies and tools to monitor and manage the risk portfolio. CARMC meets monthly and conducts reviews according to the following three rotating cycles. The asset &

liability management cycle reviews the funding and balance sheet trends and activities, plans and monitors regulatory and business liquidity requirements and internal and regulatory capital adequacy. The market & credit risks cycle defines and implements risk management strategies for the Bank businesses, sets and approves risk appetite within Board-approved limits and other appropriate measures to monitor and manage the risk profile of the Bank and allocates liquidity resources and sets liquidity risk limits for individual divisions. The internal control system cycle monitors and analyzes significant legal and compliance risks, reviews and approves the business continuity program's alignment with the corporate strategy on an annual basis, sets limits, caps and triggers on specific businesses to control significant operational risk exposure, and reviews and assesses the appropriateness and efficiency of the internal control systems.

The Valuation Risk Management Committee (VARMC) is responsible for establishing policies regarding the valuation of certain material assets and the policies and calculation methodologies applied in the valuation process.

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

The Reputational Risk & Sustainability Committee (RRSC) sets policies and reviews processes and significant cases relating to reputational risks and sustainability issues. It also ensures adherence to the Bank's reputational and sustainability policies and oversees their implementation.

Risk appetite framework

The Bank maintains a comprehensive Bank-wide risk appetite framework, which is governed by a global policy and provides a robust foundation for risk appetite setting and management across the Bank. A key element of the framework is a detailed statement of the Board-approved risk appetite which is aligned to the Bank's financial and capital plans. The framework also encompasses the processes and systems for assessing the appropriate level of risk appetite required to constrain the Bank's overall risk profile.

The Bank risk appetite framework is governed by an overarching global policy that encompasses the suite of specific policies, processes and systems with which the risk constraints are calibrated and the risk profile is managed. The framework is guided by the following strategic risk objectives:

- maintaining Bank-wide capital adequacy above minimum regulatory requirements under both normal and stressed conditions;
- promoting stability of earnings to support performance in line with financial objectives;
- ensuring sound management of liquidity and funding risk in normal and stressed conditions;
- proactively controlling concentration risks;
- managing operational and compliance risk within the Bank's enterprise risk and control framework (ERCF) to ensure sustainable performance;
- minimizing reputational risk; and
- managing and mitigating conduct risk.

Bank-wide risk appetite is determined in partnership with the financial and capital planning process on an annual basis, based on bottom-up forecasts that reflect planned risk-usage by the businesses and top-down, Board-driven strategic risk objectives and risk appetite. Scenario stress testing of financial and capital plans is an essential element in the risk appetite calibration process as a key means through which the Bank's strategic risk objectives, financial resources and business plans are aligned. The capital plans are also analyzed using the Bank's economic capital coverage ratio, which provides a further means of assessing bottom-up risk plans with respect to available capital resources. The risk appetite is approved through a number of internal governance forums, including joint approval by the Group CRO and the Chief Financial Officer (CFO), the Risk Appetite Review Committee (a sub-committee of CARMC), CARMC, the Risk Committee and, subsequently, by the Board.

The risk appetite statement is the formal plan, approved by the Board, for Bank-wide risk appetite. Key divisional allocations are cascaded from the Bank and approved in divisional risk management committees. Legal entity risk appetites are allocated from the Bank and are approved by the local legal entity board of directors.

A core aspect of the Bank's risk appetite framework is a sound system of integrated risk constraints to maintain the Bank's risk profile within its overall risk appetite. The Bank's risk appetite framework utilizes a suite of different types of risk constraints to reflect the aggregate risk appetite of the Bank and to further cascade risk appetite across its organization, including among business divisions and legal entities. The risk constraints restrict the Bank's maximum balance sheet and off-balance sheet exposure given the market environment, business strategy and financial resources available to absorb losses.

Risk coverage and management

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

The key risk types, their definitions and key risk evaluation methods are summarized in the table "Key risk types overview".

It is important both to evaluate each risk type separately and assess the risk types' combined impact on the Bank, which helps ensure that the Bank's overall risk profile remains within the Bank-wide risk appetite.

The primary evaluation methods used to assess Bank-wide quantifiable risks include economic risk capital and stress testing.

Economic risk capital

Economic risk capital is used as a consistent and comprehensive tool for capital management, limit monitoring and performance management. Economic risk capital is the core Bank-wide risk management tool for measuring and reporting the combined impact from quantifiable risks such as market, credit, operational, pension, expense and model risks, each of which has an impact on the Bank's capital position.

Under the Basel framework, the Bank is required to maintain a robust and comprehensive framework for assessing capital adequacy, defining internal capital targets and ensuring that these capital targets are consistent with its overall risk profile and the current operating environment. The Bank's economic risk capital model represents its internal view of the amount of capital required to support its business activities.

During 2017, as part of the economic risk capital strategic development program to further embed economic risk capital into the Bank's risk appetite framework, the Bank continued to develop and implement a suite of metrics and models that better assess, monitor and manage capital adequacy and solvency risk in severe stress events such as business recovery or resolution.

Key risk types overview

Key risk types and definition	Key risk evaluation methods
Liquidity and funding risks: The risk that the Bank does not have the appropriate amount of funding and liquidity to meet its obligations.	Liquidity coverage ratio, net stable funding ratio, liquidity barometer, stress testing
Market risk: The risk of financial loss from adverse changes in market risk factors, including interest rates, credit spreads, foreign exchange rates, equity and commodity prices, and other factors such as market volatility and the correlation of market prices across asset classes.	Value-at-risk, sensitivities, economic risk capital, stress testing
Credit risk: The risk of financial loss arising as a result of a borrower or counterparty failing to meet its financial obligations or as a result of deterioration in the credit quality of the borrower or counterparty.	Gross and net loan exposures, commitments, probability of default, loss given default, exposure at default, potential future exposure, country exposures, economic risk capital, stress testing
Model risk: The risk of adverse consequences from decisions made based on model results that may be incorrect, misinterpreted or used inappropriately.	Risk and control self-assessments, independent model validation, aggregate model risk reports
Operational risk: The risk of financial loss arising from inadequate or failed internal processes, people or systems, or from external events.	■ Enterprise risk and controls framework including risk and control assessments, compliance risk assessments, key risk and control indicators, internal and external incident data, scenario analysis, stress testing ■ Group Code of Conduct and associated conduct and ethics standards ■ Technology risk management program, business continuity testing ■ Legal risk assessments
Compliance and regulatory risk: The risk from the failure to comply with laws, regulations, rules or market standards that may have a negative effect on the Bank's franchise and clients it serves. It includes the risk that changes in laws, regulations, rules or market standards may limit the Bank's activities and have a negative effect on its business or its ability to implement strategic initiatives, or can result in an increase in operating costs for the business or make our products and services more expensive for clients.	
Conduct risk: The risk that improper behavior or judgment by the Bank's employees may result in a negative financial, non-financial or reputational impact to our clients, employees or the Bank or negatively impact the integrity of the financial markets.	
Technology risk: The risk that technology-related failures, such as service outages or information security incidents, may disrupt business.	
Legal risk: The risk of loss or any other material adverse impact arising from circumstances including the failure to comply with legal obligations, changes in enforcement practices, the making of a legal challenge or claim against the Bank, the inability to enforce legal rights or the failure to take measures to protect rights.	
Reputational risk: The risk that negative perception by our stakeholders may adversely impact client acquisition and damage our business relationships with clients and counterparties, affecting staff morale and reducing access to funding sources.	■ A comprehensive assessment for these risk types may be performed either periodically and/or in response to particular events. ■ The results of the analysis impacts management actions such as strategy adjustments, tactical measures, policy adjustments, event-driven crisis guidelines, staff training and individual performance measurement. ■ The risk management actions may include both precautionary activities to manage risk and issue resolution activities to recover from adverse developments
Fiduciary risk: The risk of financial loss arising when the Bank or its employees, acting in a fiduciary capacity as trustee, investment manager or as mandated by law, do not act in the best interest of the client in connection with the advice and management of our client's assets including from a product-related market, credit, liquidity and operational risk perspective.	
Strategic risk: The risk of financial loss or reputational damage arising from inappropriate strategic decisions, ineffective implementation of business strategies or an inability to adapt business strategies in response to changes in the business environment.	

Stress testing

Stress testing or scenario analysis provides an additional approach to risk management and formulates hypothetical questions, including what would happen to the Bank's portfolio if, for example, historic or adverse forward-looking events were to occur.

Stress testing is a fundamental element of the Bank-wide risk appetite framework included in overall risk management to ensure that the Bank's financial position and risk profile provide sufficient resilience to withstand the impact of severe economic conditions. Stress testing results are monitored against limits, used in risk appetite discussions and strategic business planning, and to support the Bank's internal capital adequacy assessment. Within the risk appetite framework, CARMC sets Bank-wide and divisional stressed position loss limits to correspond to minimum post-stress capital ratios.

Liquidity and funding risks

The Bank's liquidity and funding profile reflects its strategy and risk appetite and is driven by business activity levels and the overall operating environment. The liquidity and funding strategy is approved by CARMC and overseen by the Board. The implementation and execution of the funding and liquidity strategy is managed by the treasury function. The treasury function ensures adherence to the funding policy and the efficient coordination of the secured funding desks. This approach enhances the Bank's ability to manage potential liquidity and funding risks and to promptly adjust its liquidity and funding levels to meet stress situations. The Bank's liquidity and funding profile is regularly reported to CARMC and the Board, who define the Bank's risk tolerance, including liquidity risk, and set parameters for the balance sheet and funding usage of its businesses.

Market risk

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

The classification of assets and liabilities into trading book and banking book portfolios determines the approach for analyzing the Bank's market risk exposure. This classification reflects the business and risk management perspective with respect to trading intent, and may be different from the classification of these assets and liabilities for financial reporting purposes.

Market risks from the trading book relate to trading activities, primarily in the divisions Global Markets (as well as through a partnership with International Wealth Management and Swiss Universal Bank under Global Markets' risk oversight), Asia Pacific and the Strategic Resolution Unit.

Market risks from the banking book primarily relate to asset and liability mismatch exposures, equity participations and investments in bonds and money market instruments. The Bank's businesses and the treasury function have non-trading portfolios that carry market risks, mainly related to changes in interest rates but also to changes in foreign exchange rates, equity prices and, to a lesser extent, commodity prices.

The Bank uses market risk measurement and management methods capable of calculating comparable exposures across its many activities and employs focused tools that can model unique characteristics of certain instruments or portfolios. The tools are used for internal market risk management, internal market risk reporting and external disclosure purposes. The Bank's principal market risk measurement for the trading book is value-at-risk (VaR). In addition, the Bank's market risk exposures are reflected in scenario analysis, as included in the stress testing framework, position risk, as included in economic risk capital, and sensitivity analysis. Each market risk measurement aims to estimate the potential loss that the Bank can incur due to an adverse market movement with varying degrees of severity. VaR, scenario analysis, position risk and sensitivity analysis complement each other in the Bank's market risk assessment and are used to measure market risk at the level of the Bank. For example, interest rate risk for banking book positions is measured by estimating the impact resulting from a one basis point parallel increase in yield curves on the fair value of interest rate-sensitive banking book positions and other measures including the potential value change resulting from a significant change in yield curves.

In the banking book, savings accounts and many other retail banking products have no contractual maturity date or direct market-linked interest rate and are risk-managed on a pooled basis using replication portfolios on behalf of the private banking, corporate and institutional businesses. The replication portfolios approximate the interest rate characteristics of the underlying products. This particular source of market risk is monitored on a daily basis.

The majority of non-trading foreign exchange risk is associated with the Bank's net investment in foreign branches, subsidiaries and affiliates denominated in currencies other than Swiss francs. This exposure is actively managed to hedge capital and leverage ratios and is governed within the Bank's risk appetite framework.

Credit risk

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

The majority of the Bank's credit risk arises from its activities in retail and private banking as well as with corporate and institutional clients in the five divisions Swiss Universal Bank, International Wealth Management, Asia Pacific, Global Markets and Investment Banking & Capital Markets, and the residual activities in the Strategic Resolution Unit. Credit risk arises from lending products, irrevocable loan commitments, credit guarantees and letters of credit, and results from counterparty exposure arising from derivatives, foreign exchange and other transactions.

Effective credit risk management is a structured process to assess, measure, monitor and manage risk on a consistent basis.

This requires careful consideration of proposed extensions of credit, the setting of specific limits, monitoring during the life of the exposure, active use of credit mitigation tools and a disciplined approach to recognizing credit impairment.

The Bank's credit risk management framework applies to all of the Bank's credit exposure and includes the following core components:

- individual counterparty rating systems;
- transaction rating systems;
- a counterparty credit limit system;
- country concentration limits;
- industry concentration limits;
- product limits;
- risk-based pricing methodologies;
- active credit portfolio management; and
- a credit risk provisioning methodology.

The Bank employs a set of credit ratings for the purpose of internally rating counterparties to whom it is exposed to credit risk as the contractual party, including with respect to loans, loan commitments, securities financings or over-the-counter (OTC) derivative contracts. Credit ratings are intended to reflect the risk of default of each counterparty. Ratings are assigned based on internally developed rating models and processes, which are subject to governance and internally independent validation procedures. The Bank's internal ratings may differ from a counterparty's external ratings, if one is available. Internal ratings are regularly reviewed depending on exposure type, client segment, collateral or event-driven developments. For the calculation of internal risk estimates (e.g., an estimate of expected loss in the event of a counterparty default) and risk-weighted assets, a probability of default, loss given default and exposure at default are assigned to each facility. These three parameters are primarily derived from internally developed statistical models that have been backtested against internal experience, validated by a function independent of the model owners on a regular basis and approved by the Bank's main regulators for application in the regulatory capital calculation in the advanced internal ratings-based approach (A-IRB) under the Basel framework.

Credit limits are used to manage individual counterparty credit risk. A system of limits is also established to address concentration risk in the portfolio, including a comprehensive set of country limits and limits for certain products and industries. In addition, credit risk concentration is regularly supervised by credit and risk management committees, taking current market conditions and trend analysis into consideration. A rigorous credit quality review process provides an early identification of possible changes in the creditworthiness of clients and includes regular asset and collateral quality reviews, business and financial statement analysis, and relevant economic and industry studies. Regularly updated watch lists and review meetings are used for the identification of counterparties that could be subject to adverse changes in creditworthiness.

Default risks, impairments and credit risk provisioning methodology

The Bank's regular review of the credit quality of clients and counterparties does not depend on the accounting treatment of the asset or commitment. The appropriateness of allowances for credit losses is regularly reviewed. Impaired transactions are further classified as potential problem exposure, non-performing exposure, non-interest-earning exposure or restructured exposure, and the exposures are generally managed within credit recovery units. At the level of the Bank, the credit portfolio & provisions review committee regularly determines the adequacy of allowances.

The Bank maintains specific valuation allowances on loans valued at amortized cost, which are considered a reasonable estimate of losses identified in the existing credit portfolio. Provisions for loan losses are established based on a regular and detailed analysis of all counterparties, taking collateral value into consideration. If uncertainty exists as to the repayment of either principal or interest, a specific valuation allowance is either created or adjusted accordingly. The specific allowance for loan losses is revalued by credit risk management at least annually or more frequently depending on the risk profile of the borrower or credit relevant events.

An inherent loss allowance is estimated for all loans not specifically identified as impaired and that, on a portfolio basis, are considered to contain inherent losses. The method for determining the inherent loss in the lending portfolios of Global Markets and Investment Banking & Capital Markets is based on a model using long-term industry-wide historical default and recovery data taking into account the credit rating and industry of each counterparty. A separate component of the calculation reflects the current market conditions in the allowance for loan losses. Depending on the nature of the exposures, this method may also be applied for the lending portfolios in Swiss Universal Bank, International Wealth Management, Asia Pacific and the Strategic Resolution Unit. For all other exposures, inherent losses in the lending portfolios of these divisions are determined based on current internal risk ratings, collateral and exposure structure, applying historical default and loss experience in the ratings and loss parameters. Qualitative adjustments to reflect current market conditions or any other factors not captured by the model are approved by management and reflected in the allowance for loan losses. A provision for inherent losses on off-balance sheet lending-related exposure, such as contingent liabilities and irrevocable commitments, is also determined, using a methodology similar to that used for the loan portfolio.

Risk mitigation

The Bank actively manages its credit exposure utilizing credit hedges, collateral and guarantees. Collateral is security in the form of an asset, which serves to mitigate the inherent risk of credit loss and to improve recoveries in the event of a default.

The policies and processes for collateral valuation and management are driven by legal documentation that is agreed with the Bank's counterparties and an internally independent collateral management function.

For portfolios collateralized by marketable securities, collateral is valued daily, except as agreed otherwise in contracts or other legal documentation. The mark-to-market prices used for valuing collateral are a combination of Bank-internal and market prices sourced from trading platforms and service providers, as

appropriate. The management of collateral is standardized and centralized to ensure complete coverage of traded products.

For the mortgage lending portfolios, real estate property is valued at the time of credit approval and periodically thereafter, according to the Bank's internal policies and controls, depending on the type of loan (e.g., residential or commercial loan), characteristics of the property, current developments in the relevant real estate market and the current level of credit exposure to the borrower (loan-to-value ratio). If the credit exposure to a borrower has changed significantly, in volatile markets or in times of increasing general market risk, collateral values may be appraised more frequently. Management judgment is applied in assessing whether markets are volatile or general market risk has increased to a degree that warrants a more frequent update of collateral values. Movements in monitored risk metrics that are statistically different compared to historical experience are considered in addition to analysis of externally-provided forecasts, scenario techniques and macro-economic research. For impaired loans, the fair value of collateral is determined within 90 days of the date the impairment was identified and thereafter annually or more frequently by credit risk management within the impairment review process.

The primary types of collateral typically depend on the type of credit transaction. Collateral securing foreign exchange transactions and OTC trading activities primarily includes cash and US treasury instruments, G10 government securities and corporate bonds. Collateral securing loan transactions primarily includes financial collateral pledged against loans collateralized by securities of clients (primarily cash and marketable securities), real estate property for mortgages, mainly residential, but also multi-family buildings, offices and commercial properties, and other types of lending collateral such as accounts receivable, inventory, plant and equipment.

Model risk

Model risk is the risk of adverse consequences from decisions made based on model results that may be incorrect, misinterpreted or used inappropriately. All quantitative models are imperfect approximations that are subject to varying degrees of uncertainty in their output depending on, among other factors, the model's complexity and its intended application. As a result, modeling errors are unavoidable and can result in inappropriate business decisions, financial loss, regulatory and reputational risk and incorrect or inadequate capital reporting. Model errors, intrinsic uncertainty and inappropriate use are the primary contributors to aggregate, Bank-wide model risk.

Through the global model risk management and governance framework the Bank seeks to identify, measure and mitigate all significant risks arising from the use of models embedded within the Bank's global model ecosystem. Model risks can then be mitigated through a well-designed and robust model risk management framework, encompassing both model governance policies and procedures in combination with model validation best practices.

Operational, compliance and regulatory risk

Operational risk is the risk of financial loss arising from inadequate or failed internal processes, people or systems, or from external events. Operational risk does not include strategic and reputational risks. However, some operational risks can lead to reputational issues and as such operational and reputational risks may be closely linked. Operational risk is inherent in most aspects of the Bank's business, including the systems and processes that support its activities. It comprises a large number of disparate risks that can manifest in a variety of ways. Particularly relevant examples of operational risk include the risk of fraudulent or unauthorized transactions, damage to physical assets, trade processing errors, business disruption and cyber attacks. Operational risk can arise from human error, inappropriate conduct, failures in systems, processes and controls, deliberate attack or natural and man-made disasters.

Compliance and regulatory risk is the risk from the failure to comply with laws, regulations, rules or market standards that may have a negative effect on the Bank's franchise and clients it serves. It includes the risk that changes in laws, regulations, rules or market standards may limit the Bank's activities and have a negative effect on the Bank's business or its ability to implement strategic initiatives, or can result in an increase in operating costs for the business or make its products and services more expensive for clients. Examples of sources of compliance risks include cross-border activities, the risk of money laundering, improper handling of confidential information, conflicts of interest, improper gifts and entertainment and failure in duties to clients.

To effectively manage operational and compliance risks, the Bank-wide ERCF was implemented focusing on the early identification, recording, assessment, monitoring, prevention and mitigation of these risks, as well as timely and meaningful management reporting. The Bank introduced a revised, formal, well-defined operational risk framework in 2013, which improved the integration of previously separate operational risk processes, providing a more coherent and systematic approach to managing all aspects of the operational risk landscape. In 2016, the Bank established the ERCF which integrated this operational risk framework and all of its components with the compliance risk components to further harmonize the Bank's approach to non-financial risk. As an initial step, the assessment processes for operational and compliance risks in 2016 were closely coordinated, resulting in an enhanced risk and control self-assessment that covers both risk types in a more consistent manner. Also, standardized Bank-wide role descriptions were introduced that define the responsibilities for identifying, assessing, reporting and managing risks across the organization. In 2017, continued progress was made in rolling out a systematic key control activities framework as part of the ERCF. This framework applies consistent standards and approaches to the identification, documentation and assessment of key controls across the Bank.

The ERCF provides a structured approach to managing operational and compliance risks. It seeks to apply consistent standards and techniques for evaluating risks across the Bank while providing individual businesses with sufficient flexibility to tailor specific components to their own needs, as long as they meet Bank-wide minimum standards.

The Bank has used an internal model to calculate the regulatory capital requirement for operational risk under the advanced

measurement approach (AMA) since 2008. This model was replaced with an enhanced AMA internal model in 2014, which has been approved by FINMA. In 2017, the Bank updated the model structure to further align with the Bank's divisions and expanded the scenario analysis program to address more specific divisional risk assessments. The Bank also updated its loss history and implemented a revised methodology for the measurement of risk-weighted assets relating to operational risk, primarily in respect of the Bank's RMBS settlements.

In addition to managing and mitigating operational risks under the ERCF through business- and risk-related processes and organization, the Bank also transfers the risk of potential loss from certain operational risks to third-party insurance companies in certain instances.

Conduct risk

Conduct risk is the risk that improper behavior or judgment by the Bank's employees may result in a negative financial, non-financial or reputational impact to its clients, employees or the Bank or negatively impact the integrity of the financial markets. Conduct risk may arise from a wide variety of activities and types of behaviors. A Bank-wide definition of expectations relating to the conduct of the Bank's employees helps to ensure that the Bank has a common understanding of and is consistently managing, minimizing and mitigating its conduct risk and further promotes standards of responsible conduct and ethics in its employees. Managing conduct risk includes consideration of the risks generated by each business and the strength of the associated mitigating controls. Conduct risk is also assessed by reviewing and learning from past incidents within the Bank and at other firms in the financial services sector. Compliance oversees conduct risk for the Bank.

Technology risk

Technology risk deserves particular attention given the complex technological landscape that covers the Bank's business model. Ensuring that confidentiality, integrity and availability of information assets are protected is critical to the Bank's operations.

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

Cyber risk, which is part of technology risk, is the risk that the Bank will be compromised as a result of cyber attacks, security breaches, unauthorized access, loss or destruction of data, unavailability of service, computer viruses or other events that could have an adverse security impact.

Technology risks are managed through the Bank's technology risk management program, business continuity management plan and business contingency and resiliency plans and feature in the Bank's overall operational risk assessment.

Legal risks

Legal risk is the risk of loss or imposition of damages, fines, penalties or other liability or any other material adverse impact arising from circumstances including the failure to comply with legal obligations, whether contractual, statutory or otherwise, changes in enforcement practices, the making of a legal challenge or claim against the Bank, its inability to enforce legal rights or the failure to take measures to protect its rights.

Reputational risk

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

Reputational risk may arise from a variety of sources, including, but not limited to, the nature or purpose of a proposed transaction or service, the identity or activity of a potential client, the regulatory or political climate in which the business will be transacted, and the potentially controversial environmental or social impacts of a transaction or significant public attention surrounding the transaction itself. The risk may also arise from reputational damage in the aftermath of an operational risk incident, such as cyber crime or the failure by employees to meet expected conduct and ethical standards.

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

The RRSC, on a global level, and the reputational risk committees, on a divisional or legal entity level, are the governing bodies responsible for the oversight and active discussion of reputational risk and sustainability issues. At the Board level, the Risk Committee and Audit Committee jointly assist the Board in fulfilling its

reputational risk oversight responsibilities by reviewing and approving the Bank's risk appetite framework as well as assessing the adequacy of the management of reputational risks.

Fiduciary risk

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

Assessing investment performance and reviewing forward-looking investment risks in discretionary client portfolios and investment funds is central to the Bank's oversight program. This program targets daily, monthly or quarterly monitoring of all portfolio management activities with independent analysis provided to senior management. Formal review meetings are in place to ensure that investment performance and risks are in line with expectations and adequately supervised.

Strategic risk

Strategic risk is the risk of financial loss or reputational damage arising from inappropriate strategic decisions, ineffective implementation of business strategies or an inability to adapt business strategies in response to changes in the business environment. A wide variety of financial, risk, client and market analyses are used by the Bank to monitor the effectiveness of its strategies and the performance of its businesses against their strategic objectives. These include an analysis of current and expected operating conditions, an analysis of current and target market positioning, and detailed scenario planning.

Strategic plans are developed by each division annually and aggregated into a Bank plan, which is reviewed by the CRO, CFO and Chief Executive Officer (CEO) before presentation to the Executive Board. Following approval by the Executive Board, the Bank plan is submitted for review and approval to the Board. In addition, there is an annual strategic review at which the Board evaluates the Bank's performance against strategic objectives and sets the overall strategic direction for the Bank. From time to time, the Board and the Executive Board conduct more fundamental in-depth reviews of the Bank's strategy.

▸ Refer to "Strategy" in I – Information on the company for further information.

Use of derivative financial instruments and hedge accounting

Business policy for use of derivative financial instruments

Derivatives are generally either privately negotiated OTC contracts or standard contracts transacted through regulated exchanges. The Bank parent company's most frequently used freestanding derivative products, entered into for trading and risk management purposes, include interest rate, credit default and cross-currency swaps, interest rate and foreign exchange options, foreign exchange forward contracts and foreign exchange and interest rate futures.

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

Economic hedges

Economic hedges arise when the Bank parent company enters into derivative contracts for its own risk management purposes, but the contracts entered into do not qualify for hedge accounting. These economic hedges include the following types:

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

Derivatives used in economic hedges are included as trading assets or trading liabilities in the balance sheets.

Hedge accounting

Hedge accounting for the Bank parent company is determined, recorded and disclosed in accordance with US GAAP as allowed under Swiss GAAP statutory accounting rules.

▸ Refer to "Note 13 – Derivative financial instruments" for further information on hedge accounting.

Fair value hedges

The Bank parent company designates fair value hedges as part of an overall interest rate risk management strategy that incorporates the use of derivative instruments to minimize fluctuations in earnings that are caused by interest rate volatility. In addition to hedging changes in fair value due to interest rate risk associated with fixed rate loans, repurchase agreements and long-term debt instruments, the Bank parent company uses:

- cross-currency swaps to convert foreign-currency-denominated fixed rate assets or liabilities to floating rate functional currency assets or liabilities; and
- foreign exchange forward contracts to hedge the foreign exchange risk associated with available-for-sale securities.

Cash flow hedges

The Bank parent company designates cash flow hedges as part of its strategy to mitigate its risk to variability of cash flows on loans, deposits and other debt obligations by using interest rate swaps to

convert variable rate assets or liabilities to fixed rates. The Bank parent company also uses cross-currency swaps to convert foreign-currency-denominated fixed and floating rate assets or liabilities to fixed rate assets or liabilities based on the currency profile to which the Bank parent company elects to be exposed. Further, the Bank parent company uses derivatives to hedge its cash flows associated with forecasted transactions.

Hedge effectiveness assessment

The Bank parent company assesses the effectiveness of hedging relationships both prospectively and retrospectively. The prospective assessment is made both at the inception of a hedging relationship and on an ongoing basis, and requires the Bank parent company to justify its expectation that the relationship will be highly effective over future periods. The retrospective assessment is also performed on an ongoing basis and requires the Bank parent company to determine whether or not the hedging relationship has actually been effective. If the Bank parent company concludes, through a retrospective evaluation, that hedge accounting is appropriate for the current period, then it measures the amount of hedge ineffectiveness to be recognized in earnings.

4 Net income from interest activities

Negative interest

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

Negative interest income and expense

in	2017	2016
Negative interest income and expense (CHF million)		
Negative interest income debited to interest income	(258)	(173)
Negative interest expenses credited to interest expense	86	137

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

in	2017	2016
Net income/(loss) from trading activities and fair value option by risk of underlying instruments (CHF million)		
Interest rate instruments [1]	(24)	640
Equity instruments [1]	168	(1,074)
Foreign exchange	217	(662)
Precious metals	55	129
Commodities [2]	5	(7)
Credit instruments	(721)	(1,405)
Other instruments	101	(29)
Net income/(loss) from trading activities and fair value option	**(199)**	**(2,408)**
of which net income/(loss) from fair value option	(4,750)	(174)
of which net income/(loss) from fair value option on liabilities	(4,750)	(174)

[1] Includes trading income/(loss) from related fund investments.

[2] Includes energy products.

Trading activities at the Bank parent company level are only monitored and managed for entity-specific capital adequacy purposes and are not measured along divisional or individual business lines. The trading activities of the divisions or individual businesses are only monitored and managed at the Group level based on US GAAP metrics.

6 Personnel expenses

in	2017	2016
Personnel expenses (CHF million)		
Salaries	2,128	2,849
of which variable compensation expenses	357	446
Social benefit expenses	321	598
of which pension and other post-retirement expenses	192	387
Other personnel expenses	99	129
Personnel expenses	**2,548**	**3,576**

7 General and administrative expenses

in	2017	2016
General and administrative expenses (CHF million)		
Occupancy expenses	109	288
Information and communication technology expenses	136	220
Furniture and equipment	21	40
Fees to external audit companies	31	30
of which fees for financial and regulatory audits [1]	22	29
of which fees for other services	9	1
Other operating expenses [2]	2,773	2,528
General and administrative expenses	**3,070**	**3,106**

[1] Represents total fees for financial statement, regulatory and related audit services paid by legal entity Credit Suisse AG to external audit companies.

[2] Partially related to operating expenses charged by affiliated companies for services provided to the Bank parent company.

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

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

in	2017	2016
Increase/(release) of provisions and other valuation adjustments, and losses (CHF million)		
Increase/(release) of provisions	153 [1]	77 [2]
Other losses	3	9
Increase/(release) of provisions and other valuation adjustments, and losses	**156**	**86**

[1] Primarily related to an increase in litigation provisions.
[2] Primarily related to increases in off-balance sheet provisions and litigation provisions.

Extraordinary income and expenses

in	2017	2016
Extraordinary income (CHF million)		
Gains realized from the disposal of participations	362 [1]	39 [2]
Gains realized from the disposal of tangible fixed assets [3]	2	484
Extraordinary income	**364**	**523**
Extraordinary expenses (CHF million)		
Losses realized from the disposal of participations	(5) [4]	0
Extraordinary expenses	**(5)**	**0**

[1] Primarily related to the merger of Credit Suisse (Channel Islands) Limited, the sale of Credit Suisse (Monaco) S.A.M. and the merger of another participation.
[2] Primarily related to the sale and liquidation of two subsidiaries.
[3] Includes realized gains from the sale of real estate (bank premises).
[4] Primarily related to the liquidation of a participation.

9 Taxes

in	2017	2016
Taxes (CHF million)		
Current income tax (expense)/benefit	(324)	(300)
Non-income-based taxes (expense)/benefit [1]	(79)	(104)
Taxes	**(403)**	**(404)**

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

For the financial year ended December 31, 2017 and 2016, the average tax rate, defined as income tax expense divided by the sum of profit before income tax, was 59% and (12)%, respectively. Income tax expense for the financial year ended December 31, 2017 and 2016 reflected a benefit of CHF 249 million and CHF 167 million, respectively, from the utilization of tax losses carried forward. The calculation is based on statutory tax rates applied to the taxable profit against which tax loss carry forwards were utilized.

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

end of	2017	2016
On-balance sheet (CHF million)		
Carrying value of receivables from cash collateral paid for securities borrowed and reverse repurchase agreements – gross	75,668	40,800
Impact from master netting agreements	(8,991)	(17)
Carrying value of receivables from cash collateral paid for securities borrowed and reverse repurchase agreements – net	**66,677**	**40,783**
Carrying value of liabilities from cash collateral received for securities lent and repurchase agreements – gross	70,055	21,726
Impact from master netting agreements	(8,991)	(17)
Carrying value of liabilities from cash collateral received for securities lent and repurchase agreements – net	**61,064**	**21,709**
Off-balance sheet (CHF million)		
Carrying value of securities transferred under securities lending and borrowing and repurchase agreements	3,856	1,862
of which transfers with the right to resell or repledge	667	700
Fair value of securities received under securities lending and borrowing and reverse repurchase agreements with the right to resell or repledge	188,142	97,482
of which repledged	139,572	68,268
of which resold	688	517

11 Collateral and impaired loans

Collateralization of loans

	Secured[1]			Unsecured	Total
end of	Mortgages	Other collateral	Total		
2017 (CHF million)					
Due from customers	43	90,359	90,402	103,588	193,990
Residential property	3,867	0	3,867	0	3,867
Offices and commercial property	890	0	890	0	890
Manufacturing and industrial property	256	0	256	0	256
Other	63	0	63	0	63
Mortgage loans	5,076	0	5,076	0	5,076
Gross loans	**5,119**	**90,359**	**95,478**	**103,588**	**199,066**
Allowance for loan losses	(25)	(351)	(376)	(533)	(909)
Net loans	**5,094**	**90,008**	**95,102**	**103,055**	**198,157**
of which due from customers	43	90,008	90,051	103,055	193,106
of which mortgage loans	5,051	0	5,051	0	5,051
2016 (CHF million)					
Due from customers	110	86,613	86,723	95,030	181,753
Residential property	3,766	0	3,766	0	3,766
Offices and commercial property	844	0	844	0	844
Manufacturing and industrial property	306	0	306	0	306
Other	49	0	49	0	49
Mortgage loans	4,965	0	4,965	0	4,965
Gross loans	**5,075**	**86,613**	**91,688**	**95,030**	**186,718**
Allowance for loan losses	(13)	(580)	(593)	(747)	(1,340)
Net loans	**5,062**	**86,033**	**91,095**	**94,283**	**185,378**
of which due from customers	110	86,033	86,143	94,283	180,426
of which mortgage loans	4,952	0	4,952	0	4,952

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

Collateralization of off-balance sheet transactions

	Secured[1]			Unsecured	Total
end of	Mortgages	Other collateral	Total		
2017 (CHF million)					
Contingent liabilities	1	8,273	8,274	66,603[2]	74,877
Irrevocable commitments	439	33,698	34,137	51,402	85,539
Obligations for calls on shares and additional payments	0	0	0	57	57
Off-balance sheet transactions	**440**	**41,971**	**42,411**	**118,062**	**160,473**
2016 (CHF million)					
Contingent liabilities	51	10,450	10,501	160,408[2]	170,909
Irrevocable commitments	747	37,999	38,746	56,467	95,213
Obligations for calls on shares and additional payments	0	0	0	155	155
Off-balance sheet transactions	**798**	**48,449**	**49,247**	**217,030**	**266,277**

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

[2] A majority of contingent liabilities are related to guarantees issued in favor of Group companies.

Impaired loans

end of	Gross amount outstanding	Estimated realizable collateral value [1]	Net amount outstanding	Specific allowance
2017 (CHF million)				
Impaired loans	2,112	1,096	1,016	732
2016 (CHF million)				
Impaired loans	3,158 [2]	1,425	1,733 [2]	973

[1] Represents the estimated realizable collateral value up to the related gross amount outstanding.
[2] Prior period has been corrected.

Changes in impaired loans

			2017			2016 [1]
	Due from customers	Mortgage loans	Total	Due from customers	Mortgage loans	Total
Impaired loans (CHF million)						
Balance at beginning of period	**3,087**	**71**	**3,158**	**2,477**	**243**	**2,720**
Change in organization	–	7	7	(198) [2]	(189) [2]	(387) [2]
New impaired loan balances	1,536	110	1,646	3,749	119	3,868
Increase of existing impaired loan balances	88	13	101	190	10	200
Reclassifications to performing loans	(182)	(24)	(206)	(1,795)	(43)	(1,838)
Repayments	(1,235) [3]	(27)	(1,262)	(741)	(20)	(761)
Liquidation of collateral, insurance and guarantee payments	(186)	(11)	(197)	(213)	(46)	(259)
Write-offs	(846)	0	(846)	(188)	(3)	(191)
Sales	(177)	(3)	(180)	(177)	0	(177)
Foreign exchange translation impact	(109)	0	(109)	(17)	0	(17)
Balance at end of period	**1,976**	**136**	**2,112**	**3,087**	**71**	**3,158**

Changes in impaired loan classification during the year are reflected on a gross basis.
[1] Prior period has been corrected.
[2] Reflects the transfer of assets to Credit Suisse (Schweiz) AG on November 20, 2016, with retrospective effect as of August 1, 2016.
[3] Includes CHF 115 million relating to the conversion of a loan into derivative financial instruments.

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

Trading assets and other financial instruments held at fair value

end of	2017	2016
Trading assets and other financial instruments held at fair value (CHF million)		
Debt securities, money market instruments and money market transactions	41,826	13,264
of which exchange-traded	2,256	1,968
Equity securities	5,403	3,172
Precious metals and commodities	1,400	1,150
Trading assets	**48,629**	**17,586**
Debt securities	105	104
Other	217	210
Other financial instruments held at fair value	**322**	**314**
Total trading assets and other financial instruments held at fair value	**48,951**	**17,900**
of which carrying value determined based on a valuation model	36,731	8,445
of which securities eligible for repurchase transactions in accordance with liquidity regulations	1,105	3,118

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

end of	2017	2016
Trading liabilities and liabilities from other financial instruments held at fair value (CHF million)		
Debt securities, money market instruments and money market transactions	3,418	211
of which exchange-traded	260	16
Equity securities	2,948	1,302
Trading liabilities	**6,366**	**1,513**
Structured products	60,945	61,411
Liabilities from other financial instruments held at fair value	**60,945**	**61,411**
Trading liabilities and liabilities from other financial instruments held at fair value	**67,311**	**62,924**
of which carrying value determined based on a valuation model	64,157	61,575

13 Derivative financial instruments

			Trading			Hedging[1]
end of 2017	Notional amount	Positive replacement value (PRV)	Negative replacement value (NRV)	Notional amount	Positive replacement value (PRV)	Negative replacement value (NRV)
Derivative financial instruments (CHF million)						
Forwards and forward rate agreements	398,951	324	298	0	0	0
Swaps	4,345,760	7,474	8,334	25,481	271	0
Options bought and sold (OTC)	189,387	725	848	0	0	0
Futures	64,875	0	0	0	0	0
Options bought and sold (exchange-traded)	38,640	0	0	0	0	0
Interest rate products	**5,037,613**	**8,523**	**9,480**	**25,481**	**271**	**0**
Forwards and forward rate agreements	1,314,397	9,440	10,394	0	0	0
Swaps[2]	86,161	1,414	1,366	319	223	0
Options bought and sold (OTC)	369,530	2,799	2,639	0	0	0
Futures	179	0	0	0	0	0
Foreign exchange products	**1,770,267**	**13,653**	**14,399**	**319**	**223**	**0**
Forwards and forward rate agreements	7,459	47	62	0	0	0
Options bought and sold (OTC)	10,858	146	78	0	0	0
Precious metal products	**18,317**	**193**	**140**	**0**	**0**	**0**
Forwards and forward rate agreements	3	0	0	0	0	0
Swaps	66,915	2,091	1,398	0	0	0
Options bought and sold (OTC)	104,895	4,724	4,442	0	0	0
Futures	1,488	0	0	0	0	0
Options bought and sold (exchange-traded)	6,821	41	417	0	0	0
Equity/index-related products	**180,122**	**6,856**	**6,257**	**0**	**0**	**0**
Credit default swaps	19,054	233	656	0	0	0
Total return swaps	5,717	219	68	0	0	0
Other credit derivatives	14,418	62	18	0	0	0
Credit derivatives	**39,189**	**514**	**742**	**0**	**0**	**0**
Swaps	12,603	1,437	371	0	0	0
Options bought and sold (OTC)	97	11	4	0	0	0
Options bought and sold (exchange-traded)	3	0	0	0	0	0
Other derivative products[3]	**12,703**	**1,448**	**375**	**0**	**0**	**0**
Derivative financial instruments[4]	**7,058,211**	**31,187**	**31,393**	**25,800**	**494**	**0**
of which replacement value determined based on a valuation model	–	30,774	30,962	–	494	0

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

Derivative financial instruments (continued)

	Trading			Hedging [1]		
end of 2016	Notional amount	Positive replacement value (PRV)	Negative replacement value (NRV)	Notional amount	Positive replacement value (PRV)	Negative replacement value (NRV)
Derivative financial instruments (CHF million)						
Forwards and forward rate agreements	92,989	32	26	0	0	0
Swaps	3,570,173	8,914	9,265	23,537	1,523	50
Options bought and sold (OTC)	101,210	592	797	0	0	0
Futures	28,120	0	0	0	0	0
Options bought and sold (exchange-traded)	186,052	1	1	0	0	0
Interest rate products	**3,978,544**	**9,539**	**10,089**	**23,537**	**1,523**	**50**
Forwards and forward rate agreements	1,119,390	16,741	18,876	0	0	0
Swaps [2]	120,331	3,224	4,718	107	7	0
Options bought and sold (OTC)	354,654	5,490	5,554	0	0	0
Futures	184	0	0	0	0	0
Foreign exchange products	**1,594,559**	**25,455**	**29,148**	**107**	**7**	**0**
Forwards and forward rate agreements	7,373	106	90	0	0	0
Options bought and sold (OTC)	21,138	377	383	0	0	0
Precious metal products	**28,511**	**483**	**473**	**0**	**0**	**0**
Forwards and forward rate agreements	1	0	0	0	0	0
Swaps	39,114	1,475	1,392	0	0	0
Options bought and sold (OTC)	59,115	2,096	1,995	0	0	0
Futures	19	0	0	0	0	0
Options bought and sold (exchange-traded)	4,104	33	95	0	0	0
Equity/index-related products	**102,353**	**3,604**	**3,482**	**0**	**0**	**0**
Credit default swaps	23,730	856	863	0	0	0
Total return swaps	2,448	17	98	0	0	0
Other credit derivatives	20,839	130	136	0	0	0
Credit derivatives	**47,017**	**1,003**	**1,097**	**0**	**0**	**0**
Forwards and forward rate agreements	0	0	0	0	0	0
Swaps	9,918	1,429	519	0	0	0
Options bought and sold (OTC)	189	10	3	0	0	0
Other derivative products [3]	**10,107**	**1,439**	**522**	**0**	**0**	**0**
Derivative financial instruments [4]	**5,761,091**	**41,523**	**44,811**	**23,644**	**1,530**	**50**
of which replacement value determined based on a valuation model	–	41,384	44,664	–	1,530	50

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

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

end of	2017	2016
Positive and negative replacement values – before consideration of master netting agreements (CHF million)		
Positive replacement values – trading and hedging	31,681	43,053
Negative replacement values – trading and hedging	31,393	44,861
Positive and negative replacement values – after consideration of master netting agreements (CHF million)		
Positive replacement values – trading and hedging [1]	9,046	8,098
Negative replacement values – trading and hedging [1]	8,373	8,055

1 Netting includes counterparty exposure and cash collateral netting.

Positive replacement values by counterparty type

end of	2017	2016
Positive replacement values by counterparty type (CHF million)		
Central clearing counterparties	736	403
Banks and securities dealers	6,093	4,922
Other counterparties [1]	2,217	2,773
Positive replacement values	**9,046**	**8,098**

1 Primarily related to bilateral OTC derivative contracts with clients.

Fair value hedges

in	2017	2016
Gains/(losses) on derivative financial instruments recognized in income (CHF million)		
Interest rate products	(327)	(492)
Gains/(losses) on derivative financial instruments recognized in income	**(327)**	**(492)**
Gains/(losses) on hedged items recognized in income (CHF million)		
Interest rate products	328	496
Gains/(losses) on hedged items recognized in income	**328**	**496**
Details of fair value hedges (CHF million)		
Net gains/(losses) on the ineffective portion	1	4

All gains/(losses) are recognized in net income/(loss) from trading activities and fair value option.

Cash flow hedges

in	2017	2016
Deferred unrealized gains/(losses) on derivative financial instruments related to cash flow hedges (CHF million) [1]		
Balance at beginning of period	**(25)**	**15**
Interest rate products	(50)	32
Gains/(losses) on derivative financial instruments deferred during reporting period	**(50)**	**32**
Interest rate products [2]	(14)	21
Deferred gains/(losses) on derivative financial instruments reclassified into income	**(14)**	**21**
Transfer of assets to Credit Suisse (Schweiz) AG effective August 1	–	(51)
Balance at end of period	**(61)**	**(25)**
Details of cash flow hedges (CHF million)		
Net gains/(losses) on the ineffective portion [2]	(2)	(1)

[1] Included in the compensation account within other assets or other liabilities.
[2] Included in net income/(loss) from trading activities and fair value option.

As of December 31, 2017, the net loss associated with cash flow hedges expected to be reclassified from other assets and other liabilities to the statement of income within the next 12 months was CHF 30 million.

As of December 31, 2017, the maximum length of time over which the Bank parent company hedged its exposure to the variability in future cash flows for forecasted transactions, excluding those forecasted transactions related to the payment of variable interest on existing financial instruments, was five years.

▸ Refer to “Use of derivative financial instruments and hedge accounting” in Note 3 – Risk management, use of derivative financial instruments and hedge accounting for further information.

14 Financial investments

end of	2017		2016	
	Carrying value	Fair value	Carrying value	Fair value
Financial investments (CHF million)				
Debt securities	17,498	17,515	6,267	6,274
of which held-to-maturity	13,505	13,522	3,428	3,435
of which available-for-sale	3,993	3,993	2,839	2,839
Equity securities	1,026	1,048	622	622
of which qualified participations [1]	821	841	455	456
Real estate [2]	38	38	36	36
Other [3]	29	29	31	31
Financial investments	**18,591**	**18,630**	**6,956**	**6,963**
of which securities eligible for repurchase transactions in accordance with liquidity regulations	6	–	0	–

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

Debt securities by counterparty rating

end of	2017	2016
Debt securities by counterparty rating (CHF million) [1]		
AAA to AA–	3,993	2,611
BB+ to B–	55	128
No rating [2]	13,450	3,528
Debt securities	**17,498**	**6,267**

1 Ratings are based on external data from Standard & Poor's.
2 Mainly related to funding in the form of bail-in capital provided to Credit Suisse (Schweiz) AG.

15 Other assets and other liabilities

end of	2017	2016
Other assets (CHF million)		
Compensation account	1,831	181
Indirect taxes and duties	136	133
Other [1]	407	949
Other assets	**2,374**	**1,263**
Other liabilities (CHF million)		
Indirect taxes and duties	24	26
Other [2]	540	419
Other liabilities	**564**	**445**

1 Includes receiveables from settlement accounts, coupons, internal clearing accounts and other miscellanenous assets.
2 Includes payables from settlement accounts, accounts payable for goods and services purchased, internal clearing accounts and other miscellanenous liabilities.

16 Assets pledged

end of	2017		2016	
	Carrying value	Actual liabilities	Carrying value	Actual liabilities
Assets pledged (CHF million) [1]				
Due from customers	94	94	221	221
Trading assets	27,010	26,396	372	217
Assets pledged	**27,104**	**26,490**	**593**	**438**

1 Excludes assets pledged in connection with securities lending and borrowing, repurchase agreements and reverse-repurchase agreements.

17 Pension plans

As of December 31, 2017 and 2016, the Bank parent company's did not have any liabilities due to own pension plans.

▸ Refer to "Note 29 – Pension and other post-retirement benefits" in VIII – Consolidated financial statements – Credit Suisse (Bank) for further information.

Swiss pension plan

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

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

International pension plans

The Bank parent company's international employees are covered by mandatory and supplementary pension plans in various locations. These are defined benefit and defined contribution plans, which cover benefits such as disability, old age and death, termination and sickness.

Employer contribution reserves

	Employer contribution reserves – notional		Amount subject to waiver		Employer contribution reserves – net [1]		Increase/(Release) of employer contribution reserves included in personnel expenses	
end of / in	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
CHF million								
Swiss pension plan	20	20	0	0	20	20	0	(2)
Total	**20**	**20**	**0**	**0**	**20**	**20**	**0**	**(2)**

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

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

	Over/(Under) -funding		Economic benefit/ (obligation) recorded by Bank parent company [2]			Pension contributions		Pension expenses included in personnel expenses	
end of / in	**2017**	2016	**2017**	2016	Change	**2017**	2016	**2017**	2016
CHF million									
Swiss pension plan – status overfunded	887 [1]	726 [1]	–	–	–	182	362	182	362 [3]
International pension plans – underfunded	(20)	(8)	(20)	(8)	(12)	0	0	(11)	4
International pension plans – without over-/underfunding	0	0	0	0	0	21	21	21	21
Total	**867**	**718**	**(20)**	**(8)**	**(12)**	**203**	**383**	**192**	**387**

[1] Represents the Bank parent company's share of 39.0% and 58.9% in the total over/(under)funding of the Swiss pension plan of CHF 2,275 million and CHF 1,233 million as of December 31, 2017 and 2016, respectively.
[2] In line with Swiss GAAP statutory accounting guidance, the Bank parent company's economic benefit from its share in the overfunding of the Swiss pension plan is not recorded in the Bank parent company's statutory balance sheet.
[3] Includes a release of employer contribution reserves of CHF 2 million.

18 Issued structured products

end of				2017				2016
	Not bifurcated [1]		Bifurcated	Total	Not bifurcated [1]		Bifurcated	Total
	Liabilities from other financial instruments held at fair value [2]	Value of underlying instrument	Value of derivative [1]		Liabilities from other financial instruments held at fair value [2]	Value of underlying instrument	Value of derivative [1]	
Carrying value of issued structured products by underlying risk of the embedded derivative (CHF million)								
Interest rates								
Structured products with own debt	14,414	0	0	14,414	16,505	0	0	16,505
Structured products without own debt	773	0	0	773	736	0	0	736
Equity								
Structured products with own debt	37,694	0	0	37,694	36,331	0	0	36,331
Foreign exchange								
Structured products with own debt	644	0	0	644	420	0	0	420
Structured products without own debt	0	528	(2)	526	0	723	(4)	719
Commodities / precious metals								
Structured products with own debt	2,226	0	0	2,226	1,455	0	0	1,455
Structured products without own debt	0	56	0	56	0	83	(2)	81
Credit								
Structured products with own debt	5,082	0	0	5,082	5,793	0	0	5,793
Other [3]								
Structured products with own debt	112	0	0	112	171	0	0	171
Total	**60,945**	**584**	**(2)**	**61,527**	**61,411**	**806**	**(6)**	**62,211**

[1] Carried at fair value.
[2] Reflects balance sheet classification.
[3] Includes structured products where the underlying risk relates to hedge funds or other products with multiple underlying risks.

19 Unsecured senior debt and structured notes

end of			2017			2016
	Original maturity up to 1 year	Original maturity greater than 1 year	Total	Original maturity up to 1 year	Original maturity greater than 1 year	Total
Unsecured senior debt (CHF million)						
Total unsecured senior debt [1, 2]	7,662	81,107 [3]	**88,769**	5,495	91,968 [3]	**97,463**
of which recorded in medium-term notes			0			0
of which recorded in bonds and mortgage-backed bonds			88,769			97,463
Unsecured structured notes (CHF million)						
Total unsecured structured notes	10,116 [4]	50,171	**60,287**	2,452	58,223	**60,675**
of which recorded in liabilities from other financial instruments held at fair value			60,172			60,675
of which recorded in bonds and mortgage-backed bonds			115			0

[1] Includes guaranteed debt.
[2] Excludes senior unsecured debt included in due to banks and customer deposits as well as certificates of deposits and bankers acceptances.
[3] Includes bail-in instruments of CHF 31,503 million and CHF 22,423 million as of December 31, 2017 and 2016, respectively, with Credit Suisse Group AG.
[4] Since 2017, maturity is determined based on the first date at which a noteholder can request repayment. In 2016, maturity was determined based on the original maturity date.

20 Provisions and valuation adjustments

2017	Balance at beginning of period	Change in orga-nization	Utilized for purpose	Reclassifi-cations	Foreign exchange translation differences	Recoveries, interest past due	New charges to income statement	Releases to income statement	**Balance at end of period**
Provisions (CHF million)									
Provisions for pension benefit obligations	8	22	0	–	0	–	2	(12)	20 [1]
Provisions for off-balance sheet default risks	206	0	(3)	0	(8)	0	133	(175)	153 [2, 3]
Provisions for other business risks	17	(1)	(2)	0	0	0	17	(1)	30 [2]
Restructuring provisions	28	(2)	(47)	0	0	0	63	(28)	14 [4]
Other provisions	329	(12)	(181)	0	(2)	1	201	(5)	331 [5]
Provisions	**588**	**7**	**(233)**	**0**	**(10)**	**1**	**416**	**(221)**	**548**
Valuation adjustments for default and country risks (CHF million) [6]									
Valuation adjustments for default and country risks	**1,342**	**0**	**(870)**	**0**	**(46)**	**65**	**1,191**	**(773)**	**909**
of which valuation adjustments for default risks from impaired receivables	974	0	(870)	0	(31)	65	967	(373)	732
of which valuation adjustments for inherent risks	368	0	0	0	(15)	0	224	(400)	177

[1] Partially discounted at rates between 1.20% and 7.00%.
[2] Provisions are not discounted due to their short-term nature.
[3] Provisions are mainly related to irrevocable loan commitments and guarantees.
[4] Partially discounted at rates between 0.1% and 1.35%.
[5] Includes provisions in respect of litigation claims of CHF 275 million and CHF 257 million as of December 31, 2017 and 2016, respectively; partially discounted at rates between 2.90% and 16.50%.
[6] Changes in impaired loan classification during the year and related movements in valuation adjustments are reflected on a gross basis.

21 Composition of share capital, conversion and reserve capital

end of		**2017**		2016
	Quantity	Total nominal value (CHF million)	Quantity	Total nominal value (CHF million)
Share capital				
Registered shares (at CHF 1 par value per share)	4,399,680,200	4,400 [1]	4,399,680,200	4,400 [1]
Share capital		**4,400**		**4,400**
Conversion and reserve capital [2]				
Unlimited conversion capital (at CHF 1 par value per share) [3]	unlimited	unlimited	unlimited	unlimited
Reserve capital (at CHF 1 par value per share) [4]	4,399,680,200	4,400	4,399,665,200	4,400
of which used for capital increases	0	0	0	0
of which reserved for planned capital increases	0	0	0	0

[1] The dividend eligible capital equals the total nominal value. As of December 31, 2017 and 2016, the total nominal value of registered shares was CHF 4,399,680,200 and fully paid.
[2] Represents authorized capital.
[3] For information on principal characteristics of unlimited conversion capital, refer to Article 4d in the Articles of Association of the Bank parent company.
[4] For information on principal characteristics of reserve capital, refer to Article 4e in the Articles of Association of the Bank parent company.

Non-distributable reserves

As of December 31, 2017 and 2016, the amount of non-distributable reserves in accordance with the Swiss Code of Obligations and the Bank parent company's articles of association was CHF 2,200 million. Not reflected in this amount are reserves which the Bank parent company is required to retain in order to meet the regulatory capital requirements as a going concern.

Transactions with shareholders

In 2016, the Group parent company made an a-fonds-perdu contribution in kind (i.e., without consideration) of CHF 4 million to the Bank parent company consisting of 100% participating interests in FIDES Treasury Services AG. FIDES Treasury Services AG was subsequently transferred to Credit Suisse (Schweiz) AG in connection with the transfer of assets on November 20, 2016.

▸ Refer to "Statement of changes in equity" and "Note 1 – Business activities, developments and subsequent events" for further information on transactions with shareholders.

22 Significant shareholders and groups of shareholders

end of			2017			2016
	Number of shares (million)	Total nominal value (CHF million)	Share-holding (%)	Number of shares (million)	Total nominal value (CHF million)	Share-holding (%)
Direct shareholders						
Credit Suisse Group AG	4,400 [1]	4,400	100.00	4,400 [1]	4,400	100.00
Indirect shareholders through Credit Suisse Group AG [2]						
Chase Nominees Ltd. [3]	567	567	12.88	705	705	16.03
Nortrust Nominees Ltd. [3]	242	242	5.49	237	237	5.39
The Bank of New York Mellon [3]	–	–	– [4]	226	226	5.14
Crescent Holding GmbH	–	–	– [4]	224	224	5.10

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

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

In addition to the shareholdings registered in the share register of the Group parent company, the Group has obtained the following information from its shareholders and reported it to the SIX Swiss Exchange (SIX) in accordance with the notification requirements of the Swiss Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading. These shareholders may hold their shareholdings in Group shares through a nominee.

In a disclosure notification that the Group published on November 9, 2013, the Group was notified that as of November 4, 2013, Harris Associates L.P. held 81.5 million shares, or 5.17%, of the registered Group shares issued as of the date of the notified transaction. No further disclosure notification was received from Harris Associates L.P. relating to holdings of registered Group shares since 2013. This position includes the reportable position of Harris Associates Investment Trust (4.97% of the voting rights), as published by the SIX on November 28, 2017.

In a disclosure notification that the Group published on May 12, 2017, the Group was notified that as of May 8, 2017, Norges Bank held 106.1 million shares, or 5.08% of the voting rights, of the registered Group shares issued as of the date of the notified transaction. In a disclosure notification that the Group published on February 15, 2018, the Group was notified that Norges Bank's shareholdings and voting rights of Group shares had fallen below the 5% threshold as of February 13, 2018.

In 2017, the Group received disclosure notifications from The Olayan Group and The Capital Group Companies, Inc. that their holdings of registered Group shares and voting rights had fallen below the 5% threshold. BlackRock, Inc.'s as well as Qatar Holding LLC's holdings of registered Group shares and voting rights remained below the 5% threshold both as of December 31, 2017 and as of December 31, 2016.

Shareholders with a qualified participation

As of the date of the most recent notification received by the Group on August 16, 2017, Qatar Investment Authority (through Qatar Holding LLC) held approximately 4.94% of the Group's common shares and 10.97% purchase rights in the form of contingent convertible capital instruments, which will be converted into shares only in situations where the Group no longer meets specific regulatory capital requirements. As of the date of the most recent notification received by the Group on June 2, 2017, The Olayan Group (through Crescent Holding GmbH) held approximately 4.93% of the Group's common shares and 5.29% purchase rights consisting of 5.242% purchase rights in the form of contingent convertible capital instruments, which will be converted into shares only in situations where the Group no longer meets specific regulatory capital requirements, and 0.048% from short put options. In addition to the Group, which is the direct shareholder of the Bank parent company, Qatar Investment Authority and The Olayan Group are shareholders with a qualified participation in accordance with Bank Law.

▸ Refer to "Note 24 – Amounts receivable from and amounts payable to related parties" for further information on shareholders with a qualified participation.

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

‣ Refer to "V – Compensation" for a comprehensive disclosure of compensation to the Board of Directors and the Executive Board of Credit Suisse Group AG.

‣ Refer to "Note 22 – Shareholdings of the Board of Directors, Executive Board and employees" in VII – Parent company financial statements – Credit Suisse Group for information on shareholdings of the Board of Directors and the Executive Board of the Bank parent company.

Share-based awards outstanding

end of		2017		2016
	Number of share-based awards outstanding in million	Fair value in CHF million	Number of share-based awards outstanding in million	Fair value in CHF million
Share-based awards [1]				
Employees	21.7	377	19.8	290
Share-based awards	**21.7**	**377**	**19.8**	**290**

[1] All share-based compensation plans of the Bank parent company are plans based on virtual shares and either settled in shares of the Group or in cash on the basis of the fair value of the Group shares.

All members of the Board of Directors and the Executive Board of the Bank parent company are also members of the Board of Directors and the Executive Board of the Group parent company. Compensation to members of the Executive Board is determined by the Group parent company on the basis of their overall function and responsibilities in the Group and paid by different legal entities of the Group depending on work location, local contracts, laws and regulations. A presentation of deferred share-based compensation awards to members of the Executive Board recorded by the Bank parent company would not appropriately reflect the Executive Board of the Bank parent company, as it would only consider those members for whom compensation is administrated by the Bank parent company.

As of December 31, 2017 and 2016, the Bank parent company did not have any option plans with outstanding options.

Compensation plans

For 2016, the Bank parent company granted share awards, performance share awards and Contingent Capital Awards (CCA) as deferred compensation in February 2017.

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

For 2017 and 2016, all share-based compensation plans of the Bank parent company were either settled in shares of the Group parent company (Group shares) or in cash on the basis of the fair value of the Group shares.

Share awards

Share awards granted in February 2017 are similar to those granted in January 2016. Each share award granted entitles the holder of the award to receive one Group share, subject to service conditions. Share awards vest over three years with one third of the share awards vesting on each of the three anniversaries of the grant date (ratable vesting), with the exception of awards granted to individuals classified as risk managers or senior managers under the UK PRA Remuneration Code. Share awards granted to risk managers vest over five years with one fifth of the award vesting on each of the five anniversaries of the grant date, while share awards granted to senior managers vest over five years commencing on the third anniversary of the grant date, with one fifth of the award vesting on each of the third to seventh anniversaries of the grant date. Share awards are expensed over the service period of the awards. The value of the share awards is solely dependent on the Group share price at the time of delivery.

On February 15, 2017, the Bank parent company granted 6.5 million share awards with a total value of CHF 100 million. The number of share awards granted to employees was generally determined by dividing the deferred component of variable compensation being granted as share awards by the average price of a Group share over the ten consecutive trading days ended February 28, 2017. The fair value of each share award was CHF 15.42, the Group share price on the grant date. The majority of share awards granted include the right to receive dividend equivalents on vested shares.

Performance share awards

Managing directors and all material risk takers and controllers (employees whose activities are considered to have a potentially material impact on the Group's risk profile) received a portion of their deferred variable compensation in the form of performance share awards. Performance share awards are similar to share

awards, except that the full balance of outstanding performance share awards, including those awarded in prior years, are subject to performance-based malus provisions. Performance share awards granted in 2015 were subject to a negative adjustment in the event of a negative strategic return on equity (ROE) of the Group, which was calculated based on Core Results, adjusted for the goodwill impairment charge related to the re-organization of the former Investment Banking division. However, following the change in the Group's financial reporting structure in 2015, the strategic ROE is no longer calculated, and consequently, any negative adjustment to performance share awards is subject to the discretion of the Compensation Committee. Starting in 2016, the ROE calculation is based on adjusted results, which the Compensation Committee considered as the most accurate reflection of the operating performance of the businesses.

Performance share awards granted from 2016 and onward are subject to a negative adjustment in the event of a divisional loss by the division in which the employees worked as of December 31, 2017, or a negative ROE of the Group, whichever results in a larger adjustment. For employees in corporate functions and the Strategic Resolution Unit, the negative adjustment only applies in the event of a negative ROE of the Group and is not linked to the performance of the divisions. The basis for the ROE calculation may vary from year to year, depending on the Compensation Committee's determination for the year in which the performance shares are granted.

On February 15, 2017, the Bank parent company granted 4.3 million performance share awards with a total value of CHF 65 million. The number of performance share awards granted to employees was generally determined by dividing the deferred component of variable compensation being granted as performance share awards by the average price of a Group share over the ten consecutive trading days ended February 28, 2017. The fair value of each performance share award was CHF 15.42, the Group share price on the grant date. The majority of performance share awards granted include the right to receive dividend equivalents on vested shares.

Contingent Capital Awards

CCA were granted in February 2017 and January 2016 to managing directors and directors as part of the 2016 and 2015 deferred variable compensation and have rights and risks similar to those of certain contingent capital instruments issued by the Group in the market. CCA are scheduled to vest on the third anniversary of the grant date, other than those granted to individuals classified as risk managers or senior managers under the UK PRA Remuneration Code, where CCA vest on the fifth and seventh anniversaries of the grant date, respectively, and will be expensed over the vesting period. CCA provide a conditional right to receive semi-annual cash payments of interest equivalents until settled, with rates being dependent upon the vesting period and currency of denomination:

- CCA granted in 2017 and 2016 that are denominated in US dollars receive interest equivalents at a rate of 4.27% and 5.41%, respectively, per annum over the six-month US dollar London Interbank Offered Rate (LIBOR) and vest three, five or seven years from the date of grant;
- CCA granted in 2017 and 2016 that are denominated in Swiss francs receive interest equivalents at a rate of 3.17% and 4.23%, respectively, per annum over the six-month Swiss franc LIBOR and vest three years from the date of grant;
- CCA granted in 2017 that are denominated in Swiss francs receive interest equivalents at a rate of 3.03% per annum over the six-month Swiss franc LIBOR and vest five years from the date of grant; and
- CCA granted in 2017 that are denominated in Swiss francs receive interest equivalents at a rate of 2.93% per annum over the six-month Swiss franc LIBOR and vest seven years from the date of grant.

The rates were set in line with market conditions at the time of grant and existing high-trigger and low-trigger contingent capital instruments that the Group has issued. For CCA granted in February 2017, employees who received compensation in Swiss francs received CCA denominated in Swiss francs and all other employees received CCA denominated in US dollars.

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

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

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

On February 15, 2017 and January 19, 2016, the Bank parent company awarded CHF 37 million and CHF 35 million, respectively, of CCA that are expensed over the vesting period from the grant date.

Other cash awards

Other cash awards include certain share and performance share awards settled in cash.

Deferred compensation expenses

in	2017	2016
Deferred compensation expense (CHF million)		
Share awards [1]	125	72
Contingent Capital share awards	9	4
Performance share awards	87	28
Contingent Capital Awards (cash awards)	40	33
Other cash awards	24	20
Discontinued plans [2]	1	3
Deferred compensation expense	**286**	**160**

[1] Includes special share awards.
[2] Includes all plans that are discontinued but may still incur deferred compensation expense until final vesting of the related awards.

24 Amounts receivable from and amounts payable to related parties

end of	2017		2016	
	Amounts receivable	Amounts payable	Amounts receivable	Amounts payable
Amounts receivable from and/or payable to related parties (CHF million)				
Shareholders with a qualified participation	3,514	22,790	3,011	11,595
Group companies	210,033	141,812	196,262	84,846
Affiliated companies	688	561	6,193	530
Members of governing bodies [1]	37	103	28	54

[1] Includes both the governing bodies of the Bank parent company (Credit Suisse AG) and the governing bodies of the Group holding company (Credit Suisse Group AG). Governing bodies include members of the Board of Directors, the Executive Board and the statutory auditors and companies controlled by members of each of these bodies.

Significant off-balance sheet transactions

As part of the normal course of business, the Bank parent company issues guarantees, loan commitments and enters into other agreements with group companies which are recorded as off-balance sheet transactions by the Bank parent company. As of December 31, 2017 and 2016, the Bank parent company had contingent liabilities of CHF 70,015 million and CHF 164,684 million, respectively, and irrevocable loan commitments of CHF 3,395 million and CHF 2,036 million, respectively, of which substantially all were related to transactions with group companies.

As shareholder of Credit Suisse International, an unlimited company incorporated in England and Wales, the Bank parent company has joint and several unlimited obligations to meet any insufficiency in the assets in the event of liquidation.

Additional information on related party transactions

Transactions (such as securities transactions, payment transfer services, borrowings and compensation for deposits) with related parties are carried out on an arm's length basis.

▸ Refer to "Off-balance sheet transactions", "Statement of changes in equity" and "Note 1 – Business activities, developments and subsequent events" for further information on related party transactions.

Sales and Trading Services

On November 20, 2016, with retrospective effect between the parties as of August 1, 2016, the Bank parent company entered into a contractual relationship with Credit Suisse (Schweiz) AG. The purpose of this contractual relationship is to collaboratively operate the Swiss portion of the former STS business while acting independently, with each of Credit Suisse (Schweiz) AG and the Bank parent company acting in its own name externally and not in joint name. The collaboration does not have legal effects for external parties and has been entered into for a fixed minimum period of three years, renewable in three year increments. Net profits of the collaboration are shared equally between the Bank parent company and Credit Suisse (Schweiz) AG. Net losses are shared equally between the Bank parent company and Credit Suisse (Schweiz) AG, with the maximum loss participation for Credit Suisse (Schweiz) AG limited to 50% of the aggregated gains reported by the parties with respect to the collaboration for the preceding three financial years. For the three financial years until December 31, 2018, including Credit Suisse (Schweiz) AG's first financial year from August 1 to December 31, 2016, the maximum loss participation is determined by a fixed amount for the first year, and by a combination of a fixed amount and a variable amount depending on prior period net profits with respect to the collaboration for the following two years.

25 Total assets by country rating

end of		2017		2016
Internal ratings [1]	CHF million [2]	%	CHF million [2]	%
Total assets by internal country rating (CHF million)				
AAA	165,966	28.8%	162,068	31.9%
AA	253,537	44.0%	186,255	36.7%
A	34,106	5.9%	31,273	6.2%
BBB	13,190	2.3%	15,751	3.1%
BB	9,103	1.6%	6,232	1.2%
B	5,227	0.9%	3,549	0.7%
CCC	6,943	1.2%	7,793	1.5%
CC	0	0.0%	1,325	0.3%
C	41	0.0%	0	0.0%
D	156	0.0%	0	0.0%
Foreign assets	488,269	84.7%	414,246	81.6%
Domestic assets	87,949	15.3%	93,554	18.4%
Total assets	**576,218**	**100.0%**	**507,800**	**100.0%**

[1] Internal ratings are calibrated to the long-term issuer credit ratings of Standard & Poor's for the respective sovereigns. Internal country ratings may differ from Standard & Poor's respective country ratings.
[2] Net balance sheet exposure by country rating of risk domicile.

26 Fiduciary transactions

end of	2017	2016
Fiduciary transactions (CHF million)		
Fiduciary placements with third-party institutions	2,729	2,757
Fiduciary transactions	**2,729**	**2,757**

27 Assets under management

Assets under management

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

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

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

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

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

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

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

Assets under management

end of	**2017**	2016
Assets under management (CHF billion)		
Assets in collective investment instruments managed by Credit Suisse AG	0.2	68.9
Assets with discretionary mandates	88.5	166.8
Other assets under management	391.3	345.4
Assets under management (including double counting)	**480.0**	**581.1**
of which double counting	–	6.5

Changes in assets under management

	2017	2016
Changes in assets under management (CHF billion)		
Assets under management at beginning of period [1]	**581.1**	**1,015.8**
Net new assets/(Net asset outflows)	28.0	21.1
Market movements, interest, dividends and foreign exchange	31.3	12.2
of which market movements, interest and dividends [2]	33.2	7.0
of which foreign exchange	(1.9)	5.2
Other effects	(160.4) [3]	(468.0) [4]
Assets under management at end of period [1]	**480.0**	**581.1**

1 Including double counting.
2 Net of commissions and other expenses and net of interest expenses charged.
3 Includes a reduction in assets under management of CHF 167.6 billion related to the transfer of the Swiss-related asset management business from the Bank parent company to Credit Suisse Asset Management (Schweiz) AG.
4 Includes a reduction in assets under management of CHF 508.1 billion related to the transfer of assets from the Bank parent company to Credit Suisse (Schweiz) AG on November 20, 2016, with retrospective effect as of August 1, 2016, partially offset by the impact of Credit Suisse (Schweiz) AG's assets that remained invested in products managed by the Bank parent company.

Net new assets

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

Proposed appropriation of retained earnings

Proposed appropriation of retained earnings

end of	2017
Retained earnings (CHF million)	
Retained earnings carried forward	0
Net profit	225
Retained earnings available for appropriation	**225**
Dividend	10
Retained earnings to be carried forward	**215**