Annual Report 2017

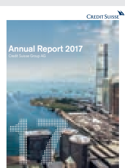
Credit Suisse Group AG

Key metrics

			in / end of		% change
	2017	2016	2015	17 / 16	16 / 15
Credit Suisse (CHF million, except where indicated)					
Net income/(loss) attributable to shareholders	(983)	(2,710)	(2,944)	(64)	(8)
Basic earnings/(loss) per share (CHF)	(0.41)	(1.27)	(1.65)	(68)	(23)
Diluted earnings/(loss) per share (CHF)	(0.41)	(1.27)	(1.65)	(68)	(23)
Return on equity attributable to shareholders (%)	(2.3)	(6.1)	(6.8)	–	–
Effective tax rate (%)	152.9	(19.5)	(21.6)	–	–
Core Results (CHF million, except where indicated)					
Net revenues	21,786	21,594	23,286	1	(7)
Provision for credit losses	178	141	187	26	(25)
Total operating expenses	17,680	17,960	22,869	(2)	(21)
Income before taxes	3,928	3,493	230	12	–
Cost/income ratio (%)	81.2	83.2	98.2	–	–
Assets under management and net new assets (CHF billion)					
Assets under management	1,376.1	1,251.1	1,214.1	10.0	3.0
Net new assets	37.8	26.8	46.9	41.0	(42.9)
Balance sheet statistics (CHF million)					
Total assets	796,289	819,861	820,805	(3)	0
Net loans	279,149	275,976	272,995	1	1
Total shareholders' equity	41,902	41,897	44,382	0	(6)
Tangible shareholders' equity	36,937	36,771	39,378	0	(7)
Basel III regulatory capital and leverage statistics					
CET1 ratio (%)	13.5	13.5	14.3	–	–
Look-through CET1 ratio (%)	12.8	11.5	11.4	–	–
Look-through CET1 leverage ratio (%)	3.8	3.2	3.3	–	–
Look-through Tier 1 leverage ratio (%)	5.2	4.4	4.5	–	–
Share information					
Shares outstanding (million)	2,550.3	2,089.9	1,951.5	22	7
of which common shares issued	2,556.0	2,089.9	1,957.4	22	7
of which treasury shares	(5.7)	0.0	(5.9)	–	100
Book value per share (CHF)	16.43	20.05	22.74	(18)	(12)
Tangible book value per share (CHF)	14.48	17.59	20.18	(18)	(13)
Market capitalization (CHF million)	44,475	30,533	42,456	46	(28)
Dividend per share (CHF)	0.25	0.70	0.70	–	–
Number of employees (full-time equivalents)					
Number of employees	46,840	47,170	48,210	(1)	(2)

See relevant tables for additional information on these metrics.

Credit Suisse
Annual Reporting Suite



Annual Report

The Annual Report is a detailed presentation of Credit Suisse Group's company structure, corporate governance, compensation practices and treasury and risk management framework, and it includes a review of Credit Suisse Group's operating and financial results accompanied by its annual financial statements.

credit-suisse.com/ar

Corporate Responsibility Report

The Corporate Responsibility Report describes how Credit Suisse Group assumes its various responsibilities in banking, in the economy and society, as an employer and towards the environment. The report is complemented by the publication "Corporate Responsibility – At a Glance".

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Corporate Responsibility – At a Glance

The publication "Corporate Responsibility – At a Glance" provides an overview of the most important processes and activities that reflect our approach to corporate responsibility in banking, in the economy and society, as an employer and for the environment. In addition, it contains the cornerstones of our strategy and the key figures for the financial year 2017.

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Annual Report 2017

Credit Suisse Group AG

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Investor Relations and Media
allows investors, analysts, media and other interested parties to remain up to date with relevant online and offline financial information on Credit Suisse.

Private Banking Switzerland
places all the advantages of mobile banking at your fingertips – anytime, anywhere – on tablets and smartphones. Use your mobile device to scan your payment slips and pay bills, catch up on financial information and much more. Credit Suisse gives top priority to security in Online & Mobile Banking. SecureSign provides a convenient login method for signing in to your Online and Mobile Banking service.

For the purposes of this report, unless the context otherwise requires, the terms "Credit Suisse Group", "Credit Suisse", the "Group", "we", "us" and "our" mean Credit Suisse Group AG and its consolidated subsidiaries. The business of Credit Suisse AG, the direct bank subsidiary of the Group, is substantially similar to the Group, and we use these terms to refer to both when the subject is the same or substantially similar. We use the term the "Bank" when we are referring only to Credit Suisse AG and its consolidated subsidiaries. Abbreviations and selected ⊳ terms are explained in the List of abbreviations and the Glossary in the back of this report. Publications referenced in this report, whether via website links or otherwise, are not incorporated into this report. The English language version of this report is the controlling version. In various tables, use of "–" indicates not meaningful or not applicable.

I – Information on the company

11

12 Credit Suisse at a glance
13 Strategy
19 Divisions
28 Regulation and supervision
44 Risk factors

II – Operating and financial review

53

54 Operating environment
57 Credit Suisse
67 Swiss Universal Bank
74 International Wealth Management
81 Asia Pacific
88 Global Markets
91 Investment Banking & Capital Markets
94 Strategic Resolution Unit
97 Corporate Center
99 Assets under management
102 Critical accounting estimates

III – Treasury, Risk, Balance sheet and Off-balance sheet

109

110 Liquidity and funding management
118 Capital management
139 Risk management
178 Balance sheet, off-balance sheet and other contractual obligations

IV – Corporate Governance

181

182 Corporate Governance overview
185 Shareholders
190 Board of Directors
208 Executive Board
216 Additional information

V – Compensation

221

222 Letter from the Chair of the Compensation Committee
226 Compensation design at a glance
228 Compensation governance
230 Executive Board compensation for 2017
236 Revised Executive Board compensation design for 2018
238 Board of Directors compensation
242 Group compensation

VI – Consolidated financial statements – Credit Suisse Group

251

253 Report of the Statutory Auditor
255 Consolidated financial statements
262 Notes to the consolidated financial statements
397 Controls and procedures
398 Report of the Independent Registered Public Accounting Firm

VII – Parent company financial statements – Credit Suisse Group

399

401 Report of the Statutory Auditor
404 Parent company financial statements
405 Notes to the financial statements
414 Proposed appropriation of retained earnings and capital distribution

Appendix

A-2 Selected five-year information
A-4 List of abbreviations
A-6 Glossary
A-10 Investor information
A-12 Financial calendar and contacts

INTERVIEW WITH THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

In finance, trust is essential to successfully pursue business opportunities. How can the trust of clients and other important stakeholders be maintained?

Urs Rohner: Unquestionably, trust is the cornerstone of any long-term business relationship. It has traditionally been the very foundation of banking and the basis on which we operate. After our industry suffered a loss of trust in the immediate aftermath of the financial crisis, we have been successfully re-establishing this trust with all our stakeholders. As a matter of principle, a trusted banking institution must have a solid capital base as well as effective structures and processes with state-of-the-art technology, advanced security precautions and responsible employees.

Importantly, within our organization, we nurture a culture in which our values are clearly articulated and our business principles are systematically implemented, and we have incentives in place that advance client-centric, rules-based conduct. I consider our growth in assets under management and net new assets in particular as distinct confirmation of the trust that clients across the globe place in Credit Suisse as their partner of choice.

Tidjane Thiam: Our long-term success ultimately depends on our ability to inspire confidence in our clients and investors, as well as our employees and external stakeholders such as regulators. To maintain the trust of our clients, we strive to be a professional and reliable partner, focused on the long term – whether it is by assessing the suitability and appropriateness of the advice we offer our clients, by ensuring best execution of their transactions or by carefully managing and safeguarding their assets. In the case of our shareholders, we build trust by generating compliant and profitable growth over the long term.

Our capital and liquidity position is of key importance when it comes to trust as it provides tangible evidence of our stability and solidity. At the end of 2017, our look-through CET1 capital ratio was 12.8%, up from 11.5% at end-2016. Our look-through tier 1 leverage ratio was 5.2%, up from 4.4% a year earlier, and our look-through CET1 leverage ratio was 3.8%, up from 3.2% at the end of 2016. These capital and leverage ratios are already above the levels prescribed by the Swiss "Too Big to Fail" requirements that enter into force in 2020.

We have addressed major legacy issues and maintained our strong capital position. At the same time, we have continued to increase our amount of Total Loss-Absorbing Capacity to comply with Swiss regulations. The progress we have made in parallel in terms of reducing our risks and strengthening our capital position was recognized by the Financial Stability Board in 2017 when it moved Credit Suisse into its lowest tier of systemic importance. Our business model is designed to generate capital organically, with lower risk. That is vital for the sustainable success of our bank.

Looking back at the progress achieved in 2017, which areas delivered particularly strong results?

TT: 2017 was a crucial year of delivery in our three-year restructuring plan. Last year's results are tangible evidence of the positive impact that our restructuring efforts are having on Credit Suisse's performance. We can look back at a number of key achievements during the year. For example, positive operating leverage accelerated across the Group as we simultaneously increased revenues and reduced costs: We grew our adjusted* net revenues by 5% while reducing adjusted* operating expenses by 6% year on year. Our reported pre-tax income grew by CHF 4 billion to CHF 1.8 billion in 2017 and our adjusted* pre-tax income rose by 349% to CHF 2.8 billion compared to 2016. By the end of 2017, we had delivered total net cost savings at constant foreign exchange rates of CHF 3.2 billion[1] over two years since the start of the cost savings program at the beginning of 2016. We made strong progress towards our combined profit target[2] in our Wealth Management businesses. Notably, by the end of 2017 Wealth Management was already 85% of the way towards meeting its 2018 profit target[2] – with one year left to go. We substantially increased our net new assets[3] in Wealth Management to over CHF 37 billion – the highest level since 2013 – and ended the year with record assets under management[3] of CHF 772 billion. Importantly, each of our five operating divisions increased their return on regulatory capital[4] year on year.

UR: In 2017 alone, global wealth grew by USD 16.7 trillion to a record USD 280 trillion[5]. In the second full year of the strategic reorientation we announced in the fourth quarter of 2015, our results clearly demonstrate that we are able to capture the associated business opportunities and to deliver solid performance across all our regions and divisions. With a large part of the transformation process behind us, I believe we now have a resilient franchise, a strong capital position and are able to invest in our Core businesses to support our long-term growth. Simultaneously, I would stress our success in achieving significant cost savings and achieving our annual cost target while, at the same time, restructuring and strengthening our operations. On behalf of the Board of Directors, it is important to me to thank our management and all of Credit Suisse's employees worldwide for their continued dedication throughout this demanding period. In the final year of our restructuring plan, we need to stay focused on the task at hand and we will begin a new chapter in the development of Credit Suisse in 2019.

The tax reform announced in December 2017 by the US government lessens the tax burden for businesses. What are the expected immediate and future impacts on Credit Suisse?

UR: We take the view that the US tax reform is likely to further stimulate growth of the US economy. Many analysts expect the reduction in the corporate tax rate to lead to higher capital spending, which should help to increase productivity and wages. In addition, faster growth in the US economy should have a positive impact on our activity levels in the US market, particularly with regard to our investment banking activities in advisory and underwriting. However, as an immediate effect and as with many of our peers, the tax reform has resulted in a re-assessment of our deferred tax assets. We recognized an associated tax charge of CHF 2.3 billion, primarily related to our US deferred tax assets. This charge, which we recognized in the fourth quarter of 2017, was the reason for our net loss attributable to shareholders of CHF 983 million for the full year, with adjusted* pre-tax income of CHF 2.8 billion. It is important to point out that our dividend policy remains unaffected by the re-assessment of deferred tax assets related to the US tax reform. Our businesses have performed strongly and this is reflected in the dividend we are proposing to shareholders.

TT: The US tax reform comes at the right time to give new impetus to global growth and mitigate uncertainty on the likely evolution of interest rates as central banks scale back their quantitative easing programs. At Credit Suisse, the reduction in the US federal corporate tax rate should lower the Group's tax rate in the US over the coming years and support our profitability.

In the short term, the immediate effect of the tax reform has been a re-assessment of deferred tax assets. In the fourth quarter of 2017, we recognized an associated tax charge of CHF 2.3 billion, mainly resulting from the US tax reform, as the relevant legislation was signed by the US President on December 22, 2017. As a result of this non-cash adjustment, we reported a net loss attributable to shareholders of CHF 983 million for the full year 2017. This had a negligible impact on our strong regulatory capital position. Looking ahead, we estimate that we will see an additional benefit of at least 100 basis points[6] on our return on tangible equity in 2019 from a lower Group tax rate. On the basis of the current analysis of the base erosion and anti-abuse tax (BEAT) regime, we regard it as more likely than not that the Group will not be subject to this regime in 2018. However, there are significant uncertainties in the application of BEAT and this interpretation will be subject to review once further guidance has been issued by the US Department of Treasury.

In 2018, you entered the final phase of your three-year restructuring plan. What can we expect in the next 12 months?

TT: Our main priority as we work through 2018 remains the disciplined execution of our restructuring plan. We have agreed clear actions for driving growth and are working towards the profit targets that we have communicated for each of our Core divisions. In addition, we will continue to put a particular emphasis on further strengthening collaboration between our wealth management and investment banking businesses. In 2017, we created International Trading Solutions – a partnership between three of our divisions, Swiss Universal Bank, International Wealth Management and Global Markets – to drive increased collaboration and offer bespoke solutions to our ultra-high-net-worth clients. We are on track to wind-down the Strategic Resolution Unit by the end of 2018, an absolutely key milestone that will make 2019 our first year of operating with a significantly reduced drag from our legacy issues compared to prior years. Any remaining residual operations and assets are expected to be absorbed into the rest of the Group from 2019 onwards. We have focused relentlessly on reducing our fixed cost base for two years now to increase the resilience of our business in unsupportive markets and gain greater leverage in constructive markets. In view of the progress achieved to date, we are confident of bringing our total cost base[7] to below CHF 17 billion by the end of 2018.

Technology-driven innovation is shaping the banking industry to a substantial degree. Does it represent more of a challenge or an opportunity for Credit Suisse?

UR: Technological innovation has been a driver of change across industries and has changed the way the financial sector operates and services its clients for the past half a century. Since the first technological breakthroughs in the 1950s, technologies have helped us deliver better, faster and more convenient services for our clients. The past decade has brought another wave of intense digitalization and enabled improved performance in many important areas of the front and back office. Credit Suisse was among the first banks to explore new possibilities and we continue to view technology as a crucial enabler of leading client service and performance. I see digitalization as a significant opportunity both in our client-facing activities as well as on the operational side and believe we are fully leveraging its potential to deliver better performance and cost efficiency across the organization. The Board follows and assesses key technological developments that are impacting the banking sector or are expected to do so in the future. In 2015, we established a dedicated Innovation and Technology Committee to closely coordinate our innovation activities, as well as cybersecurity and other related areas. Going forward, we expect the use of digital technology to help our bank to further increase efficiency, to simplify global access for our clients, and to address reputational and conduct risks at an early stage.

TT: The evolving digital landscape is one of several drivers that are fundamentally altering the way clients interact with their bank. This presents financial institutions with certain challenges – but I see it mostly as a huge opportunity to improve the services we provide to our clients. By leveraging technology appropriately we can become even more client-focused. Many of our digital innovations are focused on further improving access to our integrated offering and on enhancing client service and advice. In Switzerland, we now have a fully paperless account opening process that is digital from start to finish, meaning people can generally become a client of Credit Suisse in just 15 minutes – without having to visit one of our branches. In the Asia Pacific region, Credit Suisse Invest was launched in Singapore and Hong Kong in July 2017 as a new digitally-enabled private banking advisory solution. We have achieved substantial improvements in the speed, effectiveness and efficiency of our compliance activities thanks to advanced data and technology platforms. We are convinced that through innovation and the smart use of new technologies, we can partner with our clients in the way they want, meet or exceed their expectations, and strengthen their loyalty to Credit Suisse.

What is the outlook for the Group in 2019 and beyond?

UR: By the end of 2018, we expect to have completed our restructuring plan and to return to normalized business. We will continue to focus on providing entrepreneurs and private clients across the globe with industry-leading financial services. In terms of business performance, we want to achieve a return on tangible equity of 10-11% by 2019 and 11-12% one year later, which implies increasing our net income and capital generation going forward. We expect that approximately 20% of this net income will be invested in growing our wealth management and connected businesses[8], and about 30% of the cumulative capital generated will be used for the RWA uplift resulting from Basel III reforms and other contingencies. We expect the remaining 50% of net income to be distributed to our shareholders, primarily through share buybacks and special dividends. We have received vital support from our shareholders during the restructuring phase, and we look forward to being able to reward their trust.

TT: There are two main reasons why we are confident we will be able to grow our profit in the period after 2018. First, most of the expected improvements in profit up to 2019 come from measures that we already know about or have planned. We have substantially completed our program to establish new legal entities to strengthen the resilience of the Group, and we aim to continue winding down our discontinued activities in the Strategic Resolution Unit. Together, these measures are expected to account for around half of our intended improvement in our return on tangible equity in 2019. Second, I believe the growth outlook for our markets is good, particularly in wealth management. As a 'one-stop shop' providing wealth management and investment banking products and services, we are also well placed to win more business from existing clients. In 2017, we increased net new assets[3] in Wealth Management by more than a quarter compared to the prior year, with our ultra-high-net-worth clients accounting for more than 75% of the total amount. In 2015, ultra-high-net-worth clients accounted for approximately 50% of net new assets[3] across our Wealth Management businesses.

* Adjusted results are non-GAAP financial measures. For further information relating to this and other footnotes indicated in this interview, please refer to the footnotes in the "Message from the Chairman and the Chief Executive Officer" directly following.

MESSAGE FROM THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

2017 was a year of continued transformation for Credit Suisse as we delivered on key strategic objectives and made progress against our plan to achieve profitable and compliant growth.

Dear shareholders, clients and colleagues

2017 was a crucial year of delivery in the three year-restructuring plan we launched at the end of 2015. Following the deep and radical reorganization we carried out in 2016, this was the first full year in which we could put our new organizational structure to work and test the effectiveness of our strategy. In a changing and often challenging operating environment, we worked intensively to assert our position as a leading wealth manager with strong investment banking capabilities. We aim to capture the opportunities available to us as an expert financial partner that can service the increasingly complex needs of ultra-high-net-worth individuals (UHNWI) and successful entrepreneurs around the globe. To achieve this, we are taking a balanced approach between mature and emerging markets. In mature markets, where wealth is distributed quite evenly across generations, we are focusing on meeting the complex financial needs of our clients based on a differentiated approach. In emerging markets, where most of the growth in wealth is generated by a few talented and highly successful entrepreneurs, our focus is on serving first- and second-generation entrepreneurs with an emphasis on helping them manage their increasing personal wealth and on growing their businesses. Across all our markets, our strong and trusted brand and our ability to be a 'one-stop shop' for these clients – addressing both their private wealth and business needs – are key factors that we believe will drive our continued success.

Our strategy is working

While the outlook for global economic growth continued to improve in 2017, the year was also shaped by geopolitical uncertainty, ongoing regulatory developments and changing central bank policies. We saw the continuation of low or even negative interest rates and historically low levels of volatility, which negatively impacted client activity. Against this backdrop, we delivered against our five key objectives: We continued our efforts to (i) strengthen our capital position, (ii) deliver profitable growth, (iii) reduce our fixed cost base, (iv) right-size and de-risk our trading activities, and (v) make progress in resolving our legacy issues. Positive operating leverage accelerated across the Group and all five of our operating divisions increased their adjusted* return on regulatory capital year on year.

Credit Suisse operated profitably on both a reported and an adjusted* pre-tax basis in 2017. We grew our reported pre-tax income to CHF 1.8 billion, up CHF 4 billion year on year, and our adjusted* pre-tax income rose 349% to CHF 2.8 billion. In the fourth quarter of 2017, we reassessed our deferred tax assets and recognized an associated tax charge of CHF 2.3 billion, primarily resulting from the US tax reform. This non-cash adjustment led to a reported net loss attributable to shareholders for the year. However, this does not detract from our solid operating performance and had a negligible impact on our capital position. We estimate that we will see an additional benefit of at least 100 basis points[6] on our return on tangible equity in 2019 as the Group tax rate is reduced. On the basis of the current analysis of the base erosion and anti-abuse tax (BEAT) regime, we regard it as more likely than not that the Group will not be subject to this regime in 2018. However, there are significant uncertainties in the application of BEAT and this interpretation will be subject to review once further guidance has been issued by the US Department of Treasury. We also expect to benefit from the anticipated positive impact of the tax reform on the US economy and our activity levels in the US, in particular with regard to our leading investment banking activities in advisory and underwriting.

Focus on wealth management

Our strategic decision to focus on the global wealth management opportunity and allocate more capital to our higher-returning Wealth Management and connected businesses[8] is paying off. The global wealth pool[9] has almost doubled over the past decade and as it continues to grow, we are seeing accelerated momentum across these businesses, which are producing higher profits[10], higher combined net new assets[3], higher margins[11] and higher returns on capital[4]. In 2017, we made strong progress towards our 2018 profit targets for Wealth Management[2]. With adjusted* pre-tax income reaching CHF 4.2 billion[2], we were already 85% of the way towards reaching our end-2018 profit target[2] at the end of 2017 – with one year left to go. At CHF 37.2 billion, our Wealth Management net new assets[3] reached their highest level since 2013, up 27% compared to 2016. Importantly, more than 75% of these net new assets[3] came from UHNWI clients compared to approximately 50% two years earlier, in 2015. At the end of 2017, assets under management[3] in Wealth Management reached a record CHF 772 billion, up 13% year on year, at higher margins[11].

In our historic home market of Switzerland, we made good progress in our Swiss Universal Bank (SUB) in 2017. By the end of the year, SUB had delivered eight consecutive quarters of year-on-year growth in adjusted* pre-tax income. At CHF 1.9 billion, our adjusted* pre-tax income for the year rose 8% compared to 2016 and 17%[12] compared to 2015. Both the Private Clients and Corporate & Institutional Clients businesses delivered improved adjusted* pre-tax income, reflecting strong cost discipline and resilient adjusted* revenues. Our Swiss investment banking business maintained its number one position[13] in the country in Mergers & Acquisitions (M&A), Debt Capital Markets (DCM) and Equity Capital Markets (ECM), and we expect this positive momentum to continue in 2018.

Urs Rohner, Chairman of the Board of Directors (left) and Tidjane Thiam, Chief Executive Officer.

In International Wealth Management (IWM), we had a very successful year and delivered a step change in profitability, growing our adjusted* pre-tax income by 35% to CHF 1.5 billion in 2017. The increased operating leverage achieved in IWM during the year was driven by growth across all major revenue categories and continued cost discipline.

In APAC's Wealth Management & Connected business, adjusted* pre-tax income reached CHF 820 million in 2017, representing almost a threefold increase over the past two years. We achieved our 2018 adjusted* pre-tax income target[14] one year earlier and, as a result, adjusted our 2018 profit target upwards. We received around 120 industry awards[15] during 2017 and, for the first time, we were named Best Private Bank[16] and best Corporate & Institutional Bank[17] in the same year. For the APAC division as a whole, we delivered a solid adjusted* return on regulatory capital of 15% while carrying out the significant repositioning of our Markets business.

In Investment Banking & Capital Markets (IBCM), net revenues grew 9% and our adjusted* pre-tax income increased 41% to USD 419 million in 2017. With an adjusted* return on regulatory capital of 15% at the end of 2017, IBCM is already operating within its end-2018 target range[18]. Costs[19] rose by 3%, reflecting targeted investments in business growth and compliance during the year. We gained further market share across M&A, ECM and Leveraged Finance in both Americas and EMEA[20] in 2017.

In Global Markets (GM), we generated a 5% increase in adjusted net revenues[21] and reduced our adjusted* operating expenses by 5%, resulting in 118% growth in adjusted* pre-tax income to USD 620 million in 2017. Another important milestone during the year was the establishment of International Trading Solutions, a partnership across SUB, IWM and GM created to enable our wealth management clients to benefit from our expertise in Global Markets with bespoke solutions to meet their investment and financing needs.

Rigorous cost discipline

Thanks to our relentless focus on costs and on our strategic approach to productivity gains, we achieved our 2017 cost target with an adjusted* operating cost base of CHF 18 billion[1] at year-end. This means we have delivered total net cost savings of CHF 3.2 billion[1] over the two years since the start of the cost program. All these costs are measured at constant foreign exchange rates fixed at the end of 2015 to provide transparency and to allow our shareholders to monitor the effectiveness of our cost program during the Group's restructuring. A significant proportion of our sustainable cost savings was achieved through strategic decisions about our portfolio of businesses, a number of which were exited or significantly reduced in scale. Our goal is to continue to reinvest some of the savings we generate with a particular focus on developing our UHNWI offering, hiring talent and further transforming our technology through digitalization, robotics and automation. We remain on track to achieve our 2018 cost base[7] target of less than CHF 17 billion. Looking further ahead, we aim to work with a cost base[7] for the Group of CHF 16.5 billion to CHF 17 billion in 2019 and 2020, subject to market conditions and investment opportunities.

Stronger capital position and significantly lower risk

We transformed and substantially strengthened our capital position in 2017, thanks in particular to the trust and support of shareholders who participated in our capital increase by way of a rights offering that closed in June 2017. We ended the year with look-through tier 1 capital of CHF 47.3 billion. Following the deduction of approximately 45 basis points due to increased risk-weighted assets related to operational risk[22] in the second half of the year, our look-through CET1 capital ratio was 12.8% at the end of 2017, up from 11.5% at the end of the previous year. The look-through tier 1 leverage ratio was 5.2% at the end of 2017, up from 4.4% at the end of 2016, and our look-through CET1 leverage ratio was 3.8%, up from 3.2% at the end of 2016. These capital and leverage ratios are already above the levels prescribed by the Swiss "Too Big to Fail" requirements that enter into force in 2020. In addition and most importantly, we have significantly de-risked our business, almost halving the Group's risk management value-at-risk[23] since 2015. This has considerably improved the quality of our earnings, with profits[10] growing 349% in 2017 compared to 2016 while the level of risks incurred[23] was significantly reduced.

Resolution of legacy issues

In our Strategic Resolution Unit (SRU), we continued to make significant progress in disposing of and de-risking legacy positions, with a 43% reduction in operating expenses, a 43% decrease in risk-weighted assets[24] and a 41% reduction in leverage exposure compared to the prior year. We expect to complete the wind-down of the SRU in 2018, with any remaining residual operations and assets expected to be absorbed into the rest of the Group from 2019 onwards. This is an absolutely key milestone that we believe will make 2019 our first year of operating with a significantly reduced drag from legacy issues compared to prior years. We reduced the SRU's drag on Group profits by 37% in 2017, while at the same time increasing profitability in our Core businesses by 30%. It is important to keep in mind that the Group's CHF 983 million net loss attributable to shareholders for 2017 was recorded after absorbing CHF 1.8 billion of adjusted* pre-tax losses due to our ongoing efforts to wind down the SRU. As the drag from the SRU diminishes, we are well positioned to generate profitable growth and create further value for our shareholders. Our success in strengthening our capital position and reducing risk throughout our activities has been recognized by regulators. In November 2017, the Financial Stability Board – the international body that monitors the financial system – moved Credit Suisse into its lowest tier of systemic importance.

A strong compliance culture

The banking sector has been transformed over the past decade as regulators tightened capital requirements and reporting rules. Our organization has wholeheartedly embraced these changes. We created a strong and separate Compliance and Regulatory Affairs function back in 2015 with a leader sitting on our Executive Board. Its mandate is to oversee all compliance and regulatory matters for Credit Suisse and includes being a proactive, independent function that partners with the businesses by continuously challenging and supporting them in efforts to effectively manage compliance risk. While expanding our Core businesses, we have completed a comprehensive review of our markets and legacy client base in our efforts to ensure that our activities are fully compliant, with a particular focus on wealth management activities. At the same time, we have achieved substantial improvements in the speed and effectiveness of our monitoring activities thanks to the advanced data and technology platform with state-of-the-art analytics that we introduced in 2017. Our use of technology is expected to lower the cost of compliance and contribute to reducing Credit Suisse's overall operating expenses this year, while increasing our ability to identify compliance risk factors.

We are fully harnessing the power of new technologies to better serve our clients – whether it is to accelerate our client onboarding process, add innovative features to traditional products or provide clients with global access to the bank via the channels they prefer. At the same time, we embrace the potential of digitalization to drive cost efficiencies across our organization and to support labor-intensive processes.

Banks as catalysts for growth

While executing our strategy in 2017, we remained focused on performing our core role as a financial services provider reliably and efficiently. Banks play an essential role in the global economy, enabling people to safely deposit their savings, managing efficient payment systems and acting as a financial intermediary, bringing together borrowers and lenders of capital, from companies and public sector bodies to private individuals around the globe. We supply businesses with the capital resources they need to expand their activities, finance innovation and create jobs, thus helping in efforts to drive economic growth, employment and wealth creation. We always strive to carry out all these activities in accordance with clear principles and values – particularly our commitment to operating responsibly and with integrity in the interests of our stakeholders.

Credit Suisse also facilitates projects and initiatives that are designed to generate a positive economic and social impact. In 2017, we marked 15 years of impact investing at Credit Suisse and we established our Impact Advisory and Finance (IAF) department, reporting directly to the CEO, which will direct and coordinate activities across the Group that promote impact investing and support our philanthropic advisory services.

Outlook

Looking at 2018, we are committed to maintaining our strong business momentum in order to achieve our targets and to complete our restructuring, allowing us to enter a new normalized operating phase from 2019 onwards with a strong balance sheet, a superb franchise and a talented and dedicated global workforce – having successfully resolved our major legacy issues. Our goal is to achieve a Group reported return on tangible equity of between 10% and 11% for 2019 and between 11% and 12% for 2020. We expect this to be driven by continued revenue growth primarily in our Wealth Management and connected businesses[8], strong cost discipline to further reduce our fixed costs, and additional known actions and cost initiatives, such as the wind-down of the SRU and expected reductions in our funding costs – elements that are largely within our control.

Given our progress against our five key strategic objectives in 2017, as well as the dedication and determination of our team of 46,840 employees worldwide, we are convinced that we can deliver on our 2018 ambitions and successfully conclude the restructuring of Credit Suisse.

We wish to thank our employees for their hard work and commitment during this transformative period. We also wish to express our thanks to our clients and shareholders for their continued trust and support.

Best regards

Urs Rohner
Chairman of the
Board of Directors

Tidjane Thiam
Chief Executive Officer

March 2018

* Adjusted results are non-GAAP financial measures. For a reconciliation of the adjusted results to the most directly comparable US GAAP measures, see "Reconciliation of adjusted results" in "Credit Suisse" in II – Operating and financial review.

[1] 2017 net cost savings represents the difference between 2015 "adjusted operating cost base at constant foreign exchange (FX) rates" of CHF 21.2 billion and 2017 "adjusted operating cost base at constant FX rates" of CHF 18.0 billion. Adjusted operating cost base at constant FX rates from 2015 is based on adjusted operating expenses and also includes adjustments for certain accounting changes (which had not been in place at the launch of the cost savings program) of CHF 170 million in 2017, debit valuation adjustments related volatility of CHF 83 million in 2017 and the negative FX impact (CHF (319) million in 2015, CHF (293) million in 2016 and CHF (326) million in 2017). Adjustments for FX apply unweighted currency exchange rates, i.e., a straight line average of monthly rates, consistently for the periods under review.
[2] Referring to combined 2017 adjusted* pre-tax income or 2018 adjusted* pre-tax income targets for SUB, IWM and APAC Wealth Management & Connected as the context may require.
[3] Referring to combined net new assets or assets under management for Private Clients within SUB, Private Banking within IWM and Private Banking within Wealth Management & Connected in APAC as the context may require.
[4] Referring to adjusted* return on regulatory capital.
[5] Source: Credit Suisse Research Institute Global Wealth Report 2015.
[6] Based on currently available information and beliefs, expectations and opinions of management as of the date hereof. Actual impact for the full year 2019 may differ.
[7] Referring to Group adjusted* cost base at constant foreign exchange rates.
[8] Referring to SUB, IWM, APAC WM&C and IBCM.
[9] Source: McKinsey Wealth Pools 2017.
[10] Referring to adjusted* pre-tax income.
[11] Referring to adjusted* net margins for Private Clients within SUB, Private Banking within IWM and Private Banking within Wealth Management & Connected in APAC, respectively.
[12] Excludes Swisscard net revenues of CHF 148 million and operating expenses of CHF 123 million for 2015 in SUB Private Clients.
[13] Source: Thomson Securities for M&A, International Financing Review (IFR) for DCM, Dealogic for ECM; all for the period ending December 31, 2017.
[14] Referring to our previous adjusted* pre-tax income target of CHF 700 million for the year 2018; this was subsequently revised to CHF 850 million at our recent Investor Day in November 2017.
[15] Includes awards which reflect 2017 performance, including announced in 2018 YTD; excludes awards announced in 2017 which reflect 2016 performance. Excludes all survey and poll results.
[16] Source: Best Private Bank Asia, Asian Private Banker, announced January 2018.
[17] Source: Best Corporate and Institutional Bank, The Asset Triple A Regional Awards 2017 as of February 2018.
[18] Referring to adjusted* return on regulatory capital of 15-20%.
[19] Referring to adjusted* total operating expenses.
[20] Source: Dealogic as of December 31, 2017; includes Americas and EMEA only.
[21] Excludes SMG net revenues of USD 172 million in 2016 and USD (16) million in 2017.
[22] Increases to risk weighted assets related to operational risk of CHF 5.2 billion and CHF 3.8 billion in 3Q17 and 4Q17, respectively, reflecting an updated loss history and a revised methodology for the measurement of our risk-weighted assets relating to operational risk primarily in respect of our residential mortgage-backed securities settlements.
[23] Referring to 2017 average one-day, 98% risk management value-at-risk.
[24] Excluding risk-weighted assets related to operational risk of CHF 20 billion in 2016 and CHF 20 billion in 2017.

Important Information

For further information on calculation methods used for return on tangible equity and return on regulatory capital, see "Results" and "Return on regulatory capital" in "Credit Suisse" in II- Operating and financial review.

References to operating divisions throughout this document mean SUB, IWM, APAC, IBCM and GM.

Unless otherwise noted, leverage exposure is based on the BIS leverage ratio framework and consists of period-end balance sheet assets and prescribed regulatory adjustments. The look-through tier 1 leverage ratio and the CET1 leverage ratio are calculated as look-through BIS tier 1 capital and CET1 capital, respectively, divided by period end leverage exposure. For further details on capital-related information, see "Capital Management-Regulatory Capital Framework" in III-Treasury, Risk, Balance sheet and Off-balance sheet.

We may not achieve all of the expected benefits of our strategic initiatives. Factors beyond our control, including but not limited to the market and economic conditions, changes in laws, rules or regulations and other challenges discussed in our public filings, could limit our ability to achieve some or all of the expected benefits of these initiatives.

This document contains forward-looking statements that involve inherent risks and uncertainties, and we might not be able to achieve the predictions, forecasts, projections and other outcomes we describe or imply in forward-looking statements. A number of important factors could cause results to differ materially from the plans, objectives, expectations, estimates and intentions we express in these forward-looking statements, including those we identify in "Risk factors" and in the "Cautionary statement regarding forward-looking information" in our Annual Report on Form 20-F for the fiscal year ended December 31, 2017 filed with the US Securities and Exchange Commission and other public filings and press releases. We do not intend to update these forward-looking statements.

I

Information on the company

Credit Suisse at a glance 12

Strategy 13

Divisions 19

Regulation and supervision 28

Risk factors 44

Credit Suisse at a glance

Credit Suisse

Our strategy builds on Credit Suisse's core strengths: its position as a leading global wealth manager, its specialist investment banking capabilities and its strong presence in our home market of Switzerland. We seek to follow a balanced approach to wealth management, aiming to capitalize on both the large pool of wealth within mature markets as well as the significant growth in wealth in Asia Pacific and other emerging markets. Founded in 1856, we today have a global reach with operations in about 50 countries and 46,840 employees from over 150 different nations. Our broad footprint helps us to generate a geographically balanced stream of revenues and net new assets and allows us to capture growth opportunities around the world. We serve our clients through three regionally focused divisions: Swiss Universal Bank, International Wealth Management and Asia Pacific. These regional businesses are supported by two other divisions specializing in investment banking capabilities: Global Markets and Investment Banking & Capital Markets. The Strategic Resolution Unit consolidates the remaining portfolios from the former non-strategic units plus additional businesses and positions that do not fit with our strategic direction. Our business divisions cooperate closely to provide holistic financial solutions, including innovative products and specially tailored advice.

Swiss Universal Bank

The Swiss Universal Bank division offers comprehensive advice and a wide range of financial solutions to private, corporate and institutional clients primarily domiciled in our home market Switzerland, which offers attractive growth opportunities and where we can build on a strong market position across our key businesses. Our Private Clients business has a leading franchise in our Swiss home market and serves ultra-high-net-worth individuals, high-net-worth individuals, affluent and retail clients. Our Corporate & Institutional Clients business serves large corporate clients, small and medium-sized enterprises, institutional clients, external asset managers and financial institutions.

Asia Pacific

In the Asia Pacific division, our wealth management, financing and underwriting and advisory teams work closely together to deliver integrated advisory services and solutions to our target ultra-high-net-worth, entrepreneur and corporate clients. Our Wealth Management & Connected business combines our activities in wealth management with our financing, underwriting and advisory activities. Our Markets business represents our equities and fixed income trading business in Asia Pacific, which supports our wealth management activities, but also deals extensively with a broader range of institutional clients.

Investment Banking & Capital Markets

The Investment Banking & Capital Markets division offers a broad range of investment banking services to corporations, financial institutions, financial sponsors and ultra-high-net-worth individuals and sovereign clients. Our range of products and services includes advisory services related to mergers and acquisitions, divestitures, takeover defense mandates, business restructurings and spin-offs. The division also engages in debt and equity underwriting of public securities offerings and private placements.

International Wealth Management

The International Wealth Management division through its Private Banking business offers comprehensive advisory services and tailored investment and financing solutions to wealthy private clients and external asset managers in Europe, the Middle East, Africa and Latin America, utilizing comprehensive access to the broad spectrum of Credit Suisse's global resources and capabilities as well as a wide range of proprietary and third-party products and services. Our Asset Management business offers investment solutions and services globally to a broad range of clients, including pension funds, governments, foundations and endowments, corporations and individuals.

Global Markets

The Global Markets division offers a broad range of financial products and services to client-driven businesses and also supports Credit Suisse's global wealth management businesses and their clients. Our suite of products and services includes global securities sales, trading and execution, prime brokerage and comprehensive investment research. Our clients include financial institutions, corporations, governments, institutional investors, such as pension funds and hedge funds, and private individuals around the world.

Strategic Resolution Unit

The Strategic Resolution Unit was created to facilitate the immediate right-sizing of our business divisions from a capital perspective and includes remaining portfolios from former non-strategic units plus transfers of additional exposures from the business divisions. The unit's primary focus is on facilitating the rapid wind-down of capital usage and costs to reduce the negative impact on the Group's performance. Repositioned as a separate division, this provides clearer accountability, governance and reporting.

Strategy

CREDIT SUISSE STRATEGY

Our strategy is to be a leading wealth manager with strong investment banking capabilities.

We believe wealth management is one of the most attractive segments in banking. Global wealth has grown significantly over the last ten years and is projected to continue to grow faster than GDP over the next several years, with both emerging markets and mature markets offering attractive growth opportunities. We seek to follow a balanced approach to wealth management, aiming to capitalize on both the large pool of wealth within mature markets as well as the significant growth in wealth in Asia Pacific and other emerging markets.

In wealth management, we expect that emerging markets will account for more than 60% of the growth in global wealth in the coming years, with approximately 60% of that additional wealth expected to be created in Asia Pacific. Wealth is highly concentrated in emerging markets, with wealth creation mostly tied to first and second generation entrepreneurs. We believe that positioning ourselves as the "Bank for Entrepreneurs" by leveraging our strengths in wealth management and investment banking will provide us with key competitive advantages to succeed in these markets as we provide clients with a range of services to protect and grow their wealth. We are scaling up our wealth management franchise in emerging markets by recruiting and retaining high-quality relationship managers and prudently expanding our lending exposure, building on our strong investment and advisory offering and global investment banking capabilities. At the same time we are investing in our risk management and compliance functions.

Despite slower growth, mature markets are still expected to remain important and account for more than half of global wealth by 2020. We plan to capitalize on opportunities in markets such as Western Europe, with a focused approach to building scale given the highly competitive environment.

Switzerland, as our home market, provides compelling opportunities for Credit Suisse. Switzerland remains the country with the highest average wealth and highest density of affluent clients globally. Switzerland benefits from its highly developed and traditionally resilient economy, where many entrepreneurial small and medium-sized enterprises (SME) continue to drive strong export performance. We provide a full range of services to private, corporate and institutional clients with a specific focus on becoming the "Bank for Entrepreneurs" and plan to further expand our strong position with Swiss private, corporate and institutional clients as well as take advantage of opportunities arising from consolidation.

We have simplified our Global Markets business model, reducing complexity and cost while continuing to support our core institutional client franchises, offering differentiated products for wealth management clients and corporate clients and maintaining strong positions in our core franchises. We have right-sized our operations and reduced risk in a focused way by exiting or downsizing selected businesses consistent with our return on capital objectives and lower risk profile.

In our Investment Banking & Capital Markets division, we have focused on rebalancing our product mix towards advisory and equity underwriting while maintaining our leading leveraged finance franchise. Our objective is to align, and selectively invest in, our coverage and capital resources with the largest growth opportunities and where our franchise is well-positioned. We believe this will help us to strengthen our market position, contribute to a revenue mix that is more diversified and less volatile through the market cycle and achieve returns in excess of our cost of capital. We will continue to leverage Investment Banking & Capital Markets' global connectivity with our other divisions and its platform to drive opportunities for the Group.

The Strategic Resolution Unit oversees the effective wind-down of businesses and positions that do not fit our strategic direction in the most efficient manner possible. The Strategic Resolution Unit consolidates the remaining portfolios from our former non-strategic units plus additional activities and businesses from the investment banking and private banking businesses that are no longer considered strategic. In the first quarter of 2017 we announced an acceleration of the release of capital from the Strategic Resolution Unit and now plan to wind-down the division by the end of 2018 without an adverse incremental impact to our existing targets for adjusted loss before taxes from this division. Any remaining residual operations and assets of the Strategic Resolution Unit are expected to be absorbed into the rest of the Group from 2019 onwards.

We intend to rigorously execute a disciplined approach to cost management across the Group to lower our cost base and increase positive operating leverage.

Progress on our strategy

Over the last two years Credit Suisse has continued to make significant progress against the strategic objectives outlined at the Investor Day on October 21, 2015.

Strengthen our capital position

We have successfully executed on our capital plan through capital raises and disciplined capital management. In parallel with the successful capital raise in the second quarter of 2017, we decided not to pursue a partial initial public offering of our Swiss banking subsidiary Credit Suisse (Schweiz) AG, thus retaining full ownership of a historically stable income stream in our home market of Switzerland and avoiding complexity in the business structure and activities of a key division of the Group.

We have significantly strengthened our capital position since the third quarter of 2015 with look-through common equity tier 1 (CET1) capital of CHF 34.8 billion and Tier 1 capital of CHF 47.3 billion as of year-end 2017. Our look-through CET1 ratio has increased from 10.2% in the third quarter of 2015 to

12.8% at year-end 2017 and our look-through Tier 1 leverage ratio has increased from 3.9% in the third quarter of 2015 to 5.2% as of year-end 2017. We have also made significant progress in reshaping the capital allocation across the Group and allocating a higher share of capital to our wealth management and advisory businesses.

Deliver profitable growth

In 2017 we achieved a strong net new asset growth rate and reported net new assets of CHF 37.8 billion, leading to record assets under management of CHF 1,376.1 billion. Our balanced approach to wealth management has contributed to positive inflows in mature markets as well as strong inflows in emerging markets.

In our Swiss Universal Bank, we have continued to drive improvements in our profitability over the last two years and as well as in our cost structure.

In International Wealth Management and Asia Pacific Wealth Management & Connected, we achieved a year-on-year step-change in profitability in 2017 by delivering strong revenue growth, with higher recurring commissions and fees, while creating positive operating leverage.

In Investment Banking & Capital Markets, we are building on our balanced revenue mix and have achieved better than market revenue growth in mergers & acquisitions (M&A) and equity capital markets since 2015. We have made notable progress in the execution of our targeted plans for investment grade corporates, non-investment grade corporates and financial sponsors and have improved share of wallet across all of these client segments since 2015. Our strategy has delivered significant growth both in revenues and profitability over the last two years.

Reduce our cost base

We continue to make significant progress against our goal to ensure that we permanently lower our cost base while improving productivity and operational efficiency, and have confirmed our targeted operating cost base on an adjusted basis of less than CHF 17.0 billion for 2018.

Right-size and de-risk our Global Markets activities

In Global Markets we have successfully restructured our business portfolio and improved profitability while maintaining our core franchise strengths. We have reduced the risk-weighted assets and leverage exposure since the third quarter of 2015 to USD 60 billion and USD 290 billion, respectively. The franchise has also been significantly de-risked, with the Global Markets trading book value-at-risk in USD down 53% since the end of 2015.

Resolve legacy issues and wind-down the Strategic Resolution Unit

We continue to successfully reduce the drag on profitability and capital from our Strategic Resolution Unit while significantly reducing the complexity and overall risk profile of the portfolio. Since the third quarter of 2015 we have reduced the risk-weighted assets (excluding risk-weighted assets relating to operational risk of USD 19 billion in the third quarter of 2015 and USD 20 billion in the fourth quarter of 2017) of the Strategic Resolution Unit by USD 42 billion or 74% and the leverage exposure by USD 135 billion or 69%. In addition, at our Investor Day in 2017 we announced more ambitious plans with lower 2018 and 2019 adjusted operating expense ambitions as well as a lower adjusted loss before taxes target for 2019.

Organizational structure

Our organizational structure consists of three regionally focused divisions: Swiss Universal Bank, International Wealth Management and Asia Pacific. These regional businesses are supported by two other divisions specialized in investment banking capabilities: Global Markets and Investment Banking & Capital Markets. The Strategic Resolution Unit consolidates the remaining portfolios from the former non-strategic units plus additional businesses and positions that do not fit with our strategic direction. Our organization is designed to drive stronger client focus and provide better alignment with regulatory requirements. We believe that decentralization will increase the speed of decision making, accountability and cost competiveness across the Group.

Our operating businesses are supported by focused corporate functions at the Group Executive Board level, consisting of: Chief Financial Officer, Chief Operating Officer, Chief Risk Officer, Chief Compliance and Regulatory Affairs Officer, General Counsel and Human Resources.

Financial targets and objectives

At the Investor Day on November 30, 2017, we confirmed or updated our financial targets for the Group and the divisions. We also communicated new financial objectives for the Group for 2019 and 2020.

As indicated, many of our references to ambitions, objectives and targets for revenues, operating expenses, income/(loss) before taxes and return on regulatory capital are on an adjusted basis. These adjusted numbers and return on tangible equity attributable to shareholders are non-GAAP financial measures. Management believes that adjusted results provide a useful presentation of our operating results for purposes of assessing our Group and divisional performance consistently over time, on a basis that excludes items that management does not consider representative of our underlying performance. Adjusted results exclude goodwill impairment, major litigation charges, restructuring expenses and gains, losses and expenses from business or real estate sales. The operating cost base on an adjusted basis and our cost savings program are measured using adjusted total operating expenses at constant foreign exchange rates since 2015 and also include adjustments for certain accounting changes (which had not been in place at the launch of the cost savings program), debit valuation adjustments related volatility and for foreign exchange. Return on tangible equity attributable to shareholders is based on tangible

shareholders' equity attributable to shareholders, which is calculated by deducting goodwill and other intangible assets from total shareholders' equity attributable to shareholders as presented in our balance sheet. Management believes that the return on tangible shareholders' equity attributable to shareholders is meaningful as it allows consistent measurement of the performance of businesses without regard to whether the businesses were acquired. A reconciliation of these ambitions, objectives and targets to the nearest GAAP measures is unavailable without unreasonable efforts, as the items of exclusion are unavailable on a prospective basis.

▸ Refer to "Reconciliation of adjusted results" in II – Operating and financial review – Credit Suisse for further information.

Financial targets:

- reduce our operating cost base on an adjusted basis to below CHF 17.0 billion by year-end 2018;
- increase our cumulative net cost savings on an adjusted basis to more than CHF 4.2 billion by year-end 2018;
- maintain a look-through CET1 ratio of greater than 12.5% in 2018;
- achieve a look-through CET1 leverage ratio of greater than 3.5% and a look-through tier 1 leverage ratio of greater than 5.0% in 2018;
- achieve adjusted income before taxes for Swiss Universal Bank of CHF 2.3 billion in 2018;
- achieve adjusted income before taxes for International Wealth Management of CHF 1.8 billion in 2018;
- achieve adjusted income before taxes for Asia Pacific Wealth Management & Connected of CHF 0.85 billion in 2018 and an adjusted return on regulatory capital for Asia Pacific Markets of 10-15% for full-year 2019;
- achieve adjusted return on regulatory capital for Investment Banking & Capital Markets of 15-20% for full-year 2018;
- achieve adjusted return on regulatory capital for Global Markets of 10-15% for full-year 2018 while operating within a risk-weighted assets threshold of USD 60 billion and a leverage exposure threshold of USD 290 billion; and
- reduce adjusted loss before taxes for the Strategic Resolution Unit to approximately USD 1.4 billion in 2018, reduce risk-weighted assets (excluding operational risk) to USD 11 billion and reduce leverage exposure to USD 40 billion by year-end 2018; reduce adjusted loss before taxes to approximately USD 0.5 billion in 2019.

Financial objectives for 2019 and 2020:

- intend to increase our return on tangible equity attributable to shareholders to 10-11% by 2019 and 11-12% by 2020;
- intend to operate at an annual cost base on an adjusted basis of CHF 16.5 – 17.0 billion in 2019 and 2020, subject to market conditions and investment opportunities within this range;
- intend to operate at a look-through CET1 ratio of greater than 12.5% for 2019 and 2020, before the implementation of the Basel III reforms beginning in 2020; and
- plan to distribute 50% of net income earned cumulatively in 2019 and 2020 to shareholders primarily through share buybacks or special dividends.

EVOLUTION OF LEGAL ENTITY STRUCTURE

The execution of the program evolving the Group's legal entity structure to support the realization of our strategic objectives, increase the resilience of the Group and meet developing and future regulatory requirements has continued to progress. Key developments include:

- In February 2017, Credit Suisse (Schweiz) AG and Credit Suisse Asset Management International Holding Ltd (CSAM IHAG), with a participating interest of 49% and 51%, respectively, incorporated Credit Suisse Asset Management & Investor Services (Schweiz) Holding AG (CSAM Holding), a holding company domiciled in Switzerland. Credit Suisse Asset Management (Schweiz) AG (CSAM Schweiz) was incorporated in February 2017 and received the Swiss-related asset management business from Credit Suisse AG 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.
- 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 were transferred to Credit Suisse AG and subsequently 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 was completed on March 31, 2017.
- In the US, Credit Suisse Services (USA) LLC became operational in January 2017.
- In Switzerland, Credit Suisse Services AG became operational in July 2017 with the transfer of employees, net assets and our Business Delivery Center in Poland from Credit Suisse AG. In addition, several branches of Credit Suisse Services AG were registered and became operational. In the UK, London branch became operational in June 2017. In India, Pune branch became operational in November 2017. In Singapore, Singapore branch became operational in January 2018.
- As part of ongoing efforts to reduce the footprint of Credit Suisse Securities Europe Limited (CSSEL), CSSEL Frankfurt branch (business and staff) were migrated to Credit Suisse (Deutschland) Aktiengesellschaft in October 2017.

The legal entity program has been prepared in discussion with the Swiss Financial Market Supervisory Authority FINMA (FINMA), our primary regulator, and other regulators and addresses regulations in Switzerland, the US and the UK with respect to requirements for global recovery and resolution planning by systemically relevant banks, such as Credit Suisse, that will facilitate resolution of an institution in the event of a failure. The program has been approved by the Board of Directors of the Group, but it remains subject to final approval by FINMA and other regulators.

PRODUCTS AND SERVICES

Private banking offerings and wealth management solutions

We offer a wide range of private banking and wealth management solutions tailored for our clients in our Swiss Universal Bank, International Wealth Management and Asia Pacific divisions.

Client segment specific value propositions

Our wide range of wealth management solutions is tailored to specific client segments. Close collaboration with our investment banking businesses enables us to offer customized and innovative solutions to our clients, especially in the ultra-high-net-worth individuals (UHNWI) segment, and we have specialized teams offering bespoke and complex solutions predominantly for our sophisticated clients. This distinct value proposition of our integrated bank remains a key strength in our client offerings.

Structured advisory process

We apply a structured approach in our advisory process based on a thorough understanding of our clients' needs, personal circumstances, product knowledge, investment objectives and a comprehensive analysis of their financial situation to define individual client risk profiles. On this basis, we define an individual investment strategy in collaboration with our clients. This strategy is implemented to help ensure adherence to portfolio quality standards and compliance with suitability and appropriateness standards for all investment instruments. Responsible for the implementation are either the portfolio managers or our relationship managers working together with their advisory clients. Our UHNWI relationship managers are supported by dedicated portfolio managers.

Comprehensive investment services

We offer a comprehensive range of investment advice and discretionary asset management services based on the outcome of our structured advisory process and the global "House View" of our Credit Suisse Investment Committee. We base our advice and services on the analysis and recommendations of our research and investment strategy teams, which provide a wide range of investment expertise, including macroeconomic, equity, bond, commodity and foreign-exchange analysis, as well as research on the economy. Our investment advice covers a range of services, from portfolio consulting to advising on individual investments. We offer our clients portfolio and risk management solutions, including managed investment products. These are products actively managed and structured by our specialists or third parties, providing private investors with access to investment opportunities that otherwise would not be available to them. For clients with more complex requirements, we offer investment portfolio structuring and the implementation of individual strategies, including a wide range of structured products and alternative investments. Discretionary asset management services are available to clients who wish to delegate the responsibility for investment decisions to Credit Suisse. We are an industry leader in alternative investments and, in close collaboration with our asset management business and investment banking businesses, we offer innovative products with limited correlation to equities and bonds, such as hedge funds, private equity, commodities and real estate investments.

In addition, we offer solutions for a range of private and corporate wealth management needs, which include financial planning, succession planning and trust services.

Financing and lending

We offer a broad range of financing and lending solutions across all of our private client segments, including consumer credit and real estate mortgage lending, real asset lending relating to ship and aviation financing for UHNWI, standard and structured hedging and lombard lending solutions as well as collateral trading services.

Multi-shore platform

With global operations comprising 13 international booking centers in addition to our operations in Switzerland, we are able to offer our clients booking capabilities locally as well as through our international hubs. Our multi-shore offering is designed to serve clients who are focused on geographical risk diversification, have multiple domiciles, seek access to global execution services or are interested in a wider range of products than is available to them locally.

Corporate client and institutional client offerings

In accordance with our ambition to position ourselves as the "Bank for Entrepreneurs", we provide corporate and institutional clients, predominantly in Switzerland, with a broad range of financial solutions. To meet our clients' evolving needs, we deliver our offering through an integrated franchise and international presence. Based on this model, we are able to assist our clients in virtually every stage of their business life cycle to cover their banking needs. For corporate clients, we provide a wide spectrum of banking products such as traditional and structured lending, payment services, foreign exchange, capital goods leasing and investment solutions. In addition, we apply our investment banking capabilities to supply customized services in the areas of M&A, syndications and structured finance. For corporations with specific needs for global finance and transaction banking, we provide services in commodity trade finance, trade finance, structured trade finance, export finance and factoring. For our Swiss institutional clients, including pension funds, insurances, public sector and UHNWI clients, we offer a wide range of fund solutions and fund-linked services, including fund management and administration, fund design and comprehensive global custody solutions. Our offering also includes ship and aviation finance and a competitive range of services and products for financial institutions such as securities, cash and treasury services.

Asset management offerings

Our traditional investment products provide strategies and comprehensive management across equities, fixed income, and multi-asset products in both fund formation and customized solutions. Stressing investment principles, such as risk management and

asset allocation, we take an active and disciplined approach to investing. Alongside our actively managed offerings, we have a suite of passively managed solutions, which provide clients access to a wide variety of investment options for different asset classes in a cost-effective manner.

We also offer institutional and individual clients a range of alternative investment products, including credit investments, hedge fund strategies, real estate and commodities. We are also able to offer access to various asset classes and markets through strategic alliances and key joint ventures with external managers.

In December 2016, we announced the transition of the systematic market-making group from equities in the Global Markets division and from equity sales and trading in the Asia Pacific division to the Asset Management business in the International Wealth Management division. International Wealth Management is an investor together with Asia Pacific, Global Markets and third-party investors through the launch of two quantitative funds that will encompass the performance of this business. The systematic market-making group utilizes a range of liquidity-providing and market-making strategies in liquid markets.

Investment banking financial solutions

Equity underwriting

Equity capital markets originates, syndicates and underwrites equity in IPOs, common and convertible stock issues, acquisition financing and other equity issues.

Debt underwriting

Debt capital markets originates, syndicates and underwrites corporate and sovereign debt.

Advisory services

Advisory services advises clients on all aspects of M&A, corporate sales, restructurings, divestitures, spin-offs and takeover defense strategies.

Equities

- **Cash equities** provides a comprehensive suite of offerings, including: (i) research, analytics and other content-driven products and services, to meet the needs of clients including mutual funds, investment advisors, banks, pension funds, hedge funds, insurance companies and other global financial institutions; (ii) sales trading, responsible for managing the order flow between our clients and the marketplace and providing clients with trading ideas and capital commitments, identifying trends and delivering the most effective trade execution; (iii) trading, which executes client orders and makes markets in listed and over-the-counter (OTC) cash securities, exchange-traded funds and programs, providing liquidity to the market through both capital commitments and risk management; and (iv) Credit Suisse's advanced execution services (AES), a sophisticated suite of algorithmic trading strategies, tools and analytics to facilitate global equity trading. By employing algorithms to execute client orders and limit volatility, AES helps institutions and hedge funds reduce market impact. AES is a recognized leader in its field and provides access to hundreds of trading destinations in over 40 countries and six continents.
- **Prime services** offers hedge funds and institutional clients execution, financing, clearing and reporting capabilities across various asset classes through prime brokerage, synthetic financing and listed and OTC derivatives. In addition, prime services is a leading provider of advisory services across capital services, risk and consulting for both start-ups and existing clients.
- **Equity derivatives** provides a full range of equity-related products, investment options and financing solutions, as well as sophisticated hedging and risk management expertise and comprehensive execution capabilities to private banking clients, financial institutions, hedge funds, asset managers and corporations. Additionally, global fund-linked products is a market leader in fund-linked financing and derivatives products.
- **Convertibles:** The convertibles team provides secondary trading and market making of convertible bonds as well as pricing and distribution of Credit Suisse-originated convertible issuances.

Fixed income

- **Global credit products** is a leading, client-focused credit franchise, providing value-added products and solutions to both issuer and investor clients. Our capital markets businesses are responsible for structuring, underwriting and syndicating a full range of products for our issuer clients, including investment grade and leveraged loans, investment grade and high yield bonds and unit transactions. We are also a leading provider of committed acquisition financing, including leveraged loan, bridge finance and mezzanine finance and collateralized loan obligation formation. In sales and trading, we are a leading market maker in private and public debt across the credit spectrum, including leveraged loans as well as high yield and investment grade cash. We are also a market maker in the credit derivatives market, including the CDX suite, liquid single-name credit default swaps (CDS), sovereign CDS and credit default swaptions. We offer clients a comprehensive range of financing options for credit products including, but not limited to, repurchase agreements, short covering, total return swaps and portfolio lending.
- **Securitized products** trades, securitizes, syndicates and underwrites various forms of securities, including residential mortgage-backed securities (RMBS), asset-backed securities (ABS) and commercial mortgage-backed securities (CMBS). CMBS, RMBS and ABS are based on underlying pools of assets and include both CMBS and RMBS government- and agency-backed as well as private-label loans. Core to the securitized products franchise is its asset financing business, which focuses on providing asset and portfolio advisory services, and financing solutions to clients across asset classes. We are also an originator of commercial real estate loans and also own Select Portfolio Servicing, a residential mortgage servicing company.

- **Macro products** includes our global foreign exchange and rates businesses and investment grade capital markets team in Switzerland. Our rates business offers market-making capabilities in the full spectrum of US cash and derivatives, European cleared swaps and select bilateral and structured solutions. Investor products provide clients market-making services in benchmark and proprietary custom indices across commodities, rates and foreign exchange products.
- **Emerging Markets, Financing and Structured Credit** includes a range of financing products including cash flow lending, share-backed lending and secured financing transactions and onshore Brazil trading. In addition, we offer financing solutions and tailored investment products for Latin American, Central and Eastern European, Middle Eastern and African financial institutions and corporate and sovereign clients.

Other

Other products and activities include lending and certain real estate investments. Lending includes senior bank debt in the form of syndicated loans and commitments to extend credit to investment grade and non-investment grade borrowers.

Research and HOLT

Our equity and fixed income businesses are enhanced by the research and HOLT functions. HOLT offers a framework for objectively assessing the performance of approximately 20,000 companies worldwide, with interactive tools and consulting services that clients use to make informed investment decisions.

Equity and fixed income research uses in-depth analytical frameworks, proprietary methodologies and data sources to analyze approximately 3,000 companies worldwide and provide macroeconomic insights into this constantly changing environment.

Divisions

SWISS UNIVERSAL BANK

Business profile

Within Swiss Universal Bank, we offer comprehensive advice and a broad range of financial solutions to private, corporate and institutional clients primarily domiciled in Switzerland. Since January 1, 2017, we have served our clients through the following four dedicated business areas in order to better cater to our Swiss client base: Private & Wealth Management Clients and Premium Clients within the Private Clients business, and Corporate & Investment Banking as well as Institutional Clients within the Corporate & Institutional Clients business. The most significant change which arose pursuant to this modification in the organizational structure relates to the external asset managers business which is now part of the Corporate & Institutional Clients business.

Our **Private Clients** business has a leading client franchise in Switzerland, serving approximately 1.5 million clients, including UHNWI, high-net-worth individual (HNWI), affluent and retail clients. Our service offering is based on our structured advisory process, distinct client-segment-specific value propositions and coverage models as well as the access to a broad range of comprehensive products and services. Our network includes 1,300 relationship managers in 163 branches, including 26 branches of the Bank's affiliate, Neue Aargauer Bank. Additionally, our consumer finance business BANK-now has 24 branches. Also, we offer our clients the world's leading credit card brands through Swisscard AECS GmbH, an equity method investment jointly owned with American Express.

Our **Corporate & Institutional Clients** business offers expert advice and high-quality services to a wide range of clients, serving the needs of over 100,000 corporations and institutions, including large corporate clients, small and medium-size enterprises, institutional clients, external asset managers, financial institutions and commodity traders. This business also includes our Swiss investment banking business, serving corporate clients and financial institutions in connection with financing transactions in debt and equity capital markets and advising on M&A transactions. Our business includes 540 relationship managers who serve our clients out of 43 locations.

Key data – Swiss Universal Bank

			in / end of
	2017	2016	2015
Key data			
Net revenues (CHF million)	5,396	5,759	5,721
Income before taxes (CHF million)	1,765	2,025	1,675
Assets under management (CHF billion)			
– Private Clients	208.3	192.2	189.8
– Corporate & Institutional Clients	354.7	339.3	327.0
Number of employees	12,600	13,140	13,400

Business environment

The Swiss private banking and wealth management industry remains very attractive and continues to have positive growth prospects. Switzerland has the highest millionaire density worldwide and is expected to continue to have the highest average wealth per adult. We remain well-positioned in the Swiss market with strong market shares across client segments.

The corporate and institutional clients business continues to offer attractive opportunities, supported by the expected steady growth of the Swiss economy. In a continued low interest rate environment, key trends in equity capital markets in Switzerland are expected to include an increase in IPOs, acquisition-related financing and monetization of equity holdings. We believe that the environment in the Swiss M&A market should remain supportive through 2018. We are a leading provider of banking services to corporate and institutional clients in Switzerland, utilizing our market-leading investment banking capabilities in Switzerland for local execution while leveraging Investment Banking & Capital Markets' international reach and Global Markets' placing power.

Structurally, the industry continues to undergo significant change. Regulatory requirements for investment advisory services continue to increase, including in the areas of suitability and appropriateness of advice, client information and documentation. This is expected to drive further consolidation of smaller banks due to the higher critical size necessary to fulfill business and regulatory requirements. We continue to believe that we are well-positioned to opportunistically take advantage of this potential market consolidation. We have made additional progress in adapting to the changing regulatory environment and are continuing to dedicate significant resources to ensure our business is compliant with regulatory standards.

Business strategy

Switzerland, our home market, has always been and is expected to remain a key market for our Group and is core to our overall strategy. Within Swiss Universal Bank, we combine all the strengths and critical mass of our Swiss retail, wealth management, corporate, institutional and investment banking activities. The division is well-positioned to meet the needs of our clients, both individual and corporate, with a broad suite of customized products and services.

In order to further cement our standing as a leading Swiss bank and continue to impress our clients, we sharpened our strategy in 2017. We expect to advance our business by focusing on the following four key priorities:

Bank for Switzerland

We are committed to our Swiss home market and to all our clients in Switzerland – we are a universal bank that serves private, corporate and institutional client segments. We intend to expand our market share and continue to be a responsible partner in Swiss society.

We have reduced management hierarchies while increasing the scope of control at local market levels to allow for more efficient priority-setting and faster decision-making in those markets. We leveraged our digital capabilities and upgraded our call center capabilities to offer best-in-class banking services for retail clients. In addition, we increased our advice intensity in our affluent client segment by reducing the number of clients per relationship manager by over 30% since 2016. We see potential in developing the HNWI business, which is growing significantly and remains highly attractive.

Bank for Entrepreneurs

Entrepreneurship has always been important for Credit Suisse, and entrepreneurial thinking is one of our core principles. We have grown and will seek to continue to significantly grow our business with entrepreneurs and their companies across all businesses within Swiss Universal Bank, including by leveraging our international connectivity in investment banking and asset management. It is our ambition to be recognized as the "Bank for Entrepreneurs".

We strengthened our focus on being recognized as the "Bank for Entrepreneurs" by launching joint client coverage for private and corporate clients in 2015. In this context, we increased the number of Entrepreneurs & Executives relationship managers and now cover the Swiss market with 16 locations. Our broad range of expertise and capabilities enabled us to execute a large number of investment banking transactions in 2017 and we were again recognized as the number one investment bank in Switzerland.

Bank for the Digital World

We are transforming the way we serve and advise our clients in an increasingly digital society and economy. We expect new technologies and business models to emerge and must adapt our efforts to be successful. To this end, we are investing in digital capabilities with a focus on client engagement, self-service capabilities and frontline productivity. Digitalization, automation and data management will be key drivers to continuously improve our cost position and drive our competitiveness with the possibility to fundamentally change the way we work.

During 2017, various digital solutions for private, corporate and institutional clients as well as relationship managers were launched. We enhanced our self-service capabilities including the introduction of digital client self-onboarding, which allows private clients to identify themselves and open an account through a computer or mobile device. In addition, our clients are now able to make peer-to-peer mobile payments through our participation in TWINT. In 2017 we managed to further improve the productivity of client-facing employees and increased the automation of front-to-back processes (e.g., through automated document scanning and data capturing).

Bank for the Next Generation

While we are always mindful of the needs of all clients, we particularly aim to support the next generation in Switzerland in achieving their ambitions. Supertrends such as an aging population are expected to fundamentally change our country in coming years and will open opportunities for us to make a difference to our clients across generations. Developing our own young talents in their careers with various programs will complement this process and is part of our long-term commitment to the next generation in Switzerland.

We successfully launched Viva Kids, a new offering for our youngest clients. With over 10,000 new clients in the first three months, we exceeded our ambitious expectations. Viva Kids is designed to help parents in the financial education of their children and we believe it will be an important contributor for our future client base.

Awards and market share momentum

Credit Suisse was highly placed in a number of key industry awards in 2017, including:

- Best Trade Finance Bank in Switzerland – *Global Finance*
- Best Family Office Offering and Outstanding Philanthropy Offering – *Private Banker International*
- Outstanding Private Bank for UHNW Clients in Europe – *Private Banker International Europe*
- Best Commercial Banking Capabilities – *Euromoney Private Banking and Wealth Management Survey*
- Best Index Product – *Swiss Derivatives Awards 2017*
- Best M&A House in EMEA – *EMEA Finance 2016 Achievement Awards*
- Equity Capital Markets Bank of the Year in Germany, Austria and Switzerland – *GlobalCapital*

INTERNATIONAL WEALTH MANAGEMENT

Business profile

In International Wealth Management, we cater to the needs of our private, corporate and institutional clients by offering expert advice and a broad range of financial solutions.

Our **Private Banking** business provides comprehensive advisory services and tailored investment and financing solutions to wealthy private clients and external asset managers in Europe, the Middle East, Africa and Latin America. We serve our clients through 1,130 relationship managers in 44 cities in 27 countries, utilizing comprehensive access to the broad spectrum of Credit Suisse's global resources and capabilities as well as a wide range of proprietary and third-party products and services.

Our **Asset Management** business offers investment solutions and services globally to a broad range of clients, including pension funds, governments, foundations and endowments, corporations and individuals, along with our private banking businesses. Our asset management capabilities span across a diversified range of asset classes, with a focus on traditional and alternative strategies.

Key data – International Wealth Management

			in / end of
	2017	2016	2015
Key data			
Net revenues (CHF million)	5,111	4,698	4,552
Income before taxes (CHF million)	1,351	1,121	723
Assets under management (CHF billion)			
– Private Banking	366.9	323.2	289.6
– Asset Management	385.6	321.6	321.3
Number of employees	10,250	10,300	9,750

Business environment

The private banking industry continues to benefit from attractive growth prospects in the European and emerging markets covered by International Wealth Management, where private banking assets are expected to grow by approximately 6% annually through 2021. Regionally, private banking assets are expected to grow by approximately 8% in Russia and Central & Eastern Europe, by approximately 8% in the Middle East & Africa and by approximately 7% in Latin America. This growth is expected to be fueled by an increase in population, entrepreneurial wealth creation and technological advancements. Although wealth is expected to grow at a slower pace in Europe (by approximately 3% annually), this region continues to be of crucial importance, holding around 20% of the world's wealth. In addition, it is expected that demographic developments relating to an aging population, such as funding pressure in the public pension systems and a transfer of wealth to the next generation, will present important opportunities in the European private banking markets.

The asset management industry continues to evolve and grow with positive support from increasing global wealth. However, managers face a number of challenges, including regulatory complexities and revenue and margin compression. At the same time, investors are seeking asset diversification and yield enhancement through alternative and less liquid products. Investors are also shifting away from active investment strategies in favor of passively managed investments, reflecting increased fee sensitivity in the ongoing low-yield environment. These shifting preferences and pressures have helped drive further consolidation in the industry. In this environment, managers must demonstrate differentiating capabilities including not only strong investment performance, but also other value-add capabilities such as risk management and controls, compliance, client reporting, and data security.

During 2017, the wealth and asset management industry experienced supportive equity markets and maintained a long-term fundamental growth trend. Broader market fundamentals remained challenging in light of political and economic uncertainty and the persistence of low interest rates. The sector saw the continued pursuit of new opportunities and efficiencies arising from digital technology advancements and front-to-back process improvements, while facing structural pressure as it continues to adapt to industry-specific regulatory changes and tax regularization initiatives.

Business strategy

Our private banking and asset management businesses are among the industry's leaders by size and reputation in our target markets and regions. International Wealth Management continues to contribute significantly to Credit Suisse's strategic and financial ambitions. The following three strategic priorities guide our decisions:

Deliver client value

To add further value to our clients' portfolios we are increasingly leveraging our investment strategy and research capabilities and deploying solutions and products that are tailored to our clients' needs. The Asset Management business continues to strengthen its partnership with our wealth management businesses to provide quality products and solutions to clients. Enhanced client proximity supported by a regionally empowered businesses model aids in the development of new and innovative products in line with client demand. We are addressing our clients' sophisticated financing needs by broadening our lending services and leveraging additional resources.

Enhance client proximity

Our focus on enhancing client proximity is intended to capture market share, which we are facilitating by hiring predominantly experienced relationship managers, while actively steering relationship manager productivity. In addition, we are strengthening and adapting our footprint with technology investments in our key hubs and by continuing to establish new advisory offices, while shifting smaller-scale locations towards a sustainable business model. We are operating a strategic clients business, consisting of senior coverage officers, who are fully embedded in our client coverage organization and highly connected across the Group, in order to facilitate collaboration and improve the breadth and depth of solutions offered to our targeted strategic UHNWI and entrepreneur clients.

Increase client time

We are capturing growth in the lower wealth band client segment by developing a digitally-enabled service model and providing focused coverage and a targeted offering on a multi-channel service platform. We are making additional organizational changes aimed at simplifying structures, accelerating decision-making and empowering local market management to steer their respective businesses and be held accountable for their results. We continue to make important investments in the re-design of certain processes, technology and automation efforts aimed at shortening the time-to-market of products and solutions and reducing our relationship managers' administrative tasks, so that they can spend more time with our clients. Finally, we continue to actively manage risk and focus on ensuring compliant business conduct.

Awards and market share momentum

Credit Suisse received a number of key industry awards in 2017, including:

- Best Private Bank in the Middle East (third consecutive year), Egypt (second consecutive year), Greece (fifth consecutive year), Lebanon and Qatar (third consecutive year) – *Euromoney Private Banking Survey*
- Best Bank for Wealth Management in the Middle East – *Euromoney Awards for Excellence*
- Best Private Bank in Russia (fifth consecutive year) and Best Private Bank in the Middle East – Global Private Banking Awards – *PWM / The Banker*
- Outstanding Private Bank in Eastern Europe and Outstanding Private Bank for UHNW Clients in Europe – *Private Banker International Europe*
- Best Family Office Offering and Outstanding Philanthropy Offering – *Private Banker International*
- Institutional Structurer of the Year – *Structured Products Europe Awards*
- Best Bank Overall in Switzerland, Best Loan Finance in Switzerland and Best Equity Finance in Switzerland – *Euromoney Real Estate Survey*

ASIA PACIFIC

Business profile

In the Asia Pacific division, we continue to focus on our client centric strategy as the "The Trusted Entrepreneurs' Bank of Asia Pacific" by delivering a comprehensive suite of advisory services and solutions that meet the private wealth and business needs of our clients. In order to better align with our client-focused model, we implemented a change to our financial reporting in the first quarter of 2017. We now report our financial performance along the following two businesses: Wealth Management & Connected, which reflects our activities in private banking, financing, underwriting and advisory; and Markets, which represents our equities and fixed income sales and trading businesses that support our wealth management activities.

Within **Wealth Management & Connected**, our teams work closely together to deliver integrated advisory and solutions through the lifecycle of our UHNWI, entrepreneur and corporate clients. Our Private Banking business offers a comprehensive suite of wealth management financial products and solutions. Our advisory and underwriting businesses provide advisory services, including for IPOs and mergers and acquisitions, as well as access to global capital markets. Our financing business provides tailored lending solutions. In addition, we collaborate closely with International Wealth Management and the Group's other global businesses to deliver the full breadth of Credit-Suisse capabilities to our clients.

Within **Markets**, our equities and fixed income franchises deliver a broad range of services, including sales and trading, prime brokerage and investment research to our clients, including entrepreneurs and a broad range of institutional clients such as corporates, institutional investors, financial sponsors and sovereigns. The business works closely with Global Markets to meet the needs of global institutional clients and with the Group's wealth management businesses.

Key data – Asia Pacific

	in / end of		
	2017	2016	2015
Key data			
Net revenues (CHF million)	3,504	3,597	3,839
Income before taxes (CHF million)	729	725	377
Assets under management (CHF billion)			
– Private Banking	196.8	166.9	150.4
Number of employees	7,230	6,980	6,590

Business environment

The Asia Pacific region led global economic growth in 2017. The fundamentals underpinning wealth creation and growth in business activities remained positive due to the region's healthy pace of economic growth, net capital inflows, market liberalization and strong consumer demand. Entrepreneurs continued to be at the core of growth in Asia Pacific and the number of UHNWIs grew faster in the region than in any other part of the world.

In 2017, credit growth in the region remained robust. Asian currencies generally appreciated against the US dollar, however volatility trended lower, impacting market trading activity. Asia Pacific equity market volumes increased during the course of 2017, and peaked in the fourth quarter, driven by earnings and higher market index levels. Equity issuances in the region included several high profile Hong Kong listings in the second half of 2017, mainly from the Chinese technology sector. Debt capital markets saw strong activity in Asia Pacific, particularly with respect to US dollar high-yield bonds and perpetual transactions.

In the fourth quarter, the China Ministry of Finance signaled the potential to increase foreign participation in its financial markets with its intention to ease limits on foreign ownership of financial services companies, including securities joint ventures. In 2017, China's "Belt and Road Initiative" to improve trade and economic connectivity across Asia, Europe and Africa was also established as an official government policy, underscoring its importance as a strategic imperative. As these initiatives are implemented, we expect global banks to leverage their advisory, financing and capital markets capabilities to participate in the development of Chinese markets.

Business strategy

Our client-focused business strategy centered on our vision to be the "The Trusted Entrepreneurs' Bank of Asia Pacific" is proving successful. Our Asia Pacific business model is a strong differentiator that supports our integrated strategy and our consistent focus on our clients and geographic diversity in the region. This has been critical for our ability to attract strong talent and to foster a partnership culture that can deliver profitable growth with disciplined risk management and achieve attractive returns on capital on a consistent basis. In 2017, we saw continued momentum and

robust growth in our Wealth Management & Connected business. Our Markets business underwent significant repositioning as part of our efforts to deliver attractive long-term returns and enhance our services to clients. Looking ahead, our strategic focus remains centered on delivering a balanced franchise with disciplined risk management and strong controls as we seek to capture efficiencies and optimize resources across the division.

Focus on targeted client groups

Our strategy is to focus on our existing key clients, while looking for opportunities to increase activity in underrepresented areas, by better coordinating coverage and deepening our relationships. In 2017, we made good progress against our initiatives to enhance coverage collaboration across our businesses and meet the broad and complex needs of our UHNWI, entrepreneur and corporate clients through all phases of their private and corporate life cycles. We are increasingly able to help them in both dimensions by combining our strengths in private banking with our capabilities in advisory, underwriting and financing, providing tailored and holistic products and solutions. We saw an increase in profitability and activities in our Wealth Management & Connected business, and Credit Suisse was recognized as a leader across multiple offerings that are valued by our clients.

We also continued to invest in technology to deepen our engagement with our UHNWI and entrepreneur clients as part of a core strategic initiative to cultivate stronger relationships. Following successful launches in Singapore and Hong Kong, in 2017 we rolled out our digital platform in Thailand and Australia. We also implemented a new digital advisory solution with a transparent fee structure.

Delivering client tailored solutions

A key component of our business strategy is centered on delivering services that our clients value and helping them realize their wealth and financial goals.

We utilize our integrated financing platform, with its centralized structuring, risk management and distribution approach, to deliver tailored solutions across the entire financing spectrum to our key clients. Similarly, our Markets business combines our equity derivatives and fixed income capabilities to provide multi-asset product offerings to our UHNWI and institutional clients, supporting the enhancement of their investment portfolios and risk management. Continuous product innovation and a disciplined approach to risk and costs remain critical to meeting our clients' and our own objectives, and we continue to seek opportunities to enhance our operating framework across the bank.

Continue to build our base of profitability

Our diversified platform in Asia Pacific, across a mix of clients, countries and product areas helps in our efforts to maintain a more stable, less volatile earnings profile, which is critical in a region as dynamic as Asia Pacific with its variety of economic, business and client characteristics. We plan to continue to invest in our businesses where we have deep client relationships and strong, profitable market positions. We believe that it is important to have a focused strategy, coupled with an ability to maintain agility and geographic diversity, to effectively and sustainably compete in Asia Pacific.

Significant transactions

We executed a number of significant transactions in 2017, reflecting the diversity and strength of our franchise. Noteworthy transactions include:

- In Greater China, we advised China National Chemical Corporation on its bridge financing in relation to its acquisition of Syngenta AG (commodities), I Squared Capital on its acquisition of Hutchison Global Communications Investment Holding Limited on its associated acquisition financing (telecommunications) and Ant Financial Services Group on its term loan and syndicated loan facility (financial services). We also advised on the Hong Kong IPOs of ZhongAn Online P&C Insurance Co. Ltd. and China Literature Limited as well as on the US IPOs of Qudian Inc. and Sogou Inc. (technology).
- In South East Asia, we advised on the Hong Kong IPO of Razer Inc. and the US IPO of Sea Limited (technology), Lotte Chemical Titan Holding Bhd on its IPO in Malaysia (chemicals), PT Gajah Tunggal Tbk on its notes offering in Indonesia (manufacturing) and a consortium of Star Energy companies on its acquisition of Chevron's geothermal and power operations business and associated debt financing in Indonesia (power).
- In Australia, we advised on the IPO of Netwealth Limited (financial services) and InterOil on its acquisition by ExxonMobil (oil & gas).
- Elsewhere, we advised on Vincom Retail Joint Stock Company's initial equity offering in Vietnam (retail), HDFC Standard Life Insurance Company Limited's IPO in India (financial services), Softbank Group Corp's notes offering in Japan (technology), LG Corp's sale of its stake in LG Siltron to SK Holdings in Korea (conglomerate), Pakistan Water & Power Development Authority's term loan (utilities) and the Government of Mongolia's exchange offer and notes offering (sovereign).

Awards and market share momentum

We were highly placed in a number of key industry awards in 2017, including:

- Best Private Bank, Asia Pacific – *Asian Private Banker*
- Best Private Bank, UHNWI Services – *Asian Private Banker*
- Best Investment Bank in Asia – *GlobalCapital Asia*
- Best Corporate & Institutional Bank, Asia Pacific – *The Asset*
- Best Leveraged/Acquisition Finance Adviser – *The Asset*
- Best Equity Capital Markets House, Asia – *GlobalCapital*
- Best High Yield Bond House, Asia – *GlobalCapital*
- Asia Pacific Loan House of the Year – *IFR Asia*
- Asia's Quant House of the Year – *Asia Risk*
- Best overall All-Asia sales and trading teams – *Institutional Investor*
- Asia's Best Bank for Wealth Management – *Euromoney*
- Asia's Best Bank for Financing – *Euromoney*
- Top 2 in Investment Banking Revenue in Asia Pacific ex-Japan and ex-China Onshore – *Dealogic*

GLOBAL MARKETS

Business profile

Global Markets provides a broad range of financial products and services to client-driven businesses and also supports the Group's private banking, Investment Banking & Capital Markets and Asia Pacific businesses and their clients. Our suite of products and services includes global securities sales, trading and execution, prime brokerage and comprehensive investment research. Our clients include financial institutions, corporations, governments, institutional investors, such as pension funds and hedge funds, and private individuals around the world. We deliver our global markets capabilities through regional and local teams based in both major developed and emerging market centers. Our integrated business model enables us to gain a deeper understanding of our clients and deliver creative, high-value, customized solutions based on expertise from across Credit Suisse.

Key data – Global Markets

			in / end of
	2017	2016	2015
Key data			
Net revenues (CHF million)	5,551	5,497	6,826
Income/(loss) before taxes (CHF million)	450	48	(1,931)
Number of employees	11,740	11,530	12,000

Business environment

In 2017, operating conditions were mixed across our businesses. During the first half of the year, we experienced more favorable credit market conditions compared to subdued conditions in the first half of 2016. During the year, credit market conditions were characterized by improved credit asset prices, tightened credit spreads and lower volatility, which led to higher client activity, particularly in securitized products and our credit trading and underwriting businesses. Client activity in our rates and foreign exchange businesses was negatively impacted by sustained low volatility compared to 2016, which benefited from significant macroeconomic events including the UK referendum on continued EU membership and the US elections. Market conditions were less favorable for equity trading and equity derivatives as persistently low levels of volatility and reduced volumes negatively impacted client activity. In addition, our leveraged finance and investment grade and equity underwriting businesses improved in 2017, reflecting higher issuance activity.

Business strategy

In 2017, we implemented a change in financial reporting to reflect an amended business structure consisting of equity sales and trading, fixed income sales and trading and underwriting. Equity sales and trading includes cash equities, prime services, convertibles and equity derivatives. Fixed income sales and trading is comprised of our yield businesses, including global credit products, securitized products and our structured lending, rates, foreign exchange and emerging markets businesses. Underwriting includes our leveraged finance, investment grade and equity underwriting businesses.

We made consistent progress towards our goals of achieving greater than USD 6 billion in revenues and less than USD 4.8 billion in costs on an adjusted basis. We saw improved operating leverage with total operating expenses down 7% while revenues were stable, highlighting continued execution of our strategy. During the year, we continued to invest in the business and effective July 1, 2017, the Global Markets division entered into an agreement with Swiss Universal Bank and International Wealth Management whereby it provides centralized trading and sales services to private and institutional clients across the three divisions referred to as International Trading Solutions (ITS). These services are now managed as a single business within the Global Markets division. ITS is expected to provide aligned market strategies, significant cost synergies and enhanced client focus. On costs, we reduced operating expenses significantly compared to 2016 as a result of our continued cost discipline by eliminating duplication across functions and optimizing our New York and London footprint. As a result, we are on track to achieve our end-2018 ambition of less than USD 4.8 billion in costs, on an adjusted basis. We also operated at our thresholds of USD 60 billion in risk-weighted assets and USD 290 billion in leverage exposure.

Looking ahead, the division continues to focus on four strategic ambitions: further increasing collaboration across Credit Suisse, focusing on our International Wealth Management, Asia Pacific and Investment Banking & Capital Markets clients, increasing operating leverage, attracting top talent and achieving an adjusted return on regulatory capital target of 10%-15% by year-end 2018. We are focused on growing revenues across equities and fixed income products by enhancing collaboration with our institutional, corporate and wealth management clients. Particularly for our wealth management clients, our vision is to enhance our product offerings into developed European and emerging markets. In addition, we are investing in key talent across the franchise and will remain focused on defending our leading market positions across equities and fixed income products. With regard to costs, we will continue ongoing cost-saving initiatives, including increasing efficiencies from consolidating redundant platforms and eliminating duplication across functions. We believe that the combination of increased revenues and greater cost controls have the potential to help us meet our adjusted return on regulatory capital target of 10%-15% by year-end 2018.

INVESTMENT BANKING & CAPITAL MARKETS

Business profile

The Investment Banking & Capital Markets division offers a broad range of investment banking products and services which include advisory services related to M&A, divestitures, takeover defense strategies, business restructurings and spin-offs, as well as debt and equity underwriting of public offerings and private placements. We also offer derivative transactions related to these activities. Our clients include leading corporations, financial institutions, financial sponsors, UHNWI and sovereign clients.

We deliver our investment banking capabilities through regional and local teams based in both major developed and emerging market centers. Our integrated business model enables us to deliver high value, customized solutions that leverage the expertise offered across Credit Suisse and that help our clients unlock capital and value in order to achieve their strategic goals.

Key data – Investment Banking & Capital Markets

	in / end of		
	2017	2016	2015
Key data			
Net revenues (CHF million)	2,139	1,972	1,787
Income/(loss) before taxes (CHF million)	369	261	(314)
Number of employees	3,190	3,090	2,810

Business environment

Macroeconomic conditions improved compared to 2016, supporting an increase in investor risk appetite and asset price stability. Despite political uncertainties (impact of the UK referendum on continued EU membership, French and German elections, US tax and policy agendas) market volatility dampened across asset classes. The capital markets environment was supported by global economic growth and continued low interest rates, positively impacting debt and equity underwriting and M&A fee pools compared to 2016.

Global M&A activity was steady in 2017 with large deals announced across many sectors as companies sought consolidation and strategic acquisitions, particularly in the retail & consumer, media & telecommunications, healthcare and energy industries. Global industry-wide announced M&A activity was down 2% compared to 2016.

Business strategy

Our strategy focuses on leveraging our global structuring and execution expertise to develop innovative financing and advisory solutions for our clients. Our divisional strategy is designed to generate sustainable, profitable growth and continue delivering returns in excess of our cost of capital. Our key strategic priorities include: achieving a balanced product mix, optimizing the client coverage model and using our global platform to meet our clients' needs for cross-border expertise in developed and emerging markets.

A key element of our strategy is rebalancing our product mix to generate stronger results in M&A advisory and equity underwriting, while maintaining our leading leveraged finance franchise. We expect that refocusing our efforts on these products will not only allow us to better support our clients' strategic goals, but will also contribute to a revenue mix that is more diversified and less volatile through the market cycle.

We continue to optimize our client strategy in order to deliver efficient and effective client coverage. Our strategic objective is to align, and selectively invest in, our coverage and capital resources with the largest growth opportunities and where our franchise is well-positioned. We have made notable progress in the execution of our targeted plans for investment grade corporates, non-investment grade corporates and financial sponsors.

We will continue to leverage Investment Banking & Capital Markets' global connectivity with our other divisions and its platform to drive opportunities for the Group.

Significant transactions

We executed a number of noteworthy transactions in 2017, reflecting the diversity of our franchise.

- In debt capital markets, we arranged key financings for a diverse set of clients including Verizon Communications Inc. (telecommunications), Microsoft Corporation (software), inVentiv Health Inc. (healthcare services), Paysafe Group plc (financial technology), Enel S.p.A (power), McCormick & Company, Inc. (food and beverage), Broadcom Ltd. (semiconductors), Aon Hewitt (professional services), BP PLC (exploration and production), Caesars Resort Collection, LLC (gaming) and EP Energy LLC (exploration & production).
- In equity capital markets, we executed rights offerings for Unicredito Italiano S.p.A (banks) and Deutsche Bank AG (banks), IPOs for Snap Inc. (internet), Galenica Sante AG (retail) and EN+ Group plc (utilities), several special purpose acquisition company IPOs including Social Capital Hedosophia Holdings, Silver Run Acquisition Corp. II, Kayne Anderson Acquisition Corp., Vantage Energy Acquisition Corp., TPG Pace Energy Holdings and Osprey Energy Acquisition Corp. and an equity carve-out and IPO for ALD International S.A. (fleet mobility).
- In M&A, we advised on a number of transformational transactions announced throughout the year, including Atlantia S.p.A.'s acquisition of Abertis Infraestructuras S.A. (transportation and logistics), Johnson & Johnson's acquisition of Actelion Ltd. (life sciences), an acquisition by a Bain Capital led consortium of Toshiba Corporation's memory chips business (semiconductors), Vantiv Inc.'s acquisition of WorldPay Group PLC (technology services), BASF's acquisition of Bayer AG crop sciences business (chemicals), Fresenius SE & Co KGaA's acquisition of Akorn Inc. (medical devices), Global Infrastructure Management LLC's acquisition of Equis Pte Ltd. (renewables), The Blackstone Group L.P.'s acquisition of Aon plc (professional services), the merger of equals combining Inventiv Health Inc. and INC Research Holdings Inc. (healthcare services), the merger of equals combining Aberdeen Asset Management PLC and Standard Life PLC (asset management) and Tyson Foods Inc.'s acquisition of AdvancePierre Foods Holdings Inc. (consumer), KKR & Co LP's acquisition of Unilever plc's spreads business (consumer) and Campbell Soup Company's acquisition of Snyder's-Lance Inc. (consumer).

STRATEGIC RESOLUTION UNIT

Business profile

The Strategic Resolution Unit was established to facilitate the effective and rapid wind-down of capital usage and reduce the drag on the Group pre-tax income results through the reduction of costs. The Strategic Resolution Unit includes remaining portfolios from former non-strategic units and transfers of additional exposures from the business divisions. Repositioned as a separate division, this provides clearer accountability, governance and reporting.

Key data – Strategic Resolution Unit

			in / end of
	2017	2016	2015
Key data			
Net revenues (CHF million)	(886)	(1,271)	511
Income/(loss) before taxes (CHF million)	(2,135)	(5,759)	(2,652)
Number of employees	1,530	1,830	3,200

Composition

Our Strategic Resolution Unit contains specific wind-down activities and positions. For reporting purposes, the Strategic Resolution Unit is split into the following categories: restructuring of select onshore businesses which contains the onshore repositioning in select Western European countries and the US; legacy cross-border and small markets businesses which include the repositioning of cross-border businesses; legacy asset management positions which include portfolio divestitures and discontinued operations; legacy investment banking portfolios; and legacy funding costs relating to non-Basel III compliant debt instruments.

Non-controlling interests without significant economic interest are reflected in the Strategic Resolution Unit and include revenues and expenses from the consolidation of certain private equity funds and other entities in which we have non-controlling interests without significant economic interest.

Development of the Strategic Resolution Unit

As part of the Group's strategy announced in the fourth quarter of 2015, we formed a new Strategic Resolution Unit intended to oversee the effective wind-down of businesses and positions that do not fit our strategic direction in the most efficient manner possible. At that time the Strategic Resolution Unit was created to facilitate the immediate right-sizing of our business divisions from a capital perspective and included remaining portfolios from our former non-strategic units plus additional transfers from the business divisions. The expectation at that time was that the Strategic Resolution Unit's risk-weighted assets and leverage exposure would be reduced by approximately 80% by 2020, excluding operational risk.

On March 23, 2016 we announced additional strategic measures to further lower our cost base, accelerate the risk-weighted assets and leverage reduction initiatives through the restructuring of our Global Markets business and further strengthen our capital position. The additional measures included exiting the distressed credit, European securitized products trading and long-term illiquid financing businesses and making other business reductions. The assets from these impacted businesses were transferred to the Strategic Resolution Unit in the second quarter of 2016, including a portion of the corporate loan portfolio managed by the Global Markets and Investment Banking & Capital Markets divisions. These transfers related to client lending relationship exits and exposure types that at the time we did not consider consistent with the announced strategy. At that time we updated our expectation of the timing of an 80% reduction of the division's risk-weighted assets and leverage exposure to year-end 2019, excluding operational risk.

In the first quarter of 2017, we announced an acceleration of the release of capital from the Strategic Resolution Unit and now plan to complete the wind-down of the division by the end of 2018 without an adverse incremental impact to our existing targets for pre-tax losses from this division.

At our Investor Day in 2017 we announced that we estimated adjusted operating expenses in the Strategic Resolution Unit would amount to approximately USD 500 million and USD 250 million in 2018 and 2019, respectively. We further announced our adjusted pre-tax loss targets of approximately USD 1,400 million and USD 500 million in 2018 and 2019, respectively. Currently the allocation of costs to the Strategic Resolution Unit is conducted pursuant to a Group-wide allocation methodology, i.e., the Strategic Resolution Unit is subject to the same cost allocation methodology as the strategic divisions; however reductions in service usage during the course of the wind-down of the division will reduce allocated costs.

We plan to reduce the Strategic Resolution Unit's risk-weighted assets (excluding operational risk) to USD 11 billion and leverage exposure to USD 40 billion by year-end 2018. Any remaining operations and assets of the Strategic Resolution Unit are expected to be absorbed into the rest of the Group. While we work on these tasks in 2018 we expect the governance and controls to remain within the Strategic Resolution Unit throughout the transition period. We plan to resolve any legacy issues so as to minimize adverse capital and pre-tax income impacts for the Group in 2019 and onwards.

On occasion, the reduction of exposures in the Strategic Resolution Unit involve the maturation of lending facilities or other transactions that wholly or partially may be renewed or extended by our strategic business divisions, such as Global Markets or International Wealth Management. Similarly, there may be occasions where strategic business divisions will enter into new transactions with counterparties resulting in exposures that may have similar characteristics to those recorded in the Strategic Resolution Unit. This is aligned with the Group's risk appetite and that of the relevant strategic divisions.

We have amended and enhanced our risk appetite framework in an effort to provide additional governance and controls to ensure all new business activities are scrutinized to distinguish between those types of business exposures held in the Strategic Resolution Unit that will be allowed for execution in our strategic divisions and those that will be prohibited or for which we have limited risk appetite.

A decline in risk-weighted assets and leverage exposure in the second quarter of 2017 for the Strategic Resolution Unit also reflected the contractual maturation of certain legacy loan facilities where the third-party counterparties entered into new agreements with the Global Markets division. The impact of these maturations on risk weighted assets and leverage exposure for the Strategic Resolution Unit was approximately USD 17 million and USD 77 million, respectively.

▸ Refer to “Update to the risk appetite framework” in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management – Risk appetite framework for further information.

Regulation and supervision

OVERVIEW

Our operations are regulated by authorities in each of the jurisdictions in which we have offices, branches and subsidiaries.

Central banks and other bank regulators, financial services agencies, securities agencies and exchanges and self-regulatory organizations are among the regulatory authorities that oversee our businesses. There is coordination among many of our regulators, in particular among our primary regulators in Switzerland, the US, the EU and the UK as well as in the Asia Pacific region.

The supervisory and regulatory regimes of the countries in which we operate determine to some degree our ability to expand into new markets, the services and products that we are able to offer in those markets and how we structure specific operations.

Governments and regulatory authorities around the world have responded to the challenging market conditions beginning in 2007 by proposing and enacting numerous reforms of the regulatory framework for financial services firms such as the Group. In particular, a number of reforms have been proposed and enacted by regulators, including our primary regulators, which could potentially have a material effect on our business. These regulatory developments could result in additional costs or limit or restrict the way we conduct our business. Although we expect regulatory-related costs and capital requirements for all major financial services firms (including the Group) to continue to be high, we cannot predict the likely impact of proposed regulations on our businesses or results. We believe, however, that overall we are well positioned for regulatory reform, as we have reduced risk and maintained strong capital, funding and liquidity.

▸ Refer to "Risk factors" for further information on risks that may arise relating to regulation.

RECENT REGULATORY DEVELOPMENTS AND PROPOSALS

Some of the most significant regulations proposed or enacted during 2017 and early 2018 are discussed below.

Global initiatives

Certain regulatory developments and standards are being coordinated on a global basis and implemented under local law, such as those discussed below.

ISDA Resolution Stay Protocols

In Switzerland, the Swiss Federal Council introduced amendments to the Ordinance on Banks and Savings Banks (Banking Ordinance) that will require banks, including Credit Suisse, to include terms in certain of their contracts (and in certain contracts entered into by their subsidiaries) that are not governed by Swiss law or that provide for jurisdiction outside of Switzerland that ensure that FINMA's stay powers under the Swiss Federal Act on Banks and Savings Banks of November 8, 1934, as amended (Bank Law) would be enforceable with respect to such contracts. These requirements have been set forth in the Banking Ordinance since January 1, 2016. FINMA is responsible for determining the appropriate time for complying with this requirement in line with international standards as well as the contracts that are in scope. To this end, a partial revision of the Ordinance of FINMA on the Insolvency of Banks and Securities Dealers (FINMA Banking Insolvency Ordinance) entered into effect on April 1, 2017. The rule is subject to an implementing period of 12 months for contracts with banks and securities dealers and 18 months for contracts with other counterparties and will only affect an exhaustive list of contracts whose continued existence is essential for a bank requiring restructuring. The listed contracts are customary in the financial market and include, in particular, contracts governing the purchase, sale, lending and repurchase of certain underlying securities. Contracts entered into by foreign group entities are only subject to the rule if, among other things, the respective financial contract is guaranteed or otherwise secured by a bank or securities dealer domiciled in Switzerland. Certain contracts, e.g. contracts with individuals as well as for the placement of financial instruments in the market, are excluded. The list of contracts is internationally harmonized and broadly in line with the definition of financial contracts in accordance with the EU Bank Recovery and Resolution Directive (BRRD).

In the US, in 2017, the Board of Governors of the Federal Reserve System (Fed), the Federal Deposit Insurance Corporation (FDIC) and the Office of the Comptroller of the Currency (OCC) each issued final rules designed to improve the resolvability of US headquartered global systemically important banks (G-SIBS) and the US operations of non-US G-SIBs, such as our US operations. These final rules require US G-SIBs and the US operations of non-US G-SIBs, such as the US operations of Credit Suisse, to modify their qualified financial contracts. These modifications include obtaining the agreement of counterparties that (1) their qualified financial contracts are subject to the stays on early termination rights under the orderly liquidation provision of the Dodd-Frank Act and the Federal Deposit Insurance Act, which is similar to requirements introduced in Germany, Switzerland and the United Kingdom to which we are already subject, and (2) certain cross-default rights would be overridden if an affiliate of the G-SIB entered proceedings under the US Bankruptcy Code. Covered "qualified financial contracts" must be conformed to the rules' requirements starting January 1, 2019, with full compliance by January 1, 2020. It is expected that the International Swaps and Derivatives Association, Inc. (ISDA) will produce a protocol to facilitate compliance by the broader market with the Fed's final requirements.

Industry-led developments

In May 2017, public and private sector representatives from the foreign exchange committees of 16 international foreign exchange (FX) trading centers agreed to form a Global Foreign Exchange Committee. On May 25, 2017, the Global Foreign Exchange Committee published the FX Global Code, which sets out global

principles of good practice in the FX markets. The principles included in the FX Global Code cover topics such as ethics, governance, execution, information sharing, risk management and compliance, and confirmation and settlement processes. In December 2017, the FX Global Code was amended and revised in connection with Principle 17 of the FX Global Code which concerns "last look" practices. Credit Suisse supports the adoption of the FX Global Code by FX market participants. Confirming its commitment, Credit Suisse intends to sign the FX Global Code's Statement of Commitment on a global basis, by May 25, 2018.

Switzerland

As of January 1, 2013, the Basel III framework was implemented in Switzerland along with the Swiss "Too Big to Fail" legislation and regulations thereunder. Together with the related implementing ordinances, the legislation includes capital, liquidity, leverage and large exposure requirements, and rules for emergency plans designed to maintain systemically relevant functions in the event of threatened insolvency. Certain requirements under the legislation, including those regarding capital, are to be phased in through year-end 2018.

▸ Refer to "Liquidity and funding management" and "Capital management" in III – Treasury, Risk, Balance sheet and Off-balance sheet for information regarding our current regulatory framework and expected changes to this framework affecting capital and liquidity standards.

Supervision

The Federal Act on Financial Market Infrastructure and Market Conduct in Securities and Derivatives Trading (FMIA) and the Financial Market Infrastructure Ordinance (FMIO) came into effect on January 1, 2016. In accordance with the timing of corresponding provisions of the revised Markets in Financial Instruments Directive (MiFID II), which entered into effect on January 3, 2018, financial market infrastructures and the operators of organized trading facilities were granted a transitional period until January 1, 2018 to comply with various new duties, including those associated with the publication of pre- and post-trade transparency information and with high-frequency trading.

On November 4, 2015, the Swiss Federal Council adopted the dispatch on, and drafts of, the Federal Financial Services Act (FFSA) and the Financial Institutions Act (FinIA) and submitted them to the Swiss Parliament. The FFSA and the FinIA passed the first and second chamber of the Swiss Parliament in January 2017 and November 2017, respectively, with certain amendments now subject to a procedure for the resolution of differences. The FFSA will govern the prerequisites for offering financial instruments and providing financial services, including the provision of financial services to Swiss clients from abroad on a cross-border basis. Moreover, the draft FFSA contains uniform rules on prospectus requirements and introduces the requirement to prepare a basic information document for offerings of financial instruments other than shares and straight bonds to retail customers. The draft FinIA provides for a differentiated supervisory regime for financial institutions and introduces (indirect) prudential supervision of certain categories of asset managers that have previously not been subject to supervision.

On December 5, 2017, FINMA published its Circular 2018/3 Outsourcing – "Banks and Insurers". It will enter into effect on April 1, 2018 and replaces FINMA's Circular 2008/7 on outsourcing. The circular sets out the regulatory requirements that must be met by banks, securities dealers and insurance companies when outsourcing material functions to third party providers. Notable changes include the obligation to maintain an up-to-date inventory of outsourcings with a description of the outsourced function, an identification of the outsourcing provider and any subcontractors as well as an identification of the service recipient and the responsible unit within the bank, securities dealer or insurance company. The new provisions will immediately apply to outsourcing agreements concluded or amended after April 1, 2018; however, a five-year phase-in period will apply to outsourcing agreements concluded before that date.

Tax

Administrative assistance in tax matters

On January 1, 2017, the Multilateral Convention on Mutual Administrative Assistance in Tax Matters (MAC) entered into force and became applicable as of January 1, 2018. Under the MAC, Switzerland is required to exchange information in tax matters both spontaneously in certain cases as well as upon request. Furthermore, the revised Federal Act on International Administrative Assistance in Tax Matters and the revised Federal Ordinance on International Administrative Assistance in Tax Matters (OIAA) entered into force, which provide the procedural rules for international administrative assistance on tax matters based on either the MAC or under bilateral double taxation treaties of Switzerland. With respect to bilateral double taxation treaties of Switzerland, so-called "fishing expeditions" are not allowed, and the exchange of information in tax matters is granted in individual cases upon specific and justified requests and in group request cases based on a behavioral pattern for information relating to tax periods after January 31, 2013. However, the Swiss Supreme Court decided on September 12, 2016 that a group request submitted to the Swiss Federal Tax Administration by the Dutch tax administration with respect to Dutch clients of a Swiss bank, which have not been able to give sufficient proof to the Swiss bank that their assets have been disclosed to the Dutch tax authorities, was in principle permissible despite the fact that the request did not contain the names of the clients and was without explicit legal basis for such group requests in the Swiss-Dutch double taxation treaty. In exceptional cases, the Swiss legislation permits exchange of information before the taxpayer concerned is informed. Under the MAC (and as clarified in the OIAA), Switzerland commenced for tax periods from January 1, 2018 onwards to automatically exchange information on certain advance tax rulings within the scope of the Organisation for Economic Co-operation and Development (OECD) and the Group of Twenty (G20) project to combat base erosion and profit shifting (BEPS).

On June 10, 2016, the Swiss Federal Council submitted to the Swiss Parliament an amendment of the Federal Act on International Administrative Assistance in Tax Matters for adoption to also allow administrative assistance for requests based on stolen

data, however, only if the stolen data has been obtained by regular administrative assistance or from public sources. The Swiss Parliament has yet to debate the proposed new law.

On December 1, 2017, the Multilateral Competent Authority Agreement on the Exchange of Country-by-Country Reports (CbCA) as well as the implementing Swiss federal legislation entered into force, which is the Federal Act on the International Automatic Exchange of Country by Country Reports of Multinationals and the Federal Ordinance on the International Automatic Exchange of Country by Country Reports of Multinationals. Under the CbCA and the implementing legislation, multinational groups of companies in Switzerland will have to prepare country-by-country reports for the first time for the 2018 tax year. The reports will be exchanged by Switzerland starting in 2020. On a voluntary basis, multinational groups of companies may prepare, and are permitted to submit, country-by-country reports for the 2016 and 2017 tax periods. Any such reports will be exchanged for the first time in 2018.

Automatic exchange of information in tax matters

On January 1, 2017, the Multilateral Competent Authority Agreement on the Automatic Exchange of Financial Account Information (MCAA) and the Agreement on the Automatic Exchange of Information in Tax Matters (AEOI Agreement) became effective with the EU. The AEOI Agreement applies to all 28 member states of the EU and also Gibraltar. The AEOI Agreement replaces the repealed agreement of October 26, 2004 between the European Community and Switzerland, which together with the relevant Swiss legislation provided measures which were equivalent to those in the repealed EU Savings Directive. The AEOI Agreement also replaces the repealed bilateral agreements on final withholding taxes of Switzerland with the UK and Austria. These three repealed agreements continue to apply in respect of income and gains before January 1, 2017. In addition to the AEOI Agreement, Switzerland has concluded a number of bilateral agreements on the automatic exchange of information (AEOI) based on the MCAA, including with Argentina, Australia, Brazil, Canada, Chile, China, Colombia, Costa Rica, Greenland, Iceland, India, Indonesia, Israel, Japan, Lichtenstein, Malaysia, Mexico, New Zealand, Norway, Russia, Saudi Arabia, South Africa, South Korea, United Arab Emirates, Uruguay, and a number of other jurisdictions. The agreements became effective on January 1, 2017 or January 1, 2018. In September 2017 and December 2017, legislation passed the first and the second chamber of the Swiss Parliament, respectively, authorizing the Swiss Federal Council to implement AEOI with another 41 states and territories (among others, Saudi Arabia, China and Russia). These AEOI bilateral agreements are expected to be implemented in 2018, with the first set of data exchanged in late 2019. The legislation includes a review mechanism, which requires the Swiss Federal Council, before the first information exchange with these countries in 2019, to verify whether these states and territories meet certain standards, in particular, concerning confidentiality and data security, and issue a respective assessment report to a commission of the Swiss Parliament. It further requires the Swiss Federal Council to periodically assess, using a risk based approach, whether these standards continue to be met and to submit reports to the commission. Furthermore, Switzerland has signed bilateral agreements with Hong Kong and Singapore, which will be debated in the Swiss Parliament in 2018 but are being applied provisionally from January 1, 2018.

Based on these agreements and the implementing Federal Act on the International Automatic Exchange of Information in Tax Matters and the implementing Ordinance on the International Automatic Information Exchange, both effective since January 1, 2017, Switzerland collects or will collect data in respect of financial assets and accounts in Switzerland held by or for the benefit of residents of a EU member state or a treaty state from 2017 or 2018, and has begun or will begin to exchange it from 2018 or 2019, depending on the effective date of the relevant agreement.

Withholding tax reforms

On January 1, 2017, the revised Withholding Tax Act entered into force. It extends the exemption of interest paid on contingent convertible bonds and write-down bonds of banks or group companies of finance groups which were approved by FINMA and issued between January 1, 2013 and December 31, 2016, to issuances between January 1, 2017 and December 31, 2021. It also exempts interest paid on total loss-absorbing capacity (TLAC) instruments approved by FINMA for purposes of meeting regulatory requirements which have been or will be issued between January 1, 2017 and December 31, 2021, or have been issued prior to January 1, 2017 where the foreign issuer thereof will be substituted for a Swiss issuer between January 1, 2017 and December 31, 2021.

Stamp tax reforms

On January 1, 2017, the revised Stamp Tax Act entered into force. The revision introduced an exemption from the 1% issuance stamp tax for equity securities in banks or group companies of a financial group issued in connection with the conversion of TLAC instruments into equity, in addition to the exemption for equity securities in banks issued from conversion capital.

Corporate tax reforms

On February 12, 2017, the Swiss people rejected in a public vote the Corporate Tax Reform Act III (CTR III). The act proposed to introduce a patent box, a surplus research and development expense allowance, a notional interest deduction and step-up of basis and to abolish the cantonal tax privileges for holding companies, mixed companies and domicile companies. Switzerland is internationally expected to abolish such tax privileges. In connection with the tax reform, several cantons had announced they planned to cut their statutory corporate income tax rates to approximately 12%, subject to, and simultaneously with, the effectiveness of the reform. On September 6, 2017, the Swiss Federal Council initiated a consultation process on new legislation to reform the Swiss corporate income tax legislation, which ended on December 6, 2017. On March 21, 2018, the Swiss Federal Council submitted the new draft legislation together with its dispatch to the Swiss

Parliament for debate in 2018. The new proposal includes a patent box that is mandatory for all cantons but narrower than the one contained in CTR III, an optional surplus research and development allowance and a step-up in basis, among other measures, but not a notional interest deduction. Following parliamentary debate and approval, the new legislation will be subject to an optional referendum. According to the Swiss Federal Council, if a referendum is not called, certain provisions could enter into force at the beginning of 2019 and most of the remaining provisions could enter into force at the beginning of 2020.

On June 9, 2017, the Swiss Federal Council initiated the consultation proceeding on the proposed Federal Act on Calculation of the Participation Deduction for "Too Big to Fail" Instruments. The consultation ended on September 29, 2017. On February 14, 2018, the Swiss Federal Council transmitted its dispatch and draft bill to the Swiss Parliament for debate and approval. Current legislation requires systemically relevant banks to issue contingent convertible bonds, write-off bonds and bail-in bonds through their top holding company from January 1, 2020 at the latest. Despite the top holding company on-lending the funds internally to direct or indirect subsidiaries, current corporate income tax laws require the top holding company to allocate interest paid under the contingent convertible bonds, write-off bonds or bail-in bonds to the participation exemption for dividends of the top holding company. This reduces the participation exemption for dividends of the top holding company of systemically relevant banks and may lead to materially higher corporate income taxes for such top holding company. This inadvertent consequence of higher corporate income taxes is inconsistent with the "Too Big to Fail" legislation's objective of strengthening the equity capital of systemically relevant banks. If enacted, the proposed legislation will permit systemically relevant banks to carve-out interest paid in respect of such instruments for purposes of calculating tax exempt net participation income and thereby remedy the effect of higher corporate income taxes from higher interest allocations.

US

In July 2010, the US enacted the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), which provides a broad framework for regulatory changes. Although rulemaking in respect of many of the provisions of the Dodd-Frank Act has already taken place, implementation will require further rulemaking by different regulators, including the US Department of the Treasury (US Treasury), the Fed, the US Securities and Exchange Commission (SEC), the OCC, the FDIC, the Commodity Futures Trading Commission (CFTC) and the Financial Stability Oversight Council (FSOC), and uncertainty remains about the details of implementation.

ERISA

On April 6, 2016, the US Department of Labor released final rules revising the definition of "fiduciary" for purposes of the US Employee Retirement Income Security Act of 1974, as amended (ERISA), and US Internal Revenue Code (IRC). The revised definition imposes heightened standards of conduct for banks, broker-dealers, and investment advisers when engaging with plans and accounts subject to ERISA and IRC and prohibits transactions viewed as conflicts of interest subject to narrow exceptions and exemptions. The revised definition of fiduciary became effective June 9, 2017; however, the US Department of Labor delayed the applicability of certain proposed exemption conditions and exemption amendments until July 1, 2019 to allow for further consideration of their impact and to determine whether any changes or alternatives would be appropriate. Depending upon the outcome of the US Department of Labor's review, we may be required to revise our policies, procedures and practices for dealing with such plans and accounts.

Supervision

Credit Suisse is subject to the so-called "Volcker Rule", which limits the ability of banking entities to sponsor or invest in certain private equity or hedge funds, broadly defined, and to engage in certain types of proprietary trading for their own account. On April 18, 2017, the Federal Reserve Bank of New York approved our request for an extension of the Volcker Rule conformance period for certain of our illiquid fund holdings, extending the period of time for us to divest or conform these investments by five additional years (i.e., until July 21, 2022).

On July 21, 2017, the US banking agencies responsible for implementing the Volcker Rule released guidance providing temporary relief with respect to "foreign excluded funds" that are controlled by a foreign bank and thus could be subjected to the Volcker Rule's proprietary trading and covered funds restrictions. The guidance provides that for one year (until July 21, 2018), the agencies will not take action with respect to any such foreign excluded fund if the fund satisfies certain criteria (including that the fund is organized outside of the US as part of a bona fide asset management business, is not offered or sold to US investors and that the foreign bank's investment and/or sponsorship of the fund occurs solely outside of the US).

Derivative regulation

Swap Regulation – Margin requirements

On October 18, 2017, the CFTC issued a comparability determination with respect to margin rules for uncleared derivatives adopted in the EU. This determination concluded that, in general, the margin rules adopted in the EU are comparable to CFTC margin rules for uncleared swaps. Accordingly, non-US swap dealers that do not have a US prudential regulator, including Credit Suisse Securities (Europe) Limited (CSSEL), could comply with comparable EU rules in lieu of the CFTC's margin rules for uncleared swaps but certain issues about the scope of the comparability determination could limit the ability of CSSEL to rely on it for certain US-facing swaps. Because Credit Suisse Capital LLC (CS Capital) is a US-swap dealer, it generally cannot rely on this comparability determination and must comply with the CFTC's margin rules for uncleared swaps for all of its in scope swaps transactions. Credit Suisse International (CSI) also does not benefit from this

comparability determination as it is subject to the US prudential regulators' margin rules, and it must comply with the Fed's margin rules for US-facing uncleared swaps and security-based swaps.

The CFTC's margin rules for uncleared swaps and the margin rules for uncleared swaps and security-based swaps of the FDIC, the Fed, the OCC, the Farm Credit Administration and the Federal Housing Finance Agency are following a phased implementation schedule, with (i) variation margin requirements having come into effect on September 1, 2016 for trading among the most significant market participants and March 1, 2017 for other covered entities, and (ii) initial margin requirements phasing in annually for different counterparties from September 1, 2016 until September 1, 2020, depending on the notional derivatives exposure of the counterparty and its affiliates during the preceding March, April and May and applying first to trading among the most significant market participants. As a result, these rules began to apply to CSI and CSSEL on September 1, 2016 and for CS Capital on August 15, 2017 once it registered as a swap dealer, for our trading with other large, globally active swap dealers, and then will phase-in over 2016-2020 for our trading with less active counterparties.

Since March 1, 2017, CSI, CSSEL and CS Capital have been required to comply with variation margin requirements with covered entities under the US rules, requiring execution of new margin agreements with all such covered entities in order to continue to trade.

CFTC no-action relief

On July 25, 2017, the CFTC issued a no-action letter extending relief from a staff advisory stating that CFTC "transaction-level" requirements, such as mandatory clearing, mandatory exchange trading, real-time public reporting and external business conduct, apply to a swap between a non-US swap dealer, such as CSI or CSSEL, and another non-US person if the swap is arranged, negotiated or executed by US personnel or agents of the non-US swap dealer. The no-action letter is effective until the effective date of any CFTC action addressing whether a particular "transaction-level" requirement applies to relevant transactions. On October 11, 2016, the CFTC issued a rule proposal that would, if adopted, supersede this no-action letter with regard to external business conduct standards, but the proposal did not address any of the other rules covered by the no-action letter.

On November 30, 2017, the CFTC issued a no-action letter that extends from December 1, 2017 until December 1, 2020 the expiration date for relief from a requirement that certain non-US swap dealers, including CSI and CSSEL, report information about their swaps with non-US counterparties to a US data repository.

Expiration of either of these letters without modifications to the CFTC's guidance or permitting substituted compliance with the EU rules could reduce the willingness of non-US counterparties to trade with CSI and CSSEL, which could negatively affect our swap trading revenue or necessitate changes to how we organize our swap business. We continue to monitor these developments and prepare contingency plans to comply with the final guidance once effective.

On December 8, 2017, the CFTC issued an order exempting certain multilateral trading facilities (MTFs) and organized trading facilities (OTFs) authorized within the EU from a requirement to register with the CFTC as swap execution facilities. As a result of this order, US persons, including CS Capital, and non-US persons executing through US-based personnel, which may include CSI and CSSEL, may execute swap transactions on these facilities, including swaps that are subject to the CFTC's trade execution requirement, provided that such persons comply with other CFTC requirements applicable to such trades.

Regulatory Focus on Cybersecurity

Federal and state regulators, including the Financial Industry Regulatory Authority (FINRA) and the New York Department of Financial Services (DFS), have increasingly focused on cybersecurity risks and responses for regulated entities. For example, on March 1, 2017, the revised DFS cybersecurity regulation became effective. The regulation applies to any licensed person, including DFS-licensed branches of non-US banks, and requires each company to assess its specific risk profile periodically and design a program that addresses its risks "in a robust fashion", including addressing risks posed by third-party service providers, training and retention of specialized staff to address cybersecurity risks, maintaining systems designed to reconstruct material financial transactions and complying with security requirements for non-public information. Each covered entity must monitor its systems and networks and notify the superintendent of the DFS within 72 hours after it is determined that a material cybersecurity event has occurred. Senior management of the branch is required to file an annual certification confirming compliance with the DFS regulations beginning February 15, 2018. Similarly, FINRA has identified cybersecurity as a significant risk and will assess firms' programs to mitigate those risks.

On February 21, 2018, the SEC issued expanded interpretative guidance on cybersecurity matters. The interpretative release confirms their prior guidance on the subject from 2011 and highlights requirements under US federal securities laws that public operating companies must pay particular attention to with respect to cybersecurity risks and incidents.

Resolution Regime

On March 24, 2017, the Fed and the FDIC released guidance for the 2018 US resolution plans submitted by the "first wave" foreign filers, including Credit Suisse. Like the guidance issued in 2016 to "first wave" US filers, the new guidance includes additional requirements for more detailed analyses on a number of issues. However, in contrast to the regulators' evaluations of the "first wave" US filers' 2015 US resolution plans, no credibility determinations were made for "first wave" foreign filers' 2015 US resolution plans. Credit Suisse is required to file its next US resolution plan by July 1, 2018.

Tax

On December 22, 2017, the Tax Cuts and Jobs Act was enacted in the US, which revises US corporate income tax law by, among other things, reducing the federal corporate income tax rate from 35% to 21%, effective as of January 1, 2018. The US tax reform required a re-assessment of our deferred tax assets, which resulted in a tax charge recorded in 4Q17, primarily related to our US deferred tax assets. The impact of the US tax reform on our look-through common equity tier 1 (CET1) ratio in 4Q17 was minimal.

The US tax reform also introduced the base erosion and anti-abuse tax (BEAT), effective as of January 1, 2018. It is broadly levied on tax deductions created by certain payments, for example, for interest and services, to affiliated group companies outside the US, in the case where the calculated tax based on a modified taxable income exceeds the amount of ordinary federal corporate income taxes paid. The tax rates applicable for banks are 6% for 2018, 11% for 2019 until 2025 and 13.5% from 2026 onward. On the basis of the current analysis of the BEAT alternative tax regime, we regard it as more likely than not that the Group will not be subject to this regime in 2018. However, there are significant uncertainties in the application of the BEAT and this interpretation will be subject to review once further guidance has been issued by the US Department of Treasury.

EU

The EU, the UK and other national European jurisdictions have also proposed and enacted a wide range of prudential, securities and governance regulations to address systemic risk and to further regulate financial institutions, products and markets. These proposals are at various stages of the EU pre-legislative, legislative rule-making and implementation processes, and their final form and cumulative impact remain uncertain.

Investment services regulation

MiFID II and the Markets in Financial Instruments Regulation (MiFIR) have applied since January 3, 2018. MiFID II and MiFIR have introduced a number of significant changes to the regulatory framework established by the Markets in Financial Instruments Directive (MiFID I), and the European Commission has adopted a number of delegated and implementing measures, which supplement their requirements. In particular, MiFID II and MiFIR have introduced enhanced organizational and business conduct standards that apply to investment firms. These include standards for managing conflicts of interest, best execution and enhanced investor protection. MiFID II has introduced a ban on the receipt of investment research by portfolio managers and providers of independent investment advice unless paid for by clients. MiFID II and MiFIR have also made significant changes to the regulation of markets and market infrastructure in Europe, including the creation of a new category of trading venue, that is, the OTF; measures to direct more trading on to regulated trading venues such as regulated markets, MTFs and OTFs; and an extension of pre- and post-trade transparency requirements to equity-like fixed income and derivative financial instruments. MiFID II and MiFIR have also introduced new safeguards for high frequency and algorithmic trading activities, including, among other things, with respect to requirements to enhance systems, processes and controls for firms engaging in such activities.

MiFIR requires certain derivative contracts to be traded on a regulated market, MTF, OTF or equivalent third country venues. On December 5, 2017, the European Commission released an implementing decision on the equivalence of the legal and supervisory framework applicable to designated market contracts and swap execution facilities in the US. Similarly, on December 8, 2017, the CFTC released an order of exemption from the CFTC's swap execution facility registration requirements with respect to certain MTFs and OTFs authorized in the EU. It remains unclear whether, notwithstanding the European Commission's implementing decision and the CFTC's order, the MiFIR requirements will result in fragmentation between the EU and US markets with respect to derivatives trading.

MiFIR also introduces a trading obligation for shares that requires investment firms to ensure that the trades they undertake in shares admitted to trading on a regulated market, or traded on a trading venue, take place on a regulated market, MTF, systematic internaliser or an equivalent third-country trading venue. On December 13, 2017, the European Commission released an implementing decision recognizing the equivalence of the legal and supervisory framework applicable to national securities exchanges and alternative trading systems registered with the SEC in the US. On December 21, 2017, the European Commission decided to recognize the equivalence of the Swiss legal and supervisory framework for trading venues with that of the EU for a temporary period of one year, which can be extended. The decision allows European securities traders to meet the new MiFID II shares trading obligation on Swiss exchanges until December 31, 2018. The temporary nature of this recognition is subject to continuing debate, including on a political level.

On January 1, 2018, the Regulation on key information documents (or KIDs) for packaged retail and insurance-based investment products (PRIIPs) became applicable in member states. The main aim of the PRIIPs Regulation is to introduce a new, pre-contractual disclosure document (a KID), which is required to be made available to retail consumers when they are offered, or advised about, PRIIPs (which includes a wide range of investment products). The KID is intended to enable retail investors to compare products and make a more informed investment choice.

Benchmarks regulation

On June 30, 2016, the Benchmarks Regulation (BMR), which introduces new rules aimed at ensuring greater accuracy and integrity of benchmarks in financial instruments, entered into force. The BMR sets out various requirements which will govern the activities of benchmark administrators and submitters. The majority of the provisions of the BMR have applied since January 1, 2018. Certain requirements introduced by the BMR have applied to Credit Suisse in its capacity as a contributor to certain critical

benchmarks from June 30, 2016. In February 2018, four European Commission Delegated Regulations supplementing the BMR entered into force. The regulations specify, among other things, the criteria for assessing whether certain events would result in significant and adverse impacts on matters including the market integrity and financial stability of one or more member states and the conditions to assess the impact resulting from the cessation of, or change to, existing benchmarks.

Payment services regulation

The Directive on payment services in the internal market (PSD2), the main piece of legislation governing payment services in the EU, came into force on January 12, 2016 and was required to be transposed into their national legislation by the member states by January 13, 2018. Among other things, PSD2 extends the geographical scope of transparency and conduct of business requirements to payments to and from third countries where one of the payment service providers is located in the EU, and to transactions in non-EU currencies that have at least one leg in the EU. In addition, PSD2 has introduced more stringent requirements relating to operational and security risks. Further delegated legislation is expected to be finalized and implemented in 2018 and 2019. In order to comply with the new regime, firms may have to make changes to their payment services terms and conditions, as well as to their systems and processes.

Derivative regulation

On January 4, 2017, the European Commission Delegated Regulation supplementing the European Market Infrastructure Regulation (EMIR) with regard to regulatory technical standards (RTS) for risk mitigation techniques for over-the-counter (OTC) derivatives not cleared by a central counterparty entered into force. The delegated regulation imposes a requirement on financial counterparties and non-financial counterparties above the clearing threshold to collect initial margin and variation margin in respect of non-centrally cleared OTC derivative transactions. The requirements relating to initial margin and variation margin have applied since February 4, 2017 in relation to the largest market participants. Other market participants have become or in the future will become subject to the requirements relating to initial margin through a series of annual phase-in dates, starting September 1, 2017. Requirements relating to variation margin have applied to all financial and non-financial counterparties above the clearing threshold since March 1, 2017.

In order to comply with the new regime for variation margin, firms have had to make significant changes, including negotiating amendments to legal documentation and making appropriate operational arrangements to enable the exchange of variation margin. In common with the other firms, we have put in place plans to achieve full compliance for all in-scope transactions entered into from March 1, 2017. The European supervisory authorities have acknowledged the challenges in complying with the new RTS and announced in November 2017 that they will conduct a review of the RTS, in relation to physically-settled FX forwards, with a view to proposing to exempt certain users of such forwards from the obligation to provide variation margin that entered into effect on January 3, 2018. The precise scope of the exemption is not yet clear. The Financial Conduct Authority (FCA) supported the European supervisory authorities' statement, including in relation to their recommendation that competent authorities should generally continue to apply their risk-based supervisory powers in their day-to-day enforcement of applicable legislation in a proportionate manner until the RTS are amended.

Although the EU margin rules are generally consistent with rules of other jurisdictions, including the US, material differences remain, in particular in relation to entity and product scope. This could impair the ability of CSI and CSSEL to engage effectively in cross-border derivatives activities. The availability of substituted compliance or equivalence determinations in certain non-EU jurisdictions may help resolve the situation, but there remain many cases in which more than one regime applies and substituted compliance or equivalence is not yet available or otherwise offers only limited assistance. On October 13, 2017, the European Commission adopted an equivalence decision for the CFTC's margin rules. Some current substituted compliance or equivalence determinations in non-EU jurisdictions are provisional or temporary measures that could be reduced or eliminated in the future.

On January 5, 2017, ten implementing decisions entered into force relating to the equivalence of the regulatory regimes of India, New Zealand, Brazil, Dubai International Financial Center, United Arab Emirates, Japan, Singapore, Australia and Canada for central counterparties (CCPs) and trading venues under EMIR. The European Securities and Markets Authority (ESMA) announced on March 20, 2017 that it had entered into a memorandum of understanding (MoU) with relevant regulatory authorities in Brazil, Japan, India, Dubai and the United Arab Emirates and on April 18, 2017 with the New Zealand regulatory authorities. These MoUs establish co-operation agreements, including with respect to the exchange of information, for CCPs established in these jurisdictions and which have applied for EU recognition under EMIR. As of January 18, 2018, eleven CCPs and trading venues in these jurisdictions had been recognized in accordance with EMIR.

Prudential regulation

In November 2016, the European Commission published its legislative proposals for the amendment of the Capital Requirements Regulation (CRR) (through an amending Regulation CRR II), the Capital Requirements Directive IV (CRD IV) (through an amending Directive CRD V) and the BRRD (through an amending Directive BRRD II). Political agreement on this legislative package is expected to be reached by end-2018.

CRR II contains, among other things, proposed reforms to the CRR regarding international prudential standards based on the Basel III standards and provisions relating to, among other things, leverage ratio, market risk, counterparty credit risk and large exposures and implementing the Financial Stability Board's (FSB) TLAC standard. BRRD II is expected to revise the existing EU regime relating to the minimum requirement for own funds

and eligible liabilities (MREL) to align it with the TLAC standard and to introduce, among other things, changes to the contractual recognition of bail-in and a new moratorium power for competent authorities.

In addition, the CRD V proposal includes a requirement for non-EU groups that are G-SIBs, which have two or more bank or investment firm subsidiaries in the EU, to establish an intermediate parent undertaking in the EU.

Data protection regulation

The General Data Protection Regulation (GDPR) will be fully applicable beginning May 25, 2018. It replaces the existing data protection law in the EU under the Data Protection Directive 95/46/EC. The GDPR applies to the processing of personal data in the context of our EU establishments as well as in relation to the processing of personal data of individuals in the EU by our non-EU establishments to the extent such non-EU establishments are offering products and/or services to EU customers. The GDPR imposes a number of new compliance obligations and enhances the rights of individuals and their ability to control the processing of their personal data. In accordance with the GDPR, we have appointed a Data Protection Officer who will be responsible for providing advice in connection with, and monitoring our compliance with, the GDPR. The GDPR grants broad enforcement powers to supervisory authorities, including the potential to levy significant administrative fines for non-compliance.

Additionally, in December 2017 the European Banking Authority (EBA) produced its final guidance for the use of cloud service providers by financial institutions. The EBA recommendations, which are applicable as of July 1, 2018 and build on the existing guidelines on outsourcing developed by the Committee of European Banking Supervisors, provide additional clarity on cloud computing and address five key areas: the security of data and systems, the location of data and data processing, access and audit rights, chain outsourcing, and contingency plans and exit strategies.

UK

BREXIT

On June 23, 2016, voters in the UK voted to leave the EU in a non-binding referendum. On March 16, 2017, the European Union (Notification of Withdrawal) Bill was enacted and on March 29, 2017, the UK government submitted the formal notification under Article 50 of the Lisbon Treaty to the European Council of the intention of the UK to withdraw from the EU. Negotiations have commenced on a withdrawal agreement, which may include an agreement on a transition period. This process may include the renegotiation, either during a transitional period or more permanently, of a number of regulatory and other arrangements between the EU and the UK that directly impact our business. Unless all EU member states agree to an extension, the deadline for the conclusion of the withdrawal agreement under Article 50 is March 29, 2019. If a withdrawal agreement is concluded, the UK will leave the EU on the date the agreement comes into force. If no withdrawal agreement is concluded, the UK will leave the EU at midnight on March 29, 2019.

Credit Suisse is working to address the implications of the consequences of these changes and to minimize disruption for our clients. Adverse changes to any of these arrangements, and even uncertainty over potential changes during any period of negotiation, could potentially impact our results in the UK or other markets we serve.

REGULATORY FRAMEWORK

The principal regulatory structures that apply to our operations are discussed below.

Global initiatives

Total Loss-Absorbing Capacity

On November 9, 2015, the FSB issued the final TLAC standard for G-SIBs, which will become effective on January 1, 2019, subject to a phase-in until January 1, 2022. In order for this new standard to become effective, it must be implemented under local law in relevant jurisdictions. The purpose of the standard is to enhance the ability of regulators to recapitalize a G-SIB at the point of non-viability in a manner that minimizes systemic disruption, preserves critical functions and limits the exposure of public sector funds. TLAC-eligible instruments will include instruments that count towards satisfying minimum regulatory capital requirements, as well as long-term unsecured debt instruments that have remaining maturities of no less than one year, are subordinated by statute, corporate structure or contract to certain excluded liabilities, including deposits, are held by unaffiliated third parties and meet certain other requirements. Excluding any applicable regulatory capital buffers that are otherwise required, the minimum TLAC requirement will be at least 16% of a G-SIB's RWA as of January 1, 2019, and increase to at least 18% as of January 1, 2022. In addition, the minimum TLAC requirement must be at least 6% of the Basel III leverage ratio denominator as of January 1, 2019, and at least 6.75% as of January 1, 2022.

In the US, the Fed adopted final rules on December 15, 2016 that implement the FSB's TLAC standard in the US. The final rules require, among other things, the US intermediate holding companies (IHCs) of non-US G-SIBs, such as Credit Suisse's US IHC, to maintain minimum amounts of "internal" TLAC, which would include minimum levels of tier 1 capital and long-term debt satisfying certain eligibility criteria, and a related TLAC buffer commencing January 1, 2019. Credit Suisse's US IHC would be required to issue all such TLAC instruments to a foreign parent entity (a non-US entity that controls the intermediate holding company) or another foreign affiliate that is wholly owned by its foreign parent. The final rules also impose limitations on the types of financial transactions in which Credit Suisse's US IHC can engage.

In the UK, on November 8, 2016, the Bank of England published the final version of its statement of policy on its approach to establishing the requirement under the BRRD for certain UK entities, including CSI and CSSEL, to maintain the MREL requirement. Similar to the FSB's TLAC standard, the MREL requirement obliges

firms within the scope of the BRRD to maintain a minimum level of own funds and liabilities that can be bailed in. The statement of policy reflects both the TLAC standards and the requirements of the EBA's Regulatory Technical Standards on MREL. It does not set TLAC requirements in addition to MREL. On October 2, 2017, the Bank of England published a consultation paper on its approach to setting a minimum requirement for MREL within groups (also known as internal MREL), broadly consistent with the FSB's internal TLAC requirements. The Bank of England set out, among other things, the scope of internal MREL and the criteria that instruments must meet to qualify as internal MREL resources. The Bank of England proposed that interim internal MREL should apply from January 1, 2019 for material subsidiaries of G-SIBs and from January 1, 2020 for other firms. End-state internal MREL requirements will apply from January 1, 2022.

ISDA Resolution Stay Protocols

On November 12, 2015, ISDA launched the ISDA 2015 Universal Resolution Stay Protocol (ISDA 2015 Universal Protocol) and Credit Suisse voluntarily adhered to the ISDA 2015 Universal Protocol at the time of its launch. By adhering to the ISDA 2015 Universal Protocol, parties agree to be bound by, or "opt in", to certain existing and forthcoming special resolution regimes to ensure that cross-border derivatives and securities financing transactions are subject to statutory stays on cross-default and early termination rights in the event a bank counterparty enters into resolution, regardless of its governing law. These stays are intended to facilitate an orderly resolution of a troubled bank. Statutory resolution regimes have been implemented in several jurisdictions, including Switzerland, the US and the EU. These regimes provide resolution authorities with a broad set of tools and powers to resolve a troubled bank, including the ability to temporarily stay, and under certain circumstances permanently override, the termination rights of counterparties of a bank and its affiliates in the event the bank enters into resolution. The ISDA 2015 Universal Protocol introduces similar stays and overrides in the event that an affiliate of an adhering party becomes subject to proceedings under the US Bankruptcy Code, under which no such stays or overrides currently exist.

Although other large banking groups have also adhered to the ISDA 2015 Universal Protocol, it is anticipated that buy-side or end-user counterparties of Credit Suisse will not voluntarily give up early termination rights and will therefore not adhere to the ISDA 2015 Universal Protocol. In order to expand the scope of parties and transactions covered by the ISDA 2015 Universal Protocol or similar contractual arrangements, the G20 committed to introducing regulations requiring large banking groups to include ISDA 2015 Universal Protocol-like provisions in certain financial contracts when facing counterparties under foreign laws. Certain G20 member nations, including the US, introduced such requirements in 2015, 2016 and 2017.

In Switzerland, the Swiss Federal Council introduced amendments to the Banking Ordinance that will require banks, including Credit Suisse, to include terms in certain of their contracts (and in certain contracts entered into by their subsidiaries) that are not governed by Swiss law or that provide for jurisdiction outside of Switzerland that ensure that FINMA's stay powers under the Bank Law would be enforceable with respect to such contracts. These requirements have been set forth in the Banking Ordinance since January 1, 2016. FINMA is responsible for determining the appropriate time for complying with this requirement in line with international standards as well as the contracts that are in scope. To this end, a partial revision of the FINMA Banking Insolvency Ordinance entered into effect on April 1, 2017 (see the Recent Regulatory Developments and Proposals section above discussing the Swiss development).

In the UK, the Prudential Regulation Authority (PRA) published final rules in November 2015 requiring UK entities, including CSI and CSSEL, to ensure that their counterparties under a broad range of financial arrangements are subject to the stays on early termination rights under the UK Banking Act that would be applicable upon their resolution. UK entities have been required to comply with these rules from June 1, 2016 for contracts where the counterparty is a credit institution or an investment firm, and from January 1, 2017 in respect of contracts with all other counterparties.

ISDA has developed another protocol, the ISDA Resolution Stay Jurisdictional Modular Protocol to facilitate market-wide compliance with these new requirements by both dealers, such as Credit Suisse, and their counterparties.

In the US, in 2017, the Fed, the FDIC and the OCC each issued final rules designed to improve the resolvability of US headquartered G-SIBS and the US operations of non-US G-SIBs, such as our US operations. Covered "qualified financial contracts" must be conformed to the rules' requirements starting January 1, 2019, with full compliance by January 1, 2020 (see the Recent Regulatory Developments and Proposals section above discussing the US development). It is expected that the ISDA will produce a protocol to facilitate compliance by the broader market with the Fed's final requirements.

Switzerland

Banking regulation and supervision

Although Credit Suisse Group is not a bank according to the Bank Law and the Banking Ordinance, the Group is required, pursuant to the provisions on consolidated supervision of financial groups and conglomerates of the Bank Law, to comply with certain requirements for banks. Such requirements include capital adequacy, solvency and risk concentration on a consolidated basis, and certain reporting obligations. Our banks in Switzerland are regulated by FINMA on a legal entity basis and, if applicable, on a consolidated basis.

Our banks in Switzerland operate under banking licenses granted by FINMA pursuant to the Bank Law and the Banking Ordinance. In addition, certain of these banks hold securities dealer licenses granted by FINMA pursuant to the Swiss Federal Act on Stock Exchanges and Securities Trading (SESTA).

FINMA is the sole bank supervisory authority in Switzerland and is independent from the Swiss National Bank (SNB). Under

the Bank Law, FINMA is responsible for the supervision of the Swiss banking system. The SNB is responsible for implementing the government's monetary policy relating to banks and securities dealers and for ensuring the stability of the financial system. Under the "Too Big to Fail" legislation, the SNB is also responsible for determining which banks in Switzerland are systemically relevant banks and which functions are systemically relevant in Switzerland. The SNB has identified the Group on a consolidated basis as a systemically relevant bank for the purposes of Swiss law.

Our banks in Switzerland are subject to close and continuous prudential supervision and direct audits by FINMA. Under the Bank Law, our banks are subject to inspection and supervision by an independent auditing firm recognized by FINMA, which is appointed by the bank's shareholder meeting and required to perform annual audits of the bank's financial statements and to assess whether the bank is in compliance with laws and regulations, including the Bank Law, the Banking Ordinance and FINMA regulations.

Swiss banks are subject to the Basel III framework and the Swiss "Too Big to Fail" legislation and regulations thereunder, which include capital, liquidity, leverage and large exposure requirements, and rules for emergency plans designed to maintain systemically relevant functions in the event of threatened insolvency.

Our regulatory capital is calculated on the basis of accounting principles generally accepted in the US, with certain adjustments required by, or agreed with, FINMA.

▸ Refer to "Liquidity and funding management" and "Capital management" in III – Treasury, Risk, Balance sheet and Off-balance sheet for further information regarding our current regulatory framework and expected changes to this framework affecting capital and liquidity standards.

Under Swiss banking law, banks and securities dealers are required to manage risk concentration within specific limits. Aggregated credit exposure to any single counterparty or a group of related counterparties must bear an adequate relationship to the bank's adjusted eligible capital (for systemically relevant banks like us, to their core tier 1 capital) taking into account counterparty risks and risk mitigation instruments.

Under the Bank Law and SESTA, Swiss banks and securities dealers are obligated to keep confidential the existence and all aspects of their relationships with customers. These customer confidentiality laws do not, however, provide protection with respect to criminal offenses such as insider trading, money laundering, terrorist financing activities, tax fraud or evasion or prevent the disclosure of information to courts and administrative authorities.

Swiss rules and regulations to combat money laundering and terrorist financing are comprehensive and require banks and other financial intermediaries to thoroughly verify and document customer identity before commencing business. In addition, these rules and regulations include obligations to maintain appropriate policies for dealings with politically exposed persons and procedures and controls to detect and prevent money laundering and terrorist financing activities, including reporting suspicious activities to authorities.

In addition, Switzerland has stringent anti-corruption and anti-bribery laws related to Swiss and foreign public officials as well as persons in the private sector.

Compensation design and its implementation and disclosure have been required to comply with standards promulgated by FINMA under its Circular on Remuneration Schemes, as updated from time to time.

Securities dealer and asset management regulation and supervision

Our securities dealer activities in Switzerland are conducted primarily through the Bank and are subject to regulation under SESTA, which regulates all aspects of the securities dealer business in Switzerland, including regulatory capital, risk concentration, sales and trading practices, record-keeping requirements and procedures and periodic reporting procedures. Securities dealers are supervised by FINMA.

Our asset management activities in Switzerland, which include the establishment and administration of mutual funds registered for public distribution, are conducted under the supervision of FINMA.

Resolution regime

The FINMA Banking Insolvency Ordinance governs resolution (i.e., restructuring or liquidation) procedures of Swiss banks and securities dealers, such as Credit Suisse AG and Credit Suisse (Schweiz) AG, and of Swiss-domiciled parent companies of financial groups, such as Credit Suisse Group AG, and certain other unregulated Swiss-domiciled companies belonging to financial groups. Instead of prescribing a particular resolution concept, the FINMA Banking Insolvency Ordinance provides FINMA with a significant amount of authority and discretion in the case of resolution, as well as various restructuring tools from which FINMA may choose.

FINMA may open resolution proceedings if there is an impending insolvency because there is justified concern that the relevant Swiss bank (or Swiss-domiciled parent companies of financial groups and certain other unregulated Swiss-domiciled companies belonging to financial groups) is over-indebted, has serious liquidity problems or no longer fulfills capital adequacy requirements. Resolution proceedings may only take the form of restructuring (rather than liquidation) proceedings if (i) the recovery of, or the continued provision of individual banking services by, the relevant bank appears likely and (ii) the creditors of the relevant bank are likely better off in restructuring proceedings than in liquidation proceedings. All realizable assets in the relevant entity's possession will be subject to such proceedings, regardless of where they are located.

If FINMA were to open restructuring proceedings with respect to Credit Suisse AG, Credit Suisse (Schweiz) AG or Credit Suisse Group AG, it would have discretion to take decisive actions, including (i) transferring the assets of the banks or Credit Suisse Group AG, as applicable, or a portion thereof, together with its debt and other liabilities, or a portion thereof, and contracts, to another entity, (ii) staying (for a maximum of two working days) the termination of, and the exercise of rights to terminate netting rights, rights to enforce or dispose of certain types of collateral or rights

to transfer claims, liabilities or certain collateral, under contracts to which the banks or Credit Suisse Group AG, as applicable, is a party, (iii) converting the debt of the banks or Credit Suisse Group AG, as applicable, into equity (debt-to-equity swap), and/or (iv) partially or fully writing off the obligations of the banks or Credit Suisse Group AG, as applicable (haircut).

Prior to any debt-to equity swap or haircut, outstanding equity capital and debt instruments issued by Credit Suisse AG, Credit Suisse (Schweiz) AG or Credit Suisse Group AG that are part of its regulatory capital (including outstanding high trigger capital instruments and low trigger capital instruments) must be converted or written-off (as applicable) and cancelled. Any debt-to-equity swap, (but not any haircut) would have to follow the hierarchy of claims to the extent such debt is not excluded from such conversion by the FINMA Banking Insolvency Ordinance. Contingent liabilities of Credit Suisse AG, Credit Suisse (Schweiz) AG or Credit Suisse Group AG such as guarantees could also be subjected to a debt-to-equity swap or a haircut, to the extent amounts are due and payable thereunder at any time during restructuring proceedings.

For systemically relevant institutions such as Credit Suisse AG, Credit Suisse (Schweiz) AG and Credit Suisse Group AG, creditors have no right to reject the restructuring plan approved by FINMA.

US

Banking regulation and supervision

Our banking operations are subject to extensive federal and state regulation and supervision in the US. Our direct US offices are composed of our New York Branch and representative offices in California. Each of these offices is licensed with, and subject to examination and regulation by, the state banking authority in the state in which it is located.

Our New York Branch is licensed by the New York Superintendent of Financial Services (Superintendent), examined by the DFS, and subject to laws and regulations applicable to a foreign bank operating a New York branch. Under the New York Banking Law, our New York Branch must maintain eligible assets with banks in the state of New York. The amount of eligible assets required, which is expressed as a percentage of third-party liabilities, could increase if our New York Branch is no longer designated well rated by the Superintendent.

The New York Banking Law authorizes the Superintendent to seize our New York Branch and all of Credit Suisse AG's business and property in New York State (which includes property of our New York Branch, wherever it may be located, and all of Credit Suisse AG's property situated in New York State) under circumstances generally including violations of law, unsafe or unsound practices or insolvency. In liquidating or dealing with our New York Branch's business after taking possession, the Superintendent would only accept for payment the claims of depositors and other creditors (unaffiliated with us) that arose out of transactions with our New York Branch. After the claims of those creditors were paid out of the business and property of the Bank in New York, the Superintendent would turn over the remaining assets, if any, to us or our liquidator or receiver.

Under New York Banking Law and US federal banking laws, our New York Branch is generally subject to single borrower lending limits expressed as a percentage of the worldwide capital of the Bank. Under the Dodd-Frank Act, lending limits take into account credit exposure arising from derivative transactions, securities borrowing and lending transactions and repurchase and reverse repurchase agreements with counterparties.

Our operations are also subject to reporting and examination requirements under US federal banking laws. Our US non-banking operations are subject to examination by the Fed in its capacity as our US umbrella supervisor. The New York Branch is also subject to examination by the Fed and is subject to federal banking law requirements and limitations on the acceptance and maintenance of deposits. Because the New York Branch does not engage in retail deposit taking, it is not a member of, and its deposits are not insured by, the FDIC.

US federal banking laws provide that a state-licensed branch (such as the New York Branch) or agency of a foreign bank may not, as a general matter, engage as principal in any type of activity that is not permissible for a federally licensed branch or agency of a foreign bank unless the Fed has determined that such activity is consistent with sound banking practice. In addition, regulations which the FSOC and the Fed may adopt could affect the nature of the activities which the Bank (including the New York Branch) may conduct, and may impose restrictions and limitations on the conduct of such activities.

The Fed may terminate the activities of a US branch or agency of a foreign bank if it finds that the foreign bank: (i) is not subject to comprehensive supervision in its home country; (ii) has violated the law or engaged in an unsafe or unsound banking practice in the US; or (iii) for a foreign bank that presents a risk to the stability of the US financial system, the home country of the foreign bank has not adopted, or made demonstrable progress toward adopting, an appropriate system of financial regulation to mitigate such risk.

Credit Suisse Group and the Bank became financial holding companies for purposes of US federal banking law in 2000 and, as a result, may engage in a broad range of non-banking activities in the US, including insurance, securities, private equity and other financial activities, in each case subject to regulatory requirements and limitations. Credit Suisse Group is still required to obtain the prior approval of the Fed (and potentially other US banking regulators) before acquiring, directly or indirectly, the ownership or control of more than 5% of any class of voting shares of (or otherwise controlling) any US bank, bank holding company or many other US depositary institutions and their holding companies, and as a result of the Dodd-Frank Act, before making certain acquisitions involving large non-bank companies. The New York Branch is also restricted from engaging in certain tying arrangements involving products and services, and in certain transactions with certain of its affiliates. If Credit Suisse Group or the Bank ceases to be well-capitalized or well-managed under applicable Fed rules, or otherwise fails to meet any of the requirements for financial holding company status, it may be required to discontinue certain financial activities or terminate its New York Branch. Credit Suisse Group's

ability to undertake acquisitions permitted by financial holding companies could also be adversely affected.

As mentioned above, Credit Suisse is also subject to the so-called "Volcker Rule", which limits the ability of banking entities to sponsor or invest in certain private equity or hedge funds, broadly defined, and to engage in certain types of proprietary trading for their own account. These restrictions are subject to certain exclusions and exemptions, including with respect to underwriting, market-making, risk-mitigating hedging and certain asset and fund management activities, and with respect to certain transactions and investments occurring solely outside of the US. The Volcker Rule requires banking entities to establish an extensive array of compliance policies, procedures and quantitative metrics reporting designed to ensure and monitor compliance with restrictions under the Volcker Rule. It also requires an annual attestation either by the CEO of the top-tier foreign banking organization or the senior management officer in the US as to the implementation of a compliance program reasonably designed to achieve compliance with the Volcker Rule. The Volcker Rule's implementing regulations became effective in April 2014 and Credit Suisse was generally required to come into compliance with the Volcker Rule by July 2015, with the exception of "legacy" investments in, and bank relationships with, certain private funds, that were in place prior to December 31, 2013, for which the Fed extended the compliance deadline to July 21, 2017. Credit Suisse has implemented a Volcker Rule compliance program reasonably designed to satisfy the requirements of the Volcker Rule. The Volcker Rule's implementing regulations are highly complex and may be subject to further regulatory interpretation and guidance, and its full impact will not be known with certainty for some time.

Fed regulations implementing the Dodd-Frank Act required Credit Suisse to create a single US IHC to hold all of its US subsidiaries with limited exceptions by July 1, 2017. The IHC requirement does not apply to the New York Branch. Credit Suisse's US IHC is subject to US risk-based capital and leverage requirements that are largely consistent with the Basel III framework published by the Basel Committee on Banking Supervision (BCBS), though they diverge in several important respects due to the requirements of the Dodd-Frank Act, and is subject to capital planning and capital stress testing requirements under the Dodd-Frank Act and the Fed's annual Comprehensive Capital Analysis and Review. Credit Suisse's US IHC will also be subject to additional requirements under the Fed's final TLAC framework for IHCs, described above. In addition, both Credit Suisse's US IHC itself and the combined US operations of Credit Suisse (including Credit Suisse's US IHC and the New York Branch) are subject to other new prudential requirements, including with respect to liquidity risk management, separate liquidity buffers for each of Credit Suisse's US IHC and the New York Branch, and stress testing. Under proposals that remain under consideration, Credit Suisse's US IHC and the combined US operations of Credit Suisse may become subject to limits on credit exposures to any single counterparty, and the combined US operations of Credit Suisse may also become subject to an early remediation regime which could be triggered by risk-based capital, leverage, stress tests, liquidity, risk management and market indicators. The Fed has also indicated that it is considering future rulemakings that could apply the US rules implementing the Basel III liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) to the US operations of certain large foreign banking organizations. On April 5, 2017, Credit Suisse's US IHC filed its first annual capital plan with the Fed pursuant to the Fed's capital planning and IHC rules.

▸ Refer to "Liquidity and funding management" in III – Treasury, Risk, Balance sheet and Off-balance sheet for further information on Basel III LCR and NSFR.

A major focus of US policy and regulation relating to financial institutions has been to combat money laundering and terrorist financing. These laws and regulations impose obligations to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing, verify the identity of customers and comply with economic sanctions. Any failure to maintain and implement adequate programs to combat money laundering and terrorist financing, and violations of such economic sanctions, laws and regulations, could have serious legal and reputational consequences. We take our obligations to prevent money laundering and terrorist financing in the US and globally very seriously, while appropriately respecting and protecting the confidentiality of clients. We have policies, procedures and training intended to ensure that our employees comply with "know your customer" regulations and understand when a client relationship or business should be evaluated as higher risk for us.

The Dodd-Frank Act requires issuers with listed securities to establish a claw-back policy to recoup erroneously awarded compensation in the event of an accounting restatement but no final rules have been adopted.

Broker-dealer and asset management regulation and supervision

Our US broker-dealers are subject to extensive regulation by US regulatory authorities. The SEC is the federal agency primarily responsible for the regulation of broker-dealers, investment advisers and investment companies. In addition, the US Treasury has the authority to promulgate rules relating to US Treasury and government agency securities, the Municipal Securities Rulemaking Board (MSRB) has the authority to promulgate rules relating to municipal securities, and the MSRB also promulgates regulations applicable to certain securities credit transactions. In addition, broker-dealers are subject to regulation by securities industry self-regulatory organizations, including FINRA, and by state securities authorities.

Our US broker-dealers are registered with the SEC and our primary US broker-dealer is registered in all 50 states, the District of Columbia, Puerto Rico and the US Virgin Islands. Our US registered entities are subject to extensive regulatory requirements that apply to all aspects of their business activity, including where applicable: capital requirements; the use and safekeeping of customer funds and securities; the suitability of customer investments; record-keeping and reporting requirements; employee-related

matters; limitations on extensions of credit in securities transactions; prevention and detection of money laundering and terrorist financing; procedures relating to research analyst independence; procedures for the clearance and settlement of trades; and communications with the public.

Our US broker-dealers are also subject to the SEC's net capital rule, which requires broker-dealers to maintain a specified level of minimum net capital in relatively liquid form. Compliance with the net capital rule could limit operations that require intensive use of capital, such as underwriting and trading activities and the financing of customer account balances and also could restrict our ability to withdraw capital from our broker-dealers. Most of our US broker-dealers are also subject to additional net capital requirements of FINRA and, in some cases, other self-regulatory organizations.

Our securities and asset management businesses include legal entities registered and regulated as a broker-dealer and investment adviser by the SEC. The SEC-registered mutual funds that we advise are subject to the Investment Company Act of 1940. For pension fund customers, we are subject to ERISA and similar state statutes.

The Dodd-Frank Act grants the SEC discretionary rule-making authority to impose a new fiduciary standard on brokers, dealers and investment advisers and expands the extraterritorial jurisdiction of US courts over actions brought by the SEC or the US with respect to violations of the antifraud provisions in the Securities Act of 1933, Securities Exchange Act of 1934 and Investment Advisers Act of 1940. It also requires broader regulation of hedge funds and private equity funds, as well as credit rating agencies.

Derivative regulation and supervision

The CFTC is the federal agency primarily responsible for the regulation of futures commission merchants, commodity pool operators and commodity trading advisors. With the effectiveness of the Dodd-Frank Act, these CFTC registration categories were expanded to include persons engaging in a relevant activity with respect to swaps, and registration categories were added for swap dealers and major swap participants. For futures and swap activities, these CFTC registrants are subject to futures industry self-regulatory organizations such as the National Futures Association (NFA).

Each of CSI, CSSEL and CS Capital is registered with the CFTC as a swap dealer as a result of its applicable swap activities and is therefore subject to requirements relating to reporting, record-keeping, swap confirmation, swap portfolio reconciliation and compression, mandatory clearing, mandatory exchange-trading, swap trading relationship documentation, external business conduct, risk management, chief compliance officer duties and reports, internal controls and margin requirements. However, where permitted by comparability determinations by the CFTC or in reliance on no-action letters issued by the CFTC, non-US swap dealers, including CSI and CSSEL, can comply with certain requirements through substituted compliance with EU regulations.

On October 11, 2016, the CFTC issued a rule proposal that would, if adopted, expand the cross-border application of swap dealer and major swap participant registration to encompass the foreign consolidated subsidiaries of US companies, foreign counterparties of those foreign consolidated subsidiaries, and foreign counterparties of foreign branches of US swap dealers and guaranteed affiliates of US swap dealers. If adopted, this expansion could adversely affect our competitive position by inhibiting our ability to do business with the foreign operations of US multinational companies through our currently unregistered entities, including Credit Suisse AG.

On December 2, 2016, the CFTC proposed capital requirements for non-bank swap dealers, which, once adopted, would apply to CSSEL and CS Capital. Under the proposal, CSSEL and CS Capital could elect whether to satisfy capital requirements based on Fed rules implementing Basel capital requirements or SEC rules similar to the capital requirements currently applicable to US broker-dealers, but in each case they would be subject to an additional capital requirement based on 8% of the initial margin required for their derivatives positions. If the CFTC found EU capital requirements to be comparable, CSSEL could satisfy the CFTC's requirements through "substituted compliance" with EU requirements. If the CFTC did not grant that comparability determination, however, CSSEL would face a significant competitive disadvantage relative to non-US competitors not subject to CFTC capital requirements due to the additional capital required under the CFTC's rules as proposed and the burdens associated with satisfying duplicative capital regimes.

One of our US broker-dealers, Credit Suisse Securities (USA) LLC, is also registered as a futures commission merchant and subject to the capital, segregation and other requirements of the CFTC and the NFA.

Our asset management businesses include legal entities registered and regulated as commodity pool operators and commodity trading advisors by the CFTC and the NFA.

On December 5, 2016, the CFTC proposed rules that would establish aggregate position limits for certain physical commodity futures contracts and economically equivalent swaps and narrow the scope of existing hedging exemptions from position limits. If adopted as proposed, these position limit rules would require us to develop a costly compliance infrastructure and could reduce our ability to participate in the commodity derivatives markets, both directly and on behalf of our clients.

In addition, it is possible the SEC will finalize or re-propose some of its rules implementing the derivatives provisions of the Dodd-Frank Act during 2018. However, the timing remains unclear. While the SEC's proposals have largely paralleled many of the CFTC's rules, significant differences between the final CFTC and SEC rules could materially increase the compliance costs associated with, and hinder the efficiency of, our equity and credit derivatives businesses with US persons. For example, significant differences between the SEC rules regarding capital, margin and segregation requirements for OTC derivatives and related CFTC

rules, as well as the cross-border application of SEC and CFTC rules, could have such effects. In particular, SEC rules applying public transaction reporting and external business conduct requirements to security-based swaps between non-US persons that are arranged, negotiated or executed by US personnel could discourage non-US counterparties from interacting with our US personnel, unless the SEC permits substituted compliance with non-US reporting or business conduct requirements. The SEC requirements, as currently finalized, would take effect upon or shortly after security-based swap dealer registration, which will not be required until after the SEC completes several other pending rulemakings relating to security-based swap dealer regulation.

FATCA

The Foreign Account Tax Compliance Act (FATCA) became law in the US on March 18, 2010. The legislation requires foreign financial institutions (FFIs) (such as Credit Suisse) to enter into an FFI agreement and agree to identify and provide the US Internal Revenue Service (IRS) with information on accounts held by US persons and certain US-owned foreign entities, or otherwise face 30% withholding tax on withholdable payments. In addition, FFIs that have entered into an FFI agreement will be required to withhold on such payments made to FFIs that have not entered into an FFI agreement, account holders who fail to provide sufficient information to classify an account as a US or non-US account, and US account holders who do not agree to the FFI reporting their account to the IRS. Switzerland and the US entered into a "Model 2" intergovernmental agreement to implement the reporting and withholding tax provisions of FATCA that became effective on June 2, 2014. FATCA requirements entered into force on July 1, 2014. The intergovernmental agreement enables FFIs in Switzerland to comply with FATCA while remaining in compliance with Swiss law. Under the agreement, US authorities may ask Swiss authorities for administrative assistance in connection with group requests where consent to provide information regarding potential US accounts is not provided to the FFI. The Swiss Federal Council announced on October 8, 2014 that it intends to negotiate a Model 1 intergovernmental agreement that would replace the existing agreement, and that would instead require FFIs in Switzerland to report US accounts to the Swiss authorities, with an AEOI between Swiss and US authorities. Complying with the required identification, withholding and reporting obligations requires significant investment in an FFI's compliance and reporting framework. It is unclear when negotiations will continue for the Model 1 intergovernmental agreement and when any new regime would come into force. We are continuing to follow developments regarding FATCA closely and are coordinating with all relevant authorities.

Resolution regime

The Dodd-Frank Act also established an "Orderly Liquidation Authority", a regime for the orderly liquidation of systemically significant non-bank financial companies, which could potentially apply to certain of our US entities. The Secretary of the US Treasury may under certain circumstances appoint the FDIC as receiver for a failing financial company in order to prevent risks to US financial stability. The FDIC would then have the authority to charter a "bridge" company to which it can transfer assets and liabilities of the financial company, including swaps and other qualified financial contracts, in order to preserve the continuity of critical functions of the financial company. The FDIC has indicated that it prefers a single-point-of-entry strategy, although it retains the ability to resolve individual financial companies. On February 17, 2016, the FDIC and SEC proposed rules that would clarify the application of the Securities Investor Protection Act in a receivership for a systemically significant broker-dealer under the Dodd-Frank Act's Orderly Liquidation Authority.

In addition, the Dodd-Frank Act and related rules promulgated by the Fed and the FDIC require bank holding companies with total consolidated assets of USD 50 billion or more, such as us, and certain designated non-bank financial firms to submit periodically to the Fed and the FDIC resolution plans describing the strategy for rapid and orderly resolution under the US Bankruptcy Code or other applicable insolvency regimes, though such plans may not rely on the Orderly Liquidation Authority.

EU

Financial services regulation and supervision

Our European banks, investment firms and fund managers are subject to extensive regulation by EU and national regulatory authorities, whose requirements are increasingly imposed under EU directives and regulations aimed at increasing integration and harmonization in the European market for financial services. While regulations have immediate and direct effect in EU member states, directives must be implemented through national legislation. As a result, the terms of implementation of directives are not always consistent from country to country. In response to the financial crisis and in order to strengthen European supervisory arrangements, the EU established the European Systemic Risk Board, which has macro-prudential oversight of the financial system. The EU has also established three supervisory authorities responsible for promoting greater harmonization and consistent application of EU legislation by national regulators: EBA, ESMA and the European Insurance and Occupational Pensions Authority.

The Basel III capital framework is implemented in the EU by the CRD IV and the CRR (together, the CRD IV package). The CRD IV package comprises a single prudential rule book for banks and investment firms and establishes corporate governance and remuneration requirements, including a cap on variable remuneration for EU banks and investment firms.

Other EU legislation governs the provision of investment services and payment services (see the Recent Regulatory Developments and Proposals section above discussing the EU developments), derivative and securities financing activities, fund management, and the administration and use of, and contributions to, benchmarks.

Within the eurozone, banks are supervised within the Single Supervisory Mechanism. This empowers the European Central Bank (ECB) to act as a single supervisor for banks in the 17

eurozone countries and for certain non-eurozone countries which may choose to participate in the Single Supervisory Mechanism.

The Fourth EU Anti-Money Laundering Directive (MLD4) entered into force on June 25, 2015 and was required to be transposed by member states by June 26, 2017. MLD4 introduced a series of reforms, including updated and refined requirements relating to the information that a financial institution must obtain and hold in a central register relating to the beneficial ownership of its customers, new precautions for dealing with politically exposed persons, a reshaped risk-based approach for customer due diligence, and increased fines for serious, repeated or systematic breaches of requirements under the directive. The European Commission published a proposed Fifth Money Laundering Directive (MLD5) on July 5, 2016, which would introduce a series of reforms to the existing MLD4, including a new requirement for EU member states to establish central mechanisms to identify holders and controllers of bank and payment accounts and the extension of requirements to virtual currency exchange platforms and custodian wallet providers. It is unclear when MLD5 will be formally adopted.

Resolution regime

The BRRD establishes a framework for the recovery and resolution of credit institutions and investment firms. The BRRD introduces requirements for recovery and resolution plans, provides for bank resolution tools, including bail-in for failing banks, and establishes country-specific bank resolution financing arrangements. In addition, as part of their powers over banks in resolution, resolution authorities are empowered to replace a bank's senior management, transfer a bank's rights, assets and liabilities to another person, take a bank into public ownership, and close out and terminate a bank's financial contracts or derivatives contracts. Banks are required to produce recovery plans, describing proposed arrangements to permit them to restore their viability, while resolution authorities are empowered to produce resolution plans which describe how a bank may be resolved in an orderly manner, were it to fail.

Under the BRRD, the resolution authority can increase the capital of a failing or failed bank through bail-in: i.e., the write-down, reduction or cancellation of liabilities held by unsecured creditors, or their conversion to equity or other securities. All of a bank's liabilities are subject to bail-in, unless explicitly excluded by the BRRD because they are, for example, covered deposits, secured liabilities, or liabilities arising from holding client assets or client money.

The BRRD also requires banks to hold a certain amount of bail-inable loss-absorbing capacity at both individual and consolidated levels. This requirement is known as the MREL, and is conceptually similar to the TLAC framework.

The BRRD applies to all Credit Suisse EU entities, including branches of the Bank. The Single Resolution Mechanism Regulation, which came into force on August 19, 2014, established the Single Resolution Board as the resolution authority in charge of Banks in the eurozone. Since January 1, 2016, the Single Resolution Board has had full resolution powers, including bail-in.

UK

Banking regulation and supervision

The principal statutory regulators of financial services activity in the UK are the PRA, a part of the Bank of England, which is responsible for the micro-prudential regulation of banks and larger investment firms, and the FCA, which regulates markets, the conduct of business of all financial firms, and the prudential regulation of firms not regulated by the PRA. In addition, the Financial Policy Committee of the Bank of England is responsible for macro-prudential regulation.

As a member state of the EU, the UK is required to implement EU directives into national law. The regulatory regime for banks operating in the UK conforms to required EU standards including compliance with capital adequacy standards, customer protection requirements, conduct of business rules and anti-money laundering rules. These standards, requirements and rules are similarly implemented, under the same directives, throughout the other member states of the EU in which we operate. It is expected that the majority of the requirements of existing EU directives and regulations will be enacted into UK law, immediately following the exit of the UK from the EU.

CSI, Credit Suisse (UK) Limited and Credit Suisse AG, London Branch are authorized to take deposits. We also have a number of entities authorized to conduct investment business and asset management activities. In deciding whether to grant authorization, the PRA must first determine whether a firm satisfies the threshold conditions for authorization, which include suitability and the requirement for the firm to be fit and proper.

Our London Branch is required to comply principally with Swiss home country regulation. However, as a response to the global financial crisis, the PRA made changes to its prudential supervision rules in its Handbook of Rules and Guidance, applying a principle of "self-sufficiency", such that CSI, CSSEL and Credit Suisse (UK) Limited are required to maintain adequate liquidity resources, under the day-to-day supervision of the entity's senior management, held in a custodian account in the name of the entity, unencumbered and attributed to the entity balance sheet. In addition, the PRA requires CSI, CSSEL and Credit Suisse (UK) Limited to maintain a minimum capital ratio and to monitor and report large exposures in accordance with the rules implementing CRD IV.

With effect from January 1, 2014, CRD IV replaced the previous CRD with new measures implementing Basel III and other requirements. The PRA is also responsible for approval of certain models with respect to regulatory capital requirements of our UK subsidiaries.

The PRA has implemented the requirements of CRD IV relating to staff remuneration and imposed a 1:1 cap on variable remuneration which can rise to 1:2 with explicit shareholder approval.

The UK Financial Services Act 2013 (Banking Reform Act), enacted in December 2013, establishes a more stringent

regulatory regime for senior managers and specified risk takers in a bank or PRA authorized investment firm; it also makes reckless misconduct in the management of a bank a criminal offense. These rules impact our UK entities, such as CSI and CSSEL.

Broker-dealer and asset management regulation and supervision

Our London bank and broker-dealer subsidiaries are authorized under the Financial Services and Markets Act 2000 (FSMA) and are subject to regulation by the PRA and FCA. In addition, our asset management companies are authorized under the FSMA and are subject to regulation by the FCA. In deciding whether to authorize an investment firm in the UK, the PRA and FCA will consider the threshold conditions, which include suitability and the general requirement for a firm to be fit and proper. The PRA and FCA are responsible for regulating most aspects of an investment firm's business, including its regulatory capital, sales and trading practices, use and safekeeping of customer funds and securities, record-keeping, margin practices and procedures, registration standards for individuals carrying on certain functions, anti-money laundering systems and periodic reporting and settlement procedures.

Resolution regime

The UK legislation related to the recovery and resolution of credit institutions such as Credit Suisse consists of the special resolution regime (SRR), the PRA recovery and resolution framework and the FCA recovery and resolution requirements, which implement the BRRD in the UK. The UK Banking Act and the related secondary legislation govern the application of the SRR, which grants the UK authorities powers to handle systemically important firms, such as banks, in case of highly likely failure. The UK resolution authority is the Bank of England which is empowered, among other things, to direct firms and their parent undertakings to address or remove barriers to resolvability, to enforce resolution actions and to carry out resolvability assessments of credit institutions. Separately, the PRA and the FCA have the power to require parent undertakings of firms subject to this regime to take actions such as the preparation and submission of group recovery plans or the facilitation of the use of resolution powers.

Risk factors

Our businesses are exposed to a variety of risks that could adversely affect our results of operations and financial condition, including, among others, those described below.

LIQUIDITY RISK

Liquidity, or ready access to funds, is essential to our business, particularly our investment banking businesses. We seek to maintain available liquidity to meet our obligations in a stressed liquidity environment.

▸ Refer to "Liquidity and funding management" in III – Treasury, Risk, Balance sheet and Off-balance sheet for information on our liquidity management.

Our liquidity could be impaired if we were unable to access the capital markets, sell our assets or our liquidity costs increase

Our ability to borrow on a secured or unsecured basis and the cost of doing so can be affected by increases in interest rates or credit spreads, the availability of credit, regulatory requirements relating to liquidity or the market perceptions of risk relating to us, certain of our counterparties or the banking sector as a whole, including our perceived or actual creditworthiness. An inability to obtain financing in the unsecured long-term or short-term debt capital markets, or to access the secured lending markets, could have a substantial adverse effect on our liquidity. In challenging credit markets our funding costs may increase or we may be unable to raise funds to support or expand our businesses, adversely affecting our results of operations. Following the financial crisis in 2008 and 2009, our costs of liquidity have been significant and we expect to incur ongoing costs as a result of regulatory requirements for increased liquidity. In addition, on July 27, 2017, the FCA, which regulates the London interbank offered rate ("LIBOR"), announced that the FCA will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021. As such, LIBOR may be modified and could potentially be discontinued after 2021. Any such developments or future changes in the administration of benchmarks could result in adverse consequences to the return on, value of and market for securities and other instruments whose returns are linked to any such benchmark, including those issued by the Group.

If we are unable to raise needed funds in the capital markets (including through offerings of equity, debt and regulatory capital securities), we may need to liquidate unencumbered assets to meet our liabilities. In a time of reduced liquidity, we may be unable to sell some of our assets, or we may need to sell assets at depressed prices, which in either case could adversely affect our results of operations and financial condition.

Our businesses rely significantly on our deposit base for funding

Our businesses benefit from short-term funding sources, including primarily demand deposits, inter-bank loans, time deposits and cash bonds. Although deposits have been, over time, a stable source of funding, this may not continue. In that case, our liquidity position could be adversely affected and we might be unable to meet deposit withdrawals on demand or at their contractual maturity to repay borrowings as they mature or to fund new loans, investments and businesses.

Changes in our ratings may adversely affect our business

Ratings are assigned by rating agencies. They may lower, indicate their intention to lower or withdraw their ratings at any time. The major rating agencies remain focused on the financial services industry, particularly on uncertainties as to whether firms pose systemic risk in a financial or credit crisis, and on such firms' potential vulnerability to market sentiment and confidence, particularly during periods of severe economic stress. In January 2016, Moody's Investors Service lowered its senior long-term debt ratings of Credit Suisse AG and Credit Suisse Group AG by one notch. Any downgrades in our ratings could increase our borrowing costs, limit our access to capital markets, increase our cost of capital and adversely affect the ability of our businesses to sell or market their products, engage in business transactions – particularly financing and derivatives transactions – and retain our clients.

MARKET RISK

We may incur significant losses on our trading and investment activities due to market fluctuations and volatility

Although we continued to strive to reduce our balance sheet and made significant progress in implementing our strategy in 2017, we continue to maintain large trading and investment positions and hedges in the debt, currency and equity markets, and in private equity, hedge funds, real estate and other assets. These positions could be adversely affected by volatility in financial and other markets, that is, the degree to which prices fluctuate over a particular period in a particular market, regardless of market levels. To the extent that we own assets, or have net long positions, in any of those markets, a downturn in those markets could result in losses from a decline in the value of our net long positions. Conversely, to the extent that we have sold assets that we do not own, or have net short positions, in any of those markets, an upturn in those markets could expose us to potentially significant losses as we attempt to cover our net short positions by acquiring assets in a rising market. Market fluctuations, downturns and volatility can adversely affect the fair value of our positions and our results of operations. Adverse market or economic conditions or trends have caused, and in the future may cause, a significant decline in our net revenues and profitability.

Our businesses and organization are subject to the risk of loss from adverse market conditions and unfavorable economic, monetary, political, legal, regulatory and other developments in the countries we operate in

As a global financial services company, our businesses are materially affected by conditions in the financial markets, economic conditions generally and other developments in Europe, the US, Asia and elsewhere around the world. The recovery from the economic crisis of 2008 and 2009 continues to be sluggish in several key developed markets. The European sovereign debt crisis as well as US debt levels and the federal budget process have not been permanently resolved. In addition, commodity price volatility and concerns about emerging markets have affected financial markets. Our financial condition and results of operations could be materially adversely affected if these conditions do not improve, or if they stagnate or worsen. Further, various countries in which we operate or invest have experienced severe economic disruptions particular to that country or region, including extreme currency fluctuations, high inflation, or low or negative growth, among other negative conditions. Concerns about weaknesses in the economic and fiscal condition of certain European countries have continued, especially with regard to how such weaknesses might affect other economies as well as financial institutions (including us) which lent funds to or did business with or in those countries.

Continued concern about European economies, including the refugee crisis and political uncertainty as well as in relation to the UK's withdrawal from the EU, could cause disruptions in market conditions in Europe and around the world. UK Prime Minister Theresa May initiated the two-year process of negotiations for withdrawal from the EU in March 2017, with an expected date of withdrawal in early 2019 (subject to any transitional arrangements that may be agreed between the EU and the UK). The results of this negotiation and the macroeconomic impact of this decision are difficult to predict and are expected to remain uncertain for a prolonged period. Among the significant global implications of the referendum was the increased uncertainty concerning a potentially more persistent and widespread imposition by central banks of negative interest rate policies. We cannot accurately predict the impact of the UK leaving the EU on Credit Suisse and such impact may negatively affect our future results of operations and financial condition. Our legal entities that are organized or operate in the UK could face limitations on providing services or otherwise conducting business in the EU following the UK's withdrawal, which may require us to implement potentially significant changes to our legal entity structure and locations in which we conduct certain operations. While the execution of the program evolving the Group's legal entity structure to meet developing and future regulatory requirements has continued to progress and we have reached a number of significant milestones, this program remains subject to a number of uncertainties that may affect its feasibility, scope and timing. Significant legal and regulatory changes affecting us and our operations may require us to make further changes in our legal structure. The implementation of these changes may require significant time and resources and may potentially increase operational, capital, funding and tax costs as well as our counterparties' credit risk. The environment of political uncertainty in continental Europe may also affect our business. The popularity of nationalistic sentiments may result in significant shifts in national policy and a move away from European integration and the eurozone. Similar uncertainties exist regarding the impact of proposed changes in US policies on trade, immigration, climate change and foreign relations.

▸ Refer to "Evolution of legal entity structure" in Strategy for further information on our legal entity structure.

Economic disruption in other countries, even in countries in which we do not currently conduct business or have operations, could adversely affect our businesses and results. Adverse market and economic conditions continue to create a challenging operating environment for financial services companies. In particular, the impact of interest and currency exchange rates, the risk of geopolitical events, fluctuations in commodity prices and concerns about European stagnation have affected financial markets and the economy. In recent years, the low interest rate environment has adversely affected our net interest income and the value of our trading and non-trading fixed income portfolios. Future changes in interest rates, including increasing interest rates or changes in the current negative short-term interest rates in our home market, could adversely affect our businesses and results. In addition, movements in equity markets have affected the value of our trading and non-trading equity portfolios, while the historical strength of the Swiss franc has adversely affected our revenues and net income. Further, diverging monetary policies among the major economies in which we operate, in particular among the Fed, ECB and SNB, may adversely affect our results.

Such adverse market or economic conditions may reduce the number and size of investment banking transactions in which we provide underwriting, mergers and acquisitions advice or other services and, therefore, may adversely affect our financial advisory and underwriting fees. Such conditions may adversely affect the types and volumes of securities trades that we execute for customers and may adversely affect the net revenues we receive from commissions and spreads. In addition, several of our businesses engage in transactions with, or trade in obligations of, governmental entities, including supranational, national, state, provincial, municipal and local authorities. These activities can expose us to enhanced sovereign, credit-related, operational and reputational risks, including the risks that a governmental entity may default on or restructure its obligations or may claim that actions taken by government officials were beyond the legal authority of those officials, which could adversely affect our financial condition and results of operations.

Unfavorable market or economic conditions have affected our businesses over the last years, including the low interest rate environment, continued cautious investor behavior and changes in market structure, particularly in our macro businesses. These negative factors have been reflected in lower commissions and fees from our client-flow sales and trading and asset management activities, including commissions and fees that are based on the value of our clients' portfolios. Investment performance that is below that of

competitors or asset management benchmarks could result in a decline in assets under management and related fees and make it harder to attract new clients. There has been a fundamental shift in client demand away from more complex products and significant client deleveraging, and our results of operations related to private banking and asset management activities have been and could continue to be adversely affected as long as this continues.

Adverse market or economic conditions have also negatively affected our private equity investments since, if a private equity investment substantially declines in value, we may not receive any increased share of the income and gains from such investment (to which we are entitled in certain cases when the return on such investment exceeds certain threshold returns), may be obligated to return to investors previously received excess carried interest payments and may lose our pro rata share of the capital invested. In addition, it could become more difficult to dispose of the investment as even investments that are performing well may prove difficult to exit.

In addition to the macroeconomic factors discussed above, other events beyond our control, including terrorist attacks, cyber attacks, military conflicts, economic or political sanctions, disease pandemics, political unrest or natural disasters could have a material adverse effect on economic and market conditions, market volatility and financial activity, with a potential related effect on our businesses and results.

We may incur significant losses in the real estate sector

We finance and acquire principal positions in a number of real estate and real estate-related products, primarily for clients, and originate loans secured by commercial and residential properties. As of December 31, 2017, our real estate loans as reported to the SNB totaled approximately CHF 144 billion. We also securitize and trade in commercial and residential real estate and real estate-related whole loans, mortgages, and other real estate and commercial assets and products, including CMBS and RMBS. Our real estate-related businesses and risk exposures could be adversely affected by any downturn in real estate markets, other sectors and the economy as a whole. In particular, the risk of potential price corrections in the real estate market in certain areas of Switzerland could have a material adverse effect on our real estate-related businesses.

Holding large and concentrated positions may expose us to large losses

Concentrations of risk could increase losses, given that we have sizeable loans to, and securities holdings in, certain customers, industries or countries. Decreasing economic growth in any sector in which we make significant commitments, for example, through underwriting, lending or advisory services, could also negatively affect our net revenues.

We have significant risk concentration in the financial services industry as a result of the large volume of transactions we routinely conduct with broker-dealers, banks, funds and other financial institutions, and in the ordinary conduct of our business we may be subject to risk concentration with a particular counterparty. We, like other financial institutions, continue to adapt our practices and operations in consultation with our regulators to better address an evolving understanding of our exposure to, and management of, systemic risk and risk concentration to financial institutions. Regulators continue to focus on these risks, and there are numerous new regulations and government proposals, and significant ongoing regulatory uncertainty, about how best to address them. There can be no assurance that the changes in our industry, operations, practices and regulation will be effective in managing this risk.

▸ Refer to “Regulation and supervision” for further information.

Risk concentration may cause us to suffer losses even when economic and market conditions are generally favorable for others in our industry.

Our hedging strategies may not prevent losses

If any of the variety of instruments and strategies we use to hedge our exposure to various types of risk in our businesses is not effective, we may incur losses. We may be unable to purchase hedges or be only partially hedged, or our hedging strategies may not be fully effective in mitigating our risk exposure in all market environments or against all types of risk.

Market risk may increase the other risks that we face

In addition to the potentially adverse effects on our businesses described above, market risk could exacerbate the other risks that we face. For example, if we were to incur substantial trading losses, our need for liquidity could rise sharply while our access to liquidity could be impaired. In conjunction with another market downturn, our customers and counterparties could also incur substantial losses of their own, thereby weakening their financial condition and increasing our credit and counterparty risk exposure to them.

CREDIT RISK

We may suffer significant losses from our credit exposures

Our businesses are subject to the fundamental risk that borrowers and other counterparties will be unable to perform their obligations. Our credit exposures exist across a wide range of transactions that we engage in with a large number of clients and counterparties, including lending relationships, commitments and letters of credit, as well as derivative, currency exchange and other transactions. Our exposure to credit risk can be exacerbated by adverse economic or market trends, as well as increased volatility in relevant markets or instruments. In addition, disruptions in the liquidity or transparency of the financial markets may result in our inability to sell, syndicate or realize the value of our positions, thereby leading to increased concentrations. Any inability to reduce these positions may not only increase the market and credit risks associated with such positions, but also increase the level of risk-weighted assets on our balance sheet, thereby increasing our capital requirements, all of which could adversely affect our businesses.

▸ Refer to "Credit risk" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management – Risk coverage and management for information on management of credit risk.

Our regular review of the creditworthiness of clients and counterparties for credit losses does not depend on the accounting treatment of the asset or commitment. Changes in creditworthiness of loans and loan commitments that are ▹ fair valued are reflected in trading revenues.

Management's determination of the provision for loan losses is subject to significant judgment. Our banking businesses may need to increase their provisions for loan losses or may record losses in excess of the previously determined provisions if our original estimates of loss prove inadequate, which could have a material adverse effect on our results of operations.

▸ Refer to "Credit risk" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management – Risk coverage and management and "Note 1 – Summary of significant accounting policies", "Note 9 – Provision for credit losses" and "Note 18 – Loans, allowance for loan losses and credit quality" in VI – Consolidated financial statements – Credit Suisse Group for information on provisions for loan losses and related risk mitigation.

Under certain circumstances, we may assume long-term credit risk, extend credit against illiquid collateral and price derivative instruments aggressively based on the credit risks that we take. As a result of these risks, our capital and liquidity requirements may continue to increase.

Defaults by one or more large financial institutions could adversely affect financial markets generally and us specifically

Concerns or even rumors about or a default by one institution could lead to significant liquidity problems, losses or defaults by other institutions because the commercial soundness of many financial institutions may be closely related as a result of credit, trading, clearing or other relationships between institutions. This risk is sometimes referred to as systemic risk. Concerns about defaults by and failures of many financial institutions, particularly those in or with significant exposure to the eurozone, continued in 2017 and could continue to lead to losses or defaults by financial institutions and financial intermediaries with which we interact on a daily basis, such as clearing agencies, clearing houses, banks, securities firms and exchanges. Our credit risk exposure will also increase if the collateral we hold cannot be realized or can only be liquidated at prices insufficient to cover the full amount of exposure.

The information that we use to manage our credit risk may be inaccurate or incomplete

Although we regularly review our credit exposure to specific clients and counterparties and to specific industries, countries and regions that we believe may present credit concerns, default risk may arise from events or circumstances that are difficult to foresee or detect, such as fraud. We may also lack correct and complete information with respect to the credit or trading risks of a counterparty or risk associated with specific industries, countries and regions or misinterpret such information that is received or otherwise incorrectly assess a given risk situation. Additionally, there can be no assurance that measures instituted to manage such risk will be effective in all instances.

RISKS RELATING TO OUR STRATEGY

We may not achieve all of the expected benefits of our strategic initiatives

In October 2015, we announced a comprehensive new strategic direction, structure and organization of the Group, which we updated in 2016 and 2017. Our ability to implement our strategic direction, structure and organization is based on a number of key assumptions regarding the future economic environment, the economic growth of certain geographic regions, the regulatory landscape, our ability to meet certain ambitions, objectives and targets, anticipated interest rates and central bank action, among other things. If any of these assumptions (including but not limited to our ability to meet certain ambitions, objectives and targets) prove inaccurate in whole or in part, our ability to achieve some or all of the expected benefits of this strategy could be limited, including our ability to meet our stated financial goals, keep related restructuring charges within the limits currently expected and retain key employees. Factors beyond our control, including but not limited to the market and economic conditions, changes in laws, rules or regulations, execution risk related to the implementation of our strategy and other challenges and risk factors discussed in this report, could limit our ability to achieve some or all of the expected benefits of this strategy. The breadth of the changes that we announced increases the execution risk of our strategy as we continue to work to change the strategic direction of the Group. If we are unable to implement this strategy successfully in whole or in part or should the components of the strategy that are implemented fail to produce the expected benefits, our financial results and our share price may be materially and adversely affected.

▸ Refer to "Strategy" for further information on our strategic direction.

Additionally, part of our strategy involves a change in focus within certain areas of our business, which may have unanticipated negative effects in other areas of the business and may result in an adverse effect on our business as a whole.

The implementation of our strategy may increase our exposure to certain risks, including but not limited to credit risks, market risks, operational risks and regulatory risks. We also seek to achieve certain ambitions, objectives and targets, for example in relation to cost savings, which may or may not be successful. There is no guarantee that we will be able to achieve these goals in the form described or at all. Finally, changes to the organizational structure of our business, as well as changes in personnel and management, may lead to temporary instability of our operations.

In addition, acquisitions and other similar transactions we undertake as part of our strategy subject us to certain risks. Even though we review the records of companies we plan to acquire, it is generally not feasible for us to review all such records in detail. Even an in-depth review of records may not reveal existing or potential problems or permit us to become familiar enough with a business to assess

fully its capabilities and deficiencies. As a result, we may assume unanticipated liabilities (including legal and compliance issues), or an acquired business may not perform as well as expected. We also face the risk that we will not be able to integrate acquisitions into our existing operations effectively as a result of, among other things, differing procedures, business practices and technology systems, as well as difficulties in adapting an acquired company into our organizational structure. We face the risk that the returns on acquisitions will not support the expenditures or indebtedness incurred to acquire such businesses or the capital expenditures needed to develop such businesses. We also face the risk that unsuccessful acquisitions will ultimately result in our having to write down or write off any goodwill associated with such transactions. For example, our results for the fourth quarter of 2015 included a goodwill impairment charge of CHF 3,797 million, the most significant component of which arose from the acquisition of Donaldson, Lufkin & Jenrette Inc. in 2000. We continue to have a significant amount of goodwill relating to this and other transactions recorded on our balance sheet that could result in additional goodwill impairment charges.

We may also seek to engage in new joint ventures (within the Group and with external parties) and strategic alliances. Although we endeavor to identify appropriate partners, our joint venture efforts may prove unsuccessful or may not justify our investment and other commitments.

RISKS FROM ESTIMATES AND VALUATIONS

We make estimates and valuations that affect our reported results, including measuring the fair value of certain assets and liabilities, establishing provisions for contingencies and losses for loans, litigation and regulatory proceedings, accounting for goodwill and intangible asset impairments, evaluating our ability to realize deferred tax assets, valuing equity-based compensation awards, modeling our risk exposure and calculating expenses and liabilities associated with our pension plans. These estimates are based upon judgment and available information, and our actual results may differ materially from these estimates.

▸ Refer to “Critical accounting estimates” in II – Operating and financial review and “Note 1 – Summary of significant accounting policies” in VI – Consolidated financial statements – Credit Suisse Group for information on these estimates and valuations.

Our estimates and valuations rely on models and processes to predict economic conditions and market or other events that might affect the ability of counterparties to perform their obligations to us or impact the value of assets. To the extent our models and processes become less predictive due to unforeseen market conditions, illiquidity or volatility, our ability to make accurate estimates and valuations could be adversely affected.

RISKS RELATING TO OFF-BALANCE SHEET ENTITIES

We enter into transactions with special purpose entities (SPEs) in our normal course of business, and certain SPEs with which we transact business are not consolidated and their assets and liabilities are off-balance sheet. We may have to exercise significant management judgment in applying relevant accounting consolidation standards, either initially or after the occurrence of certain events that may require us to reassess whether consolidation is required. Accounting standards relating to consolidation, and their interpretation, have changed and may continue to change. If we are required to consolidate an SPE, its assets and liabilities would be recorded on our consolidated balance sheets and we would recognize related gains and losses in our consolidated statements of operations, and this could have an adverse impact on our results of operations and capital and leverage ratios.

▸ Refer to “Off-balance sheet” in III – Treasury, Risk, Balance sheet and Off-balance sheet – Balance sheet, off-balance sheet and other contractual obligations for information on our transactions with and commitments to SPEs.

COUNTRY AND CURRENCY EXCHANGE RISK

Country risks may increase market and credit risks we face

Country, regional and political risks are components of market and credit risk. Financial markets and economic conditions generally have been and may in the future be materially affected by such risks. Economic or political pressures in a country or region, including those arising from local market disruptions, currency crises, monetary controls or other factors, may adversely affect the ability of clients or counterparties located in that country or region to obtain foreign currency or credit and, therefore, to perform their obligations to us, which in turn may have an adverse impact on our results of operations.

We may face significant losses in emerging markets

A key element of our strategy is to scale up our private banking businesses in emerging market countries. Our implementation of that strategy will necessarily increase our existing exposure to economic instability in those countries. We monitor these risks, seek diversity in the sectors in which we invest and emphasize client-driven business. Our efforts at limiting emerging market risk, however, may not always succeed. In addition, various emerging market countries, in particular Brazil during 2017, have experienced and may continue to experience severe economic, financial and political disruptions or slower economic growth than in prior years. In addition, sanctions have been imposed on certain individuals and companies in Russia and further sanctions are possible. The possible effects of any such disruptions may include an adverse impact on our businesses and increased volatility in financial markets generally.

Currency fluctuations may adversely affect our results of operations

We are exposed to risk from fluctuations in exchange rates for currencies, particularly the US dollar. In particular, a substantial portion of our assets and liabilities are denominated in currencies other than the Swiss franc, which is the primary currency of our financial reporting. Our capital is also stated in Swiss francs, and we do not fully hedge our capital position against changes in currency exchange rates. The Swiss franc remained strong against the US dollar and weakened against the euro in 2017.

As we incur a significant part of our expenses in Swiss francs while we generate a large proportion of our revenues in other currencies, our earnings are sensitive to changes in the exchange

rates between the Swiss franc and other major currencies. Although we have implemented a number of measures designed to offset the impact of exchange rate fluctuations on our results of operations, the appreciation of the Swiss franc in particular and exchange rate volatility in general have had an adverse impact on our results of operations and capital position in recent years and may have such an effect in the future.

OPERATIONAL RISK

We are exposed to a wide variety of operational risks, including cybersecurity and other information technology risks

Operational risk is the risk of financial loss arising from inadequate or failed internal processes, people or systems or from external events. In general, although we have business continuity plans, our businesses face a wide variety of operational risks, including technology risk that stems from dependencies on information technology, third-party suppliers and the telecommunications infrastructure as well as from the interconnectivity of multiple financial institutions with central agents, exchanges and clearing houses. As a global financial services company, we rely heavily on our financial, accounting and other data processing systems, which are varied and complex. Our business depends on our ability to process a large volume of diverse and complex transactions, including derivatives transactions, which have increased in volume and complexity. We are exposed to operational risk arising from errors made in the execution, confirmation or settlement of transactions or from transactions not being properly recorded or accounted for. Cybersecurity and other information technology risks for financial institutions have significantly increased in recent years. Regulatory requirements in these areas have increased and are expected to increase further.

Information security, data confidentiality and integrity are of critical importance to our businesses. Despite our wide array of security measures to protect the confidentiality, integrity and availability of our systems and information, it is not always possible to anticipate the evolving threat landscape and mitigate all risks to our systems and information. We could also be affected by risks to the systems and information of clients, vendors, service providers, counterparties and other third parties. In addition, we may introduce new products or services or change processes, resulting in new operational risk that we may not fully appreciate or identify.

These threats may derive from human error, fraud or malice, or may result from accidental technological failure. There may also be attempts to fraudulently induce employees, clients, third parties or other users of our systems to disclose sensitive information in order to gain access to our data or that of our clients.

A cyber attack, information or security breach or technology failure could cause the unauthorized release, gathering, monitoring, misuse, loss or destruction of confidential, proprietary and other information relating to Credit Suisse, our clients, vendors, service providers, counterparties or other third parties. Given our global footprint and the high volume of transactions we process, the large number of clients, partners and counterparties with which we do business, our growing use of digital, mobile and internet-based services, and the increasing sophistication of cyber attacks, a cyber attack, information or security breach or technology failure could occur without detection for an extended period of time. In addition, we expect that any investigation of a cyber attack, information or security breach or technology failure will be inherently unpredictable and it may take time before any investigation is complete. During such time, we may not know the extent of the harm or how best to remediate it and certain errors or actions may be repeated or compounded before they are discovered and rectified, all or any of which would further increase the costs and consequences of a cyber attack, information or security breach or technology failure.

If any of our systems do not operate properly or are compromised as a result of cyber attacks, information or security breaches, technology failures, unauthorized access, loss or destruction of data, unavailability of service, computer viruses or other events that could have an adverse security impact, we could be subject to litigation or suffer financial loss not covered by insurance, a disruption of our businesses, liability to our clients, damage to relationships with our vendors, regulatory intervention or reputational damage. Any such event could also require us to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures. We may also be required to expend resources to comply with new and increasingly expansive regulatory requirements related to cybersecurity.

We may suffer losses due to employee misconduct

Our businesses are exposed to risk from potential non-compliance with policies or regulations, employee misconduct or negligence and fraud, which could result in civil or criminal investigations and charges, regulatory sanctions and serious reputational or financial harm. In recent years, a number of multinational financial institutions have suffered material losses due to, for example, the actions of traders performing unauthorized trades or other employee misconduct. It is not always possible to deter employee misconduct and the precautions we take to prevent and detect this activity may not always be effective.

RISK MANAGEMENT

We have risk management procedures and policies designed to manage our risk. These techniques and policies, however, may not always be effective, particularly in highly volatile markets. We continue to adapt our risk management techniques, in particular value-at-risk and economic capital, which rely on historical data, to reflect changes in the financial and credit markets. No risk management procedures can anticipate every market development or event, and our risk management procedures and hedging strategies, and the judgments behind them, may not fully mitigate our risk exposure in all markets or against all types of risk.

▸ Refer to “Risk management” in III – Treasury, Risk, Balance sheet and Off-balance sheet for information on our risk management.

LEGAL AND REGULATORY RISKS

Our exposure to legal liability is significant

We face significant legal risks in our businesses, and the volume and amount of damages claimed in litigation, regulatory proceedings and other adversarial proceedings against financial services firms continue to increase in many of the principal markets in which we operate.

We and our subsidiaries are subject to a number of material legal proceedings, regulatory actions and investigations, and an adverse result in one or more of these proceedings could have a material adverse effect on our operating results for any particular period, depending, in part, upon our results for such period.

▸ Refer to "Note 38 – Litigation" in VI – Consolidated financial statements – Credit Suisse Group for information relating to these and other legal and regulatory proceedings involving our investment banking and other businesses.

It is inherently difficult to predict the outcome of many of the legal, regulatory and other adversarial proceedings involving our businesses, particularly those cases in which the matters are brought on behalf of various classes of claimants, seek damages of unspecified or indeterminate amounts or involve novel legal claims. Management is required to establish, increase or release reserves for losses that are probable and reasonably estimable in connection with these matters, all of which requires significant judgment.

▸ Refer to "Critical accounting estimates" in II – Operating and financial review and "Note 1 – Summary of significant accounting policies" in VI – Consolidated financial statements – Credit Suisse Group for more information.

Regulatory changes may adversely affect our business and ability to execute our strategic plans

As a participant in the financial services industry, we are subject to extensive regulation by governmental agencies, supervisory authorities and self-regulatory organizations in Switzerland, the EU, the UK, the US and other jurisdictions in which we operate around the world. Such regulation is increasingly more extensive and complex and, in recent years, costs related to our compliance with these requirements and the penalties and fines sought and imposed on the financial services industry by regulatory authorities have all increased significantly and may increase further. These regulations often serve to limit our activities, including through the application of increased or enhanced capital, leverage and liquidity requirements, the addition of capital surcharges for risks related to operational, litigation, regulatory and similar matters, customer protection and market conduct regulations and direct or indirect restrictions on the businesses in which we may operate or invest. Such limitations can have a negative effect on our business and our ability to implement strategic initiatives. To the extent we are required to divest certain businesses, we could incur losses, as we may be forced to sell such businesses at a discount, which in certain instances could be substantial, as a result of both the constrained timing of such sales and the possibility that other financial institutions are liquidating similar investments at the same time.

Since 2008, regulators and governments have focused on the reform of the financial services industry, including enhanced capital, leverage and liquidity requirements, changes in compensation practices (including tax levies) and measures to address systemic risk, including ring-fencing certain activities and operations within specific legal entities. We are already subject to extensive regulation in many areas of our business and expect to face increased regulation and regulatory scrutiny and enforcement. These various regulations and requirements could require us to reduce assets held in certain subsidiaries, inject capital or other funds into or otherwise change our operations or the structure of our subsidiaries and Group. We expect such increased regulation to continue to increase our costs, including, but not limited to, costs related to compliance, systems and operations, as well as affect our ability to conduct certain types of business, which could adversely affect our profitability and competitive position. Variations in the details and implementation of such regulations may further negatively affect us, as certain requirements currently are not expected to apply equally to all of our competitors or to be implemented uniformly across jurisdictions.

For example, the additional requirements related to minimum regulatory capital, leverage ratios and liquidity measures imposed by ◘ Basel III, together with more stringent requirements imposed by the Swiss ◘ "Too Big To Fail" legislation and its implementing ordinances and related actions by our regulators, have contributed to our decision to reduce ◘ risk-weighted assets and the size of our balance sheet, and could potentially impact our access to capital markets and increase our funding costs. In addition, the ongoing implementation in the US of the provisions of the Dodd-Frank Act, including the "Volcker Rule", ◘ derivatives regulation, and other regulatory developments described in "Regulation and supervision", have imposed, and will continue to impose, new regulatory burdens on certain of our operations. These requirements have contributed to our decision to exit certain businesses (including a number of our private equity businesses) and may lead us to exit other businesses. Recent CFTC and SEC rules and proposals could materially increase the operating costs, including margin requirements, compliance, information technology and related costs, associated with our derivatives businesses with US persons, while at the same time making it more difficult for us to transact derivatives business outside the US. Further, in 2014, the Fed adopted a final rule under the Dodd-Frank Act that created a new framework for regulation of the US operations of foreign banking organizations such as ours. Although the final impact of the rule cannot be fully predicted at this time, it is expected to result in our incurring additional costs and to affect the way we conduct our business in the US, including through our US IHC. Certain of these proposals are not final, and the ultimate impact of any final requirements cannot be predicted at this time. Further, already enacted and possible future cross-border tax regulation with extraterritorial effect, such as FATCA, and other bilateral or multilateral tax treaties and agreements on the automatic exchange of information in tax matters, impose detailed reporting obligations and increased compliance and systems-related costs on our businesses. In addition, the US tax reform enacted on December 22, 2017 introduced substantial changes to the US tax system, including the lowering of the corporate tax rate and the introduction of

BEAT. Additionally, implementation of EMIR and its Swiss counterpart, FMIA, CRD IV, MiFID II and MiFIR reforms may negatively affect our business activities. If Switzerland does not pass legislation that is deemed equivalent to MiFID II in a timely manner or if Swiss regulation already passed is not deemed equivalent to EMIR, Swiss banks, including us, may be limited from participating in businesses regulated by such laws. Finally, we expect that TLAC requirements, which were finalized in Switzerland and the US in 2016 and are being finalized in many other jurisdictions, including the EU, as well as new requirements and rules with respect to the internal total loss-absorbing capacity of G-SIBs (iTLAC), may increase our cost of funding and restrict our ability to deploy capital and liquidity on a global basis as needed when they are implemented.

Further, following the formal notification by the UK of its decision to leave the EU, negotiations have commenced on the withdrawal agreement. This includes the renegotiation, either during a transitional period or more permanently, of a number of regulatory and other arrangements between the EU and the UK that could directly impact our business. Adverse changes to any of these arrangements, and even uncertainty over potential changes during the period of negotiation, could potentially impact our results.

We expect the financial services industry and its members, including us, to continue to be affected by the significant uncertainty over the scope and content of regulatory reform in 2018 and beyond. The uncertainty about the future US regulatory agenda, which includes a variety of proposals to change existing regulations or the approach to regulation of the financial industry, potential changes in regulation following a UK withdrawal from the EU and the results of national elections in Europe may result in significant changes in the regulatory direction and policies applicable to us. Changes in laws, rules or regulations, or in their interpretation or enforcement, or the implementation of new laws, rules or regulations, may adversely affect our results of operations.

Despite our best efforts to comply with applicable regulations, a number of risks remain, particularly in areas where applicable regulations may be unclear or inconsistent among jurisdictions or where regulators revise their previous guidance or courts overturn previous rulings. Authorities in many jurisdictions have the power to bring administrative or judicial proceedings against us, which could result in, among other things, suspension or revocation of our licenses, cease and desist orders, fines, civil penalties, criminal penalties or other disciplinary action which could materially adversely affect our results of operations and seriously harm our reputation.

▸ Refer to “Regulation and supervision” for a description of our regulatory regime and a summary of some of the significant regulatory and government reform proposals affecting the financial services industry as well as to “Liquidity and funding management” and “Capital management” in III – Treasury, Risk, Balance sheet and Off-balance sheet for information regarding our current regulatory framework and expected changes to this framework affecting capital and liquidity standards.

Swiss resolution proceedings and resolution planning requirements may affect our shareholders and creditors

Pursuant to Swiss banking laws, FINMA has broad powers and discretion in the case of resolution proceedings with respect to a Swiss bank, such as Credit Suisse AG or Credit Suisse (Schweiz) AG, and to a Swiss parent company of a financial group, such as Credit Suisse Group AG. These broad powers include the power to open restructuring proceedings with respect to Credit Suisse AG, Credit Suisse (Schweiz) AG or Credit Suisse Group AG and, in connection therewith, cancel the outstanding equity of the entity subject to such proceedings, convert such entity’s debt instruments and other liabilities into equity and/or cancel such debt instruments and other liabilities, in each case, in whole or in part, and stay (for a maximum of two business days) certain rights under contracts to which such entity is a party, as well as the power to order protective measures, including the deferment of payments, and institute liquidation proceedings with respect to Credit Suisse AG, Credit Suisse (Schweiz) AG or Credit Suisse Group AG. The scope of such powers and discretion and the legal mechanisms that would be utilized are subject to development and interpretation.

We are currently subject to resolution planning requirements in Switzerland, the US and the UK and may face similar requirements in other jurisdictions. If a resolution plan is determined by the relevant authority to be inadequate, relevant regulations may allow the authority to place limitations on the scope or size of our business in that jurisdiction, require us to hold higher amounts of capital or liquidity, require us to divest assets or subsidiaries or to change our legal structure or business to remove the relevant impediments to resolution.

▸ Refer to “Recent regulatory developments and proposals – Switzerland” and “Regulatory framework – Switzerland – Resolution regime” in Regulation and supervision for a description of the current resolution regime under Swiss banking laws as it applies to Credit Suisse AG, Credit Suisse (Schweiz) AG and Credit Suisse Group AG.

Changes in monetary policy are beyond our control and difficult to predict

We are affected by the monetary policies adopted by the central banks and regulatory authorities of Switzerland, the US and other countries. The actions of the SNB and other central banking authorities directly impact our cost of funds for lending, capital raising and investment activities and may impact the value of financial instruments we hold and the competitive and operating environment for the financial services industry. Many central banks, including the Fed, have implemented significant changes to their monetary policy or have experienced significant changes in their management and may implement or experience further changes. We cannot predict whether these changes will have a material adverse effect on us or our operations. In addition, changes in monetary policy may affect the credit quality of our customers. Any changes in monetary policy are beyond our control and difficult to predict.

Legal restrictions on our clients may reduce the demand for our services

We may be materially affected not only by regulations applicable to us as a financial services company, but also by regulations and changes in enforcement practices applicable to our clients. Our business could be affected by, among other things, existing and proposed tax legislation, antitrust and competition policies,

corporate governance initiatives and other governmental regulations and policies, and changes in the interpretation or enforcement of existing laws and rules that affect business and the financial markets. For example, focus on tax compliance and changes in enforcement practices could lead to further asset outflows from our private banking businesses.

Any conversion of our convertible capital instruments will dilute the ownership interests of existing shareholders

Under Swiss regulatory capital rules, we are required to issue a significant amount of contingent capital instruments, certain of which will convert into common equity upon the occurrence of specified triggering events, including our CET1 ratio falling below prescribed thresholds (7% in the case of high-trigger instruments), or a determination by FINMA that conversion is necessary, or that we require extraordinary public sector capital support, to prevent us from becoming insolvent. As of December 31, 2017, we had 2,550,254,054 common shares outstanding and we had already issued in the aggregate an equivalent of CHF 5.9 billion in principal amount of such contingent convertible capital instruments, and we may issue more such contingent convertible capital instruments in the future. The conversion of some or all of our contingent convertible capital instruments due to the occurrence of any of such triggering events will result in the dilution of the ownership interests of our then existing shareholders, which dilution could be substantial. Additionally, any conversion, or the anticipation of the possibility of a conversion, could depress the market price of our ordinary shares.

▸ Refer to "Contingent convertible capital instruments" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital management – Issuances and redemptions for more information on the triggering events related to our contingent convertible capital instruments.

COMPETITION

We face intense competition

We face intense competition in all financial services markets and for the products and services we offer. Consolidation through mergers, acquisitions, alliances and cooperation, including as a result of financial distress, has increased competitive pressures. Competition is based on many factors, including the products and services offered, pricing, distribution systems, customer service, brand recognition, perceived financial strength and the willingness to use capital to serve client needs. Consolidation has created a number of firms that, like us, have the ability to offer a wide range of products, from loans and deposit-taking to brokerage, investment banking and asset management services. Some of these firms may be able to offer a broader range of products than we do, or offer such products at more competitive prices. Current market conditions have resulted in significant changes in the competitive landscape in our industry as many institutions have merged, altered the scope of their business, declared bankruptcy, received government assistance or changed their regulatory status, which will affect how they conduct their business. In addition, current market conditions have had a fundamental impact on client demand for products and services. Some new competitors in the financial technology sector have sought to target existing segments of our businesses that could be susceptible to disruption by innovative or less regulated business models. We can give no assurance that our results of operations will not be adversely affected.

Our competitive position could be harmed if our reputation is damaged

In the highly competitive environment arising from globalization and convergence in the financial services industry, a reputation for financial strength and integrity is critical to our performance, including our ability to attract and retain clients and employees. Our reputation could be harmed if our comprehensive procedures and controls fail, or appear to fail, to address conflicts of interest, prevent employee misconduct, produce materially accurate and complete financial and other information or prevent adverse legal or regulatory actions.

▸ Refer to "Reputational risk" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management – Risk coverage and management for more information.

We must recruit and retain highly skilled employees

Our performance is largely dependent on the talents and efforts of highly skilled individuals. Competition for qualified employees is intense. We have devoted considerable resources to recruiting, training and compensating employees. Our continued ability to compete effectively in our businesses depends on our ability to attract new employees and to retain and motivate our existing employees. The continued public focus on compensation practices in the financial services industry, and related regulatory changes, may have an adverse impact on our ability to attract and retain highly skilled employees. In particular, limits on the amount and form of executive compensation imposed by regulatory initiatives, including the Swiss Ordinance Against Excessive Compensation with respect to Listed Stock Corporations (Compensation Ordinance) in Switzerland and the implementation of CRD IV in the UK, could potentially have an adverse impact on our ability to retain certain of our most highly skilled employees and hire new qualified employees in certain businesses.

We face competition from new trading technologies

Our businesses face competitive challenges from new trading technologies, including trends towards direct access to automated and electronic markets, and the move to more automated trading platforms. Such technologies and trends may adversely affect our commission and trading revenues, exclude our businesses from certain transaction flows, reduce our participation in the trading markets and the associated access to market information and lead to the creation of new and stronger competitors. We have made, and may continue to be required to make, significant additional expenditures to develop and support new trading systems or otherwise invest in technology to maintain our competitive position.

II

Operating and financial review

Operating environment	54
Credit Suisse	57
Swiss Universal Bank	67
International Wealth Management	74
Asia Pacific	81
Global Markets	88
Investment Banking & Capital Markets	91
Strategic Resolution Unit	94
Corporate Center	97
Assets under management	99
Critical accounting estimates	102

Operating environment

Global economic growth accelerated significantly in 2017, while inflation generally remained subdued. Global equity markets appreciated strongly during the year, and volatility remained at low levels. Major government bond yields were mixed and generally remained at low levels. The US dollar underperformed against major currencies in 2017 and commodities ended the year higher.

ECONOMIC ENVIRONMENT

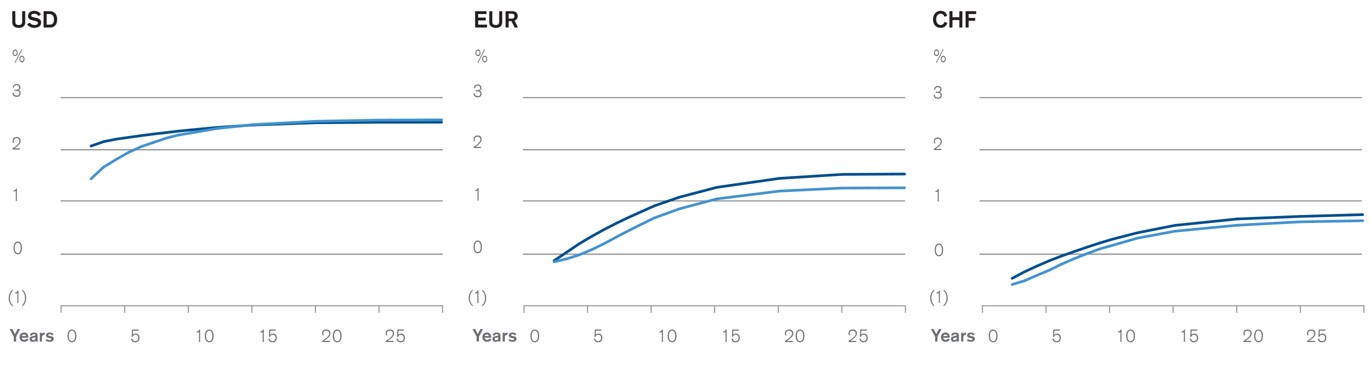
Strong improvements in business and consumer surveys early in 2017 signaled a meaningful economic acceleration in many major economies. After peaking in the first quarter of 2017, US core inflation began to recede markedly before stabilizing again in the second half. Economic momentum in the eurozone was comparably strong, broadly supported by all major economies of the currency union. The inflation environment, on the other hand, remained subdued and showed little evidence that a more sustainable upward trend had begun. Among emerging markets, China's economic performance beat expectations in the first half of the year, while signs of somewhat slower growth emerged in the second half.

The US Federal Reserve (Fed) continued to raise the target range for the federal funds rate throughout 2017, delivering a total of three 25 basis point hikes. The European Central Bank (ECB) kept monetary policy unchanged in 2017, but announced in October a reduction in the pace of its monthly asset purchases to EUR 30 billion beginning in January 2018. Central banks in most other advanced economies kept monetary policy unchanged as well. The exceptions were the Bank of Canada and the Bank of England, which returned their policy rates to the levels prevailing before their most recent emergency rate cuts in 2015 and 2016, respectively. Monetary policy in emerging markets such as Russia and Brazil eased somewhat, while rate hikes in Mexico and South Korea were the exception.

In 2017, global equities returned more than 18% due to the supportive growth environment and strong corporate earnings. Among developed markets, US and Japanese equities outperformed global equity markets, while Canada, Australia and the eurozone markets underperformed. Emerging market equities was the strongest segment, with a total return of more than 30%, benefitting from the recovery in global growth, easing monetary policy and a weaker US dollar (refer to the charts under "Equity markets"). Among sectors, IT, materials and industrials were the top performers while energy, telecommunications and utilities were the bottom performers in 2017. Equity market volatility, as measured by the Chicago Board Options Exchange Market Volatility Index (VIX), trended lower throughout 2017 to reach historically low levels. Risk appetite, as measured by the Credit Suisse Equity Risk Appetite Index, decreased during the year. The Credit Suisse Hedge Fund Index increased 7.2% in 2017.

Yield curves

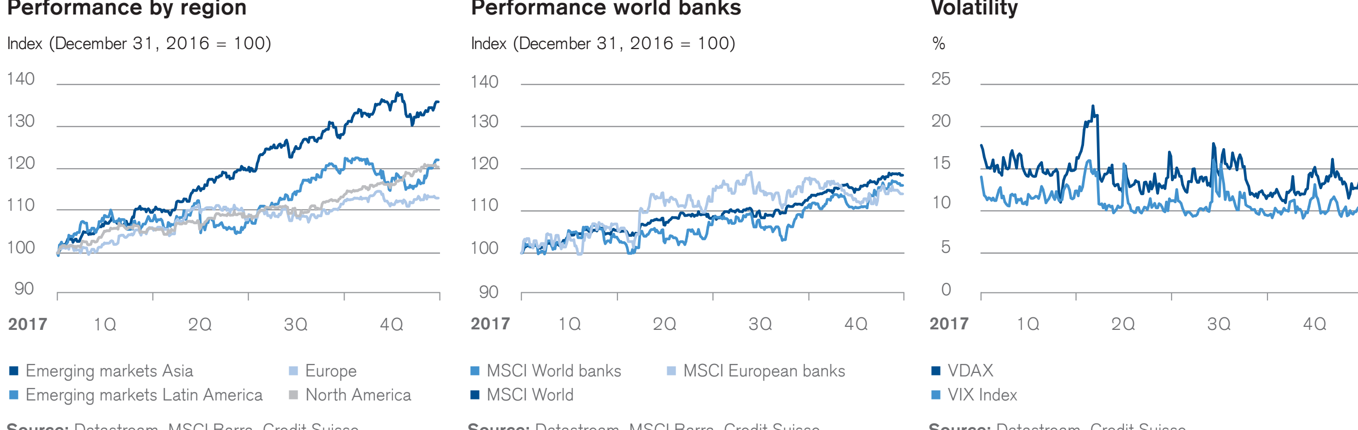
Yield curves remained at low levels in all major currencies.



Source: Datastream, Credit Suisse

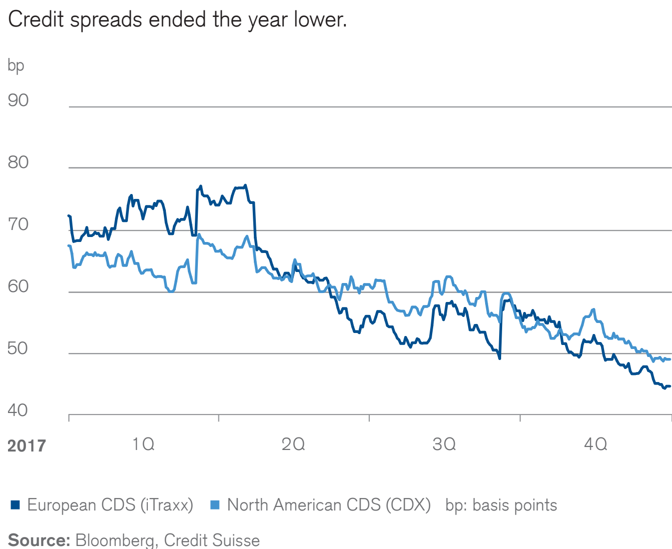
Equity markets

Equity markets increased significantly in 2017. Emerging market equities in particular showed a strong performance. Equity market volatility remained at low levels.



Credit spreads

Credit spreads ended the year lower.



Source: Bloomberg, Credit Suisse

In fixed income, despite strong economic momentum, US dollar long-dated government bond yields ended the year broadly unchanged given the subdued inflation pressure. In contrast, US dollar yields on shorter maturities increased further due to a continuation of rate increases by the Fed (refer to the charts under “Yield curves”). As a result, the US dollar yield curve flattened significantly, with the yield differential between 10-year and 2-year US Treasury yields declining. For the euro and the Swiss franc, longer dated yields increased slightly with better growth prospects and signs of a gradual increase in inflation expectations. Reflecting a decrease in the eurozone risk premium, peripheral European bonds outperformed core European sovereigns, with Greece and Portugal leading the trend. In credits, European subordinated financial debt benefited the most from this improved sentiment (refer to the charts under “Credit spreads”). The generally positive risk appetite led to an outperformance of global credits versus government bonds and high yield versus investment grade corporate bonds. In addition to the improved perception towards Europe, emerging market risk premiums also declined meaningfully in 2017. The decline in risk premium led to emerging market currency gains and very strong returns for local bonds in US dollar terms, with the asset class one of the best performing fixed income market segments in 2017.

Among major currencies, the US dollar underperformed in 2017. It depreciated from strong levels at the beginning of 2017, despite the continued tightening of US monetary policy, as disappointing US inflation weighed on it. The euro appreciated the most, following easing political concerns after the French elections, strong economic growth in the eurozone and the ECB’s October announcement on monetary policy plans. The Swiss franc also gained against the US dollar over the year, but depreciated against the euro as economic and political risks in the eurozone receded and safe-haven flows of capital began to reverse. The British pound was also among the strong major currencies in 2017, benefitting from progress in the negotiations on the United Kingdom’s withdrawal from the European Union. In major emerging markets, the Polish zloty, South Korean won and South African rand performed the best, while the Turkish lira was one of the few currencies to depreciate against the US dollar in 2017.

The Credit Suisse Commodities Benchmark ended the year with a positive return of more than 7% after substantial gains in the second half of the year reversed declines suffered in the first half of 2017. Within commodities, industrial metals outperformed following strong global industrial activity and ongoing Chinese supply reforms. Energy markets, specifically crude oil, also recorded price increases, driven by tightening inventories due to production cuts by the Organization of Petroleum Exporting Countries

and firm demand. Meanwhile, precious metals benefitted from a weaker US dollar and low US real interest rates. Major agriculture markets recorded losses as already large inventories and another strong world-wide harvest weighed on prices.

Market volumes (growth in % year on year)

2017	Global	Europe
Equity trading volume [1]	2	8
Announced mergers and acquisitions [2]	(2)	7
Completed mergers and acquisitions [2]	(10)	(20)
Equity underwriting [2]	28	48
Debt underwriting [2]	8	12
Syndicated lending – investment grade [2]	(35)	–

[1] London Stock Exchange, Borsa Italiana, Deutsche Börse and BME. Global also includes ICE and NASDAQ.
[2] Dealogic.

SECTOR ENVIRONMENT

World bank stocks underperformed global equity markets in 2017. European bank stocks outperformed world bank stocks strongly in the first half of 2017, but underperformed in the second half due to a very strong performance by North American bank stocks. At the end of 2017, world bank stocks traded 16.1% higher compared to 2016 (refer to the charts under “Equity markets”).

In private banking, market conditions remained challenging in light of political and economic uncertainty and the persistence of the low interest rate environment. The sector continues to face significant structural pressure as it adapts to industry-specific regulatory changes and tax regularization initiatives. In 2017, the industry experienced supportive equity markets, maintained a long-term fundamental growth trend and saw the continued pursuit of new opportunities and efficiencies arising from digital technology.

In investment banking, global equity trading volumes slightly increased compared to 2016, mainly driven by higher volumes in Europe. Compared to 2016, global announced mergers & acquisitions (M&A) volumes were down by 2%. Global completed M&A volumes also decreased, mainly due to lower volumes in Europe. Global equity underwriting volumes increased 28%, impacted by higher volumes in Europe, which were up 48% compared to 2016. Global debt underwriting increased by 8% compared to 2016. US fixed income volumes were stable compared to 2016.

Credit Suisse

In 2017, we recorded a net loss attributable to shareholders of CHF 983 million. Diluted loss per share was CHF 0.41 and the return on equity attributable to shareholders was (2.3)%. As of the end of 2017, our BIS CET1 ratio was 12.8% on a look-through basis.

Results

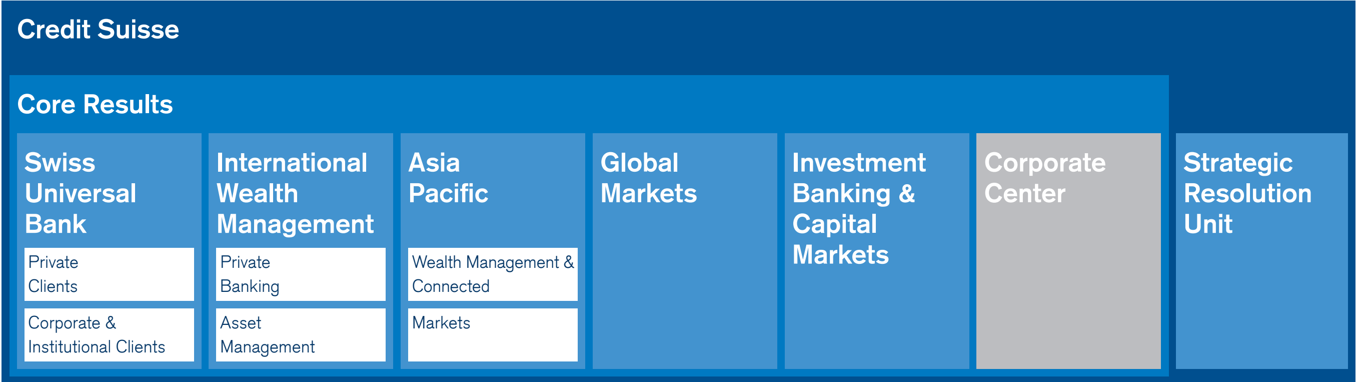
			in / end of		% change
	2017	2016	2015	17 / 16	16 / 15
Statements of operations (CHF million)					
Net interest income	6,557	7,562	9,299	(13)	(19)
Commissions and fees	11,817	11,092	12,044	7	(8)
Trading revenues	1,317	313	1,340	321	(77)
Other revenues	1,209	1,356	1,114	(11)	22
Net revenues	**20,900**	**20,323**	**23,797**	3	(15)
Provision for credit losses	**210**	**252**	**324**	(17)	(22)
Compensation and benefits	10,177	10,572	11,546	(4)	(8)
General and administrative expenses	6,835	9,770	8,574	(30)	14
Commission expenses	1,430	1,455	1,623	(2)	(10)
Goodwill impairment	0	0	3,797	–	(100)
Restructuring expenses	455	540	355	(16)	52
Total other operating expenses	8,720	11,765	14,349	(26)	(18)
Total operating expenses	**18,897**	**22,337**	**25,895**	(15)	(14)
Income/(loss) before taxes	**1,793**	**(2,266)**	**(2,422)**	–	(6)
Income tax expense	2,741	441	523	–	(16)
Net income/(loss)	**(948)**	**(2,707)**	**(2,945)**	(65)	(8)
Net income/(loss) attributable to noncontrolling interests	35	3	(1)	–	–
Net income/(loss) attributable to shareholders	**(983)**	**(2,710)**	**(2,944)**	(64)	(8)
Statement of operations metrics (%)					
Return on regulatory capital	3.9	(4.7)	(4.5)	–	–
Cost/income ratio	90.4	109.9	108.8	–	–
Effective tax rate	152.9	(19.5)	(21.6)	–	–
Earnings per share (CHF)					
Basic earnings/(loss) per share	(0.41)	(1.27)	(1.65)	(68)	(23)
Diluted earnings/(loss) per share	(0.41)	(1.27)	(1.65)	(68)	(23)
Return on equity (%)					
Return on equity attributable to shareholders	(2.3)	(6.1)	(6.8)	–	–
Return on tangible equity attributable to shareholders [1]	(2.6)	(6.9)	(8.4)	–	–
Balance sheet statistics (CHF million)					
Total assets	796,289	819,861	820,805	(3)	0
Risk-weighted assets [2]	271,680	268,045	289,946	1	(8)
Leverage exposure [2]	916,525	950,763	987,628	(4)	(4)
Number of employees (full-time equivalents)					
Number of employees	46,840	47,170	48,210	(1)	(2)

[1] Based on tangible shareholders' equity attributable to shareholders, a non-GAAP financial measure, which is calculated by deducting goodwill and other intangible assets from total shareholders' equity attributable to shareholders as presented in our balance sheet. Management believes that the return on tangible shareholders' equity attributable to shareholders is meaningful as it allows consistent measurement of the performance of businesses without regard to whether the businesses were acquired.

[2] Disclosed on a look-through basis.

Credit Suisse reporting structure

Credit Suisse includes the results of our six reporting segments, including the Strategic Resolution Unit, and the Corporate Center. Core Results do not include revenues and expenses from our Strategic Resolution Unit.



RESULTS SUMMARY

2017 results

In 2017, Credit Suisse reported a net loss attributable to shareholders of CHF 983 million compared to a net loss attributable to shareholders of CHF 2,710 million in 2016. The 2017 results included income tax expenses of CHF 2,741 million, mainly reflecting the re-assessment of deferred tax assets with an associated tax charge of CHF 2.3 billion, primarily resulting from a reduction in the US federal corporate tax rate following the enactment of the Tax Cuts and Jobs Act in the US during the fourth quarter of 2017. The 2016 results included net litigation provisions of CHF 2,986 million, primarily relating to the settlement with the US Department of Justice (DOJ) regarding our legacy residential mortgage-backed securities (RMBS) business. In 2017, Credit Suisse reported income before taxes of CHF 1,793 million and an adjusted income before taxes of CHF 2,762 million.

2016 results

In 2016, Credit Suisse reported a net loss attributable to shareholders of CHF 2,710 million compared to CHF 2,944 million in 2015. The 2016 results included net litigation provisions of CHF 2,986 million, primarily related to the settlement with the DOJ regarding our legacy RMBS business. Our 2015 results included a goodwill impairment charge of CHF 3,797 million. In 2016, Credit Suisse reported an adjusted income before taxes of CHF 615 million.

2017 RESULTS

Net revenues

Compared to 2016, net revenues of CHF 20,900 million increased 3%, primarily reflecting higher net revenues in International Wealth Management and Investment Banking & Capital Markets and lower negative net revenues in the Strategic Resolution Unit, partially offset by lower net revenues in Swiss Universal Bank. The increase in net revenues in International Wealth Management was driven by higher recurring commissions and fees, higher transaction- and performance-based revenues and higher net interest income, partially offset by lower other revenues. The increase in net revenues in Investment Banking & Capital Markets was due to higher revenues from debt underwriting and equity underwriting, partially offset by lower revenues in advisory and other fees. The decrease in negative net revenues in the Strategic Resolution Unit was driven by lower negative valuation adjustments, a reduction in overall funding costs and lower exit losses primarily related to the sale of loan and financing portfolios, partially offset by a reduction in fee-based revenues as a result of accelerated business exits. The decrease in net revenues in Swiss Universal Bank was mainly due to gains on the sale of real estate in 2016 of CHF 366 million.

Provision for credit losses

In 2017, we recorded provision for credit losses of CHF 210 million, primarily reflecting provisions of CHF 75 million in Swiss Universal Bank, CHF 32 million in the Strategic Resolution Unit, CHF 31 million in Global Markets and CHF 30 million in Investment Banking & Capital Markets.

Total operating expenses

We reported total operating expenses of CHF 18,897 million in 2017, a decrease of 15% compared to 2016, primarily due to a 30% decrease in general and administrative expenses and a 4% decrease in compensation and benefits. The decrease in general and administrative expenses was primarily due to lower litigation provisions, mainly due to the settlements in 2016 with the DOJ and the National Credit Union Administration Board (NCUA) regarding our legacy RMBS business, and lower professional services fees. The decrease in compensation and benefits was mainly due to lower salaries and lower discretionary compensation expenses.

Income tax expense

In 2017, we recorded income tax expense of CHF 2,741 million. The Credit Suisse effective tax rate was 152.9% in 2017, compared to (19.5)% in 2016. The effective tax rate for 2017 mainly reflected the re-assessment of deferred tax assets, with an associated tax charge of CHF 2.3 billion primarily resulting from the US tax reform, the non-deductible penalty relating to the settlement with the DFS relating to certain areas of our foreign exchange trading business and the impact from recognizing tax contingency accruals, partially offset by the impact of the geographical mix of results. Overall, net deferred tax assets decreased CHF 571 million to CHF 5,128 million during 2017, mainly driven by the re-assessment of deferred taxes, earnings and a foreign exchange impact, partially offset by the adoption of new accounting standards relating to intra-entity asset transfers rules and share-based payment. Net deferred tax assets on net operating losses increased CHF 35 million to CHF 2,213 million during 2017.

US tax reform – Tax Cuts and Jobs Act

The US tax reform enacted on December 22, 2017 resulted in a reduction of the federal corporate income tax rate from 35% to 21%, effective as of January 1, 2018. The US tax reform required a re-assessment of our deferred tax assets, which resulted in a tax charge recorded in the fourth quarter of 2017, primarily related to our US deferred tax assets. The impact of the US tax reform on our look-through common equity tier 1 (CET1) ratio in the fourth quarter of 2017 was minimal.

The reform also introduced the base erosion and anti-abuse tax (BEAT), effective as of January 1, 2018. It is broadly levied on tax deductions created by certain payments, e.g., for interest and services, to affiliated group companies outside the US, in the case where the calculated tax based on a modified taxable income exceeds the amount of ordinary federal corporate income taxes paid. The tax rates applicable for banks are 6% for 2018, 11% for 2019 until 2025 and 13.5% from 2026 onward. On the basis of the current analysis of the BEAT tax regime, we regard it as more likely than not that the Group will not be subject to this regime in 2018. However, there are significant uncertainties in the application of BEAT and this interpretation will be subject to review once further guidance has been issued by the US Department of Treasury.

▸ Refer to "Note 27 – Tax" in VI – Consolidated financial statements – Credit Suisse Group for further information.

2016 RESULTS

Net revenues

Compared to 2015, net revenues of CHF 20,323 million decreased 15%, primarily reflecting lower net revenues in the Strategic Resolution Unit and Global Markets. Net revenues in the Strategic Resolution Unit decreased primarily due to lower revenues from the restructuring of our select onshore businesses, in particular the transfer of our US private banking business, which was announced in 2015, higher overall funding costs and higher negative valuation adjustments. Net revenues in Global Markets declined as challenging trading conditions resulted in reduced client activity.

Provision for credit losses

In 2016, we recorded provision for credit losses of CHF 252 million, primarily reflecting provisions of CHF 111 million in the Strategic Resolution Unit and CHF 79 million in Swiss Universal Bank.

Total operating expenses

Compared to 2015, total operating expenses of CHF 22,337 million decreased 14%, primarily reflecting the significant goodwill impairment charge in the fourth quarter of 2015, partially offset by a 52% increase in restructuring expenses, mainly in Global Markets, and the higher net litigation provisions primarily due to the settlements with the DOJ and the NCUA regarding our legacy ▸ RMBS business.

Income tax expense

In 2016, we recorded income tax expense of CHF 441 million. The Credit Suisse effective tax rate was (19.5)% in 2016, compared to (21.6)% in 2015. The effective tax rate for 2016 mainly reflected the non-deductible civil monetary penalty relating to the settlement with the DOJ regarding our legacy RMBS business. This impact was partially offset by tax benefits from the geographical mix of results and re-assessment of deferred tax balances, mainly in Switzerland. It also reflected changes in valuation allowances against deferred tax assets, mainly in the UK and Switzerland. Overall, net deferred tax assets decreased CHF 426 million to CHF 5,699 million during 2016.

▸ Refer to "Note 27 – Tax" in VI – Consolidated financial statements – Credit Suisse Group for further information.

Overview of Results

in / end of	Swiss Universal Bank	International Wealth Management	Asia Pacific	Global Markets	Investment Banking & Capital Markets	Corporate Center	**Core Results**	Strategic Resolution Unit	**Credit Suisse**
2017 (CHF million)									
Net revenues	**5,396**	**5,111**	**3,504**	**5,551**	**2,139**	**85**	**21,786**	**(886)**	**20,900**
Provision for credit losses	**75**	**27**	**15**	**31**	**30**	**0**	**178**	**32**	**210**
Compensation and benefits	1,833	2,216	1,602	2,532	1,268	394	9,845	332	10,177
Total other operating expenses	1,723	1,517	1,158	2,538	472	427	7,835	885	8,720
of which general and administrative expenses	1,375	1,203	831	1,839	423	368	6,039	796	6,835
of which restructuring expenses	59	70	63	150	42	14	398	57	455
Total operating expenses	**3,556**	**3,733**	**2,760**	**5,070**	**1,740**	**821**	**17,680**	**1,217**	**18,897**
Income/(loss) before taxes	**1,765**	**1,351**	**729**	**450**	**369**	**(736)**	**3,928**	**(2,135)**	**1,793**
Return on regulatory capital	13.7	25.8	13.8	3.2	13.7	–	9.3	–	3.9
Cost/income ratio	65.9	73.0	78.8	91.3	81.3	–	81.2	–	90.4
Total assets	228,857	94,753	96,497	242,159	20,803	67,591	750,660	45,629	796,289
Goodwill	610	1,544	1,496	459	633	0	4,742	0	4,742
Risk-weighted assets [1]	65,572	38,256	31,474	58,858	20,058	23,849	238,067	33,613	271,680
Leverage exposure [1]	257,054	99,267	105,585	283,809	43,842	67,034	856,591	59,934	916,525
2016 (CHF million)									
Net revenues	**5,759**	**4,698**	**3,597**	**5,497**	**1,972**	**71**	**21,594**	**(1,271)**	**20,323**
Provision for credit losses	**79**	**20**	**26**	**(3)**	**20**	**(1)**	**141**	**111**	**252**
Compensation and benefits	1,937	2,119	1,665	2,725	1,237	277	9,960	612	10,572
Total other operating expenses	1,718	1,438	1,181	2,727	454	482	8,000	3,765	11,765
of which general and administrative expenses	1,375	1,145	836	2,001	424	399	6,180	3,590	9,770
of which restructuring expenses	60	54	53	217	28	7	419	121	540
Total operating expenses	**3,655**	**3,557**	**2,846**	**5,452**	**1,691**	**759**	**17,960**	**4,377**	**22,337**
Income/(loss) before taxes	**2,025**	**1,121**	**725**	**48**	**261**	**(687)**	**3,493**	**(5,759)**	**(2,266)**
Return on regulatory capital	16.5	23.3	13.7	0.4	10.7	–	8.5	–	(4.7)
Cost/income ratio	63.5	75.7	79.1	99.2	85.8	–	83.2	–	109.9
Total assets	228,363	91,083	97,221	239,700	20,784	62,413	739,564	80,297	819,861
Goodwill	623	1,612	1,546	476	656	0	4,913	0	4,913
Risk-weighted assets [1]	65,669	35,252	34,605	51,713	18,027	17,338	222,604	45,441	268,045
Leverage exposure [1]	252,889	94,092	108,926	284,143	45,571	59,374	844,995	105,768	950,763
2015 (CHF million)									
Net revenues	**5,721**	**4,552**	**3,839**	**6,826**	**1,787**	**561**	**23,286**	**511**	**23,797**
Provision for credit losses	**138**	**5**	**35**	**10**	**0**	**(1)**	**187**	**137**	**324**
Compensation and benefits	1,985	2,115	1,557	3,105	1,265	351	10,378	1,168	11,546
Total other operating expenses	1,923	1,709	1,870	5,642	836	511	12,491	1,858	14,349
of which general and administrative expenses	1,597	1,429	790	2,322	432	465	7,035	1,539	8,574
Goodwill impairment	0	0	756	2,661	380	0	3,797	0	3,797
Restructuring expenses	42	36	3	96	22	0	199	156	355
Total operating expenses	**3,908**	**3,824**	**3,427**	**8,747**	**2,101**	**862**	**22,869**	**3,026**	**25,895**
Income/(loss) before taxes	**1,675**	**723**	**377**	**(1,931)**	**(314)**	**(300)**	**230**	**(2,652)**	**(2,422)**
Return on regulatory capital	13.8	15.4	6.7	(11.2)	(15.4)	–	0.5	–	(4.5)
Cost/income ratio	68.3	84.0	89.3	128.1	117.6	–	98.2	–	108.8
Total assets	220,359	96,085	85,929	234,276	18,712	64,621	719,982	100,823	820,805
Goodwill	610	1,573	1,522	464	639	0	4,808	0	4,808
Risk-weighted assets [1]	60,352	32,880	26,835	62,838	16,150	18,467	217,522	72,424	289,946
Leverage exposure [1]	238,180	101,628	98,632	276,656	40,898	63,090	819,084	168,544	987,628

1 Disclosed on a look-through basis.

Reconciliation of adjusted results

Adjusted results referred to in this report are non-GAAP financial measures that exclude goodwill impairment and certain other revenues and expenses included in our reported results. Management believes that adjusted results provide a useful presentation of our operating results for purposes of assessing our Group and divisional performance consistently over time, on a basis that excludes items that management does not consider representative of our underlying performance. Provided below is a reconciliation of our adjusted results to the most directly comparable US GAAP measures.

in	Swiss Universal Bank	International Wealth Management	Asia Pacific	Global Markets	Investment Banking & Capital Markets	Corporate Center	**Core Results**	Strategic Resolution Unit	**Credit Suisse**
2017 (CHF million)									
Net revenues	**5,396**	**5,111**	**3,504**	**5,551**	**2,139**	**85**	**21,786**	**(886)**	**20,900**
(Gains)/losses on business sales	0	28	0	0	0	23	51	(38)	13
Net revenues adjusted	**5,396**	**5,139**	**3,504**	**5,551**	**2,139**	**108**	**21,837**	**(924)**	**20,913**
Provision for credit losses	**75**	**27**	**15**	**31**	**30**	**0**	**178**	**32**	**210**
Total operating expenses	**3,556**	**3,733**	**2,760**	**5,070**	**1,740**	**821**	**17,680**	**1,217**	**18,897**
Restructuring expenses	(59)	(70)	(63)	(150)	(42)	(14)	(398)	(57)	(455)
Major litigation provisions	(49)	(48)	0	0	0	(127)	(224)	(269)	(493)
Expenses related to business sales	0	0	0	(8)	0	0	(8)	0	(8)
Total operating expenses adjusted	**3,448**	**3,615**	**2,697**	**4,912**	**1,698**	**680**	**17,050**	**891**	**17,941**
Income/(loss) before taxes	**1,765**	**1,351**	**729**	**450**	**369**	**(736)**	**3,928**	**(2,135)**	**1,793**
Total adjustments	108	146	63	158	42	164	681	288	969
Adjusted income/(loss) before taxes	**1,873**	**1,497**	**792**	**608**	**411**	**(572)**	**4,609**	**(1,847)**	**2,762**
Adjusted return on regulatory capital (%)	14.6	28.6	15.0	4.3	15.2	–	10.9	–	6.0
2016 (CHF million)									
Net revenues	**5,759**	**4,698**	**3,597**	**5,497**	**1,972**	**71**	**21,594**	**(1,271)**	**20,323**
Real estate gains	(366)	(54)	0	0	0	0	(420)	(4)	(424)
(Gains)/losses on business sales	0	0	0	0	0	52	52	6	58
Net revenues adjusted	**5,393**	**4,644**	**3,597**	**5,497**	**1,972**	**123**	**21,226**	**(1,269)**	**19,957**
Provision for credit losses	**79**	**20**	**26**	**(3)**	**20**	**(1)**	**141**	**111**	**252**
Total operating expenses	**3,655**	**3,557**	**2,846**	**5,452**	**1,691**	**759**	**17,960**	**4,377**	**22,337**
Restructuring expenses	(60)	(54)	(53)	(217)	(28)	(7)	(419)	(121)	(540)
Major litigation provisions	(19)	12	0	(7)	0	0	(14)	(2,693)	(2,707)
Total operating expenses adjusted	**3,576**	**3,515**	**2,793**	**5,228**	**1,663**	**752**	**17,527**	**1,563**	**19,090**
Income/(loss) before taxes	**2,025**	**1,121**	**725**	**48**	**261**	**(687)**	**3,493**	**(5,759)**	**(2,266)**
Total adjustments	(287)	(12)	53	224	28	59	65	2,816	2,881
Adjusted income/(loss) before taxes	**1,738**	**1,109**	**778**	**272**	**289**	**(628)**	**3,558**	**(2,943)**	**615**
Adjusted return on regulatory capital (%)	14.2	23.1	14.8	2.0	11.9	–	8.6	–	1.3
2015 (CHF million)									
Net revenues	**5,721**	**4,552**	**3,839**	**6,826**	**1,787**	**561**	**23,286**	**511**	**23,797**
Fair value on own debt	–	–	–	–	–	(298)	(298)	–	(298)
Real estate gains	(95)	0	0	0	0	0	(95)	0	(95)
(Gains)/losses on business sales	(23)	(11)	0	0	0	0	(34)	0	(34)
Net revenues adjusted	**5,603**	**4,541**	**3,839**	**6,826**	**1,787**	**263**	**22,859**	**511**	**23,370**
Provision for credit losses	**138**	**5**	**35**	**10**	**0**	**(1)**	**187**	**137**	**324**
Total operating expenses	**3,908**	**3,824**	**3,427**	**8,747**	**2,101**	**862**	**22,869**	**3,026**	**25,895**
Goodwill impairment	0	0	(756)	(2,661)	(380)	0	(3,797)	0	(3,797)
Restructuring expenses	(42)	(36)	(3)	(96)	(22)	0	(199)	(156)	(355)
Major litigation provisions	(25)	(268)	(6)	(231)	0	0	(530)	(290)	(820)
Total operating expenses adjusted	**3,841**	**3,520**	**2,662**	**5,759**	**1,699**	**862**	**18,343**	**2,580**	**20,923**
Income/(loss) before taxes	**1,675**	**723**	**377**	**(1,931)**	**(314)**	**(300)**	**230**	**(2,652)**	**(2,422)**
Total adjustments	(51)	293	765	2,988	402	(298)	4,099	446	4,545
Adjusted income/(loss) before taxes	**1,624**	**1,016**	**1,142**	**1,057**	**88**	**(598)**	**4,329**	**(2,206)**	**2,123**
Adjusted return on regulatory capital (%)	13.4	21.7	20.4	6.7	4.6	–	10.0	–	4.0

Adjusted return on regulatory capital is calculated using adjusted results, applying the same methodology used to calculate return on regulatory capital.

Core Results by business activity

in							2017	2016	2015
(CHF million)	Swiss Universal Bank	International Wealth Management	Asia Pacific	Global Markets	Investment Banking & Capital Markets	Corporate Center	Core Results	Core Results	Core Results
Related to private banking									
Net revenues	2,897	3,603	1,607	–	–	–	8,107	8,003	7,607
of which net interest income	1,670	1,449	620	–	–	–	3,739	3,571	3,090
of which recurring	812	1,200	381	–	–	–	2,393	2,232	2,391
of which transaction-based	413	953	606	–	–	–	1,972	1,801	1,997
Provision for credit losses	42	27	4	–	–	–	73	91	72
Total operating expenses	2,054	2,552	1,062	–	–	–	5,668	5,615	5,951
Income before taxes	**801**	**1,024**	**541**	**–**	**–**	**–**	**2,366**	**2,297**	**1,584**
Related to corporate & institutional banking									
Net revenues	2,499	–	–	–	–	–	2,499	2,501	2,516
of which net interest income	1,226	–	–	–	–	–	1,226	1,223	1,117
of which recurring	634	–	–	–	–	–	634	626	637
of which transaction-based	694	–	–	–	–	–	694	702	784
Provision for credit losses	33	–	–	–	–	–	33	40	89
Total operating expenses	1,502	–	–	–	–	–	1,502	1,531	1,460
Income before taxes	**964**	**–**	**–**	**–**	**–**	**–**	**964**	**930**	**967**
Related to investment banking									
Net revenues	–	–	1,897	5,551	2,139	–	9,587	9,692	11,274
of which fixed income sales and trading	–	–	262	2,922	–	–	3,184	3,130	3,887
of which equity sales and trading	–	–	920	1,750	–	–	2,670	3,319	4,526
of which underwriting and advisory [1]	–	–	715	1,115	2,186	–	4,016	3,582	3,214
Provision for credit losses	–	–	11	31	30	–	72	11	27
Total operating expenses	–	–	1,698	5,070	1,740	–	8,508	9,008	13,450
Income before taxes	**–**	**–**	**188**	**450**	**369**	**–**	**1,007**	**673**	**(2,203)**
Related to asset management									
Net revenues	–	1,508	–	–	–	–	1,508	1,327	1,328
Total operating expenses	–	1,181	–	–	–	–	1,181	1,047	1,146
Income before taxes	**–**	**327**	**–**	**–**	**–**	**–**	**327**	**280**	**182**
Related to corporate center									
Net revenues	–	–	–	–	–	85	85	71	561
Provision for credit losses	–	–	–	–	–	0	0	(1)	(1)
Total operating expenses	–	–	–	–	–	821	821	759	862
Loss before taxes	**–**	**–**	**–**	**–**	**–**	**(736)**	**(736)**	**(687)**	**(300)**
Total									
Net revenues	5,396	5,111	3,504	5,551	2,139	85	21,786	21,594	23,286
Provision for credit losses	75	27	15	31	30	0	178	141	187
Total operating expenses	3,556	3,733	2,760	5,070	1,740	821	17,680	17,960	22,869
Income/(loss) before taxes	**1,765**	**1,351**	**729**	**450**	**369**	**(736)**	**3,928**	**3,493**	**230**

[1] Certain transaction-based revenues in Swiss Universal Bank and certain fixed income and equity sales and trading revenues in Global Markets relate to the Group's global advisory and underwriting business. Refer to "Global advisory and underwriting revenues" in Investment Banking & Capital Markets for further information.

CORE RESULTS

2017 results

In 2017, Core Results net revenues of CHF 21,786 million were stable compared to 2016, primarily reflecting higher net revenues in International Wealth Management and Investment Banking & Capital Markets, offset by lower net revenues in Swiss Universal Bank and Asia Pacific. Provision for credit losses was CHF 178 million, primarily reflecting net provisions of CHF 75 million in Swiss Universal Bank, CHF 31 million in Global Markets and CHF 30 million in Investment Banking & Capital Markets. Total operating expenses of CHF 17,680 million decreased slightly compared to 2016, mainly due to slightly lower general and administrative expenses.

2016 results

In 2016, Core Results net revenues of CHF 21,594 million decreased 7% compared to 2015, primarily reflecting lower net revenues in Global Markets, Corporate Center and Asia Pacific. Provision for credit losses was CHF 141 million, mainly reflecting net provisions of CHF 79 million in Swiss Universal Bank and CHF 26 million in Asia Pacific. Total operating expenses of CHF 17,960 million were down 21% compared to 2015, primarily reflecting the goodwill impairment charge of CHF 3,797 million in 2015 and a 12% decrease in general and administrative expenses.

REGULATORY CAPITAL

As of the end of 2017, our Bank for International Settlements (BIS) CET1 ratio was 12.8% and our risk-weighted assets were CHF 271.7 billion, both on a look-through basis.

Following discussions with the Swiss Financial Market Supervisory Authority FINMA (FINMA) during 2017, Credit Suisse updated its loss history and implemented a revised methodology for the measurement of its risk-weighted assets relating to operational risk, primarily in respect of its RMBS settlements. As a consequence of the application of this revised methodology to the RMBS settlements with the DOJ, the NCUA and Massachusetts Mutual Life Insurance Company, risk-weighted assets relating to operational risk increased by a total of CHF 9.0 billion in the second half of 2017. Separately, Credit Suisse has approached FINMA with a request to review the appropriateness of the level of the risk-weighted assets relating to operational risk in the Strategic Resolution Unit given the progress in exiting businesses and reducing the size of the division over the last two years, with the aim of aligning reductions to the accelerated closure of the Strategic Resolution Unit by the end of 2018. This is still under discussion with FINMA.

Separate to the above, we expect additional regulatory changes from FINMA, mainly in respect of credit multipliers, to result in additional risk-weighted assets of approximately CHF 8 billion in 2018, of which we expect approximately CHF 2 billion will be added in the first quarter of 2018.

▸ Refer to "Capital management" in III – Treasury, Risk, Balance sheet and Off-balance sheet for further information.

EMPLOYEES AND OTHER HEADCOUNT

As of December 31, 2017, we had 46,840 employees worldwide, of which 16,490 were in Switzerland and 30,350 were abroad.

The number of employees decreased by 330 compared to the end of 2016. The decrease primarily reflected the results of our cost efficiency measures and the right-sizing of business activities, especially in Swiss Universal Bank and the Strategic Resolution Unit, partially offset by an increase in Asia Pacific and Global Markets, primarily due to contractor conversions and strategic hiring. The number of outsourced roles, contractors and consultants decreased by 1,520 compared to the end of 2016.

Employees and other headcount

end of	**2017**	2016
Employees		
Swiss Universal Bank	12,600	13,140
International Wealth Management	10,250	10,300
Asia Pacific	7,230	6,980
Global Markets	11,740	11,530
Investment Banking & Capital Markets	3,190	3,090
Strategic Resolution Unit	1,530	1,830
Corporate Center	300	300
Total employees	**46,840**	**47,170**
of which Switzerland	16,490	17,020
of which all other regions	30,350	30,150
Other headcount		
Outsourced roles, contractors and consultants	21,510	23,030
Total employees and other headcount	68,350	70,200

Based on full-time equivalents.

INFORMATION AND DEVELOPMENTS

Format of presentation

In managing our business, revenues are evaluated in the aggregate, including an assessment of trading gains and losses and the related interest income and expense from financing and hedging positions. For this reason, specific individual revenue categories in isolation may not be indicative of performance.

Certain reclassifications have been made to prior periods to conform to the current presentation.

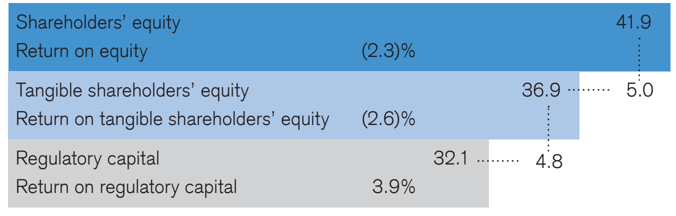
International Trading Solutions

Effective July 1, 2017, the Global Markets division entered into an agreement with Swiss Universal Bank and International Wealth Management whereby it provides centralized trading and sales services to private and institutional clients across the three divisions. These services are now managed as a single business within the Global Markets division, referred to as International Trading Solutions (ITS). ITS is expected to provide aligned market strategies, significant cost synergies and enhanced client focus.

Return on regulatory capital

Credit Suisse measures firm-wide returns against total shareholders' equity and tangible shareholders' equity. In addition, it also measures the efficiency of the firm and its divisions with regard to the usage of capital as determined by the minimum requirements set by regulators. This regulatory capital is calculated as the worst of 10% of risk-weighted assets and 3.5% of leverage exposure. Return on regulatory capital is calculated using income/(loss) after tax and assumes a tax rate of 30% and capital allocated based on the worst of 10% of average risk-weighted assets and 3.5% of average leverage exposure. These percentages are used in the calculation in order to reflect the 2019 fully phased-in Swiss regulatory minimum requirements for Basel III CET1 capital and leverage ratio. For Global Markets and Investment Banking & Capital Markets, return on regulatory capital is based on US dollar denominated numbers.

End of / in 2017 (CHF billion, except where indicated)



Capital distribution proposal

Our Board of Directors will propose to the shareholders at the Annual General Meeting on April 27, 2018 a distribution of CHF 0.25 per share out of capital contribution reserves for the financial year 2017. The distribution will be free of Swiss withholding tax and will not be subject to income tax for Swiss resident individuals holding the shares as a private investment. The distribution will be payable in cash.

Compensation and benefits

Compensation and benefits for a given year reflect the strength and breadth of the business results and staffing levels and include fixed components, such as salaries, benefits and the amortization of share-based and other deferred compensation from prior-year awards, and a discretionary variable component. The variable component reflects the performance-based variable compensation for the current year. The portion of the performance-based compensation for the current year deferred through share-based and other awards is expensed in future periods and is subject to vesting and other conditions.

Our shareholders' equity reflects the effect of share-based compensation. Share-based compensation expense (which is generally based on fair value at the time of grant) reduces equity; however, the recognition of the obligation to deliver the shares increases equity by a corresponding amount. Equity is generally unaffected by the granting and vesting of share-based awards and by the settlement of these awards through the issuance of shares from approved conditional capital. The Group may issue shares from conditional capital to meet its obligations to deliver share-based compensation awards. If Credit Suisse purchases shares from the market to meet its obligation to employees, these purchased treasury shares reduce equity by the amount of the purchase price.

▸ Refer to “Compensation” in V – Compensation for further information.

▸ Refer to “Consolidated statements of changes in equity” and “Note 28 – Employee deferred compensation” in VI – Consolidated financial statements – Credit Suisse Group for further information.

▸ Refer to “Tax benefits associated with share-based compensation” in Note 27 – Tax in VI – Consolidated financial statements – Credit Suisse Group for further information.

Allocations and funding

Revenue sharing

Responsibility for each product is allocated to a specific segment, which records all related revenues and expenses. Revenue-sharing and service level agreements govern the compensation received by one segment for generating revenue or providing services on behalf of another. These agreements are negotiated periodically by the relevant segments on a product-by-product basis. The aim of revenue-sharing and service level agreements is to reflect the pricing structure of unrelated third-party transactions.

Cost allocation

Corporate services and business support, including in finance, operations, human resources, legal, compliance, risk management and IT, are provided by corporate functions, and the related costs are allocated to the segments and the Corporate Center based on their respective requirements and other relevant measures.

Funding

We centrally manage our funding activities. New securities for funding and capital purposes are issued primarily by the Bank.

▸ Refer to Note 4 – Segment information in VI – Consolidated financial statements – Credit Suisse Group for further information.

Fair valuations

Fair value can be a relevant measurement for financial instruments when it aligns the accounting for these instruments with how we manage our business. The levels of the fair value hierarchy as defined by the relevant accounting guidance are not a measurement of economic risk, but rather an indication of the observability of prices or valuation inputs.

▸ Refer to "Note 1 – Summary of significant accounting policies" and "Note 34 – Financial instruments" in VI – Consolidated financial statements – Credit Suisse Group for further information.

The fair value of the majority of the Group's financial instruments is based on quoted prices in active markets (level 1) or observable inputs (level 2). These instruments include government and agency securities, certain commercial paper, most investment grade corporate debt, certain high yield debt securities, exchange-traded and certain over-the-counter (OTC) derivative instruments and most listed equity securities.

In addition, the Group holds financial instruments for which no prices are available and which have little or no observable inputs (level 3). For these instruments, the determination of fair value requires subjective assessment and judgment depending on liquidity, pricing assumptions, the current economic and competitive environment and the risks affecting the specific instrument. In such circumstances, valuation is determined based on management's own judgments about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These instruments include certain OTC derivatives, including equity and credit derivatives, certain corporate equity-linked securities, mortgage-related and collateralized debt obligation (CDO) securities, private equity investments, certain loans and credit products, including leveraged finance, certain syndicated loans and certain high yield bonds, and life finance instruments.

Models were used to value financial instruments for which no prices are available and which have little or no observable inputs (level 3). Models are developed internally and are reviewed by functions independent of the front office to ensure they are appropriate for current market conditions. The models require subjective assessment and varying degrees of judgment depending on liquidity, concentration, pricing assumptions and risks affecting the specific instrument. The models consider observable and unobservable parameters in calculating the value of these products, including certain indices relating to these products. Consideration of these indices is more significant in periods of lower market activity.

As of the end of 2017, 38% and 24% of our total assets and total liabilities, respectively, were measured at fair value.

The majority of our level 3 assets are recorded in our investment banking businesses. Total assets at fair value recorded as level 3 instruments decreased CHF 6.7 billion to CHF 16.6 billion as of the end of 2017, primarily reflecting net sales, mainly in trading assets and loans, net settlements, mainly in loans and trading assets, and the foreign exchange translation impact, mainly in trading assets and loans.

As of the end of 2017, these assets comprised 2% of total assets and 6% of total assets measured at fair value, compared to 3% and 7%, respectively, as of the end of 2016.

We believe that the range of any valuation uncertainty, in the aggregate, would not be material to our financial condition; however, it may be material to our operating results for any particular period, depending, in part, upon the operating results for such period.

DIFFERENCES BETWEEN GROUP AND BANK

Except where noted, the business of the Bank is substantially the same as the business of Credit Suisse Group, and substantially all of the Bank's operations are conducted through the Swiss Universal Bank, International Wealth Management, Asia Pacific, Global Markets, Investment Banking & Capital Markets and the Strategic Resolution Unit segments. These segmental results are included in Core Results, except for the Strategic Resolution Unit, which is part of the Credit Suisse Results. Core Results also include certain Corporate Center activities of the Group that are not applicable to the Bank. Certain other assets, liabilities and results of operations are managed as part of the activities of the six segments. However, since they are legally owned by the Group, they are not included in the Bank's consolidated financial statements. These relate principally to:

- financing vehicles of the Group, which include special purpose vehicles for various funding activities of the Group, including for the purpose of raising capital;
- Credit Suisse Services AG and its branches that provide services to the Bank and its subsidiaries; and
- hedging activities relating to share-based compensation awards.

These operations and activities vary from period to period and give rise to differences between the Bank's assets, liabilities, revenues and expenses, including pensions and taxes, and those of the Group.

‣ Refer to "Note 40 – Subsidiary guarantee information" in VI – Consolidated financial statements – Credit Suisse Group for further information on the Bank.

Comparison of consolidated statements of operations

			Group			Bank
in	**2017**	2016	2015	**2017**	2016	2015
Statements of operations (CHF million)						
Net revenues	20,900	20,323	23,797	20,965	20,393	23,811
Provision for credit losses	210	252	324	210	252	324
Total operating expenses	18,897	22,337	25,895	19,202	22,630	26,136
Income/(loss) before taxes	**1,793**	**(2,266)**	**(2,422)**	**1,553**	**(2,489)**	**(2,649)**
Income tax expense	2,741	441	523	2,781	400	488
Net income/(loss)	**(948)**	**(2,707)**	**(2,945)**	**(1,228)**	**(2,889)**	**(3,137)**
Net income/(loss) attributable to noncontrolling interests	35	3	(1)	27	(6)	(7)
Net income/(loss) attributable to shareholders	**(983)**	**(2,710)**	**(2,944)**	**(1,255)**	**(2,883)**	**(3,130)**

Comparison of consolidated balance sheets

		Group		Bank
end of	**2017**	2016	**2017**	2016
Balance sheet statistics (CHF million)				
Total assets	796,289	819,861	798,372	822,065
Total liabilities	754,100	777,550	754,822	778,207

Capitalization and indebtedness

		Group		Bank
end of	**2017**	2016	**2017**	2016
Capitalization and indebtedness (CHF million)				
Due to banks	15,413	22,800	15,411	22,800
Customer deposits	361,162	355,833	362,303	357,224
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	26,496	33,016	26,496	33,016
Long-term debt	173,032	193,315	172,042	192,495
Other liabilities	177,997	172,586	178,570	172,672
Total liabilities	**754,100**	**777,550**	**754,822**	**778,207**
Total equity	42,189	42,311	43,550	43,858
Total capitalization and indebtedness	**796,289**	**819,861**	**798,372**	**822,065**

BIS capital metrics

		Group		Bank
end of	**2017**	2016	**2017**	2016
Capital and risk-weighted assets (CHF million)				
CET1 capital	36,711	36,576	38,433	37,356
Tier 1 capital	51,482	48,865	52,378	48,888
Total eligible capital	56,696	55,728	57,592	55,802
Risk-weighted assets	272,815	271,372	272,720	270,653
Capital ratios (%)				
CET1 ratio	13.5	13.5	14.1	13.8
Tier 1 ratio	18.9	18.0	19.2	18.1
Total capital ratio	20.8	20.5	21.1	20.6

Dividends from the Bank to the Group

for the financial year	**2017**	2016	2015	2014 [2]	2013 [2]
Dividends (CHF million)					
Dividends	10 [1]	10	10	10	10

[1] The Bank's total share capital is fully paid and consisted of 4,399,680,200 registered shares as of December 31, 2017. Dividends are determined in accordance with Swiss law and the Bank's articles of incorporation. Proposal of the Board of Directors to the annual general meeting of the Bank for a dividend of CHF 10 million.

[2] Header label corrected since June 20, 2018.

Swiss Universal Bank

In 2017, we reported income before taxes of CHF 1,765 million and net revenues of CHF 5,396 million. Income before taxes decreased 13% compared to 2016, reflecting lower net revenues, partially offset by slightly lower total operating expenses. 2016 included gains on the sale of real estate of CHF 366 million. Adjusted income before taxes increased 8% compared to 2016.

RESULTS SUMMARY

2017 results

In 2017, we reported income before taxes of CHF 1,765 million and net revenues of CHF 5,396 million. Compared to 2016, net revenues were 6% lower, mainly due to gains on the sale of real estate in 2016 of CHF 366 million reflected in other revenues. All other revenue categories were stable. Provision for credit losses was CHF 75 million in 2017 on a net loan portfolio of CHF 165.0 billion. Total operating expenses decreased slightly, primarily driven by lower compensation and benefits reflecting lower salary expenses and lower pension expenses. General and administrative expenses were stable.

Adjusted income before taxes of CHF 1,873 million was 8% higher compared to 2016.

Divisional results

			in / end of		% change
	2017	2016	2015	17 / 16	16 / 15
Statements of operations (CHF million)					
Net revenues	**5,396**	**5,759**	**5,721**	(6)	1
Provision for credit losses	**75**	**79**	**138**	(5)	(43)
Compensation and benefits	1,833	1,937	1,985	(5)	(2)
General and administrative expenses	1,375	1,375	1,597	0	(14)
Commission expenses	289	283	284	2	0
Restructuring expenses	59	60	42	(2)	43
Total other operating expenses	1,723	1,718	1,923	0	(11)
Total operating expenses	**3,556**	**3,655**	**3,908**	(3)	(6)
Income before taxes	**1,765**	**2,025**	**1,675**	(13)	21
Statement of operations metrics (%)					
Return on regulatory capital	13.7	16.5	13.8	–	–
Cost/income ratio	65.9	63.5	68.3	–	–
Economic risk capital and return					
Average economic risk capital (CHF million)	5,566	5,564	5,119	0	9
Pre-tax return on average economic risk capital (%) [1]	31.7	36.4	32.7	–	–
Number of employees and relationship managers					
Number of employees (full-time equivalents)	12,600	13,140	13,400	(4)	(2)
Number of relationship managers	1,840	1,970	2,060	(7)	(4)

[1] Calculated using a return excluding interest costs for allocated goodwill.

Divisional results (continued)

			in / end of		% change
	2017	2016	2015	17 / 16	16 / 15
Net revenues (CHF million)					
Private Clients	2,897	3,258	3,205	(11)	2
Corporate & Institutional Clients	2,499	2,501	2,516	0	(1)
Net revenues	**5,396**	**5,759**	**5,721**	(6)	1
Net revenue detail (CHF million)					
Net interest income	2,896	2,884	2,756	0	5
Recurring commissions and fees	1,446	1,446	1,570	0	(8)
Transaction-based revenues	1,107	1,112	1,313	0	(15)
Other revenues	(53)	317	82	–	287
Net revenues	**5,396**	**5,759**	**5,721**	(6)	1
Provision for credit losses (CHF million)					
New provisions	158	150	205	5	(27)
Releases of provisions	(83)	(71)	(67)	17	6
Provision for credit losses	**75**	**79**	**138**	(5)	(43)
Balance sheet statistics (CHF million)					
Total assets	228,857	228,363	220,359	0	4
Net loans	165,041	165,685	162,717	0	2
of which Private Clients	111,222	109,554	–	2	–
Risk-weighted assets	65,572	65,669	60,352	0	9
Leverage exposure	257,054	252,889	238,180	2	6

Net interest income includes a term spread credit on stable deposit funding and a term spread charge on loans. Recurring commissions and fees includes investment product management, discretionary mandate and other asset management-related fees, fees for general banking products and services and revenues from wealth structuring solutions. Transaction-based revenues arise primarily from brokerage and product issuing fees, fees from foreign exchange client transactions, trading and sales income, equity participations income and other transaction-based income. Other revenues include fair value gains/(losses) on synthetic securitized loan portfolios and other gains and losses.

2016 results

In 2016, we reported income before taxes of CHF 2,025 million and net revenues of CHF 5,759 million. Compared to 2015, net revenues were stable, with higher gains on the sale of real estate and increased net interest income, offset by lower transaction-based revenues and the impact of the deconsolidation of the cards issuing business in 2015, primarily reflected in recurring commissions and fees. Net interest income increased 5%, reflecting improved loan margins on stable average loan volumes, partially offset by slightly lower deposit margins on lower average deposit volumes. The decrease in transaction-based revenues primarily reflected lower brokerage and product issuing fees and lower fees from foreign exchange client business, reflecting decreased client activity, and lower revenues from International Trading Solutions (ITS), partially offset by increased revenues from our Swiss investment banking business. Excluding the net impact from the deconsolidation of the cards issuing business of CHF 115 million, recurring commissions and fees were stable. Provision for credit losses was CHF 79 million in 2016 on a net loan portfolio of CHF 165.7 billion. Total operating expenses decreased 6%, primarily reflecting lower expenses due to the deconsolidation of the cards issuing business and lower allocated corporate function costs, partially offset by higher professional services fees and higher contractor services fees.

Adjusted income before taxes of CHF 1,738 million was 7% higher compared to 2015.

On July 1, 2015, the Group transferred the credit and charge cards issuing business (cards issuing business) to Swisscard AECS GmbH, an entity in which the Group holds a significant equity interest. As a result of the transfer, the cards issuing business was deconsolidated as of July 1, 2015.

Capital and leverage metrics

At the end of 2017, we reported risk-weighted assets of CHF 65.6 billion, stable compared to the end of 2016. Increases from methodology and policy changes reflecting the phase-in of the Swiss mortgage multipliers were offset by improved book quality and reduced counterparty credit risk exposure. Leverage exposure was CHF 257.1 billion, reflecting a slight increase compared to the end of 2016, mainly driven by increased high-quality liquid assets (HQLA) and business growth.

Reconciliation of adjusted results

	Private Clients			Corporate & Institutional Clients			Swiss Universal Bank		
in	**2017**	2016	2015	**2017**	2016	2015	**2017**	2016	2015
Adjusted results (CHF million)									
Net revenues	**2,897**	**3,258**	**3,205**	**2,499**	**2,501**	**2,516**	**5,396**	**5,759**	**5,721**
Real estate gains	0	(366)	(95)	0	0	0	0	(366)	(95)
Gains on business sales	0	0	(10)	0	0	(13)	0	0	(23)
Adjusted net revenues	**2,897**	**2,892**	**3,100**	**2,499**	**2,501**	**2,503**	**5,396**	**5,393**	**5,603**
Provision for credit losses	**42**	**39**	**49**	**33**	**40**	**89**	**75**	**79**	**138**
Total operating expenses	**2,054**	**2,124**	**2,448**	**1,502**	**1,531**	**1,460**	**3,556**	**3,655**	**3,908**
Restructuring expenses	(53)	(51)	(33)	(6)	(9)	(9)	(59)	(60)	(42)
Major litigation provisions	(6)	0	(25)	(43)	(19)	0	(49)	(19)	(25)
Adjusted total operating expenses	**1,995**	**2,073**	**2,390**	**1,453**	**1,503**	**1,451**	**3,448**	**3,576**	**3,841**
Income before taxes	**801**	**1,095**	**708**	**964**	**930**	**967**	**1,765**	**2,025**	**1,675**
Total adjustments	59	(315)	(47)	49	28	(4)	108	(287)	(51)
Adjusted income before taxes	**860**	**780**	**661**	**1,013**	**958**	**963**	**1,873**	**1,738**	**1,624**
Adjusted return on regulatory capital (%)	–	–	–	–	–	–	14.6	14.2	13.4

Adjusted results are non-GAAP financial measures. Refer to “Reconciliation of adjusted results” in Credit Suisse for further information.

PRIVATE CLIENTS

2017 RESULTS

Income before taxes of CHF 801 million decreased 27% compared to 2016, driven by lower net revenues, partially offset by slightly lower total operating expenses. Adjusted income before taxes of CHF 860 million increased 10% compared to 2016.

Net revenues

In 2017, net revenues of CHF 2,897 million decreased 11%, mainly due to the gains on the sale of real estate of CHF 366 million in 2016 reflected in other revenues. Net interest income of CHF 1,670 million was stable, with slightly higher deposit margins on higher average deposit volumes and slightly higher loan margins on slightly higher average loan volumes. Transaction-based revenues of CHF 413 million were stable, reflecting a gain from the sale of an investment and higher brokerage and product issuing fees, reflecting increased client activity, offset by lower revenues from ITS and lower equity participations income. Recurring commissions and fees of CHF 812 million were stable with lower revenues from discretionary mandate management fees offset by higher revenues from wealth structuring solutions, higher investment product management fees and increased investment advisory fees. Adjusted net revenues of CHF 2,897 million were stable compared to 2016.

Provision for credit losses

The Private Clients loan portfolio is substantially comprised of residential mortgages in Switzerland and loans collateralized by securities and, to a lesser extent, consumer finance loans.

In 2017, Private Clients recorded provision for credit losses of CHF 42 million compared to CHF 39 million in 2016. The provision was primarily related to our consumer finance business.

Total operating expenses

Compared to 2016, total operating expenses of CHF 2,054 million decreased slightly, primarily reflecting lower compensation and benefits, partially offset by higher commission expenses and slightly higher general and administrative expenses. Compensation and benefits of CHF 1,000 million decreased 10%, primarily reflecting lower salary expenses and lower pension expenses. General and administrative expenses of CHF 860 million were slightly higher compared to 2016, driven by higher allocated corporate function costs, partially offset by decreased occupancy expenses and lower advertising and marketing expenses. Adjusted total operating expenses of CHF 1,995 million were 4% lower compared to 2016.

Results – Private Clients

			in		% change
	2017	2016	2015	17 / 16	16 / 15
Statements of operations (CHF million)					
Net revenues	**2,897**	**3,258**	**3,205**	(11)	2
Provision for credit losses	**42**	**39**	**49**	8	(20)
Compensation and benefits	1,000	1,116	1,200	(10)	(7)
General and administrative expenses	860	845	1,116	2	(24)
Commission expenses	141	112	99	26	13
Restructuring expenses	53	51	33	4	55
Total other operating expenses	1,054	1,008	1,248	5	(19)
Total operating expenses	**2,054**	**2,124**	**2,448**	(3)	(13)
Income before taxes	**801**	**1,095**	**708**	(27)	55
Statement of operations metrics (%)					
Cost/income ratio	70.9	65.2	76.4	–	–
Net revenue detail (CHF million)					
Net interest income	1,670	1,661	1,639	1	1
Recurring commissions and fees	812	820	933	(1)	(12)
Transaction-based revenues	413	410	529	1	(22)
Other revenues	2	367	104	(99)	253
Net revenues	**2,897**	**3,258**	**3,205**	(11)	2
Margins on assets under management (bp)					
Gross margin [1]	143	171	164	–	–
Net margin [2]	40	58	36	–	–
Number of relationship managers					
Number of relationship managers	1,300	1,430	1,510	(9)	(5)

[1] Net revenues divided by average assets under management.
[2] Income before taxes divided by average assets under management.

2016 RESULTS

Income before taxes of CHF 1,095 million increased 55% compared to 2015, driven by lower total operating expenses and slightly higher net revenues. Adjusted income before taxes of CHF 780 million increased 18% compared to 2015.

Net revenues

Compared to 2015, net revenues of CHF 3,258 million were slightly higher, with higher gains from the sale of real estate in 2016 reflected in other revenues, partially offset by lower transaction-based revenues and the impact of the deconsolidation of the cards issuing business. Transaction-based revenues of CHF 410 million decreased 22% with lower brokerage and product issuing fees, lower fees from foreign exchange client business and decreased revenues from ITS. Recurring commissions and fees of CHF 820 million decreased 12% primarily due to the deconsolidation of the cards issuing business. Excluding the related net impact of CHF 115 million, recurring commissions and fees were stable, reflecting lower security account and custody services fees and lower investment product management fees, offset by higher investment advisory fees and higher wealth structuring solution fees. Net interest income of CHF 1,661 million was stable, reflecting higher loan margins on slightly higher average loan volumes, offset by lower deposit margins on stable average deposit volumes. Adjusted net revenues of CHF 2,892 million were 7% lower compared to 2015.

Provision for credit losses

In 2016, Private Clients recorded provision for credit losses of CHF 39 million compared to CHF 49 million in 2015. The provision was primarily related to our consumer finance business.

Total operating expenses

Compared to 2015, total operating expenses of CHF 2,124 million decreased 13%, primarily reflecting lower general and administrative expenses and decreased compensation and benefits. General and administrative expenses of CHF 845 million were 24% lower compared to 2015, driven by lower expenses due to the deconsolidation of the cards issuing business and lower allocated corporate function costs, partially offset by higher contractor services fees and increased professional services fees. Compensation and benefits of CHF 1,116 million decreased 7%, primarily reflecting lower allocated corporate function costs and lower deferred compensation expenses from prior-year awards. Adjusted total operating expenses of CHF 2,073 million were 13% lower compared to 2015.

MARGINS

Gross margin

Our gross margin was 143 basis points in 2017, 28 basis points lower compared to 2016, mainly reflecting the gains on the sale of real estate in 2016 and a 6.4% increase in average assets under management. On the basis of adjusted net revenues, our gross margin was nine basis points lower compared to 2016.

▸ Refer to "Assets under management" for further information.

Net margin

Our net margin was 40 basis points in 2017, 18 basis points lower compared to 2016, mainly reflecting the gains on the sale of real estate in 2016 and the 6.4% increase in average assets under management, partially offset by slightly lower total operating expenses. On the basis of adjusted income before taxes, our net margin was 43 basis points, two basis points higher compared to 2016.

ASSETS UNDER MANAGEMENT

As of the end of **2017**, assets under management of CHF 208.3 billion increased CHF 16.1 billion compared to the end of 2016, primarily driven by favorable market movements and net new assets of CHF 4.7 billion, with good performance across all businesses and strong contributions from ultra-high-net-worth individuals and entrepreneurs.

As of the end of **2016**, assets under management of CHF 192.2 billion increased CHF 2.4 billion compared to the end of 2015, primarily driven by favorable market movements. Net new assets of CHF 0.1 billion were negatively impacted by the regularization of client assets.

Assets under management – Private Clients

		in / end of		% change	
	2017	2016	2015	17 / 16	16 / 15
Assets under management (CHF billion)					
Assets under management	208.3	192.2	189.8	8.4	1.3
Average assets under management	202.2	190.0	195.8	6.4	(3.0)
Assets under management by currency (CHF billion)					
USD	30.5	28.7	27.9	6.3	2.9
EUR	22.9	19.0	3.6	20.5	427.8
CHF	145.0	136.7	136.3	6.1	0.3
Other	9.9	7.8	22.0	26.9	(64.5)
Assets under management	**208.3**	**192.2**	**189.8**	8.4	1.3
Growth in assets under management (CHF billion)					
Net new assets	4.7	0.1	3.3	–	–
Other effects	11.4	2.3	(15.4)	–	–
of which market movements	12.4	2.1	(1.4)	–	–
of which foreign exchange	0.8	0.3	(2.5)	–	–
of which other	(1.8)	(0.1)	(11.5)	–	–
Growth in assets under management	**16.1**	**2.4**	**(12.1)**	–	–
Growth in assets under management (%)					
Net new assets	2.4	0.1	1.6	–	–
Other effects	6.0	1.2	(7.6)	–	–
Growth in assets under management	**8.4**	**1.3**	**(6.0)**	–	–

CORPORATE & INSTITUTIONAL CIENTS

Results – Corporate & Institutional Clients

			in		% change
	2017	2016	2015	17 / 16	16 / 15
Statements of operations (CHF million)					
Net revenues	**2,499**	**2,501**	**2,516**	0	(1)
Provision for credit losses	**33**	**40**	**89**	(18)	(55)
Compensation and benefits	833	821	785	1	5
General and administrative expenses	515	530	481	(3)	10
Commission expenses	148	171	185	(13)	(8)
Restructuring expenses	6	9	9	(33)	0
Total other operating expenses	669	710	675	(6)	5
Total operating expenses	**1,502**	**1,531**	**1,460**	(2)	5
Income before taxes	**964**	**930**	**967**	4	(4)
Statement of operations metrics (%)					
Cost/income ratio	60.1	61.2	58.0	–	–
Net revenue detail (CHF million)					
Net interest income	1,226	1,223	1,117	0	9
Recurring commissions and fees	634	626	637	1	(2)
Transaction-based revenues	694	702	784	(1)	(10)
Other revenues	(55)	(50)	(22)	10	127
Net revenues	**2,499**	**2,501**	**2,516**	0	(1)
Number of relationship managers					
Number of relationship managers	540	540	550	0	(2)

2017 RESULTS

Income before taxes of CHF 964 million increased 4% compared to 2016, driven by slightly lower total operating expenses and lower provision for credit losses. Adjusted income before taxes of CHF 1,013 million increased 6% compared to 2016.

Net revenues

Compared to 2016, net revenues of CHF 2,499 million were stable, with stable revenues across all revenue categories. Recurring commissions and fees of CHF 634 million were stable, reflecting higher fees from lending activities and higher investment product management fees, offset by lower discretionary mandate management fees. Net interest income of CHF 1,226 million was stable, with slightly higher loan margins on stable average loan volumes, offset by lower deposit margins on higher average deposit volumes. Transaction-based revenues of CHF 694 million were stable, with lower revenues from ITS, offset by increased revenues from our Swiss investment banking business and our profit share on the sale of an investment.

Provision for credit losses

The Corporate & Institutional Clients loan portfolio has relatively low concentrations and is mainly secured by real estate, securities and other financial collateral.

In 2017, Corporate & Institutional Clients recorded provision for credit losses of CHF 33 million compared to CHF 40 million in 2016. The decrease reflected higher releases of provision for credit losses relating to several individual cases and a recovery case of CHF 8 million, partially offset by higher new provisions.

Total operating expenses

Compared to 2016, total operating expenses of CHF 1,502 million decreased slightly, primarily reflecting lower commission expenses and slightly lower general and administrative expenses. General and administrative expenses of CHF 515 million decreased slightly, mainly driven by lower allocated corporate function costs. Compensation and benefits of CHF 833 million were stable, driven by higher allocated corporate function costs, offset by lower pension expenses and lower discretionary compensation expenses. Adjusted total operating expenses of CHF 1,453 million were slightly lower compared to 2016.

2016 RESULTS

Income before taxes of CHF 930 million decreased 4% compared to 2015, driven by higher total operating expenses, partially offset by lower provision for credit losses. Adjusted income before taxes of CHF 958 million was stable compared to 2015.

Net revenues

Compared to 2015, net revenues of CHF 2,501 million were stable, reflecting lower transaction-based revenues, decreased other revenues and slightly lower recurring commissions and fees, offset by higher net interest income. Transaction-based revenues of CHF 702 million decreased 10%, driven by lower revenues from ITS, decreased brokerage and product issuing fees, lower fees from foreign exchange client business and lower corporate advisory fees, partially offset by higher revenues from our Swiss investment banking business. The decrease in other revenues reflected higher costs for synthetic securitizations and the partial sale of an investment in Euroclear in 2015. Recurring commissions and fees of CHF 626 million were slightly lower, primarily reflecting lower security account and custody services fees and lower investment product management fees, partially offset by higher fees from lending activities and increased banking services fees. Net interest income of CHF 1,223 million increased 9%, driven by higher loan margins on stable average loan volumes and higher deposit margins on lower average deposit volumes.

Provision for credit losses

In 2016, Corporate & Institutional Clients recorded provision for credit losses of CHF 40 million compared to CHF 89 million in 2015. The provision for credit losses reflected a small number of individual cases.

Total operating expenses

Compared to 2015, total operating expenses of CHF 1,531 million increased 5%, primarily reflecting higher general and administrative expenses and higher compensation and benefits. General and administrative expenses of CHF 530 million were 10% higher, mainly driven by higher litigation provisions and professional services fees, partially offset by lower allocated corporate function costs. Compensation and benefits of CHF 821 million were 5% higher, driven by increased discretionary compensation expenses and higher deferred compensation expenses from prior-year awards, partially offset by slightly lower salary expenses. Adjusted total operating expenses of CHF 1,503 million were 4% higher compared to 2015.

ASSETS UNDER MANAGEMENT

As of the end of **2017**, assets under management of CHF 354.7 billion were CHF 15.4 billion higher compared to the end of 2016, mainly driven by favorable market movements. Net asset outflows of CHF 13.9 billion were primarily due to redemptions of CHF 13.3 billion from a single public sector mandate in the third quarter of 2017.

As of the end of **2016**, assets under management of CHF 339.3 billion were CHF 12.3 billion higher compared to the end of 2015, driven by favorable market movements and net new assets of CHF 2.5 billion. Net asset inflows of CHF 5.8 billion were negatively impacted by terminated relationships with certain external asset managers and the regularization of client assets of CHF 3.3 billion.

International Wealth Management

In 2017, we reported income before taxes of CHF 1,351 million and net revenues of CHF 5,111 million. Income before taxes increased 21% compared to 2016, primarily reflecting higher net revenues, partially offset by higher total operating expenses.

RESULTS SUMMARY

2017 results

In 2017, we reported income before taxes of CHF 1,351 million and net revenues of CHF 5,111 million. Compared to 2016, net revenues increased 9% driven by higher recurring commissions and fees, higher transaction- and performance-based revenues and higher net interest income. These increases were partially offset by lower other revenues. Higher recurring commissions and fees were mainly driven by higher asset management fees, higher investment product management fees and higher average assets under management. These increases were partially offset by lower discretionary mandate management fees. Higher transaction- and performance-based revenues mainly reflected higher brokerage and product issuing fees in Private Banking and higher performance and placement fees in Asset Management, partially offset by lower revenues from ITS. Higher net interest income reflected higher loan and deposit margins on higher average loan and deposit volumes. Other revenues were lower mainly as 2016 included a gain on the sale of real estate in Private Banking compared to an investment loss from Asset Management Finance LLC (AMF) and a loss from a business disposal relating to our systematic market making business in 2017 in Asset Management. Provision for credit losses was CHF 27 million on a net loan portfolio of CHF 50.5 billion. The 5% increase in total operating expenses compared to 2016 was primarily driven by higher discretionary compensation expenses, higher litigation provisions, higher salary expenses and higher allocated corporate function costs, partially offset by lower contractor services fees.

Adjusted income before taxes of CHF 1,497 million increased 35% compared to 2016.

Divisional results

			in / end of		% change
	2017	2016	2015	17 / 16	16 / 15
Statements of operations (CHF million)					
Net revenues	**5,111**	**4,698**	**4,552**	9	3
Provision for credit losses	**27**	**20**	**5**	35	300
Compensation and benefits	2,216	2,119	2,115	5	0
General and administrative expenses	1,203	1,145	1,429	5	(20)
Commission expenses	244	239	244	2	(2)
Restructuring expenses	70	54	36	30	50
Total other operating expenses	1,517	1,438	1,709	5	(16)
Total operating expenses	**3,733**	**3,557**	**3,824**	5	(7)
Income before taxes	**1,351**	**1,121**	**723**	21	55
Statement of operations metrics (%)					
Return on regulatory capital	25.8	23.3	15.4	–	–
Cost/income ratio	73.0	75.7	84.0	–	–
Economic risk capital and return					
Average economic risk capital (CHF million)	4,379	3,785	3,288	16	15
Pre-tax return on average economic risk capital (%) [1]	30.8	29.6	22.0	–	–
Number of employees (full-time equivalents)					
Number of employees	10,250	10,300	9,750	0	6

[1] Calculated using a return excluding interest costs for allocated goodwill.

Divisional results (continued)

			in / end of		% change
	2017	2016	2015	17 / 16	16 / 15
Net revenues (CHF million)					
Private Banking	3,603	3,371	3,224	7	5
Asset Management	1,508	1,327	1,328	14	0
Net revenues	**5,111**	**4,698**	**4,552**	9	3
Net revenue detail (CHF million)					
Net interest income	1,449	1,308	1,006	11	30
Recurring commissions and fees	2,135	1,914	1,965	12	(3)
Transaction- and performance-based revenues	1,616	1,426	1,607	13	(11)
Other revenues	(89)	50	(26)	–	–
Net revenues	**5,111**	**4,698**	**4,552**	9	3
Provision for credit losses (CHF million)					
New provisions	49	55	37	(11)	49
Releases of provisions	(22)	(35)	(32)	(37)	9
Provision for credit losses	**27**	**20**	**5**	35	300
Balance sheet statistics (CHF million)					
Total assets	94,753	91,083	96,085	4	(5)
Net loans	50,474	44,965	40,084	12	12
of which Private Banking	50,429	44,952	–	12	–
Risk-weighted assets	38,256	35,252	32,880	9	7
Leverage exposure	99,267	94,092	101,628	5	(7)

2016 results

In 2016, we reported income before taxes of CHF 1,121 million and net revenues of CHF 4,698 million. Compared to 2015, net revenues increased slightly driven by significantly higher net interest income, investment-related gains in 2016 compared to losses in 2015 and the gain on the sale of real estate in 2016. These increases were partially offset by lower transaction- and performance-based revenues and slightly lower recurring commissions and fees. Higher net interest income reflected higher loan and deposit margins on higher average loan and deposit volumes. The decrease in transaction- and performance-based revenues mainly reflected lower revenues from ITS, lower equity participations income, lower brokerage and product issuing fees and lower fees from foreign exchange client business, partially offset by higher carried interest reflecting a residual gain from a private equity interest. Recurring commissions and fees were slightly lower, primarily driven by lower security account and custody services fees, lower discretionary mandate management fees and lower banking services fees, partially offset by higher asset management fees. Provision for credit losses was CHF 20 million on a net loan portfolio of CHF 45.0 billion. The decrease in total operating expenses was mainly driven by lower litigation provisions and lower deferred compensation expenses from prior-year awards, partially offset by higher discretionary compensation expenses and an increase in professional services fees.

Adjusted income before taxes of CHF 1,109 million increased 9% compared to 2015.

Capital and leverage metrics

At the end of 2017, we reported risk-weighted assets of CHF 38.3 billion, an increase of CHF 3.0 billion compared to the end of 2016, mainly driven by business growth and methodology changes. Leverage exposure was CHF 99.3 billion, an increase of CHF 5.2 billion compared to the end of 2016, mainly driven by increased HQLA.

Reconciliation of adjusted results

	Private Banking			Asset Management			International Wealth Management		
in	2017	2016	2015	2017	2016	2015	2017	2016	2015
Adjusted results (CHF million)									
Net revenues	**3,603**	**3,371**	**3,224**	**1,508**	**1,327**	**1,328**	**5,111**	**4,698**	**4,552**
Real estate gains	0	(54)	0	0	0	0	0	(54)	0
(Gains)/losses on business sales	0	0	(11)	28	0	0	28	0	(11)
Adjusted net revenues	**3,603**	**3,317**	**3,213**	**1,536**	**1,327**	**1,328**	**5,139**	**4,644**	**4,541**
Provision for credit losses	**27**	**20**	**5**	**0**	**0**	**0**	**27**	**20**	**5**
Total operating expenses	**2,552**	**2,510**	**2,678**	**1,181**	**1,047**	**1,146**	**3,733**	**3,557**	**3,824**
Restructuring expenses	(44)	(47)	(32)	(26)	(7)	(4)	(70)	(54)	(36)
Major litigation provisions	(48)	12	(268)	0	0	0	(48)	12	(268)
Adjusted total operating expenses	**2,460**	**2,475**	**2,378**	**1,155**	**1,040**	**1,142**	**3,615**	**3,515**	**3,520**
Income before taxes	**1,024**	**841**	**541**	**327**	**280**	**182**	**1,351**	**1,121**	**723**
Total adjustments	92	(19)	289	54	7	4	146	(12)	293
Adjusted income before taxes	**1,116**	**822**	**830**	**381**	**287**	**186**	**1,497**	**1,109**	**1,016**
Adjusted return on regulatory capital (%)	–	–	–	–	–	–	28.6	23.1	21.7

Adjusted results are non-GAAP financial measures. Refer to “Reconciliation of adjusted results” in Credit Suisse for further information.

PRIVATE BANKING

2017 RESULTS

Income before taxes of CHF 1,024 million increased 22% compared to 2016, reflecting higher net revenues, partially offset by slightly higher total operating expenses. Adjusted income before taxes of CHF 1,116 million increased 36% compared to 2016.

Net revenues

Compared to 2016, net revenues of CHF 3,603 million were 7% higher, reflecting higher net interest income, higher recurring commissions and fees and slightly higher transaction- and performance-based revenues. These increases were partially offset by lower other revenues. Net interest income of CHF 1,449 million increased 11%, reflecting higher loan and deposit margins on higher average loan and deposit volumes. Recurring commissions and fees of CHF 1,200 million increased 10%, mainly reflecting higher investment product management fees and higher security account and custody services fees, partially offset by lower discretionary mandate management fees. Transaction- and performance-based revenues of CHF 953 million increased slightly, mainly reflecting higher brokerage and product issuing fees, partially offset by lower revenues from ITS. Other revenues were significantly lower as 2016 included the gain on the sale of real estate of CHF 54 million. Adjusted net revenues of CHF 3,603 million increased 9% compared to 2016.

Provision for credit losses

In 2017, Private Banking recorded provision for credit losses of CHF 27 million, compared to CHF 20 million in 2016, including a small number of cases in Europe and related to ship finance.

Total operating expenses

Compared to 2016, total operating expenses of CHF 2,552 million increased slightly, mainly reflecting slightly higher compensation and benefits and higher commission expenses. Compensation and benefits of CHF 1,490 million increased slightly, mainly reflecting higher allocated corporate function costs. General and administrative expenses of CHF 832 million were stable with higher litigation provisions offset by lower professional services fees. Adjusted total operating expenses of CHF 2,460 million were stable compared to 2016.

Results – Private Banking

		in / end of		% change	
	2017	2016	2015	17 / 16	16 / 15
Statements of operations (CHF million)					
Net revenues	**3,603**	**3,371**	**3,224**	7	5
Provision for credit losses	**27**	**20**	**5**	35	300
Compensation and benefits	1,490	1,463	1,413	2	4
General and administrative expenses	832	827	1,053	1	(21)
Commission expenses	186	173	180	8	(4)
Restructuring expenses	44	47	32	(6)	47
Total other operating expenses	1,062	1,047	1,265	1	(17)
Total operating expenses	**2,552**	**2,510**	**2,678**	2	(6)
Income before taxes	**1,024**	**841**	**541**	22	55
Statement of operations metrics (%)					
Cost/income ratio	70.8	74.5	83.1	–	–
Net revenue detail (CHF million)					
Net interest income	1,449	1,308	1,006	11	30
Recurring commissions and fees	1,200	1,093	1,161	10	(6)
Transaction- and performance-based revenues	953	922	1,049	3	(12)
Other revenues	1	48	8	(98)	500
Net revenues	**3,603**	**3,371**	**3,224**	7	5
Margins on assets under management (bp)					
Gross margin [1]	105	112	107	–	–
Net margin [2]	30	28	18	–	–
Number of relationship managers					
Number of relationship managers	1,130	1,140	1,180	(1)	(3)

Net interest income includes a term spread credit on stable deposit funding and a term spread charge on loans. Recurring commissions and fees includes investment product management, discretionary mandate and other asset management-related fees, fees for general banking products and services and revenues from wealth structuring solutions. Transaction- and performance-based revenues arise primarily from brokerage and product issuing fees, fees from foreign exchange client transactions, trading and sales income, equity participations income and other transaction- and performance-based income.

1 Net revenues divided by average assets under management.

2 Income before taxes divided by average assets under management.

2016 RESULTS

Income before taxes of CHF 841 million increased 55% compared to 2015, reflecting lower total operating expenses and higher net revenues, partially offset by higher provision for credit losses. Adjusted income before taxes of CHF 822 million was stable compared to 2015.

Net revenues

Compared to 2015, net revenues of CHF 3,371 million were 5% higher, reflecting higher net interest income and higher other revenues, partially offset by lower transaction- and performance-based revenues and lower recurring commissions and fees. Net interest income of CHF 1,308 million increased 30%, reflecting higher loan and deposit margins on higher average loan and deposit volumes. Other revenues of CHF 48 million were significantly higher mainly due to a gain on the sale of real estate of CHF 54 million in 2016. Transaction- and performance-based revenues of CHF 922 million were 12% lower, primarily driven by lower brokerage and product issuing fees, lower fees from foreign exchange client business and lower equity participations income as 2015 included an extraordinary dividend from SIX Group of CHF 23 million. Recurring commissions and fees of CHF 1,093 million decreased 6% with lower security account and custody services fees and lower banking services fees. Adjusted net revenues of CHF 3,317 million were slightly higher compared to 2015.

Provision for credit losses

In 2016, Private Banking recorded provision for credit losses of CHF 20 million, compared to CHF 5 million in 2015.

Total operating expenses

Compared to 2015, total operating expenses of CHF 2,510 million decreased 6%, reflecting lower general and administrative expenses, partially offset by higher compensation and benefits and higher restructuring expenses. General and administrative expenses decreased 21% to CHF 827 million, mainly driven by significantly lower litigation provisions, partially offset by higher professional services fees. Compensation and benefits of CHF 1,463 million were 4% higher, reflecting higher discretionary compensation expenses. Adjusted total operating expenses of CHF 2,475 million were 4% higher compared to 2015.

MARGINS

Gross margin

Our gross margin was 105 basis points in 2017, seven basis points lower compared to 2016, mainly reflecting an increase of 14.5% in average assets under management, partially offset by higher net interest income and higher recurring commissions and fees. On the basis of adjusted net revenues, our gross margin was five basis points lower compared to 2016.

▸ Refer to "Assets under management" for further information.

Net margin

Our net margin was 30 basis points in 2017, two basis points higher compared to 2016, mainly reflecting higher net revenues, partially offset by the 14.5% higher average assets under management. On the basis of adjusted income before taxes, our net margin was 32 basis points in 2017, five basis points higher compared to 2016.

ASSETS UNDER MANAGEMENT

As of the end of **2017**, assets under management of CHF 366.9 billion were CHF 43.7 billion higher compared to the end of 2016, primarily reflecting favorable market movements and net new assets of CHF 15.6 billion. Net new assets reflected solid inflows from emerging markets and Europe.

As of the end of **2016**, assets under management of CHF 323.2 billion were CHF 33.6 billion higher compared to the end of 2015, reflecting net new assets of CHF 15.6 billion and favorable market and foreign exchange-related movements. The net new assets reflected solid inflows from emerging markets and Europe, partially offset by outflows in connection with the regularization of client assets of CHF 5.7 billion.

Assets under management – Private Banking

			in / end of		% change
	2017	2016	2015	17 / 16	16 / 15
Assets under management (CHF billion)					
Assets under management	366.9	323.2	289.6	13.5	11.6
Average assets under management	343.9	300.3	301.3	14.5	(0.3)
Assets under management by currency (CHF billion)					
USD	162.9	149.0	137.6	9.3	8.3
EUR	114.1	93.2	92.7	22.4	0.5
CHF	23.0	21.0	22.4	9.5	(6.2)
Other	66.9	60.0	36.9	11.5	62.6
Assets under management	**366.9**	**323.2**	**289.6**	13.5	11.6
Growth in assets under management (CHF billion)					
Net new assets	15.6	15.6	(3.0)	–	–
Other effects	28.1	18.0	(31.1)	–	–
of which market movements	24.3	10.1	8.3	–	–
of which foreign exchange	1.0	7.8	(20.5)	–	–
of which other	2.8	0.1	(18.9)	–	–
Growth in assets under management	**43.7**	**33.6**	**(34.1)**	–	–
Growth in assets under management (%)					
Net new assets	4.8	5.4	(0.9)	–	–
Other effects	8.7	6.2	(9.6)	–	–
Growth in assets under management	**13.5**	**11.6**	**(10.5)**	–	–

ASSET MANAGEMENT

2017 RESULTS

Income before taxes of CHF 327 million increased 17% compared to 2016, with higher net revenues partially offset by higher total operating expenses. Adjusted income before taxes of CHF 381 million increased 33% compared to 2016.

Net revenues

Compared to 2016, net revenues of CHF 1,508 million increased 14%, with significantly higher management fees and higher performance and placement revenues, partially offset by significantly lower investment and partnership income. Management fees of CHF 1,084 million increased 22%, mainly reflecting higher average assets under management. Performance and placement revenues of CHF 282 million increased 36%, mainly reflecting higher performance fees and placement fees, partially offset by the loss from the business disposal of CHF 28 million. Investment and partnership income of CHF 142 million decreased 38%, primarily reflecting the investment loss of CHF 43 million from AMF in 2017 compared to a residual gain from a private equity interest of CHF 45 million in 2016. Adjusted net revenues of CHF 1,536 million increased 16% compared to 2016.

Total operating expenses

Compared to 2016, total operating expenses of CHF 1,181 million increased 13%, driven by higher compensation and benefits and higher general and administrative expenses. Compensation and benefits of CHF 726 million increased 11%, reflecting higher salary expenses and higher discretionary compensation expenses, partially offset by lower deferred compensation expenses from prior-year awards. Higher salary expenses mainly reflected the strong investment performance of a fund and the transition of the systematic market making business from Global Markets to International Wealth Management. General and administrative expenses of CHF 371 million increased 17% mainly reflecting higher professional services fees. Adjusted total operating expenses of CHF 1,155 million increased 11% compared to 2016.

Results – Asset Management

			in / end of		% change
	2017	2016	2015	17 / 16	16 / 15
Statements of operations (CHF million)					
Net revenues	**1,508**	**1,327**	**1,328**	14	0
Provision for credit losses	**0**	**0**	**0**	–	–
Compensation and benefits	726	656	702	11	(7)
General and administrative expenses	371	318	376	17	(15)
Commission expenses	58	66	64	(12)	3
Restructuring expenses	26	7	4	271	75
Total other operating expenses	455	391	444	16	(12)
Total operating expenses	**1,181**	**1,047**	**1,146**	13	(9)
Income before taxes	**327**	**280**	**182**	17	54
Statement of operations metrics (%)					
Cost/income ratio	78.3	78.9	86.3	–	–
Net revenue detail (CHF million)					
Management fees	1,084	891	873	22	2
Performance and placement revenues	282	208	164	36	27
Investment and partnership income	142	228	291	(38)	(22)
Net revenues	**1,508**	**1,327**	**1,328**	14	0
of which recurring commissions and fees	935	821	804	14	2
of which transaction- and performance-based revenues	663	504	558	32	(10)
of which other revenues	(90)	2	(34)	–	–

Management fees include fees on assets under management, asset administration revenues and transaction fees related to the acquisition and disposal of investments in the funds being managed. Performance revenues relate to the performance or return of the funds being managed and includes investment-related gains and losses from proprietary funds. Placement revenues arise from our third-party private equity fundraising activities and secondary private equity market advisory services. Investment and partnership income includes equity participation income from seed capital returns and from minority investments in third-party asset managers, income from strategic partnerships and distribution agreements, and other revenues.

2016 RESULTS

Income before taxes of CHF 280 million increased 54% compared to 2015, driven by lower total operating expenses. Net revenues were stable.

Net revenues

Compared to 2015, net revenues of CHF 1,327 million were stable, with higher performance and placement revenues and slightly higher management fees, offset by lower investment and partnership income. Performance and placement revenues increased 27% to CHF 208 million, reflecting investment-related gains in 2016 compared to losses in 2015 and higher performance fees, partially offset by lower placement fees. Management fees of CHF 891 million were slightly higher. The decrease in investment and partnership income of 22% to CHF 228 million mainly reflected lower equity participations income from single manager hedge funds and lower performance fees.

Total operating expenses

Compared to 2015, total operating expenses of CHF 1,047 million decreased 9%, reflecting lower general and administrative expenses and lower compensation and benefits. General and administrative expenses of CHF 318 million were 15% lower, mainly driven by lower allocated corporate function costs. Compensation and benefits of CHF 656 million decreased 7%, reflecting lower deferred compensation expenses from prior-year awards, lower salary expenses, lower pension expenses and lower discretionary compensation expenses.

ASSETS UNDER MANAGEMENT

As of the end of **2017**, assets under management of CHF 385.6 billion increased CHF 64.0 billion compared to the end of 2016, reflecting a structural effect from assets under management reported for multi-asset class solutions, favorable market movements and net new assets of CHF 20.3 billion. Net new assets primarily reflected inflows from traditional and alternative investments and from emerging market joint ventures.

As of the end of **2016**, assets under management of CHF 321.6 billion were stable compared to the end of 2015, reflecting favorable market movements, net new assets of CHF 5.6 billion and favorable foreign exchange-related movements, offset by structural effects, mainly from an adjustment of assets under management reported for multi-asset class solutions in 2016. Net new assets reflected inflows from a new product launch and from an emerging market joint venture, partially offset by an outflow from a single mandate.

Assets under management – Asset Management

			in / end of		% change
	2017	2016	2015	17 / 16	16 / 15
Assets under management (CHF billion)					
Traditional investments	217.6	159.9	172.2	36.1	(7.1)
Alternative investments	121.6	121.3	110.4	0.2	9.9
Investments and partnerships	46.4	40.4	38.7	14.9	4.4
Assets under management	**385.6**	**321.6**	**321.3**	19.9	0.1
Average assets under management	368.4	317.5	312.4	16.0	1.6
Assets under management by currency (CHF billion)					
USD	100.1	95.9	88.1	4.4	8.9
EUR	48.2	36.6	42.1	31.7	(13.1)
CHF	182.6	140.7	148.9	29.8	(5.5)
Other	54.7	48.4	42.2	13.0	14.7
Assets under management	**385.6**	**321.6**	**321.3**	19.9	0.1
Growth in assets under management (CHF billion)					
Net new assets [1]	20.3	5.6	26.5	–	–
Other effects	43.7	(5.3)	(10.4)	–	–
of which market movements	20.6	7.6	0.7	–	–
of which foreign exchange	(0.3)	3.9	(8.0)	–	–
of which other	23.4	(16.8)	(3.1)	–	–
Growth in assets under management	**64.0**	**0.3**	**16.1**	–	–
Growth in assets under management (%)					
Net new assets	6.3	1.7	8.7	–	–
Other effects	13.6	(1.6)	(3.4)	–	–
Growth in assets under management	**19.9**	**0.1**	**5.3**	–	–

1 Includes outflows for private equity assets reflecting realizations at cost and unfunded commitments on which a fee is no longer earned.

Asia Pacific

In 2017, we reported income before taxes of CHF 729 million and net revenues of CHF 3,504 million. Income before taxes was stable compared to 2016, as lower net revenues were offset by lower total operating expenses and lower provision for credit losses.

RESULTS SUMMARY

2017 results

In 2017, we reported income before taxes of CHF 729 million and net revenues of CHF 3,504 million. Compared to 2016, income before taxes was stable, as lower net revenues were offset by lower total operating expenses and lower provision for credit losses. Lower net revenues were driven by lower fixed income and equity sales and trading revenues in our Markets business. Lower fixed income and trading revenues were primarily driven by decreased client activity in rates and lower revenues in foreign exchange products due to weaker trading performance. Lower equity sales and trading revenues were primarily driven by weaker results, reflecting a difficult trading environment that was characterized by persistently low levels of volatility and reduced client activity in equity derivatives, and the transition of the systematic market making business to International Wealth Management that was completed in the first quarter of 2017. These decreases were partially offset by higher net revenues in our Wealth Management & Connected business, reflecting higher Private Banking revenues, mainly from higher transaction-based revenues, and higher advisory, underwriting and financing revenues. Compared to 2016, total operating expenses of CHF 2,760 million decreased slightly, primarily reflecting lower compensation and benefits and lower commission expenses, mainly due to the transition of the systematic market making business, partially offset by higher restructuring expenses. Adjusted income before taxes of CHF 792 million increased slightly compared to 2016.

Divisional results

			in / end of		% change
	2017	2016	2015	17 / 16	16 / 15
Statements of operations (CHF million)					
Net revenues	**3,504**	**3,597**	**3,839**	(3)	(6)
Provision for credit losses	**15**	**26**	**35**	(42)	(26)
Compensation and benefits	1,602	1,665	1,557	(4)	7
General and administrative expenses	831	836	790	(1)	6
Commission expenses	264	292	321	(10)	(9)
Goodwill impairment	–	–	756	–	(100)
Restructuring expenses	63	53	3	19	–
Total other operating expenses	1,158	1,181	1,870	(2)	(37)
Total operating expenses	**2,760**	**2,846**	**3,427**	(3)	(17)
Income before taxes	**729**	**725**	**377**	1	92
Statement of operations metrics (%)					
Return on regulatory capital	13.8	13.7	6.7	–	–
Cost/income ratio	78.8	79.1	89.3	–	–
Economic risk capital and return					
Average economic risk capital (CHF million)	3,897	4,147	3,405	(6)	22
Pre-tax return on average economic risk capital (%) [1]	18.7	17.5	11.1	–	–
Number of employees (full-time equivalents)					
Number of employees	7,230	6,980	6,590	4	6

[1] Calculated using a return excluding interest costs for allocated goodwill.

Divisional results (continued)

			in / end of		% change
	2017	2016	2015	17 / 16	16 / 15
Net revenues (CHF million)					
Wealth Management & Connected	2,322	1,904	1,506	22	26
Markets	1,182	1,693	2,333	(30)	(27)
Net revenues	**3,504**	**3,597**	**3,839**	(3)	(6)
Provision for credit losses (CHF million)					
New provisions	28	72	74	(61)	(3)
Releases of provisions	(13)	(46)	(39)	(72)	18
Provision for credit losses	**15**	**26**	**35**	(42)	(26)
Balance sheet statistics (CHF million)					
Total assets	96,497	97,221	85,929	(1)	13
Net loans	43,080	40,134	35,905	7	12
of which Private Banking	35,331	33,405	–	6	–
Risk-weighted assets	31,474	34,605	26,835	(9)	29
Leverage exposure	105,585	108,926	98,632	(3)	10

2016 results

In 2016, we reported income before taxes of CHF 725 million and net revenues of CHF 3,597 million. Compared to 2015, income before taxes increased 92%, mainly due to lower total operating expenses, primarily reflecting the absence of the goodwill impairment charge of CHF 756 million in 2015, partially offset by lower net revenues, particularly in equity sales and trading revenues in our Markets business. Lower revenues in equity sales and trading were primarily driven by decreased client activity. Wealth Management & Connected revenues were higher, mainly reflecting significantly higher advisory, underwriting and financing revenues and higher net revenues from Private Banking. Compared to 2015, total operating expenses of CHF 2,846 million decreased 17%, mainly reflecting the absence of the goodwill impairment charge in 2015, partially offset by increased compensation and benefits driven by growth-related higher headcount, higher restructuring expenses and higher general and administrative expenses. Adjusted income before taxes of CHF 778 million decreased 32% compared to 2015.

Capital and leverage metrics

As of the end of 2017, we reported risk-weighted assets of CHF 31.5 billion, a decrease of CHF 3.1 billion compared to the end of 2016, primarily reflecting reductions from restructuring efforts in our Markets business and the securitization of certain lending exposures in our Wealth Management & Connected business, partly offset by an increase in lending activity in the Wealth Management & Connected business. Leverage exposure was CHF 105.6 billion, a decrease of CHF 3.3 billion compared to the end of 2016, reflecting the foreign exchange impact from the weakening of the US dollar against the Swiss franc, reductions from our restructuring efforts in the Markets business and a decrease in HQLA, partially offset by an increase in lending volumes in the Wealth Management & Connected business.

Reconciliation of adjusted results

	Wealth Management & Connected			Markets			Asia Pacific		
in	**2017**	2016	2015	**2017**	2016	2015	**2017**	2016	2015
Adjusted results (CHF million)									
Net revenues	**2,322**	**1,904**	**1,506**	**1,182**	**1,693**	**2,333**	**3,504**	**3,597**	**3,839**
Provision for credit losses	**15**	**29**	**31**	**0**	**(3)**	**4**	**15**	**26**	**35**
Total operating expenses	**1,508**	**1,386**	**1,643**	**1,252**	**1,460**	**1,784**	**2,760**	**2,846**	**3,427**
Goodwill impairment	–	–	(446)	–	–	(310)	–	–	(756)
Restructuring expenses	(21)	(14)	(1)	(42)	(39)	(2)	(63)	(53)	(3)
Major litigation provisions	0	0	(6)	0	0	0	0	0	(6)
Adjusted total operating expenses	**1,487**	**1,372**	**1,190**	**1,210**	**1,421**	**1,472**	**2,697**	**2,793**	**2,662**
Income/(loss) before taxes	**799**	**489**	**(168)**	**(70)**	**236**	**545**	**729**	**725**	**377**
Total adjustments	21	14	453	42	39	312	63	53	765
Adjusted income/(loss) before taxes	**820**	**503**	**285**	**(28)**	**275**	**857**	**792**	**778**	**1,142**
Adjusted return on regulatory capital (%)	–	–	–	–	–	–	15.0	14.8	20.4

Adjusted results are non-GAAP financial measures. Refer to "Reconciliation of adjusted results" in Credit Suisse for further information.

WEALTH MANAGEMENT & CONNECTED

2017 RESULTS

Income before taxes of CHF 799 million increased 63% compared to 2016, primarily reflecting significantly higher net revenues, partially offset by higher total operating expenses. Adjusted income before taxes of CHF 820 million increased 63% compared to 2016.

Net revenues

Net revenues of CHF 2,322 million increased 22% compared to 2016, reflecting higher Private Banking revenues, mainly from higher transaction-based revenues and higher advisory, underwriting and financing revenues. Transaction-based revenues increased 29% to CHF 606 million, mainly due to higher brokerage and product issuing and corporate advisory fees arising from integrated solutions. Recurring commissions and fees increased 19% to CHF 381 million, primarily reflecting higher investment product management, discretionary mandate management and security account and custody services fees. Net interest income increased slightly to CHF 620 million, reflecting higher average deposit and loan volumes, partially offset by slightly lower deposit margins and lower loan margins. Advisory, underwriting and financing revenues increased 35% to CHF 715 million, primarily due to higher financing and debt and equity underwriting revenues, partially offset by lower fees from M&A transactions. Financing revenues in 2017 included a gain of CHF 64 million from a pre-IPO financing and a positive net fair value impact of CHF 94 million from an impaired loan portfolio in recovery management.

Provision for credit losses

The Wealth Management & Connected loan portfolio primarily comprises Private Banking lombard loans, mainly backed by listed securities, and secured and unsecured loans to corporates.

In 2017, Wealth Management & Connected recorded a provision for credit losses of CHF 15 million relating to several individual cases, compared to a provision for credit losses of CHF 29 million in 2016.

Total operating expenses

Total operating expenses of CHF 1,508 million increased 9% compared to 2016, mainly reflecting higher compensation and benefits, higher general and administrative expenses and higher commission expenses. Compensation and benefits increased 6% to CHF 1,002 million, primarily driven by higher compliance, risk and IT compensation related expenses and higher discretionary compensation, reflecting growth-related higher headcount. General and administrative expenses increased 10% to CHF 421 million, mainly due to higher risk, IT infrastructure, finance and compliance expenses. Commission expenses of CHF 64 million increased 36%, primarily reflecting higher transaction-based revenues.

Results – Wealth Management & Connected

			in / end of		% change
	2017	2016	2015	17 / 16	16 / 15
Statements of operations (CHF million)					
Net revenues	**2,322**	**1,904**	**1,506**	22	26
Provision for credit losses	**15**	**29**	**31**	(48)	(6)
Compensation and benefits	1,002	941	791	6	19
General and administrative expenses	421	384	354	10	8
Commission expenses	64	47	51	36	(8)
Goodwill impairment	–	–	446	–	(100)
Restructuring expenses	21	14	1	50	–
Total other operating expenses	506	445	852	14	(48)
Total operating expenses	**1,508**	**1,386**	**1,643**	9	(16)
Income/(loss) before taxes	**799**	**489**	**(168)**	63	–
Statement of operations metrics (%)					
Cost/income ratio	64.9	72.8	109.1	–	–
Net revenue detail (CHF million)					
Private Banking	1,607	1,374	1,178	17	17
of which net interest income	620	602	445	3	35
of which recurring commissions and fees	381	319	297	19	7
of which transaction-based revenues	606	469	419	29	12
of which other revenues	0	(16)	17	100	–
Advisory, underwriting and financing	715	530	328	35	62
Net revenues	**2,322**	**1,904**	**1,506**	22	26
Private Banking margins on assets under management (bp)					
Gross margin [1]	88	86	79	–	–
Net margin [2]	30	23	22	–	–
Number of relationship managers					
Number of relationship managers	590	640	580	(8)	10

Net interest income includes a term spread credit on stable deposit funding and a term spread charge on loans. Recurring commissions and fees includes investment product management, discretionary mandate and other asset management-related fees, fees for general banking products and services and revenues from wealth structuring solutions. Transaction-based revenues arise primarily from brokerage and product issuing fees, fees from foreign exchange client transactions, trading and sales income, equity participations income and other transaction-based income.

1 Net revenues divided by average assets under management.

2 Income before taxes divided by average assets under management.

2016 RESULTS

Income before taxes was CHF 489 million compared to a loss of CHF 168 million in 2015, primarily reflecting higher net revenues and lower total operating expenses. Adjusted income before taxes of CHF 503 million increased 76% compared to 2015.

Net revenues

Net revenues of CHF 1,904 million increased 26% compared to 2015, mainly reflecting higher advisory, underwriting and financing revenues and higher net interest income. Advisory, underwriting and financing revenues increased 62% to CHF 530 million, mainly reflecting higher financing revenues and higher fees from M&A transactions. Financing revenues included the positive net fair value impact of CHF 48 million from the impaired loan portfolio in recovery management. Net interest income increased 35% to CHF 602 million, reflecting higher deposit margins and slightly higher loan margins on higher average deposit and loans volumes. Transaction-based revenues increased 12% to CHF 469 million, mainly due to higher corporate advisory fees arising from integrated solutions. Recurring commissions and fees increased 7% to CHF 319 million, primarily reflecting higher investment product management fees, higher wealth structuring solutions fees and higher investment advisory fees.

Provision for credit losses

The Wealth Management & Connected loan portfolio primarily comprises Private Banking lombard loans, mainly backed by listed securities, and secured and unsecured loans to corporates.

In 2016, Wealth Management & Connected recorded a provision for credit losses of CHF 29 million, compared to a provision for credit losses of CHF 31 million in 2015. The provision for credit losses in 2016 was mainly in relation to a small number of share-based loans in Hong Kong which were impaired in the third quarter of 2016 due to their collateral values abruptly falling below their loan amounts.

Total operating expenses

Total operating expenses of CHF 1,386 million decreased 16% compared to 2015, mainly reflecting the absence of the goodwill impairment charge of CHF 446 million in 2015, partially offset by higher compensation and benefits and higher general and administrative expenses. Compensation and benefits increased 19% to CHF 941 million, primarily driven by higher salary expenses, including higher growth-related headcount. General and administrative expenses increased 8% to CHF 384 million, mainly due to higher IT infrastructure expenses, higher product development and solution expenses and higher occupancy expenses, partially offset by lower litigation provisions.

MARGINS

Gross margin

Our gross margin was 88 basis points in 2017, two basis points higher compared to 2016, reflecting higher net revenues that were mostly offset by a 14.3% increase in average assets under management.

▸ Refer to “Assets under management” for further information.

Net margin

Our net margin was 30 basis points in 2017, seven basis points higher compared to 2016, reflecting higher net revenues and lower provision for credit losses, partially offset by higher total operating expenses and the increase in average assets under management.

ASSETS UNDER MANAGEMENT

As of the end of **2017**, assets under management of CHF 196.8 billion were CHF 29.9 billion higher compared to the end of 2016, mainly reflecting net new assets of CHF 16.9 billion and favorable market movements. Net new assets reflected inflows primarily from Greater China, South East Asia, Japan and Australia.

As of the end of **2016**, assets under management of CHF 166.9 billion were CHF 16.5 billion higher compared to the end of 2015, mainly reflecting net new assets of CHF 13.6 billion and favorable foreign exchange-related and market movements. Net new assets reflected inflows primarily from Greater China, Australia and South East Asia, partially offset by outflows in connection with the regularization of client assets of CHF 2.5 billion, mainly in South East Asia.

Assets under management – Private Banking

			in / end of		% change
	2017	2016	2015	17 / 16	16 / 15
Assets under management (CHF billion)					
Assets under management	196.8	166.9	150.4	17.9	11.0
Average assets under management	182.3	159.5	150.0	14.3	6.3
Assets under management by currency (CHF billion)					
USD	98.2	82.5	66.5	19.0	24.1
EUR	6.7	4.6	4.7	45.7	(2.1)
CHF	2.5	2.0	2.3	25.0	(13.0)
Other	89.4	77.8	76.9	14.9	1.2
Assets under management	**196.8**	**166.9**	**150.4**	17.9	11.0
Growth in assets under management (CHF billion)					
Net new assets	16.9	13.6	17.8	–	–
Other effects	13.0	2.9	(17.9)	–	–
of which market movements	16.8	1.0	(4.9)	–	–
of which foreign exchange	(3.9)	4.8	(3.4)	–	–
of which other	0.1	(2.9)	(9.6)	–	–
Growth in assets under management	**29.9**	**16.5**	**(0.1)**	–	–
Growth in assets under management (%)					
Net new assets	10.1	9.0	11.8	–	–
Other effects	7.8	2.0	(11.9)	–	–
Growth in assets under management	**17.9**	**11.0**	**(0.1)**	–	–

MARKETS

2017 RESULTS

Loss before taxes of CHF 70 million in 2017 compared to an income before taxes of CHF 236 million in 2016. The related decrease of CHF 306 million primarily reflected lower net revenues, partially offset by lower total operating expenses. Adjusted loss before taxes of CHF 28 million in 2017 compared to adjusted income before taxes of CHF 275 million in 2016.

Net revenues

Net revenues of CHF 1,182 million decreased 30% compared to 2016, due to lower fixed income and equity sales and trading revenues. Fixed income sales and trading revenues decreased 51% to CHF 262 million, mainly due to decreased client activity in rates and lower revenues in foreign exchange products due to weaker trading performance. Developed markets rates products revenue in 2016 included a positive impact of CHF 33 million resulting from an increase in the funding value of certain structured deposits originated in Asia Pacific. Equity sales and trading revenues decreased 21% to CHF 920 million, mainly due to lower revenues from equity derivatives from weaker trading performance and lower client activity, and the transition of the systematic market making business to International Wealth Management that was completed in the first quarter of 2017. In 2016, equity derivatives revenue included the positive impact of CHF 65 million in derivatives resulting from a recalibration of the valuation model for certain hybrid instruments.

Provision for credit losses

In 2017, Markets had no provision for credit losses, compared to a release of provision for credit losses of CHF 3 million in 2016.

Total operating expenses

Total operating expenses of CHF 1,252 million decreased 14% compared to 2016, mainly reflecting lower compensation and benefits, general and administrative expenses and commission expenses. Compensation and benefits decreased 17% to CHF 600 million, mainly due to lower deferred compensation expenses from prior-year awards and salary expenses, reflecting a decrease in headcount from the restructuring of the Markets business. General and administrative expenses decreased 9% to CHF 410 million, mainly due to lower regulatory-related allocations and lower withholding taxes. Commission expenses decreased 18% to CHF 200 million, primarily reflecting the transition of the systematic market making business. Adjusted total operating expenses of CHF 1,210 million decreased 15% compared to 2016.

Results – Markets

			in / end of		% change
	2017	2016	2015	17 / 16	16 / 15
Statements of operations (CHF million)					
Net revenues	**1,182**	**1,693**	**2,333**	(30)	(27)
Provision for credit losses	**0**	**(3)**	**4**	100	–
Compensation and benefits	600	724	766	(17)	(5)
General and administrative expenses	410	452	436	(9)	4
Commission expenses	200	245	270	(18)	(9)
Goodwill impairment	–	–	310	–	(100)
Restructuring expenses	42	39	2	8	–
Total other operating expenses	652	736	1,018	(11)	(28)
Total operating expenses	**1,252**	**1,460**	**1,784**	(14)	(18)
Income/(loss) before taxes	**(70)**	**236**	**545**	–	(57)
Statement of operations metrics (%)					
Cost/income ratio	105.9	86.2	76.5	–	–
Net revenue detail (CHF million)					
Equity sales and trading	920	1,162	1,801	(21)	(35)
Fixed income sales and trading	262	531	532	(51)	0
Net revenues	**1,182**	**1,693**	**2,333**	(30)	(27)

2016 RESULTS

Income before taxes of CHF 236 million decreased CHF 309 million compared to 2015, primarily due to lower net revenues. Adjusted income before taxes of CHF 275 million decreased 68% compared to 2015.

Net revenues

Net revenues of CHF 1,693 million decreased 27% compared to 2015, primarily due to lower equity sales and trading revenues. Equity sales and trading revenues decreased 35% to CHF 1,162 million, mainly due to decreases in equity derivatives, reflecting lower client activity, and decreases in systematic market making, partially offset by the positive impact of CHF 65 million in derivatives in 2016, resulting from a recalibration of the valuation model for certain hybrid instruments to reflect increased observability of pricing data and a more standardized approach across products. Fixed income sales and trading revenues were stable compared to 2015, as higher revenues from developed markets rates products, which included a positive impact of CHF 33 million in 2016 resulting from an increase in the funding value of certain structured deposits originated in Asia Pacific were offset by lower revenues from emerging markets rates products.

Provision for credit losses

In 2016, Markets recorded a release of provision for credit losses of CHF 3 million, compared to a provision for credit losses of CHF 4 million in 2015.

Total operating expenses

Total operating expenses of CHF 1,460 million decreased 18% compared to 2015, mainly reflecting the absence of the goodwill impairment charge of CHF 310 million in 2015. Compensation and benefits decreased 5% to CHF 724 million, mainly due to lower discretionary compensation expenses and lower deferred compensation expenses from prior-year awards, partially offset by higher salary expenses. Commission expenses decreased 9% to CHF 245 million, primarily reflecting lower client trading volumes in equities. Restructuring expenses increased CHF 37 million to CHF 39 million, reflecting ongoing cost management initiatives. General and administrative expenses increased 4% to CHF 452 million, mainly due to higher corporate management charges. Adjusted total operating expenses of CHF 1,421 million decreased slightly compared to 2015.

Global Markets

In 2017, we reported income before taxes of CHF 450 million and net revenues of CHF 5,551 million. Net revenues were stable compared to 2016, as improved fixed income and underwriting revenues were offset by challenging trading conditions in our equities businesses.

RESULTS SUMMARY

2017 results

In 2017, we reported income before taxes of CHF 450 million and net revenues of CHF 5,551 million. Compared to 2016, net revenues were stable, as substantially higher securitized products revenues and increased underwriting activity were offset by challenging equity trading conditions which resulted in low levels of client activity, particularly in ITS. Fixed income sales and trading revenues increased 12%, underwriting revenues increased 17% and equity sales and trading revenues declined 19%. Total operating expenses were CHF 5,070 million, down 7% compared to 2016, reflecting lower compensation and benefits, reduced allocated corporate function costs and lower restructuring costs. We reported an adjusted income before taxes of CHF 608 million in 2017 compared to CHF 272 million in 2016.

Divisional results

			in / end of		% change
	2017	2016	2015	17 / 16	16 / 15
Statements of operations (CHF million)					
Net revenues	**5,551**	**5,497**	**6,826**	1	(19)
Provision for credit losses	**31**	**(3)**	**10**	–	–
Compensation and benefits	2,532	2,725	3,105	(7)	(12)
General and administrative expenses	1,839	2,001	2,322	(8)	(14)
Commission expenses	549	509	563	8	(10)
Goodwill impairment	0	0	2,661	–	(100)
Restructuring expenses	150	217	96	(31)	126
Total other operating expenses	2,538	2,727	5,642	(7)	(52)
Total operating expenses	**5,070**	**5,452**	**8,747**	(7)	(38)
Income/(loss) before taxes	**450**	**48**	**(1,931)**	–	–
Statement of operations metrics (%)					
Return on regulatory capital	3.2	0.4	(11.2)	–	–
Cost/income ratio	91.3	99.2	128.1	–	–
Economic risk capital and return					
Average economic risk capital (CHF million)	9,327	9,928	12,372	(6)	(20)
Pre-tax return on average economic risk capital (%) [1]	4.8	0.5	(15.6)	–	–
Balance sheet statistics (CHF million, except where indicated)					
Total assets	242,159	239,700	234,276	1	2
Risk-weighted assets	58,858	51,713	62,838	14	(18)
Risk-weighted assets (USD)	60,237	50,556	63,527	19	(20)
Leverage exposure	283,809	284,143	276,656	0	3
Leverage exposure (USD)	290,461	277,787	279,691	5	(1)
Number of employees (full-time equivalents)					
Number of employees	11,740	11,530	12,000	2	(4)

[1] Calculated using a return excluding interest costs for allocated goodwill.

Divisional results (continued)

			in		% change
	2017	2016	2015	17 / 16	16 / 15
Net revenue detail (CHF million)					
Fixed income sales and trading	2,922	2,599	3,355	12	(23)
Equity sales and trading	1,750	2,157	2,725	(19)	(21)
Underwriting	1,115	957	953	17	–
Other	(236)	(216)	(207)	9	4
Net revenues	**5,551**	**5,497**	**6,826**	1	(19)

Reconciliation of adjusted results

		Global Markets	
in	**2017**	2016	2015
Adjusted results (CHF million)			
Net revenues	**5,551**	**5,497**	**6,826**
Provision for credit losses	**31**	**(3)**	**10**
Total operating expenses	**5,070**	**5,452**	**8,747**
Goodwill impairment	–	–	(2,661)
Restructuring expenses	(150)	(217)	(96)
Major litigation provisions	0	(7)	(231)
Expenses related to business sales	(8)	0	0
Adjusted total operating expenses	**4,912**	**5,228**	**5,759**
Income/(loss) before taxes	**450**	**48**	**(1,931)**
Total adjustments	158	224	2,988
Adjusted income before taxes	**608**	**272**	**1,057**
Adjusted return on regulatory capital (%)	4.3	2.0	6.7

Adjusted results are non-GAAP financial measures. Refer to "Reconciliation of adjusted results" in Credit Suisse for further information.

2016 results

In 2016, we reported income before taxes of CHF 48 million and net revenues of CHF 5,497 million. Compared to 2015, net revenues decreased 19%, as challenging trading conditions resulted in low levels of client activity. Fixed income sales and trading revenues declined 23%, equity sales and trading revenues declined 21% and underwriting revenues were stable. Total operating expenses were CHF 5,452 million, down 38% compared to 2015, reflecting the goodwill impairment of CHF 2,661 million in 2015. Adjusted total operating expenses of CHF 5,228 million decreased 9% compared to 2015, reflecting lower compensation and benefits and decreased costs related to our risk, regulatory and compliance infrastructure. Adjusted income before taxes was CHF 272 million in 2016, compared to CHF 1,057 million in 2015.

Capital and leverage metrics

At the end of 2017, we reported risk-weighted assets of USD 60.2 billion, in line with our 2018 threshold of USD 60 billion. Risk-weighted assets increased USD 9.7 billion compared to 2016 primarily reflecting increased business activity across our credit businesses and capital markets, the expiration of a credit risk hedge and methodology changes. Leverage exposure was USD 290.5 billion, in line with our 2018 threshold of USD 290 billion. Leverage exposure increased USD 12.7 billion compared to 2016 primarily due to increased business activity.

2017 RESULTS

Revenues reflected a change in the intra-divisional funding cost allocation methodology between fixed income sales and trading and equity sales and trading in the fourth quarter of 2017 due to ongoing work on the implementation of the net stable funding ratio framework.

Fixed income sales and trading

Fixed income sales and trading revenues of CHF 2,922 million increased 12% compared to 2016, primarily due to substantially higher securitized products revenues reflecting strength across all products. This was partially offset by substantially lower macro products revenues reflecting weak US rates results due to subdued volatility and our reduced issuance of structured notes. Emerging markets revenues decreased, reflecting a substantial decline in Brazil financing due to significantly lower client activity compared to more favorable market conditions in 2016. In addition, global credit products revenues decreased, driven by lower investment grade trading and leveraged finance revenues in light of continued low volatility and tighter credit spreads.

Equity sales and trading

Equity sales and trading revenues of CHF 1,750 million decreased 19% compared to 2016, reflecting lower systematic market revenues driven by the transition of the business to International Wealth Management that was completed in the first quarter of 2017, coupled with a difficult trading environment. Equity derivatives revenues decreased significantly due to continued low levels of volatility, which negatively impacted flow derivatives. Prime services revenues declined primarily reflecting lower client financing revenues given a low trading volume environment. Cash equities revenues were stable in a difficult trading environment.

Underwriting

Underwriting revenues of CHF 1,115 million increased 17% compared to 2016, reflecting increased issuance activity due to a low volatility market environment. Debt underwriting revenues increased, primarily due to significantly higher leveraged finance revenues. In addition, equity underwriting revenues increased, due to significantly higher primary issuance volumes.

Provision for credit losses

Global Markets recorded a provision for credit losses of CHF 31 million in 2017. In 2016 we recorded a release of provision for credit losses of CHF 3 million. The release of provision reflected the stabilization in the energy sector.

Total operating expenses

Compared to 2016, total operating expenses of CHF 5,070 million decreased 7%, reflecting lower compensation and benefits, reduced general and administrative expenses and lower restructuring costs. Compensation and benefits decreased 7%, reflecting lower deferred compensation expenses from prior-year awards, lower salary and reduced discretionary compensation expenses. General and administrative expenses decreased, primarily due to lower allocated corporate function costs. In addition, we incurred restructuring expenses of CHF 150 million.

2016 RESULTS

Fixed income sales and trading

Fixed income sales and trading revenues of CHF 2,599 million declined 23%, compared to 2015, primarily due to lower securitized products revenues as we significantly reduced our risk and capital profile. Revenues in our rates business declined, due to lower capital usage and the exit of our European rates business as we resized the franchise. In addition, emerging markets revenues declined, primarily due to lower structured products results. This was partially offset by improved Brazil trading activity and higher global credit product revenues, reflecting improved leveraged finance trading activity due to a significant rebound in US high yield and loan trading.

Equity sales and trading

Equities revenues of CHF 2,157 million declined 21%, compared to 2015, reflecting challenging operating conditions. Equity derivatives revenues declined mainly due to decreased structured and flow derivatives, reflecting lower volatility. Systematic market making revenues declined due to low volatility. Prime services revenues declined, reflecting our resized business model compared to 2015. Cash equities revenues were lower, reflecting a decline in Europe, Middle East and Africa (EMEA) trading volumes. This was partially offset by improved convertibles revenues.

Underwriting

Underwriting revenues of CHF 957 million were stable compared to 2015, primarily due to higher debt underwriting revenues driven by improved investment grade and leveraged finance activity. This was offset by lower equity underwriting revenues, primarily due to reduced industry-wide issuance activity.

Provision for credit losses

Global Markets recorded a release of provision for credit losses of CHF 3 million in 2016 and a provision for credit losses of CHF 10 million in 2015. The release of provision reflected the stabilization in the energy sector.

Total operating expenses

Compared to 2015, total operating expenses of CHF 5,452 million decreased 38%, primarily due to the goodwill impairment charge of CHF 2,661 million in 2015. Compensation and benefits decreased 12%, reflecting lower deferred compensation expenses from prior-year awards and lower salary expenses. General and administrative expenses decreased, reflecting reduced costs related to our risk, regulatory and compliance infrastructure. In addition, we incurred restructuring expenses of CHF 217 million. Adjusted total operating expenses decreased 9%.

Investment Banking & Capital Markets

In 2017, we reported income before taxes of CHF 369 million and net revenues of CHF 2,139 million. Income before taxes increased 41% and net revenues increased 8% compared to 2016. Profitability was positively impacted by an improved share of wallet and increased underwriting revenues.

RESULTS SUMMARY

2017 results

In 2017, we reported income before taxes of CHF 369 million and net revenues of CHF 2,139 million. Net revenues increased 8% compared to 2016, due to higher revenues from debt underwriting and equity underwriting, partially offset by lower revenues in advisory and other fees. Debt underwriting revenues of CHF 1,030 million increased 10%, driven by higher leveraged finance revenues, partially offset by lower derivatives financing revenues. Equity underwriting revenues of CHF 386 million increased 24%, primarily reflecting an increase in the overall industry-wide fee pool driven by strong IPO activity. Advisory and other fees of CHF 770 million decreased 9%, mainly reflecting lower revenues from completed M&A transactions. Total operating expenses of CHF 1,740 million increased 3%, primarily due to higher compensation and benefits and restructuring expenses. Adjusted income before taxes was CHF 411 million in 2017, compared to CHF 289 million in 2016.

Divisional results

			in / end of		% change
	2017	2016	2015	17 / 16	16 / 15
Statements of operations (CHF million)					
Net revenues	**2,139**	**1,972**	**1,787**	8	10
Provision for credit losses	**30**	**20**	**0**	50	–
Compensation and benefits	1,268	1,237	1,265	3	(2)
General and administrative expenses	423	424	432	–	(2)
Commission expenses	7	2	2	250	–
Goodwill impairment	0	0	380	–	(100)
Restructuring expenses	42	28	22	50	27
Total other operating expenses	472	454	836	4	(46)
Total operating expenses	**1,740**	**1,691**	**2,101**	3	(20)
Income/(loss) before taxes	**369**	**261**	**(314)**	41	–
Statement of operations metrics (%)					
Return on regulatory capital	13.7	10.7	(15.4)	–	–
Cost/income ratio	81.3	85.8	117.6	–	–
Economic risk capital and return					
Average economic risk capital (CHF million)	5,279	4,652	3,717	13	25
Pre-tax return on average economic risk capital (%) [1]	7.0	5.6	(8.4)	–	–
Balance sheet statistics (CHF million, except where indicated)					
Total assets	20,803	20,784	18,712	0	11
Risk-weighted assets	20,058	18,027	16,150	11	12
Risk-weighted assets (USD)	20,528	17,624	16,327	16	8
Leverage exposure	43,842	45,571	40,898	(4)	11
Leverage exposure (USD)	44,870	44,552	41,347	1	8
Number of employees (full-time equivalents)					
Number of employees	3,190	3,090	2,810	3	10

[1] Calculated using a return excluding interest costs for allocated goodwill.

Divisional results (continued)

			in	% change	
	2017	2016	2015	17 / 16	16 / 15
Net revenue detail (CHF million)					
Advisory and other fees	770	849	748	(9)	14
Debt underwriting	1,030	934	809	10	15
Equity underwriting	386	312	376	24	(17)
Other	(47)	(123)	(146)	(62)	(16)
Net revenues	**2,139**	**1,972**	**1,787**	8	10

Reconciliation of adjusted results

	Investment Banking & Capital Markets		
in	**2017**	2016	2015
Adjusted results (CHF million)			
Net revenues	**2,139**	**1,972**	**1,787**
Provision for credit losses	**30**	**20**	**–**
Total operating expenses	**1,740**	**1,691**	**2,101**
Goodwill impairment	–	–	(380)
Restructuring expenses	(42)	(28)	(22)
Adjusted total operating expenses	**1,698**	**1,663**	**1,699**
Income/(loss) before taxes	**369**	**261**	**(314)**
Total adjustments	42	28	402
Adjusted income before taxes	**411**	**289**	**88**
Adjusted return on regulatory capital (%)	15.2	11.9	4.6

Adjusted results are non-GAAP financial measures. Refer to “Reconciliation of adjusted results” in Credit Suisse for further information.

2016 results

In 2016, we reported income before taxes of CHF 261 million and net revenues of CHF 1,972 million. Net revenues increased 10% compared to 2015. Debt underwriting revenues of CHF 934 million increased 15% on higher leveraged finance and derivatives financing revenues and significant mark-to-market losses related to our underwriting commitments in 2015. Advisory and other fees of CHF 849 million increased 14%, mainly reflecting higher revenues from completed M&A transactions. Equity underwriting revenues of CHF 312 million decreased 17%, primarily reflecting a decrease in the industry-wide fee pool for IPOs and follow-on offerings. Total operating expenses of CHF 1,691 million decreased 20%, primarily due to the goodwill impairment charge of CHF 380 million incurred in 2015 and lower deferred compensation expense. Adjusted income before taxes was CHF 289 million in 2016, compared to CHF 88 million in 2015.

Capital and leverage metrics

At the end of 2017, risk-weighted assets were USD 20.5 billion, an increase of USD 2.9 billion compared to the end of 2016. The change was driven by the impact of methodology changes, growth in the loan portfolio and increased underwriting commitments. We reported leverage exposure of USD 44.9 billion, an increase of USD 0.3 billion compared to the end of 2016.

2017 RESULTS

Advisory and other fees

In 2017, revenues from advisory and other fees of CHF 770 million decreased 9% compared to 2016, mainly reflecting lower revenues from completed M&A transactions, despite an increase in our share of wallet for those transactions. Share of wallet refers to our share of the industry-wide fee pool for the respective products.

Debt underwriting

In 2017, debt underwriting revenues of CHF 1,030 million increased 10% compared to 2016, driven by significantly higher leveraged finance revenues partially offset by lower derivatives financing revenues.

Equity underwriting

In 2017, equity underwriting revenues of CHF 386 million increased 24% compared to 2016, primarily reflecting an increase in the overall industry-wide fee pool driven by strong IPO activity.

Provision for credit losses

In 2017, Investment Banking & Capital Markets recorded a provision for credit losses of CHF 30 million including increased provisions reflecting a methodology change for probable losses inherent in the portfolio relating to the period of time expected to identify defaults once they have occurred and provisions relating to a single counterparty.

Total operating expenses

Total operating expenses of CHF 1,740 million increased 3% compared to 2016, primarily due to higher deferred compensation expenses from prior year awards, allocated corporate function costs, mainly reflecting targeted investments in our IT and compliance functions, and restructuring expenses. These increases were partially offset by a lower discretionary compensation accrual.

2016 RESULTS

Advisory and other fees

In 2016, revenues from advisory and other fees of CHF 849 million increased 14% compared to 2015, as higher revenues from completed M&A transactions and an increase in our share of wallet offset a decrease in the industry-wide fee pool. Share of wallet refers to our share of the industry-wide fee pool for the respective products.

Debt underwriting

In 2016, debt underwriting revenues of CHF 934 million increased 15% compared to 2015, driven by significantly higher leveraged finance revenues and mark-to-market losses related to our underwriting commitments in 2015.

Equity underwriting

In 2016, equity underwriting revenues of CHF 312 million decreased 17% compared to 2015, primarily reflecting a decrease in the industry-wide fee pool for IPOs and follow-on offerings.

Provision for credit losses

In 2016, Investment Banking & Capital Markets recorded a provision for credit losses of CHF 20 million, primarily relating to the energy sector.

Total operating expenses

Total operating expenses of CHF 1,691 million decreased 20% compared to 2015, primarily due to the goodwill impairment charge of CHF 380 million in 2015, and lower deferred compensation expense. These decreases were partially offset by a higher discretionary compensation accrual, market-based salary increases and higher restructuring expenses.

Global advisory and underwriting revenues

The Group's global advisory and underwriting business operates across multiple business divisions that work in close collaboration with each other to generate these revenues. In order to reflect the global performance and capabilities of this business and for enhanced comparability versus its peers, the following table aggregates total advisory and underwriting revenues for the Group into a single metric in US dollar terms before cross-divisional revenue sharing agreements.

	in		% change
	2017	2016	YoY
Global advisory and underwriting revenues (USD million)			
Global advisory and underwriting revenues	4,133	3,771	10
of which advisory and other fees	935	1,046	(11)
of which debt underwriting	2,292	1,967	17
of which equity underwriting	906	758	20

Strategic Resolution Unit

In 2017, we reported a loss before taxes of CHF 2,135 million and decreased risk-weighted assets by USD 10.0 billion and leverage exposure by USD 42.1 billion compared to the end of 2016.

RESULTS SUMMARY

2017 results

In 2017, we reported a loss before taxes of CHF 2,135 million, compared to a loss before taxes of CHF 5,759 million in 2016 that included significant litigation provisions of CHF 2,792 million, primarily related to the settlements with the DOJ and the NCUA regarding our legacy RMBS business. In 2017, we reported an adjusted loss before taxes of CHF 1,847 million, compared to CHF 2,943 million in 2016.

Negative net revenues of CHF 886 million in 2017 were driven by overall funding costs, valuation adjustments and exit costs, partially offset by revenues from our legacy cross-border and small markets businesses. Valuation adjustments in 2017 primarily reflected mark-to-market losses on our legacy investment banking portfolio. Provision for credit losses was CHF 32 million in 2017 compared to CHF 111 million in 2016. Total operating expenses were CHF 1,217 million in 2017, including CHF 796 million of general and administrative expenses, of which CHF 300 million were litigation provisions, and CHF 332 million of compensation and benefits.

In 2017, we reported adjusted total operating expenses of CHF 891 million, compared to CHF 1,563 million in 2016.

Divisional results

			in / end of		% change
	2017	2016	2015	17 / 16	16 / 15
Statements of operations (CHF million)					
Net revenues	**(886)**	**(1,271)**	**511**	(30)	–
of which from noncontrolling interests without significant economic interest	45	27	11	67	145
Provision for credit losses	**32**	**111**	**137**	(71)	(19)
Compensation and benefits	332	612	1,168	(46)	(48)
General and administrative expenses	796	3,590	1,539	(78)	133
of which litigation provisions	300	2,792	417	(89)	–
Commission expenses	32	54	163	(41)	(67)
Restructuring expenses	57	121	156	(53)	(22)
Total other operating expenses	885	3,765	1,858	(76)	103
Total operating expenses	**1,217**	**4,377**	**3,026**	(72)	45
of which from noncontrolling interests without significant economic interest	10	23	22	(57)	5
Income/(loss) before taxes	**(2,135)**	**(5,759)**	**(2,652)**	(63)	117
of which from noncontrolling interests without significant economic interest	35	4	(11)	–	–
Balance sheet statistics (CHF million, except where indicated)					
Total assets	45,629	80,297	100,823	(43)	(20)
Risk-weighted assets	33,613	45,441	72,424	(26)	(37)
Risk-weighted assets (USD)	34,401	44,425	73,218	(23)	(39)
Leverage exposure	59,934	105,768	168,544	(43)	(37)
Leverage exposure (USD)	61,339	103,402	170,393	(41)	(39)
Number of employees (full-time equivalents)					
Number of employees	1,530	1,830	3,200	(16)	(43)

Divisional results (continued)

			in		% change
	2017	2016	2015	17 / 16	16 / 15
Net revenue detail (CHF million)					
Restructuring of select onshore businesses	31	154	757	(80)	(80)
Legacy cross-border and small markets businesses	121	194	291	(38)	(33)
Legacy asset management positions	(79)	(90)	(109)	(12)	(17)
Legacy investment banking portfolio	(697)	(1,253)	(281)	(44)	346
Legacy funding costs	(337)	(315)	(251)	7	25
Other	30	12	93	150	(87)
Noncontrolling interests without significant economic interest	45	27	11	67	145
Net revenues	**(886)**	**(1,271)**	**511**	(30)	–

Reconciliation of adjusted results

	Strategic Resolution Unit		
in	**2017**	2016	2015
Adjusted results (CHF million)			
Net revenues	**(886)**	**(1,271)**	**511**
Real estate gains	0	(4)	0
(Gains)/losses on business sales	(38)	6	0
Adjusted net revenues	**(924)**	**(1,269)**	**511**
Provision for credit losses	**32**	**111**	**137**
Total operating expenses	**1,217**	**4,377**	**3,026**
Restructuring expenses	(57)	(121)	(156)
Major litigation provisions	(269)	(2,693)	(290)
Adjusted total operating expenses	**891**	**1,563**	**2,580**
Income/(loss) before taxes	**(2,135)**	**(5,759)**	**(2,652)**
Total adjustments	288	2,816	446
Adjusted income/(loss) before taxes	**(1,847)**	**(2,943)**	**(2,206)**

Adjusted results are non-GAAP financial measures. Refer to “Reconciliation of adjusted results” in Credit Suisse for further information.

2016 results

We reported a loss before taxes of CHF 5,759 million, including significant litigation provisions of CHF 2,792 million, primarily related to the settlements with the DOJ and the NCUA regarding our legacy RMBS, compared to a loss before taxes of CHF 2,652 million in 2015. In 2016, we reported an adjusted loss before taxes of CHF 2,943 million, compared to CHF 2,206 million in 2015.

Negative net revenues of CHF 1,271 million in 2016 were driven by overall funding costs, valuation adjustments and exit costs, partially offset by revenues from our legacy cross-border and small markets businesses. Valuation adjustments in 2016 primarily reflected mark-to-market losses on our legacy investment banking portfolio, including our distressed credit and emerging markets loan portfolio. Net revenues decreased CHF 1,782 million compared to 2015, primarily driven by lower revenues from the restructuring of our select onshore businesses and higher overall funding costs. Provision for credit losses was CHF 111 million in 2016 compared to CHF 137 million in 2015. Total operating expenses were CHF 4,377 million in 2016, including CHF 3,590 million of general and administrative expenses, of which CHF 2,792 million were litigation provisions, primarily relating to the RMBS settlements, and CHF 612 million of compensation and benefits.

In 2016, we reported adjusted total operating expenses of CHF 1,563 million, compared to CHF 2,580 million in 2015.

Capital and leverage metrics

At the end of 2017, we reported risk-weighted assets of USD 34.4 billion, a decrease of USD 10.0 billion compared to the end of 2016. Leverage exposure was USD 61.3 billion at the end of 2017, reflecting a decrease of USD 42.1 billion compared to the end of 2016. These decreases were primarily achieved through a broad range of transactions, including restructuring and unwinds in the derivatives portfolio, sales in the residual loan portfolio and legacy asset management positions, restructuring of life finance and emerging market exposures, real estate exits and a full exit of the legacy leveraged finance capital markets portfolio.

Development of the Strategic Resolution Unit

In the fourth quarter of 2015, we formed the Strategic Resolution Unit to oversee the effective wind-down of businesses and positions that do not fit our strategic direction in the most efficient manner possible. We plan to complete the wind-down of the division by the end of 2018. Any remaining operations and assets of the Strategic Resolution Unit are expected to be absorbed into the rest of the Group.

▸ Refer to "Development of the Strategic Resolution Unit" in I – Information on the company – Divisions – Strategic Resolution Unit for further information.

2017 RESULTS

Net revenues

We reported negative net revenues of CHF 886 million in 2017 compared to negative net revenues of CHF 1,271 million in 2016. The improvement was driven by lower negative valuation adjustments, a reduction in overall funding costs and lower exit losses primarily related to the sale of loan and financing portfolios, partially offset by a reduction in fee-based revenues as a result of accelerated business exits.

Provision for credit losses

Provision for credit losses was CHF 32 million in 2017 compared to CHF 111 million in 2016. Provisions in 2017 were primarily related to corporate loans, the disposal of a portfolio of senior financing on US middle market loans and ship finance exposures. Provisions in 2016 were primarily related to the ship finance sector.

Total operating expenses

Total operating expenses of CHF 1,217 million decreased CHF 3,160 million, a decline of 72% compared to 2016, primarily due to lower general and administrative expenses and lower compensation and benefits. General and administrative expenses of CHF 796 million decreased 78%, including significantly lower litigation provisions, a decrease of CHF 2,492 million as 2016 included significant litigation provisions of CHF 2,792 million, primarily related to the ▸ RMBS settlements. Compensation and benefits of CHF 332 million decreased 46%, primarily from the restructuring of select onshore businesses, including cost reduction initiatives relating to the exit of our US onshore and Western European private banking businesses. Total operating expenses in 2017 included costs of CHF 177 million to meet requirements related to the settlements with US authorities regarding US cross-border matters, some of which relates to the work performed by the DFS monitor. Adjusted total operating expenses were CHF 891 million in 2017, compared to CHF 1,563 million in 2016, a decline of 43%.

2016 RESULTS

Net revenues

We reported negative net revenues of CHF 1,271 million in 2016 compared to net revenues of CHF 511 million in 2015. The decrease in net revenues was driven by lower revenues from the restructuring of our select onshore businesses, in particular the transfer of our US private banking business, which was announced in 2015, higher overall funding costs and higher negative valuation adjustments. Valuation adjustments in 2016 primarily reflected mark-to-market losses on our legacy investment banking portfolio, including our distressed credit and emerging markets loan portfolio. The lower revenues also reflected higher exit costs relating to our legacy investment banking portfolio and the restructuring of our former Asset Management business.

Provision for credit losses

Provision for credit losses was CHF 111 million in 2016 compared to CHF 137 million in 2015. Provisions in 2016 mainly related to the ship finance sector and provisions in 2015 primarily related to the energy sector, principally from our legacy US private banking business.

Total operating expenses

Total operating expenses of CHF 4,377 million increased CHF 1,351 million compared to 2015, reflecting significant litigation provisions of CHF 2,792 million in 2016, primarily related to the ▸ RMBS settlements, partially offset by lower compensation and benefits and commission expenses as a result of various cost reduction initiatives, as well as the transfer of our US private banking business. Total operating expenses in 2016 included CHF 121 million of restructuring expenses and costs of CHF 220 million to meet requirements related to the settlements with US authorities regarding US cross-border matters, some of which relates to the work performed by the DFS monitor. Adjusted total operating expenses were CHF 1,563 million in 2016, compared to CHF 2,580 million in 2015, a decline of 39%.

Corporate Center

In 2017, we recorded a loss before taxes of CHF 736 million compared to a loss of CHF 687 million in 2016.

Corporate Center includes parent company operations such as Group financing, expenses for projects sponsored by the Group, including costs associated with the evolution of our legal entity structure to meet developing and future regulatory requirements, and certain other expenses and revenues that have not been allocated to the segments. Corporate Center also includes consolidation and elimination adjustments required to eliminate intercompany revenues and expenses.

Treasury results include the impact of volatility in the valuations of certain central funding transactions such as structured notes issuances and swap transactions. Since the second quarter of 2017, treasury results also include additional interest charges from transfer pricing to align funding costs to assets held in the Corporate Center.

Other revenues include required elimination adjustments associated with trading in own shares and, beginning in the third quarter of 2017, include the cost of certain hedging transactions executed in connection with the Group's risk-weighted assets.

Compensation and benefits mainly reflect fair value adjustments on certain deferred compensation plans not allocated to the segments and certain deferred compensation retention awards intended to support the restructuring of the Group relating to Global Markets and Investment Banking & Capital Markets predominantly through the end of 2017, and to Asia Pacific predominantly through the end of 2018.

2017 results

In 2017, we recorded a loss before taxes of CHF 736 million compared to a loss of CHF 687 million in 2016. The increase in the loss before taxes was primarily driven by higher total operating expenses, partially offset by an increase in net revenues.

We reported net revenues of CHF 85 million compared to CHF 71 million in 2016. In 2017, treasury results of CHF 56 million reflected revenues with respect to structured notes volatility of CHF 503 million, partially offset by negative revenues of CHF 257 million relating to funding activities, CHF 118 million relating to hedging volatility and CHF 74 million relating to fair-valued money market instruments. The 2017 structured notes volatility was substantially composed of the positive impact of CHF 412 million from the enhancements in the third and fourth quarters of 2017 to the valuation methodology relating to the instrument-specific credit risk on fair value option elected structured notes, of which CHF 338 million was reallocated between accumulated other comprehensive income/(loss) (AOCI) and net income. We are in the process of migrating our structured notes portfolio to a new target operating model that allows for a more granular and precise valuation of the individual notes. This migration became sufficiently advanced during the third and fourth quarters of 2017 with respect to the rates sub-portfolio to allow for this change in estimate.

Corporate Center results

			in / end of		% change
	2017	2016	2015	17 / 16	16 / 15
Statements of operations (CHF million)					
Treasury results	56	(160)	69	–	–
Fair value impact from movements in own credit spreads	–	–	298	–	(100)
Other	29	231	194	(87)	19
Net revenues	**85**	**71**	**561**	20	(87)
Provision for credit losses	**0**	**(1)**	**(1)**	100	0
Compensation and benefits	394	277	351	42	(21)
General and administrative expenses	368	399	465	(8)	(14)
Commission expenses	45	76	46	(41)	65
Restructuring expenses	14	7	0	100	–
Total other operating expenses	427	482	511	(11)	(6)
Total operating expenses	**821**	**759**	**862**	8	(12)
Income/(loss) before taxes	**(736)**	**(687)**	**(300)**	7	129
Balance sheet statistics (CHF million)					
Total assets	67,591	62,413	64,621	8	(3)
Risk-weighted assets [1]	23,849	17,338	18,467	38	(6)
Leverage exposure [1]	67,034	59,374	63,090	13	(6)

[1] Disclosed on a look-through basis.

Total operating expenses increased 8%, primarily reflecting a 42% increase in compensation and benefits, partially offset by an 8% decrease in general and administrative expenses. The increase in compensation and benefits mainly reflected higher deferred compensation expenses from prior year awards. The decrease in general and administrative expenses was mainly due to lower expenses related to the evolution of our legal entity structure, offset by a CHF 127 million impact from the settlement with the DFS relating to certain areas of our foreign exchange trading business and the impact from a provision for indirect taxes.

Capital metrics

Following discussions with FINMA during 2017, we updated our loss history and implemented a revised methodology for the measurement of our risk-weighted assets relating to operational risk, primarily in respect of our RMBS settlements, which resulted in an increase of CHF 9.0 billion in the second half of 2017. This increase was partially offset by CHF 4.0 billion of movements in risk levels, primarily in credit risk.

▸ Refer to "Regulatory capital" in Credit Suisse for further information.

2016 results

In 2016, the Corporate Center recorded a loss before taxes of CHF 687 million compared to a loss of CHF 300 million in 2015, primarily reflecting lower net revenues.

We reported net revenues of CHF 71 million compared to CHF 561 million in 2015. In 2016, the treasury results were a negative CHF 160 million, including CHF 175 million of losses with respect to structured notes volatility, CHF 87 million relating to funding activities, CHF 104 million relating to hedging volatility and CHF 32 million relating to fair-valued money market instruments, partially offset by CHF 238 million of gains relating to Credit Suisse issued fair-valued vanilla debt instruments and associated hedges.

Total operating expenses decreased 12%, primarily reflecting a 21% decrease in compensation and benefits and a 14% decrease in general and administrative expenses. The decrease in compensation and benefits mainly reflected lower deferred compensation expenses from prior year awards. The decrease in general and administrative expenses was mainly due to lower expenses related to the evolution of our legal entity structure.

Expense allocation to divisions

			in / end of		% change
	2017	2016	2015	17 / 16	16 / 15
Expense allocation to divisions (CHF million)					
Compensation and benefits	2,683	2,571	2,571	4	0
General and administrative expenses	2,642	2,978	3,439	(11)	(13)
Commission expenses	45	76	46	(41)	65
Restructuring expenses	158	166	106	(5)	57
Total other operating expenses	2,845	3,220	3,591	(12)	(10)
Total operating expenses before allocations to divisions	**5,528**	**5,791**	**6,162**	(5)	(6)
Net allocation to divisions	4,707	5,032	5,300	(6)	(5)
of which Swiss Universal Bank	1,010	1,021	1,217	(1)	(16)
of which International Wealth Management	816	789	798	3	(1)
of which Asia Pacific	738	669	648	10	3
of which Global Markets	1,524	1,732	1,698	(12)	2
of which Investment Banking & Capital Markets	320	279	262	15	6
of which Strategic Resolution Unit	299	542	677	(45)	(20)
Total operating expenses	**821**	**759**	**862**	8	(12)

Corporate services and business support, including in finance, operations, human resources, legal, compliance, risk management and IT, are provided by corporate functions, and the related costs are allocated to the segments and the Corporate Center based on their requirements and other relevant measures.

Assets under management

As of the end of 2017, assets under management were CHF 1,376.1 billion, 10.0% higher compared to the end of 2016, primarily driven by favorable market movements and net new assets of CHF 37.8 billion.

Assets under management

Assets under management comprise assets that are placed with us for investment purposes and include discretionary and advisory counterparty assets.

Discretionary assets are assets for which the client fully transfers the discretionary power to a Credit Suisse entity with a management mandate. Discretionary assets are reported in the business in which the advice is provided as well as in the business in which the investment decisions take place. Assets managed by the Asset Management business of International Wealth Management for other businesses are reported in each applicable business and eliminated at the Group level.

Advisory assets include assets placed with us where the client is provided access to investment advice but retains discretion over investment decisions.

Assets under management and net new assets include assets managed by consolidated entities, joint ventures and strategic participations. Assets from joint ventures and participations are counted in proportion to our share in the respective entity.

Net new assets

Net new assets include individual cash payments, delivery of securities 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 as well as changes in assets under management due to currency and market volatility are not taken into account when calculating net new assets, as such charges or market movements are not directly related to the Group's success in acquiring assets under management. Similarly structural effects mainly relate to asset inflows and outflows due to acquisition or divestiture, exit from businesses or markets or exits due to new regulatory requirements and are not taken into account when calculating net new assets. The Group reviews relevant policies regarding client assets on a regular basis.

Assets under management and client assets

			end of		% change
	2017	2016	2015	17 / 16	16 / 15
Assets under management (CHF billion)					
Swiss Universal Bank – Private Clients	208.3	192.2	189.8	8.4	1.3
Swiss Universal Bank – Corporate & Institutional Clients	354.7	339.3	327.0	4.5	3.8
International Wealth Management – Private Banking	366.9	323.2	289.6	13.5	11.6
International Wealth Management – Asset Management	385.6	321.6	321.3	19.9	0.1
Asia Pacific – Private Banking	196.8	166.9	150.4	17.9	11.0
Strategic Resolution Unit	5.0	13.7	27.3	(63.5)	(49.8)
Assets managed across businesses [1]	(141.2)	(105.8)	(91.3)	33.5	15.9
Assets under management	**1,376.1**	**1,251.1**	**1,214.1**	10.0	3.0
of which discretionary assets	452.5	404.3	410.1	11.9	(1.4)
of which advisory assets	923.6	846.8	804.0	9.1	5.3
Client assets (CHF billion) [2]					
Swiss Universal Bank – Private Clients	241.0	218.5	210.0	10.3	4.0
Swiss Universal Bank – Corporate & Institutional Clients	463.8	447.8	433.3	3.6	3.3
International Wealth Management – Private Banking	466.0	423.4	400.0	10.1	5.9
International Wealth Management – Asset Management	385.6	321.6	321.3	19.9	0.1
Asia Pacific – Private Banking	255.5	202.8	169.8	26.0	19.4
Strategic Resolution Unit	8.5	19.8	110.4	(57.1)	(82.1)
Assets managed across businesses [1]	(141.2)	(105.8)	(91.3)	33.5	15.9
Client assets	**1,679.2**	**1,528.1**	**1,553.5**	9.9	(1.6)

[1] Represents assets managed by Asset Management within International Wealth Management for the other businesses.
[2] Client assets is a broader measure than assets under management as it includes transactional accounts and assets under custody (assets held solely for transaction-related or safekeeping/ custody purposes) and assets of corporate clients and public institutions used primarily for cash management or transaction-related purposes.

Growth in assets under management

in	2017	2016	2015
Growth in assets under management (CHF billion)			
Net new assets	**37.8**	**26.8**	**46.9**
of which Swiss Universal Bank – Private Clients	4.7	0.1	3.3
of which Swiss Universal Bank – Corporate & Institutional Clients	(13.9)	2.5	10.5
of which International Wealth Management – Private Banking	15.6	15.6	(3.0)
of which International Wealth Management – Asset Management [1]	20.3	5.6	26.5
of which Asia Pacific – Private Banking	16.9	13.6	17.8
of which Strategic Resolution Unit	(2.5)	(8.5)	(4.0)
of which assets managed across businesses [2]	(3.3)	(2.1)	(4.2)
Other effects	**87.2**	**10.2**	**(201.5)**
of which Swiss Universal Bank – Private Clients	11.4	2.3	(15.4)
of which Swiss Universal Bank – Corporate & Institutional Clients	29.3	9.8	(16.1)
of which International Wealth Management – Private Banking	28.1	18.0	(31.1)
of which International Wealth Management – Asset Management	43.7	(5.3)	(10.4)
of which Asia Pacific – Private Banking	13.0	2.9	(17.9)
of which Strategic Resolution Unit	(6.2)	(5.1)	(112.7)
of which assets managed across businesses [2]	(32.1)	(12.4)	2.1
Growth in assets under management	**125.0**	**37.0**	**(154.6)**
of which Swiss Universal Bank – Private Clients	16.1	2.4	(12.1)
of which Swiss Universal Bank – Corporate & Institutional Clients	15.4	12.3	(5.6)
of which International Wealth Management – Private Banking	43.7	33.6	(34.1)
of which International Wealth Management – Asset Management [1]	64.0	0.3	16.1
of which Asia Pacific – Private Banking	29.9	16.5	(0.1)
of which Strategic Resolution Unit	(8.7)	(13.6)	(116.7)
of which assets managed across businesses [2]	(35.4)	(14.5)	(2.1)
Growth in assets under management (%)			
Net new assets	**3.0**	**2.2**	**3.4**
of which Swiss Universal Bank – Private Clients	2.4	0.1	1.6
of which Swiss Universal Bank – Corporate & Institutional Clients	(4.1)	0.8	3.2
of which International Wealth Management – Private Banking	4.8	5.4	(0.9)
of which International Wealth Management – Asset Management [1]	6.3	1.7	8.7
of which Asia Pacific – Private Banking	10.1	9.0	11.8
of which Strategic Resolution Unit	(18.2)	(31.1)	(2.8)
of which assets managed across businesses [2]	3.1	2.3	4.7
Other effects	**7.0**	**0.8**	**(14.7)**
of which Swiss Universal Bank – Private Clients	6.0	1.2	(7.6)
of which Swiss Universal Bank – Corporate & Institutional Clients	8.6	3.0	(4.9)
of which International Wealth Management – Private Banking	8.7	6.2	(9.6)
of which International Wealth Management – Asset Management	13.6	(1.6)	(3.4)
of which Asia Pacific – Private Banking	7.8	2.0	(11.9)
of which Strategic Resolution Unit	(45.3)	(18.7)	(78.2)
of which assets managed across businesses [2]	30.4	13.6	(2.3)
Growth in assets under management	**10.0**	**3.0**	**(11.3)**
of which Swiss Universal Bank – Private Clients	8.4	1.3	(6.0)
of which Swiss Universal Bank – Corporate & Institutional Clients	4.5	3.8	(1.7)
of which International Wealth Management – Private Banking	13.5	11.6	(10.5)
of which International Wealth Management – Asset Management [1]	19.9	0.1	5.3
of which Asia Pacific – Private Banking	17.9	11.0	(0.1)
of which Strategic Resolution Unit	(63.5)	(49.8)	(81.0)
of which assets managed across businesses [2]	33.5	15.9	2.4

[1] Includes outflows for private equity assets reflecting realizations at cost and unfunded commitments on which a fee is no longer earned.
[2] Represents assets managed by Asset Management within International Wealth Management for the other businesses.

2017 results

As of the end of 2017, assets under management were CHF 1,376.1 billion, an increase of CHF 125.0 billion compared to the end of 2016. The increase was mainly driven by favorable market movements and net new assets of CHF 37.8 billion.

Net new assets of CHF 37.8 billion mainly reflected net new assets of CHF 20.3 billion in the Asset Management business of International Wealth Management, primarily reflecting inflows from traditional and alternative investments and from emerging market joint ventures, net new assets of CHF 16.9 billion in the Private Banking business of Asia Pacific, reflecting inflows primarily from Greater China, South East Asia, Japan and Australia and net new assets of CHF 15.6 billion in the Private Banking business of International Wealth Management, reflecting solid inflows from emerging markets and Europe. These were partially offset by net asset outflows of CHF 13.9 billion in the Corporate & Institutional Clients business of Swiss Universal Bank primarily due to redemptions of CHF 13.3 billion from a single public sector mandate in the third quarter 2017.

2016 results

As of the end of 2016, assets under management were CHF 1,251.1 billion, an increase of CHF 37.0 billion compared to the end of 2015. The increase was mainly driven by net new assets of CHF 26.8 billion as well as favorable foreign exchange-related and market movements, partially offset by structural effects, mainly from an adjustment of assets under management reported for multi-asset class solutions in 2016 in the Asset Management business of International Wealth Management and the exit of certain markets in the Strategic Resolution Unit.

Net new assets of CHF 26.8 billion mainly reflected net new assets of CHF 15.6 billion in the Private Banking business of International Wealth Management, primarily from emerging markets and Europe and net new assets of CHF 13.6 billion in the Private Banking business of Asia Pacific, reflecting inflows primarily from Greater China and Australia, partially offset by outflows of CHF 8.5 billion related to the wind-down of operations in the Strategic Resolution Unit.

▸ Refer to "Swiss Universal Bank", "International Wealth Management" and "Asia Pacific" and "Note 37 – Assets under management" in VI – Consolidated financial statements – Credit Suisse Group for further information.

Critical accounting estimates

In order to prepare the consolidated financial statements in accordance with US GAAP, management is required to make certain accounting estimates to ascertain the value of assets and liabilities. These estimates are based upon judgment and the information available at the time, and actual results may differ materially from these estimates. Management believes that the estimates and assumptions used in the preparation of the consolidated financial statements are prudent, reasonable and consistently applied.

We believe that the critical accounting estimates discussed below involve the most complex judgments and assessments.

▸ Refer to "Note 1 – Summary of significant accounting policies" and "Note 2 – Recently issued accounting standards" in VI – Consolidated financial statements – Credit Suisse Group for further information on significant accounting policies and new accounting pronouncements. For financial information relating to the Bank, refer to the corresponding notes in the consolidated financial statements of the Bank.

FAIR VALUE

A significant portion of our assets and liabilities are carried at fair value. The fair value of the majority of these financial instruments is based on quoted prices in active markets or observable inputs.

In addition, we hold financial instruments for which no prices are available and which have little or no observable inputs. For these instruments, the determination of fair value requires subjective assessment and judgment depending on liquidity, pricing assumptions, the current economic and competitive environment and the risks affecting the respective instrument. In such circumstances, valuation is determined based on management's own judgments about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These instruments include certain OTC derivatives including interest rate, foreign exchange, equity and credit derivatives, certain corporate equity-linked securities, mortgage-related and CDO securities, private equity investments, certain loans and credit products (including leveraged finance, certain syndicated loans and certain high yield bonds) and life finance instruments.

We have availed ourselves of the simplification in accounting offered under the fair value option guidance in Accounting Standards Codification (ASC) Topic 825 – Financial Instruments, primarily in the divisions International Wealth Management, Asia Pacific, Global Markets, Investment Banking & Capital Markets and Strategic Resolution Unit. This has been accomplished generally by electing the fair value option, both at initial adoption and for subsequent transactions, on items impacted by the hedge accounting requirements of US GAAP. For instruments for which hedge accounting could not be achieved and for which we are economically hedged, we have generally elected the fair value option. Where we manage an activity on a fair value basis but previously have been unable to achieve fair value accounting, we generally utilize the fair value option to align our financial accounting to our risk management reporting.

Control processes are applied to ensure that the fair values of the financial instruments reported in the consolidated financial statements, including those derived from pricing models, are appropriate and determined on a reasonable basis.

▸ Refer to "Note 34 – Financial instruments" in VI – Consolidated financial statements – Credit Suisse Group for further information on fair value and related control processes of the Group.

VARIABLE INTEREST ENTITIES

As a normal part of our business, we engage in various transactions which include entities that are considered VIEs. VIEs are special purpose entities that typically lack sufficient equity to finance their activities without additional subordinated financial support or are structured such that the holders of the voting rights do not substantively participate in the gains and losses of the entity. Such entities are required to be assessed for consolidation under US GAAP, compelling the primary beneficiary to consolidate the VIE. The primary beneficiary is the party that has the power to direct the activities that most significantly affect the economics of the VIE and has the right to receive benefits or the obligation to absorb losses of the entity that could be potentially significant to the VIE. We consolidate all VIEs where we are the primary beneficiary. Application of the accounting requirements for consolidation of VIEs, including ongoing re-assessment of VIEs for possible consolidation, may require the exercise of significant management judgment.

▸ Refer to "Note 1 – Summary of significant accounting policies" and "Note 33 – Transfers of financial assets and variable interest entities" in VI – Consolidated financial statements – Credit Suisse Group for further information on VIEs.

CONTINGENCIES AND LOSS PROVISIONS

A contingency is an existing condition that involves a degree of uncertainty that will ultimately be resolved upon the occurrence or non-occurrence of future events.

Litigation contingencies

We are involved in a number of judicial, regulatory and arbitration proceedings concerning matters arising in connection with the conduct of our businesses. Some of these proceedings have been brought on behalf of various classes of claimants and seek damages of material and/or indeterminate amounts. We accrue loss contingency litigation provisions and take a charge to our consolidated statements of operations in connection with certain proceedings when losses, additional losses or ranges of loss are probable and reasonably estimable. We also accrue litigation provisions for the estimated fees and expenses of external lawyers and other service providers in relation to such proceedings, including in cases for which we have not accrued a loss contingency provision. We accrue these fee and expense litigation provisions and take a charge to income in connection therewith when such fees and expenses are probable and reasonably estimable. We review our

legal proceedings each quarter to determine the adequacy of our litigation provisions and may increase or release provisions based on management's judgment and the advice of counsel. The establishment of additional provisions or releases of litigation provisions may be necessary in the future as developments in such proceedings warrant.

It is inherently difficult to determine whether a loss is probable or even reasonably possible or to estimate the amount of any loss or loss range for many of our legal proceedings. Estimates, by their nature, are based on judgment and currently available information and involve a variety of factors, including, but not limited to, the type and nature of the proceeding, the progress of the matter, the advice of counsel, our defenses and our experience in similar matters, as well as our assessment of matters, including settlements, involving other defendants in similar or related cases or proceedings. Factual and legal determinations, many of which are complex, must be made before a loss, additional losses or ranges of loss can be reasonably estimated for any proceeding. We do not believe that we can estimate an aggregate range of reasonably possible losses for certain of our proceedings because of their complexity, the novelty of some of the claims, the early stage of the proceedings, the limited amount of discovery that has occurred and/or other factors. Most matters pending against us seek damages of an indeterminate amount. While certain matters specify the damages claimed, such claimed amount may not represent our reasonably possible losses.

‣ Refer to "Note 38 – Litigation" in VI – Consolidated financial statements – Credit Suisse Group for further information on legal proceedings.

Allowance and provision for credit losses

As a normal part of our business, we are exposed to credit risk through our lending relationships, commitments and letters of credit as well as counterparty risk on derivatives, foreign exchange and other transactions. Credit risk is the possibility of a loss being incurred 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. In the event of a default, we generally incur a loss equal to the amount owed by the debtor, less any recoveries resulting from foreclosure, liquidation of collateral or the restructuring of the debtor company. The allowance for loan losses is considered a reasonable estimate of credit losses existing at the dates of the consolidated balance sheets. This allowance is for probable credit losses inherent in existing exposures and credit exposures specifically identified as impaired.

‣ Refer to "Note 1 – Summary of significant accounting policies" and "Note 18 – Loans, allowance for loan losses and credit quality" in VI – Consolidated financial statements – Credit Suisse Group for further information on allowance for loan losses.

Inherent loan loss allowance

The inherent loan loss allowance is for all credit exposures not specifically identified as impaired and that, on a portfolio basis, are considered to contain probable inherent loss. The estimate of this component of the allowance for the consumer loans portfolio involves applying historical and current default probabilities, historical recovery experience and related current assumptions to homogenous loans based on internal risk rating and product type. To estimate this component of the allowance for the corporate and institutional loans portfolio, the Group segregates loans by risk, industry or country rating. The methodology for determining the inherent loan loss allowance for loan portfolios in our investment banking businesses uses rating-specific default probabilities, which incorporate not only historic third-party data but also data implied from current quoted credit spreads.

Many factors are evaluated in estimating probable credit losses inherent in existing exposures. These factors include: the volatility of default probabilities; rating changes; the magnitude of the potential loss; internal risk ratings; geographic, industry and other economic factors; and imprecision in the methodologies and models used to estimate credit risk. Overall credit risk indicators are also considered, such as trends in internal risk-rated exposures, classified exposures, cash-basis loans, recent loss experience and forecasted write-offs, as well as industry and geographic concentrations and current developments within those segments or locations. Our current business strategy and credit process, including credit approvals and limits, underwriting criteria and workout procedures, are also important factors.

Significant judgment is exercised in the evaluation of these factors. For example, estimating the amount of potential loss requires an assessment of the period of the underlying data. Data that does not capture a complete credit cycle may compromise the accuracy of loss estimates. Determining which external data relating to default probabilities should be used and when it should be used also requires judgment. The use of market indices and ratings that do not sufficiently correlate to our specific exposure characteristics could also affect the accuracy of loss estimates. Evaluating the impact of uncertainties regarding macroeconomic and political conditions, currency devaluations on cross-border exposures, changes in underwriting criteria, unexpected correlations among exposures and other factors all require significant judgment. Changes in our estimates of probable loan losses inherent in the portfolio could have an impact on the provision and result in a change in the allowance.

Specific loan loss allowances

We make provisions for specific loan losses on impaired loans based on regular and detailed analysis of each loan in the portfolio. This analysis includes an estimate of the realizable value of any collateral, the costs associated with obtaining repayment and realization of any such collateral, the counterparty's overall financial condition, resources and payment record, the extent of our other commitments to the same counterparty and prospects for support from any financially responsible guarantors.

The methodology for calculating specific allowances involves judgments at many levels. First, it involves the early identification of deteriorating credit. Extensive judgment is required in order to properly evaluate the various indicators of the financial condition of a counterparty and likelihood of repayment. The failure to identify certain indicators or give them proper weight could lead to

a different conclusion about the credit risk. The assessment of credit risk is subject to inherent limitations with respect to the completeness and accuracy of relevant information (for example, relating to the counterparty, collateral or guarantee) that is available at the time of the assessment. Significant judgment is exercised in determining the amount of the allowance. Whenever possible, independent, verifiable data or our own historical loss experience is used in models for estimating loan losses. However, a significant degree of uncertainty remains when applying such valuation techniques. Under our loan policy, the classification of loan status also has a significant impact on the subsequent accounting for interest accruals.

▸ Refer to "Risk Management" in III – Treasury, Risk, Balance sheet and Off-balance sheet and "Note 18 – Loans, allowance for loan losses and credit quality" in VI – Consolidated financial statements – Credit Suisse Group for loan portfolio disclosures, valuation adjustment disclosures and certain other information relevant to the evaluation of credit risk and credit risk management.

GOODWILL IMPAIRMENT

Under US GAAP, goodwill is not amortized, but is reviewed for potential impairment on an annual basis as of December 31 and at any other time that events or circumstances indicate that the carrying value of goodwill may not be recoverable.

For the purpose of testing goodwill for impairment, each reporting unit is assessed individually. A reporting unit is an operating segment or one level below an operating segment, also referred to as a component. A component of an operating segment is deemed to be a reporting unit if the component constitutes a business for which discrete financial information is available and management regularly reviews the operating results of that component.

On December 7, 2016, and on February 14, 2017, the Group announced a reorganization and change to financial reporting affecting its Swiss Universal Bank and Asia Pacific segments. During the first quarter of 2017, these measures were implemented. The Group determined that these changes constituted triggering events. The Group's reporting units as a result of these measures are defined as follows: Swiss Universal Bank – Private Clients (formerly Private Banking), Swiss Universal Bank – Corporate & Institutional Clients (formerly Corporate & Institutional Banking), International Wealth Management – Private Banking, International Wealth Management – Asset Management, Asia Pacific – Wealth Management & Connected (formerly Private Banking), Asia Pacific – Markets (formerly Investment Banking), Global Markets, Investment Banking & Capital Markets and the Strategic Resolution Unit.

Under Accounting Standards Update 2011-08, "Testing Goodwill for Impairment" (ASU 2011-08), a qualitative assessment is permitted to evaluate whether a reporting unit's ▷ fair value is less than its carrying value. If on the basis of the qualitative assessment it is more likely than not that the reporting unit's fair value is higher than its carrying value, no quantitative goodwill impairment test is required. If on the basis of the qualitative assessment it is more likely than not that the reporting unit's fair value is lower than its carrying value, a quantitative goodwill impairment test must be performed, by calculating the fair value of the reporting unit and comparing that amount to its carrying value. If the fair value of a reporting unit exceeds its carrying value, there is no goodwill impairment. If the carrying value exceeds the fair value, there is a goodwill impairment. The goodwill impairment is calculated as the difference between the carrying value and the fair value of the reporting unit up to a maximum of the goodwill amount recorded in that reporting unit.

The qualitative assessment is intended to be a simplification of the annual impairment test and can be bypassed for any reporting unit and any period to proceed directly to performing the quantitative goodwill impairment test. When bypassing the qualitative assessment in any period in accordance with the current practice of the Group, the preparation of a qualitative assessment can be resumed in any subsequent period.

Circumstances that could trigger an initial qualitative assessment of the goodwill impairment test include, but are not limited to: (i) macroeconomic conditions such as a deterioration in general economic conditions or other developments in equity and credit markets; (ii) industry and market considerations such as a deterioration in the environment in which the entity operates, an increased competitive environment, a decline in market-dependent multiples or metrics (considered in both absolute terms and relative to peers), and regulatory or political developments; (iii) other relevant entity-specific events such as changes in management, key personnel or strategy; (iv) a more-likely-than-not expectation of selling or disposing of all, or a portion, of a reporting unit; (v) results of testing for recoverability of a significant asset group within a reporting unit; (vi) recognition of a goodwill impairment in the financial statements of a subsidiary that is a component of a reporting unit; and (vii) a sustained decrease in share price (considered in both absolute terms and relative to peers).

The carrying value of each reporting unit for the purpose of the goodwill impairment test is determined by considering the reporting units' ▷ risk-weighted assets usage, leverage ratio exposure, deferred tax assets, goodwill and intangible assets. Any residual equity, after considering the total of these elements, is allocated to the reporting units on a pro-rata basis. As of December 31, 2017, such residual equity was equal to CHF 4,255 million.

In estimating the fair value of its reporting units, the Group applied a combination of the market approach and the income approach. Under the market approach, consideration was given to price to projected earnings multiples or price to book value multiples for similarly traded companies and prices paid in recent transactions that have occurred in its industry or in related industries. Under the income approach, a discount rate was applied that reflects the risk and uncertainty related to the reporting unit's projected cash flows, which were determined from the Group's financial plan.

In determining the estimated fair value, the Group relied upon its updated five-year strategic business plan, which included significant management assumptions and estimates based on its view of current and future economic conditions and regulatory changes, and as approved by the Board of Directors.

Estimates of the Group's future earnings potential, and that of the reporting units, involve considerable judgment, including

management's view on future changes in market cycles, the regulatory environment and the anticipated result of the implementation of business strategies, competitive factors and assumptions concerning the retention of key employees. Adverse changes in the estimates and assumptions used to determine the fair value of the Group's reporting units may result in a goodwill impairment in the future.

An estimated balance sheet for each reporting unit is prepared on a quarterly basis. In January 2017, the Financial Accounting Standards Board issued ASU 2017-04 Intangibles – Goodwill and Other (Topic 350) – Simplifying the Test for Goodwill Impairment. The guidance removes step two of the goodwill impairment test, which requires a hypothetical purchase price allocation. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value. An impairment loss shall be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit. Credit Suisse has decided to early adopt ASU 2017-04, simplifying the test for goodwill impairment as of January 1, 2017. This policy has also been early adopted for any goodwill impairment tests performed for any subsidiary of the Group.

Goodwill is tested for impairment before and immediately after a reorganization or restructuring of reporting units. As a result, the goodwill impairment test was performed during the first quarter of 2017 under the old business structure and then again under the modified structure according to the measures implemented in connection with the announcements on December 7, 2016 and February 14, 2017. Based on its goodwill impairment analysis performed during the first quarter of 2017, the Group concluded that the estimated fair value for all of the reporting units with goodwill impacted by measures implemented in connection with the December 7, 2016 and February 14, 2017 announcements substantially exceeded their related carrying values and that no impairment was necessary.

Based on its goodwill impairment analysis performed as of December 31, 2017, the Group concluded that the estimated fair value for all of the reporting units with goodwill substantially exceeded their related carrying values and no impairment was necessary as of December 31, 2017.

The Group engaged the services of an independent valuation specialist to assist in the valuation of the Global Markets and Asia Pacific Markets reporting units as of December 31, 2017. The valuations were performed using a combination of the market approach and income approach.

The results of the impairment evaluation of each reporting unit's goodwill would be significantly impacted by adverse changes in the underlying parameters used in the valuation process. If actual outcomes adversely differ by a significant margin from our best estimates of the key economic assumptions and associated cash flows applied in the valuation of the reporting unit, we could potentially incur material impairment charges in the future.

▸ Refer to "Note 20 – Goodwill" in VI – Consolidated financial statements – Credit Suisse Group for further information on goodwill.

TAXES

Uncertainty of income tax positions

We follow the guidance in ASC Topic 740 – Income Taxes, which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain income tax positions.

Significant judgment is required in determining whether it is more likely than not that an income tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Further judgment is required to determine the amount of benefit eligible for recognition in the consolidated financial statements.

▸ Refer to "Note 27 – Tax" in VI – Consolidated financial statements – Credit Suisse Group for further information on income tax positions.

Deferred tax valuation allowances

Deferred tax assets and liabilities are recognized for the estimated future tax effects of operating loss carry-forwards and temporary differences between the carrying values of existing assets and liabilities and their respective tax bases at the dates of the consolidated balance sheets.

The realization of deferred tax assets on temporary differences is dependent upon the generation of taxable income during the periods in which those temporary differences become deductible. The realization of deferred tax assets on net operating losses is dependent upon the generation of taxable income during the periods prior to their expiration, if applicable. Management regularly evaluates whether deferred tax assets will be realized. If management considers it more likely than not that all or a portion of a deferred tax asset will not be realized, a corresponding valuation allowance is established. In evaluating whether deferred tax assets will be realized, management considers both positive and negative evidence, including projected future taxable income, the reversal of deferred tax liabilities which can be scheduled and tax planning strategies.

This evaluation requires significant management judgment, primarily with respect to projected taxable income. Future taxable income can never be predicted with certainty. It is derived from budgets and strategic business plans but is dependent on numerous factors, some of which are beyond management's control. Substantial variance of actual results from estimated future taxable profits, or changes in our estimate of future taxable profits and potential restructurings, could lead to changes in deferred tax assets being realizable, or considered realizable, and would require a corresponding adjustment to the valuation allowance.

As part of its normal practice, management has conducted a detailed evaluation of its expected future results and also considered stress scenarios. This evaluation has indicated the expected future results that are likely to be earned in jurisdictions where the Group has significant gross deferred tax assets, such as the US, Switzerland and the UK. Management then compared those expected future results with the applicable law governing utilization of deferred tax assets. Swiss tax law allows for a seven-year carry-forward period for net operating losses. UK tax law allows for an unlimited carry-forward period for net operating losses, and

even though there are restrictions on the use of tax losses carried forward, these are not expected to have a material impact on the recoverability of the net deferred tax assets. US tax law allows for a 20-year carry-forward period for existing net operating losses. Due to the US tax reform enacted on December 22, 2017, this period limitation was removed and any new net operating losses will have an unlimited carry-forward period.

▸ Refer to "Note 27 – Tax" in VI – Consolidated financial statements – Credit Suisse Group for further information on deferred tax assets.

PENSION PLANS

The Group

The Group covers pension requirements, in both Swiss and non-Swiss locations, through various defined benefit pension plans and defined contribution pension plans.

Our funding policy with respect to these pension plans is consistent with local government and tax requirements.

The calculation of the expense and liability associated with the defined benefit pension plans requires an extensive use of assumptions, which include the discount rate, expected return on plan assets and rate of future compensation increases. Management determines these assumptions based upon currently available market and industry data and historical experience of the plans. Management also consults with an independent actuarial firm to assist in selecting appropriate assumptions and valuing its related liabilities. Management regularly reviews the actuarial assumptions used to value and measure the defined benefit obligation on a periodic basis as required by US GAAP. As part of its review in 2016, Credit Suisse concluded that additional refinements to certain assumptions for the Swiss defined benefit plan were required to reflect the best estimate and enhanced its methodology for determining those assumptions. The actuarial assumptions that we use may differ materially from actual results due to changing market and economic conditions and specific experience of the plans (such as investment management over or underperformance, higher or lower withdrawal rates and longer or shorter life spans of the participants). Any such differences could have a significant impact on the amount of pension expense recorded in future years.

The funded status of our defined benefit pension and other post-retirement defined benefit plans is recorded in the consolidated balance sheets. The impacts from re-measuring the funded status (reflected in actuarial gains or losses) and from amending the plan (reflected in prior service cost or credits) are recognized in equity as a component of AOCI.

The projected benefit obligation (PBO) of our total defined benefit pension plans included CHF 1,083 million and CHF 979 million related to our assumption for future salary increases as of December 31, 2017 and 2016. The accumulated benefit obligation (ABO) is defined as the PBO less the amount related to estimated future salary increases. The difference between the ▸ fair value of plan assets and the ABO was an overfunding of CHF 2,892 million for 2017, compared to CHF 1,708 million for 2016.

We are required to estimate the expected long-term rate of return on plan assets, which is then used to compute benefit costs recorded in the consolidated statements of operations. Estimating future returns on plan assets is particularly subjective, as the estimate requires an assessment of possible future market returns based on the plan asset mix. In calculating pension expense and in determining the expected long-term rate of return, we use the market-related value of assets. The assumptions used to determine the benefit obligation as of the measurement date are also used to calculate the net periodic benefit costs for the 12-month period following this date.

The expected weighted-average long-term rate of return used to determine the expected return on plan assets as a component of the net periodic benefit costs in 2017 and 2016 was 3.00% and 3.50%, respectively, for the Swiss plans and 3.88% and 5.07%, respectively, for the international plans. In 2017, if the expected long-term rate of return had been increased/decreased one percentage point, net pension expense for the Swiss plans would have decreased/increased CHF 158 million and net pension expense for the international plans would have decreased/increased CHF 33 million.

The discount rates used in determining the benefit obligation and the pension expense are based on yield curves, constructed from high-quality corporate bonds currently available and observable in the market and are expected to be available during the period to maturity of the pension benefits. In countries where there is no deep market in high-quality corporate bonds with longer durations, the best available market information, including governmental bond yields and risk premiums, is used to construct the yield curve. As a result of its review of the assumptions during 2016, Credit Suisse adopted the spot rate approach for determining the benefit obligation as of December 31, 2016 and for service and interest cost components of the pension expense for future years. Under the spot rate approach, individual spot rates along the yield curve are applied to each expected future benefit payment, whereas under the previous methodology a single weighted-average discount rate derived from the yield curve was applied. The spot rate approach provides a more precise measurement of the benefit obligation, service cost and interest cost by improving the correlation between projected cash outflows and corresponding spot rates on the yield curve.

For the Swiss plan, the weighted average discount rate for the PBO increased 0.01 percentage points from 0.85% as of December 31, 2016, to 0.86% as of December 31, 2017, mainly due to a slight change in Swiss bond market rates. The average discount rate for the PBO for the international plans decreased 0.27 percentage points from 3.10% as of December 31, 2016, to 2.83% as of December 31, 2017, mainly due to a slight decrease in bond market rates. For the year ended December 31, 2017, a one percentage point decline in the discount rates for the Swiss plans would have resulted in an increase in the PBO of CHF 1,791 million and an increase in pension expense of CHF 37 million, and a one percentage point increase in discount rates would have

resulted in a decrease in the PBO of CHF 1,594 million and a decrease in the pension expense of CHF 61 million. A one percentage point decline in discount rates for the international plans as of December 31, 2017 would have resulted in an increase in the PBO of CHF 743 million and an increase in pension expense of CHF 60 million, and a one percentage point increase in discount rates would have resulted in a decrease in the PBO of CHF 599 million and a decrease in the pension expense of CHF 45 million.

Actuarial losses and prior service cost are amortized over the average remaining service period of active employees expected to receive benefits under the plan, which, as of December 31, 2017, was approximately 10 years for the Swiss plans and 3 to 20 years for the international plans. The pre-tax expense associated with the amortization of net actuarial losses and prior service cost for defined benefit pension plans for the years ended December 31, 2017, 2016 and 2015 was CHF 269 million, CHF 291 million and CHF 350 million, respectively. The amortization of recognized actuarial losses and prior service cost for defined benefit pension plans for the year ending December 31, 2018, which is assessed at the beginning of the year, is expected to be CHF 182 million, net of tax. The impact from deviations between our actuarial assumptions and the actual developments of such parameters observed for our pension plans further impacts the amount of net actuarial losses or gains recognized in equity, resulting in a higher or lower amount of amortization expense in periods after 2018.

▸ Refer to "Note 30 – Pension and other post-retirement benefits" in VI – Consolidated financial statements – Credit Suisse Group for further information on pension benefits.

The Bank

The Bank covers pension requirements for its employees in Switzerland through participation in a defined benefit pension plan sponsored by the Group (Group plan). Various legal entities within the Group participate in the Group plan, which is set up as an independent trust domiciled in Zurich. The Group accounts for the Group plan as a single-employer defined benefit pension plan and uses the projected unit credit actuarial method to determine the net periodic pension expense, PBO, ABO and the related amounts recognized in the consolidated balance sheets. The funded status of the Group plan is recorded in the consolidated balance sheets. The actuarial gains and losses and prior service costs or credits are recognized in equity as a component of AOCI.

The Bank accounts for the Group plan on a defined contribution basis whereby it only recognizes the amounts required to be contributed to the Group plan during the period as net periodic pension expense and only recognizes a liability for any contributions due and unpaid. No other expense or balance sheet amounts related to the Group plan are recognized by the Bank.

The Bank covers pension requirements for its employees in international locations through participation in various pension plans, which are accounted for as single-employer defined benefit pension plans or defined contribution pension plans.

In 2017 and 2016, the weighted-average expected long-term rate of return used to calculate the expected return on plan assets as a component of the net periodic benefit costs for the international single-employer defined benefit pension plans was 3.88% and 5.07%, respectively. In 2017, if the expected long-term rate of return had been increased/decreased one percentage point, net pension expense would have decreased/increased CHF 33 million.

The discount rate used in determining the benefit obligation is based either on high-quality corporate bond rates or government bond rates plus a premium in order to approximate high-quality corporate bond rates. The average discount rate for the PBO for the international plans decreased 0.27 percentage points from 3.10% as of December 31, 2016, to 2.83% as of December 31, 2017. A one percentage point decline in the discount rate for the international single-employer plans would have resulted in an increase in PBO of CHF 743 million and an increase in pension expense of CHF 60 million, and a one percentage point increase in discount rates would have resulted in a decrease in PBO of CHF 599 million and a decrease in pension expense by CHF 45 million.

Actuarial losses and prior service cost related to the international single-employer defined benefit pension plans are amortized over the average remaining service period of active employees expected to receive benefits under the plan. The pre-tax expense associated with the amortization of recognized net actuarial losses and prior service cost for the years ended December 31, 2017, 2016 and 2015 was CHF 60 million, CHF 41 million and CHF 84 million, respectively. The amortization of recognized actuarial losses and prior service cost for the year ending December 31, 2018, which is assessed at the beginning of the year, is expected to be CHF 40 million, net of tax.

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Treasury, Risk, Balance sheet and Off-balance sheet

Liquidity and funding management 110

Capital management 118

Risk management 139

Balance sheet, off-balance sheet and other contractual obligations 178

Liquidity and funding management

During 2017, we maintained a strong liquidity and funding position. The majority of our unsecured funding was generated from core customer deposits and long-term debt.

OVERVIEW

Securities for funding and capital purposes have historically been issued primarily by the Bank, our principal operating subsidiary and a US registrant. In response to regulatory reform, we have focused our issuance strategy on offering long-term debt securities at the Group level. Proceeds from issuances are lent to operating subsidiaries and affiliates on both a senior and subordinated basis, as needed; the latter typically to meet capital requirements and the former as desired by management to support business initiatives and liquidity needs.

Our liquidity and funding strategy is approved by the Capital Allocation & Risk Management Committee (CARMC) and overseen by the Board of Directors (Board). The implementation and execution of the liquidity and funding strategy is managed by Treasury. Treasury ensures adherence to our funding policy and the efficient coordination of the secured funding desks. This approach enhances our ability to manage potential liquidity and funding risks and to promptly adjust our liquidity and funding levels to meet stress situations. Our liquidity and funding profile is regularly reported to CARMC and the Board, who define our risk tolerance, including liquidity risk, and set parameters for the balance sheet and funding usage of our businesses. The Board is responsible for defining our overall risk tolerance in the form of a risk appetite statement.

Our liquidity and funding profile reflects our strategy and risk appetite and is driven by business activity levels and the overall operating environment. We have adapted our liquidity and funding profile to reflect lessons learned from the financial crisis, the subsequent changes in our business strategy and regulatory developments. We have been an active participant in regulatory and industry forums to promote best practice standards on quantitative and qualitative liquidity management. Our internal liquidity risk management framework is subject to review and monitoring by the Swiss Financial Market Supervisory Authority FINMA (FINMA), other regulators and rating agencies.

REGULATORY FRAMEWORK

Basel III liquidity framework

In 2010, the Basel Committee on Banking Supervision (BCBS) issued the Basel III international framework for liquidity risk measurement, standards and monitoring. The Basel III framework includes a liquidity coverage ratio (LCR) and a net stable funding ratio (NSFR). As of January 1, 2013, Basel III was implemented in Switzerland along with the Swiss "Too Big to Fail" legislation and regulations thereunder. Our related disclosures are in accordance with our interpretation of such requirements, including relevant assumptions and estimates. Changes in the interpretation of these requirements in Switzerland or in any of our interpretations, assumptions or estimates could result in different numbers from those shown in this report.

The LCR, which is being phased in from January 1, 2015 through January 1, 2019, addresses liquidity risk over a 30-day period. The LCR aims to ensure that banks have unencumbered high-quality liquid assets (HQLA) available to meet short-term liquidity needs under a severe stress scenario. The LCR is comprised of two components, the value of HQLA in stressed conditions and the total net cash outflows calculated according to specified scenario parameters. Under the BCBS requirements, the ratio of liquid assets over net cash outflows is subject to an initial minimum requirement of 60%, which will increase by 10% per year until January 1, 2019.

The NSFR establishes criteria for a minimum amount of stable funding based on the liquidity of a bank's on- and off-balance sheet activities over a one-year horizon. The NSFR is a complementary measure to the LCR and is structured to ensure that illiquid assets are funded with an appropriate amount of stable long-term funds. The NSFR is defined as the ratio of available stable funding over the amount of required stable funding and once implemented by national regulators, should always be at least 100%.

Swiss liquidity requirements

In 2012, the Swiss Federal Council adopted a liquidity ordinance (Liquidity Ordinance) that implements Basel III liquidity requirements into Swiss law subject, in part, to further rule-making, including with respect to the final Basel III LCR rules adopted in 2014. Effective January 1, 2018, the Swiss Federal Council amended the Liquidity Ordinance with minor adjustments to the LCR and relief for smaller banks. The amendments are not material to the LCR for the Group and relevant subsidiaries. Under the Liquidity Ordinance, as amended, certain Swiss banks became subject to an initial 60% LCR requirement, with incremental increases by 10% per year until January 1, 2019. Systemically relevant banks like Credit Suisse became subject to an initial minimum LCR requirement of 100% beginning on January 1, 2015 and the associated disclosure requirements. Further, beginning in May 2015, FINMA required us to maintain a minimum LCR of 110% at all times.

In connection with the implementation of Basel III, regulatory LCR disclosures for the Group and certain subsidiaries are required. Further details on our LCR can be found on our website.

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

FINMA requires us to report the NSFR to FINMA on a monthly basis during an observation period that began in 2012. The reporting instructions are generally aligned with the final BCBS NSFR requirements. In November 2017, the Federal Council decided to postpone the introduction of the NSFR as a minimum standard, which was originally planned for January 1, 2018. The Federal Council will reconsider this matter at the end of 2018.

Our liquidity principles and our liquidity risk management framework as agreed with FINMA are in line with the Basel III liquidity framework.

▸ Refer to "Recent regulatory developments and proposals" in I – Information on the company – Regulation and supervision for further information.

LIQUIDITY RISK MANAGEMENT FRAMEWORK

Our approach to liquidity risk management

Our liquidity and funding policy is designed to ensure that funding is available to meet all obligations in times of stress, whether caused by market events or issues specific to Credit Suisse. We achieve this through a conservative asset/liability management strategy aimed at maintaining long-term funding, including stable deposits, in excess of illiquid assets. To address short-term liquidity stress, we maintain a liquidity pool, described below, that covers unexpected outflows in the event of severe market and idiosyncratic stress. Our liquidity risk parameters reflect various liquidity stress assumptions that we believe are conservative. We manage our liquidity profile at a sufficient level such that, in the event we are unable to access unsecured funding, we expect to have sufficient liquidity to sustain operations for a period of time in excess of our minimum limit. This includes potential currency mismatches, which are not deemed to be a major risk but are monitored and subject to limits, particularly in the significant currencies of euro, Japanese yen, pound sterling, Swiss franc and US dollar.

Although the compliance with a minimum NSFR is not yet required, we began using the NSFR in 2012 as one of our primary tools, in parallel with the internal liquidity barometer, and in 2014 the LCR, to monitor our structural liquidity position and plan funding.

We use our internal liquidity barometer to manage liquidity to internal targets and as a basis to model both Credit Suisse-specific and market-wide stress scenarios and their impact on liquidity and funding. Our internal barometer framework supports the management of our funding structure. It allows us to manage the time horizon over which the stressed market value of unencumbered assets (including cash) exceeds the aggregate value of contractual outflows of unsecured liabilities plus a conservative forecast of anticipated contingent commitments. This internal barometer framework enables us to manage liquidity to a desired profile under a Credit Suisse-specific or market-wide stress that permits us to continue business activities for a period of time (also known as a liquidity horizon) without changing business plans. Under this framework, we also have short-term targets based on additional stress scenarios to ensure uninterrupted liquidity for short time frames. At the beginning of 2017, we introduced a new version of our internal liquidity barometer, which includes enhanced functionalities to manage entity-specific liquidity under newly defined and more conservative stress scenarios for redefined short and long-term time horizons.

In the second quarter of 2014, we began allocating the majority of the balance sheet usage related to our Treasury-managed HQLA portfolio to the business divisions to allow for a more efficient management of their business activities from an overall Group perspective with respect to LCR and Swiss leverage requirements.

Our overall liquidity management framework allows us to run stress analyses on our balance sheet and off-balance sheet positions, which include, but are not limited to, the following:

- A multiple-notch downgrade in the Bank's long-term debt credit ratings, which would require additional funding as a result of certain contingent off-balance sheet obligations;
- Significant withdrawals from private banking client deposits;
- Potential cash outflows associated with the prime brokerage business;
- Over-collateralization of available secured funding;
- Limited availability of capital markets, certificates of deposit and commercial paper;
- Other money market access will be significantly reduced;
- A reduction in funding value of unencumbered assets;
- The inaccessibility of assets held by subsidiaries due to regulatory, operational and other constraints;
- The possibility of providing non-contractual liquidity support in times of market stress, including purchasing our unsecured debt;
- Monitoring the concentration in sources of wholesale funding and thus encourage funding diversification;
- Monitoring the composition and analysis of the unencumbered assets;
- Restricted availability of foreign currency swap markets; and
- Other scenarios as deemed necessary from time to time.

Governance

Funding, liquidity, capital and our foreign exchange exposures in the banking book are managed centrally by Treasury. Oversight of these activities is provided by CARMC, a committee that includes the chief executive officers (CEOs) of the Group and the divisions, the Chief Financial Officer, the Chief Risk Officer (CRO), the Chief Compliance and Regulatory Affairs Officer and the Treasurer.

It is CARMC's responsibility to review the capital position, balance sheet development, current and prospective funding, interest rate risk and foreign exchange exposure and to define and monitor adherence to internal risk limits. CARMC regularly reviews the methodology and assumptions of our liquidity risk management framework and determines the liquidity horizon to be maintained.

All liquidity stress tests are coordinated and overseen by the CRO to ensure a consistent and coordinated approach across all risk disciplines.

Contingency planning

In the event of a liquidity crisis, our Contingency Funding Plan provides for specific actions to be taken depending on the nature of the crisis. Our plan is designed to address ever-increasing liquidity and funding stresses and has pre-defined escalation levels aimed at maximizing the likelihood that we can take certain measures to address liquidity or funding shortfalls. In order to identify a deteriorating liquidity situation, we monitor a set of regulatory and economic liquidity metrics while also seeking the views of our subject matter experts as well as senior management, who retain at all times the authority to take remedial actions promptly. In all cases, the plan's primary objectives are to strengthen liquidity (immediate), reduce funding needs (medium term) and assess recovery options (longer term).

LIQUIDITY METRICS

Liquidity pool

Treasury manages a sizeable portfolio of liquid assets, comprised of cash held at central banks and securities. A portion of the liquidity pool is generated through reverse repurchase agreements with top-rated counterparties. We are mindful of potential credit risk and therefore focus our liquidity holdings strategy on cash held at central banks and highly rated government bonds and on short-term reverse repurchase agreements. These government bonds are eligible as collateral for liquidity facilities with various central banks including the Swiss National Bank (SNB), the US Federal Reserve (Fed), the European Central Bank (ECB) and the Bank of England. Our direct exposure on these bonds is limited to highly liquid, top-rated sovereign entities or fully guaranteed agencies of sovereign entities. The liquidity pool may be used to meet the liquidity requirements of our operating companies.

All securities, including those obtained from reverse repurchase agreements, are subject to a stress level haircut in our barometer to reflect the risk that emergency funding may not be available at market value in a stress scenario. Our internal stress level haircut calculation for the Treasury-managed liquidity pool is aligned with the HQLA definition used in the LCR framework.

We centrally manage this liquidity pool and hold it at our main operating entities. Holding securities in these entities ensures that we can make liquidity and funding available to local entities in need without delay.

Liquidity pool – Group

end of					2017	2016
	Swiss franc	US dollar	Euro	Other currencies	**Total**	Total
Liquid assets (CHF million)						
Cash held at central banks	70,375	17,510	6,725	1,984	96,594	98,294
Securities	5,363	33,607	7,103	20,705	66,778	91,680
Liquid assets [1]	**75,738**	**51,117**	**13,828**	**22,689**	**163,372**	**189,974**

[1] Reflects a pre-cancellation view.

As of December 31, 2017, our liquidity pool managed by Treasury had an HQLA value of CHF 163.4 billion. The liquidity pool consisted of CHF 96.6 billion of cash held at major central banks, primarily the SNB, the Fed and the ECB, and CHF 66.8 billion market value of securities issued by governments and government agencies, primarily from the US, UK and France.

In addition to the liquidity portfolio managed by Treasury, there is also a portfolio of unencumbered liquid assets managed by various businesses, primarily in the Global Markets and Investment Banking & Capital Markets divisions. These assets generally include high-grade bonds and highly liquid equity securities that form part of major indices. In coordination with the businesses, Treasury can access these assets to generate liquidity if required.

As of December 31, 2017, the portfolio of liquid assets that is not managed by Treasury had a market value of CHF 37.5 billion, consisting of CHF 13.6 billion of high-grade bonds and CHF 23.9 billion of highly liquid equity securities. Under our internal model, an average stress-level haircut of 15% is applied to these assets. The haircuts applied to these portfolios reflect our assessment of overall market risk at the time of measurement, potential monetization capacity taking into account increased haircuts, market volatility and the quality of the relevant securities. These haircuts were updated in 2017 as part of the introduction of the new version of our internal liquidity barometer.

Liquidity Coverage Ratio

Our calculation methodology for the LCR is prescribed by FINMA. For disclosure purposes, since January 1, 2017, our LCR is calculated using a three-month average that is measured using daily calculations during the quarter. The FINMA calculation of HQLA takes into account a cancellation mechanism (post-cancellation view) and is therefore not directly comparable to the assets presented in the financial statements that could potentially be monetized under a severe stress scenario. The cancellation mechanism effectively excludes the impact of certain secured financing transactions from available HQLA and simultaneously adjusts the level of net cash outflows calculated. Application of the cancellation mechanism adjusts both the numerator and denominator of the LCR calculation, meaning that the impact is mostly neutral on the LCR itself.

Since March 31, 2017, our HQLA measurement methodology excludes potentially eligible HQLA available for use by entities of

the Group in certain jurisdictions that may not be readily accessible for use by the Group as a whole. These HQLA eligible amounts may be restricted for reasons such as local regulatory requirements, including large exposure requirements, or other binding constraints that could limit the transferability to other Group entities in other jurisdictions.

On this basis, the level of our LCR was 185% as of the end of 2017, representing an average HQLA of CHF 166.1 billion and average net cash outflows of CHF 89.9 billion. The ratio reflects a conservative liquidity position, including ensuring that the Group's branches and subsidiaries meet applicable local liquidity requirements.

The decrease in the LCR compared to 2016 was driven by the decrease in HQLA, driven by the amendment to HQLA measurement methodology described above, and lower net cash outflows, reflecting higher total cash inflows partially offset by increased total cash outflows.

The increase in total cash inflows, particularly in the fourth quarter of 2017, was driven by an increase in secured lending from collateral swap and margin lending activities and performing loan inflows from non-financial counterparties.

The increase in total cash outflows was driven by increased unsecured wholesale funding outflows. A recalibration of the model used to define operational and non-operational deposits led to an increase in non-operational deposits and decrease in operational deposits. These total cash outflows were further increased due to a general growth in non-operational deposit balances throughout the year and increases in other contractual funding obligations, partially offset by reductions in additional requirements, mainly related to collateral requirements and credit and liquidity facilities.

Liquidity coverage ratio – Group

end of		**2017**	2016
	Unweighted value [1]	**Weighted value [2]**	Weighted value [2]
High-quality liquid assets (CHF million)			
High-quality liquid assets [3]	**–**	**166,077**	**190,642**
Cash outflows (CHF million)			
Retail deposits and deposits from small business customers	156,650	20,108	18,811
Unsecured wholesale funding	215,585	87,899	74,763
Secured wholesale funding	–	65,525	63,312
Additional requirements	178,952	37,435	46,434
Other contractual funding obligations	70,679	70,679	66,300
Other contingent funding obligations	234,961	6,644	6,279
Total cash outflows	**–**	**288,290**	**275,899**
Cash inflows (CHF million)			
Secured lending	139,158	92,585	80,759
Inflows from fully performing exposures	67,875	33,624	30,234
Other cash inflows	72,228	72,228	70,618
Total cash inflows	**279,261**	**198,437**	**181,611**
Liquidity coverage ratio			
High-quality liquid assets (CHF million)	–	166,077	190,642
Net cash outflows (CHF million)	–	89,853	94,288
Liquidity coverage ratio (%)	**–**	**185**	**202**

Calculated using a three-month average.
[1] Calculated as outstanding balances maturing or callable within 30 days.
[2] Calculated after the application of haircuts for high-quality liquid assets or inflow and outflow rates.
[3] Consists of cash and eligible securities as prescribed by FINMA and reflects a post-cancellation view.

FUNDING SOURCES AND USES

We fund our balance sheet primarily through core customer deposits, long-term debt, including structured notes, and shareholders' equity. We monitor the funding sources, including their concentrations against certain limits, according to their counterparty, currency, tenor, geography and maturity, and whether they are secured or unsecured. A substantial portion of our balance sheet is match funded and requires no unsecured funding. Match funded balance sheet items consist of assets and liabilities with close to equal liquidity durations and values so that the liquidity and funding generated or required by the positions are substantially equivalent.

Cash and due from banks and reverse repurchase agreements are highly liquid. A significant part of our assets, principally unencumbered trading assets that support the securities business, is comprised of securities inventories and collateralized receivables that fluctuate and are generally liquid. These liquid assets are available to settle short-term liabilities.

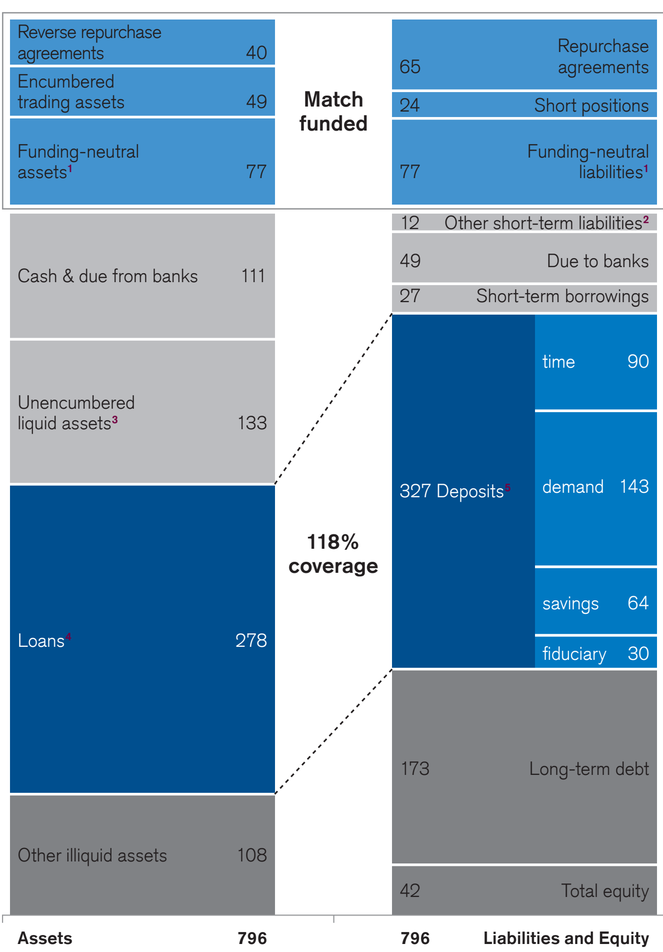
Loans, which comprise the largest component of our illiquid assets, are funded by our core customer deposits, with an excess coverage of 18% as of the end of 2017, compared to 14% as of the end of 2016, primarily reflecting stable loans and a small increase in deposits. We fund other illiquid assets, including real estate, private equity and other long-term investments as well as the haircut for the illiquid portion of securities, with long-term debt and equity, in which we try to maintain a substantial funding buffer.

Our core customer deposits totaled CHF 327 billion as of the end of 2017, an increase of 5% compared to CHF 312 billion as of the end of 2016, reflecting an increase in the customer deposit base in the private banking and corporate & institutional banking businesses in 2017. Core customer deposits are from clients with whom we have a broad and longstanding relationship. Core customer deposits exclude deposits from banks and certificates of deposit. We place a priority on maintaining and growing customer deposits, as they have proven to be a stable and resilient source of funding even in difficult market conditions. Our core customer deposit funding is supplemented by the issuance of long-term debt.

▸ Refer to the chart "Balance sheet funding structure" and "Balance sheet" in Balance sheet, off-balance sheet and other contractual obligations for further information.

Balance sheet funding structure

as of December 31, 2017 (CHF billion)



[1] Primarily includes brokerage receivables/payables, positive/negative replacement values and cash collateral.
[2] Primarily includes excess of funding neutral liabilities (brokerage payables) over corresponding assets.
[3] Primarily includes unencumbered trading assets, unencumbered investment securities and excess reverse repurchase agreements, after haircuts.
[4] Excludes loans with banks.
[5] Excludes due to banks and certificates of deposit.

Funding management

Treasury is responsible for the development, execution and regular updating of our funding plan. The plan reflects projected business growth, development of the balance sheet, future funding needs and maturity profiles as well as the effects of changing market and regulatory conditions.

Interest expense on long-term debt, excluding structured notes, is monitored and managed relative to certain indices, such as the London Interbank Offered Rate (LIBOR), that are relevant to the financial services industry. This approach to term funding best reflects the sensitivity of both our liabilities and our assets to changes in interest rates.

We continually manage the impact of funding spreads through careful management of our liability mix and opportunistic issuance of debt. The effect of funding spreads on interest expense depends on many factors, including market conditions, product type and the absolute level of the indices on which our funding is based.

We diversify our long-term funding sources by issuing structured notes, which are debt securities on which the return is linked to commodities, stocks, indices or currencies or other assets. We generally hedge structured notes with positions in the underlying assets or derivatives.

We also use other collateralized financings, including repurchase agreements and securities lending agreements. The level of our repurchase agreements fluctuates, reflecting market opportunities, client needs for highly liquid collateral, such as US treasuries and agency securities, and the impact of balance sheet and risk-weighted asset limits. In addition, matched book trades, under which securities are purchased under agreements to resell and are simultaneously sold under agreements to repurchase with comparable maturities, earn spreads, are relatively risk free and are generally related to client activity.

Our primary source of liquidity is funding through consolidated entities.

CONTRACTUAL MATURITY OF ASSETS AND LIABILITIES

The following table provides contractual maturities of the assets and liabilities specified as of the end of 2017. The contractual maturities are an important source of information for liquidity risk management. However, liquidity risk is also managed based on an expected maturity that considers counterparty behavior and in addition takes into account certain off-balance sheet items such as derivatives. Liquidity risk management performs extensive analysis of counterparty behavioral assumptions under various stress scenarios.

▸ Refer to "Contractual obligations and other commercial commitments" in Balance sheet, off-balance sheet and other contractual obligations and "Note 32 – Guarantees and commitments" in VI – Consolidated financial statements – Credit Suisse Group for further information on contractual maturities of guarantees and commitments.

Contractual maturity of assets and liabilities

end of 2017	On demand	Less than 1 month	Between 1 to 3 months	Between 3 to 12 months	Between 1 to 5 years	Greater than 5 years	Total
Assets (CHF million)							
Cash and due from banks	102,623	625	3,005	52	0	3,510	109,815
Interest-bearing deposits with banks	0	318	225	171	4	8	726
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	44,312	39,429	16,295	12,821	2,427	62	115,346
Securities received as collateral, at fair value	37,889	0	0	185	0	0	38,074
Trading assets, at fair value	156,334	0	0	0	0	0	156,334
Investment securities	18	341	348	160	851	473	2,191
Other investments	666	0	0	0	129	5,169	5,964
Net loans	11,424	57,755	31,458	44,365	91,018	43,129	279,149
Premises and equipment	0	0	0	0	0	4,686	4,686
Goodwill	0	0	0	0	0	4,742	4,742
Other intangible assets	0	0	0	0	0	223	223
Brokerage receivables	46,968	0	0	0	0	0	46,968
Other assets	12,102	3,321	4,696	4,475	2,371	5,106	32,071
Total assets	**412,336**	**101,789**	**56,027**	**62,229**	**96,800**	**67,108**	**796,289**
Liabilities (CHF million)							
Due to banks	6,534	2,749	3,158	2,165	658	149	15,413
Customer deposits	233,242	34,993	48,509	42,573	1,059	786	361,162
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	12,928	5,998	4,565	1,318	1,673	14	26,496
Obligation to return securities received as collateral, at fair value	37,889	0	0	185	0	0	38,074
Trading liabilities, at fair value	39,119	0	0	0	0	0	39,119
Short-term borrowings	0	4,287	9,421	12,181	0	0	25,889
Long-term debt	0	3,995	4,861	24,901	73,778	65,497	173,032
Brokerage payables	43,303	0	0	0	0	0	43,303
Other liabilities	21,493	7,281	195	578	1,281	784	31,612
Total liabilities	**394,508**	**59,303**	**70,709**	**83,901**	**78,449**	**67,230**	**754,100**

DEBT ISSUANCES AND REDEMPTIONS

Our long-term debt includes senior, senior bail-in and subordinated debt issued in US-registered offerings and medium-term note programs, euro medium-term note programs, stand-alone offerings, structured note programs, covered bond programs, Australian dollar domestic medium-term note programs and a Samurai shelf registration statement in Japan. As a global bank, we have access to multiple markets worldwide and our major funding centers are New York, London, Zurich and Tokyo.

We use a wide range of products and currencies to ensure that our funding is efficient and well diversified across markets and investor types. Substantially all of our unsecured senior debt is issued without financial covenants, such as adverse changes in our credit ratings, cash flows, results of operations or financial ratios, which could trigger an increase in our cost of financing or accelerate the maturity of the debt. Our covered bond funding is in the form of mortgage-backed loans funded by domestic covered bonds issued through Pfandbriefbank Schweizerischer Hypothekarinstitute, one of two institutions established by a 1930 act of the Swiss Parliament to centralize the issuance of covered bonds, or historically from our own international covered bond program.

The following table provides information on long-term debt issuances, maturities and redemptions in 2017, excluding structured notes.

Debt issuances and redemptions

in 2017	Senior	Senior bail-in	Sub-ordinated	Long-term debt
Long-term debt (CHF billion, notional value)				
Issuances	**1.2**	**9.6**	**1.9**	**12.7**
of which unsecured	0.0	9.6	1.9	11.5
of which secured [1]	1.2	0.0	0.0	1.2
Maturities / Redemptions	**22.5**	**0.0**	**1.5**	**24.0**
of which unsecured	20.1	0.0	1.5	21.6
of which secured [1]	2.4	0.0	0.0	2.4

Excludes structured notes.

[1] Includes covered bonds.

As of the end of 2017, we had outstanding long-term debt of CHF 173.0 billion, which included senior and subordinated instruments. We had CHF 51.5 billion and CHF 18.9 billion of structured notes and covered bonds outstanding, respectively, as of the end of 2017 compared to CHF 59.5 billion and CHF 19.5 billion, respectively, as of the end of 2016.

As of the end of 2017, the weighted average maturity of long-term debt was 5.8 years (including certificates of deposit with a maturity of one year or longer, but excluding structured notes, and assuming callable securities are redeemed at final maturity or in 2030 for instruments without a stated final maturity).

▸ Refer to "Note 24 – Long-term debt" in VI – Consolidated financial statements – Credit Suisse Group for further information.

Short-term borrowings increased 68% to CHF 25.9 billion as of the end of 2017 compared to CHF 15.4 billion in 2016, mainly related to a refinement in maturity allocation triggering a shift in balances from long-term debt to short-term borrowings.

▸ Refer to "Issuances and redemptions" in Capital management for further information on capital issuances, including low-trigger and high-trigger capital instruments.

FUNDS TRANSFER PRICING

We maintain an internal funds transfer pricing system based on market rates. Our funds transfer pricing system is designed to allocate to our businesses all funding costs in a way that incentivizes their efficient use of funding. Our funds transfer pricing system is an essential tool that allocates to the businesses the short-term and long-term costs of funding their balance sheet usages and off-balance sheet contingencies. The funds transfer pricing framework ensures full funding costs allocation under normal business conditions, but it is of even greater importance in a stressed capital markets environment where raising funds is more challenging and expensive. Under this framework, our businesses are also credited to the extent they provide long-term stable funding.

CASH FLOWS FROM OPERATING, INVESTING AND FINANCING ACTIVITIES

As a global financial institution, our cash flows are complex and interrelated and bear little relation to our net earnings and net assets. Consequently, we believe that traditional cash flow analysis is less meaningful in evaluating our liquidity position than the liquidity and funding policies described above. Cash flow analysis may, however, be helpful in highlighting certain macro trends in our business.

For the year ended December 31, 2017, net cash used in operating activities of continuing operations was CHF 8.5 billion, primarily reflecting an increase in other assets, partially offset by a decrease in net trading assets and liabilities and an increase in deferred tax provision, mainly related to the US tax reform. Our operating assets and liabilities vary significantly in the normal course of business due to the amount and timing of cash flows. Management believes cash flows from operations, available cash balances and short-term and long-term borrowings will be sufficient to fund our operating liquidity needs.

Our investing activities primarily include originating loans to be held to maturity, other receivables and the investment securities portfolio. For the year ended December 31, 2017, net cash provided by investing activities from continuing operations was CHF 10.8 billion, primarily due to a decrease in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions and proceeds from sales of loans, partially offset by an increase in loans.

Our financing activities primarily include the issuance of debt and receipt of customer deposits. We pay annual dividends on our common shares. In 2017, net cash used in financing activities of continuing operations was CHF 12.8 billion, mainly reflecting the repayment of long-term debt and the repurchase of treasury shares, partially offset by the issuance of long-term debt and the sale of treasury shares.

CREDIT RATINGS

Our access to the debt capital markets and our borrowing costs depend significantly on our credit ratings. Rating agencies take many factors into consideration in determining a company's rating, including, among others, earnings performance, business mix, market position, ownership, financial strategy, level of capital, risk management policies and practices, management team and the broader outlook for the financial services industry more generally. The rating agencies may raise, lower or withdraw their ratings, or publicly announce an intention to raise or lower their ratings, at any time.

Although retail and private bank deposits are generally less sensitive to changes in a bank's credit ratings, the cost and availability of other sources of unsecured external funding is generally a function of credit ratings. Credit ratings are especially important to us when competing in certain markets and when seeking to engage in longer-term transactions, including over-the-counter (OTC) derivative instruments.

A downgrade in credit ratings could reduce our access to capital markets, increase our borrowing costs, require us to post additional collateral or allow counterparties to terminate transactions under certain of our trading and collateralized financing and derivative contracts. This, in turn, could reduce our liquidity and negatively impact our operating results and financial position. Our internal liquidity barometer takes into consideration contingent events associated with a two-notch downgrade in our credit ratings. The maximum impact of a simultaneous one, two or three-notch downgrade by all three major rating agencies in the Bank's long-term debt ratings would result in additional collateral requirements or assumed termination payments under certain derivative instruments of CHF 0.4 billion, CHF 1.6 billion and CHF 2.1 billion, respectively, as of December 31, 2017, and would not be material to our liquidity and funding planning. If the downgrade does not involve all three rating agencies, the impact may be smaller.

Potential cash outflows on these derivative contracts associated with a downgrade of our long-term debt credit ratings, such as the requirement to post additional collateral to the counterparty, the loss of re-hypothecation rights on any collateral received and impacts arising from additional termination events, are monitored and taken into account in the calculation of our liquidity requirements. There are additional derivative related risks that do not relate to the downgrade of our long-term debt credit ratings and which may impact our liquidity position, including risks relating to holdings of derivatives collateral or potential movements in the valuation of derivatives positions. The potential outflows resulting across all derivative product types are monitored as part of the LCR scenario parameters and the internal liquidity reporting.

▸ Refer to "Investor information" in the Appendix for further information on Group and Bank credit ratings.

Capital management

As of the end of 2017, our BIS CET1 ratio was 13.5% and 12.8% on a look-through basis. Our BIS tier 1 leverage ratio was 5.6% and 5.2% on a look-through basis.

CAPITAL STRATEGY AND FRAMEWORK

Credit Suisse considers a strong and efficient capital position to be a priority. Through our capital strategy, our goal is to strengthen our capital position and optimize the use of risk-weighted assets (RWA), particularly in light of emerging regulatory capital requirements.

The overall capital needs of Credit Suisse reflect management's regulatory and credit rating objectives as well as our underlying risks. Our framework considers the capital needed to absorb losses, both realized and unrealized, while remaining a strongly capitalized institution. Multi-year projections and capital plans are prepared for the Group and its major subsidiaries and reviewed throughout the year with their regulators. These plans are subject to various stress tests, reflecting both macroeconomic and specific risk scenarios. Capital contingency plans are developed in connection with these stress tests to ensure that possible mitigating actions are consistent with both the amount of capital at risk and the market conditions for accessing additional capital.

Our capital management framework also relies on economic capital, which is a comprehensive tool that is also used for risk management and performance measurement. Economic capital measures risks in terms of economic realities rather than regulatory or accounting rules and is the estimated capital needed to remain solvent and in business, even under extreme market, business and operational conditions, given our target financial strength as reflected in our long-term credit rating.

▸ Refer to "Economic risk capital" in Risk Management – Risk coverage and management for further information.

REGULATORY CAPITAL FRAMEWORK

Effective January 1, 2013, the Basel III framework was implemented in Switzerland along with the Swiss "Too Big to Fail" legislation and regulations thereunder (Swiss Requirements). Together with the related implementing ordinances, the legislation includes capital, liquidity, leverage and large exposure requirements and rules for emergency plans designed to maintain systemically relevant functions in the event of threatened insolvency. Our related disclosures are in accordance with our current interpretation of such requirements, including relevant assumptions. Changes in the interpretation of these requirements in Switzerland or in any of our assumptions or estimates could result in different numbers from those shown in this report. Also, our capital metrics fluctuate during any reporting period in the ordinary course of business.

The Basel framework describes a range of options for determining capital requirements in order to provide banks and supervisors the ability to select approaches that are most appropriate for their operations and their financial market infrastructure. In general, Credit Suisse has adopted the most advanced approaches, which align with the way that risk is internally managed and provide the greatest risk sensitivity.

For measuring credit risk, we received approval from FINMA to use the advanced internal ratings-based (A-IRB) approach. Under the A-IRB approach for measuring credit risk, risk weights are determined by using internal risk parameters for probability of default (PD), loss given default (LGD) and effective maturity. The exposure at default (EAD) is either derived from balance sheet values or by using models. Capital requirements for premises and equipment, real estate and investments in real estate entities are included in credit risk.

For calculating the capital requirements for market risk, the internal models approach, the standardized measurement method and the standardized approach are used.

Under the Basel framework, operational risk is included in RWA and we received approval from FINMA to use the advanced measurement approach (AMA). Under the AMA for measuring operational risk, we identified key scenarios that describe our major operational risks using an event model.

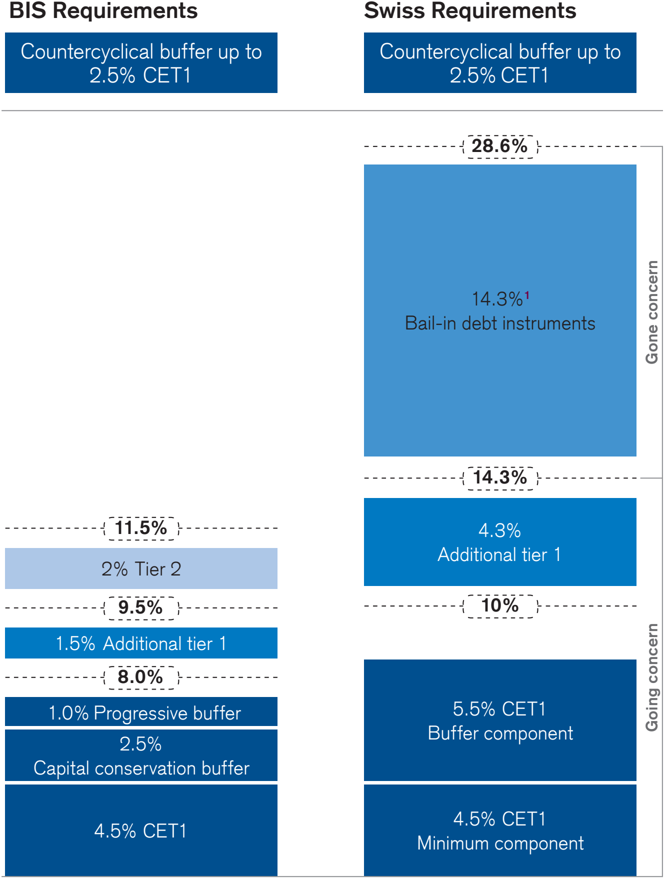
References to phase-in and look-through included herein refer to Basel III capital requirements and Swiss Requirements. Phase-in reflects that, for the years 2014 – 2018, there will be a five-year (20% per annum) phase-in of goodwill, other intangible assets and other capital deductions (e.g., certain deferred tax assets) and the phase-out of an adjustment for the accounting treatment of pension plans and, for the years 2013 – 2022, there will be a phase-out of certain capital instruments. Look-through assumes the full phase-in of goodwill and other intangible assets and other regulatory adjustments and the phase-out of certain capital instruments.

BIS REQUIREMENTS

The BCBS, the standard setting committee within the Bank for International Settlements (BIS), issued the Basel III framework, with higher minimum capital requirements and conservation and countercyclical buffers, revised risk-based capital measures, a leverage ratio and liquidity standards. The framework was designed to strengthen the resilience of the banking sector and requires banks to hold more capital, mainly in the form of common equity. The new capital standards are being phased in from 2013 through 2018 and become fully effective on January 1, 2019 for those countries that have adopted Basel III.

▸ Refer to the table "BIS phase-in requirements for Credit Suisse" for capital requirements and applicable effective dates during the phase-in period.

Basel III capital frameworks for Credit Suisse



[1] Does not include any rebates for resolvability and for certain tier 2 low-trigger instruments recognized in gone concern capital.

Under Basel III, the minimum common equity tier 1 (CET1) requirement is 4.5% of RWA. In addition, a 2.5% CET1 capital conservation buffer is required to absorb losses in periods of financial and economic stress. Banks that do not maintain this buffer will be limited in their ability to pay dividends and make discretionary bonus payments and other earnings distributions.

A progressive buffer between 1% and 2.5% (with a possible additional 1% surcharge) of CET1, depending on a bank's systemic importance, is an additional capital requirement for global systemically important banks (G-SIBs). The Financial Stability Board (FSB) has identified Credit Suisse as a G-SIB and requires Credit Suisse to maintain a 1.5% progressive buffer. In November 2017, the FSB advised that a reduced progressive buffer of 1.0% will apply beginning in January 2019.

CET1 capital is subject to certain regulatory deductions and other adjustments to common equity, including the deduction of deferred tax assets for tax-loss carry-forwards, goodwill and other intangible assets and investments in banking and finance entities.

BIS phase-in requirements for Credit Suisse

For	2017	2018	2019
Capital ratios			
CET1	4.5%	4.5%	4.5%
Capital conservation buffer	1.25% [1]	1.875% [1]	2.5%
Progressive buffer for G-SIB	0.75% [1]	1.125% [1]	1.0%
Total CET1	**6.5%**	**7.5%**	**8.0%**
Additional tier 1	1.5%	1.5%	1.5%
Tier 1	**8.0%**	**9.0%**	**9.5%**
Tier 2	2.0%	2.0%	2.0%
Total capital	**10.0%**	**11.0%**	**11.5%**
Phase-in deductions from CET1 [2]	80.0% [1]	100.0%	100.0%
Capital instruments subject to phase-out	Phased out over a 10-year horizon beginning 2013 through 2022		

[1] Indicates phase-in period.
[2] Includes goodwill, other intangible assets and certain deferred tax assets.

In addition to the CET1 requirements, there is also a requirement for 1.5% of additional tier 1 capital and 2% of tier 2 capital. These requirements may also be met with CET1 capital. To qualify as additional tier 1 under Basel III, capital instruments must provide for principal loss absorption through a conversion into common equity or a write-down of principal feature. The trigger for such conversion or write-down must include a CET1 ratio of at least 5.125% as well as a trigger at the point of non-viability.

Basel III further provides for a countercyclical buffer that could require banks to hold up to 2.5% of CET1. This requirement is imposed by national regulators where credit growth is deemed to be excessive and leading to the build-up of system-wide risk.

Capital instruments that do not meet the strict criteria for inclusion in CET1 are excluded. Capital instruments that would no longer qualify as tier 1 or tier 2 capital will be phased out. In addition, instruments with an incentive to redeem prior to their stated maturity, if any, are phased out at their effective maturity date, which is generally the date of the first step-up coupon.

Banks are required to maintain a tier 1 leverage ratio of 3% beginning on January 1, 2018.

SWISS REQUIREMENTS

The legislation implementing the Basel III framework in Switzerland in respect of capital requirements for systemically relevant banks, including Credit Suisse, goes beyond the Basel III minimum standards for systemically relevant banks.

In May 2016, the Swiss Federal Council amended the Capital Adequacy Ordinance applicable to Swiss banks. The amendment recalibrates and expands the existing "Too Big to Fail" regime in Switzerland. Under the amended regime, systemically important banks operating internationally, such as Credit Suisse, are subject to two different minimum requirements for loss-absorbing capacity: G-SIBs must hold sufficient capital that absorbs losses to ensure continuity of service (going concern requirement) and they must issue sufficient debt instruments to fund an orderly resolution without recourse to public resources (gone concern requirement). Going concern capital and gone concern capital together form our total loss-absorbing capacity (TLAC). The going concern and gone concern requirements are generally aligned with the FSB's total loss-absorbing capacity standard. The amended Capital Adequacy Ordinance came into effect on July 1, 2016, subject to phase-in and grandfathering provisions for certain outstanding instruments, and has to be fully applied by January 1, 2020.

Going concern requirement

The going concern requirement applicable in 2020 for a G-SIB consists of (i) a base requirement of 12.86% of RWA and 4.5% of leverage exposure; and (ii) a surcharge, which reflects the G-SIB's systemic importance. For Credit Suisse, this currently translates into a going concern requirement of 14.3% of RWA, of which the minimum CET1 component is 10%, with the remainder to be met with a maximum of 4.3% additional tier 1 capital, which includes high-trigger capital instruments that would be converted into common equity or written down if the CET1 ratio falls below 7%. Under the going concern requirement, the Swiss leverage ratio must be 5%, of which the minimum CET1 component is 3.5%, with the remainder to be met with a maximum of 1.5% additional tier 1 capital, which includes high-trigger capital instruments.

Gone concern requirement

The gone concern requirement of a G-SIB is equal to its total going concern requirement, which in 2020, consists of a base requirement of 12.86% of RWA and 4.5% of leverage exposure, plus any surcharges applicable to the relevant G-SIB. The gone concern requirement does not include any countercyclical buffers. Credit Suisse is currently subject to a gone concern requirement of 14.3% of RWA and a 5% Swiss leverage ratio and is subject to potential capital rebates for resolvability and for certain tier 2 low-trigger instruments recognized as gone concern capital.

The gone concern requirement should primarily be fulfilled with bail-in debt instruments that are designed to absorb losses after the write-down or conversion into equity of regulatory capital of a G-SIB in a restructuring scenario, but before the write-down or conversion into equity of other senior obligations of the G-SIB. Bail-in debt instruments do not feature capital triggers that may lead to a write-down and/or a conversion into equity outside of restructuring, but only begin to bear losses once the G-SIB is formally in restructuring proceedings and FINMA orders capital measures (i.e., a write-down and/or a conversion into equity) in the restructuring plan.

According to the amended Capital Adequacy Ordinance, bail-in debt instruments must fulfill certain criteria in order to qualify under the gone concern requirement, including FINMA approval. In addition to bail-in debt instruments, the gone concern requirement may further be fulfilled with other capital instruments, including CET1, additional tier 1 capital instruments or tier 2 capital instruments.

Grandfathering provisions

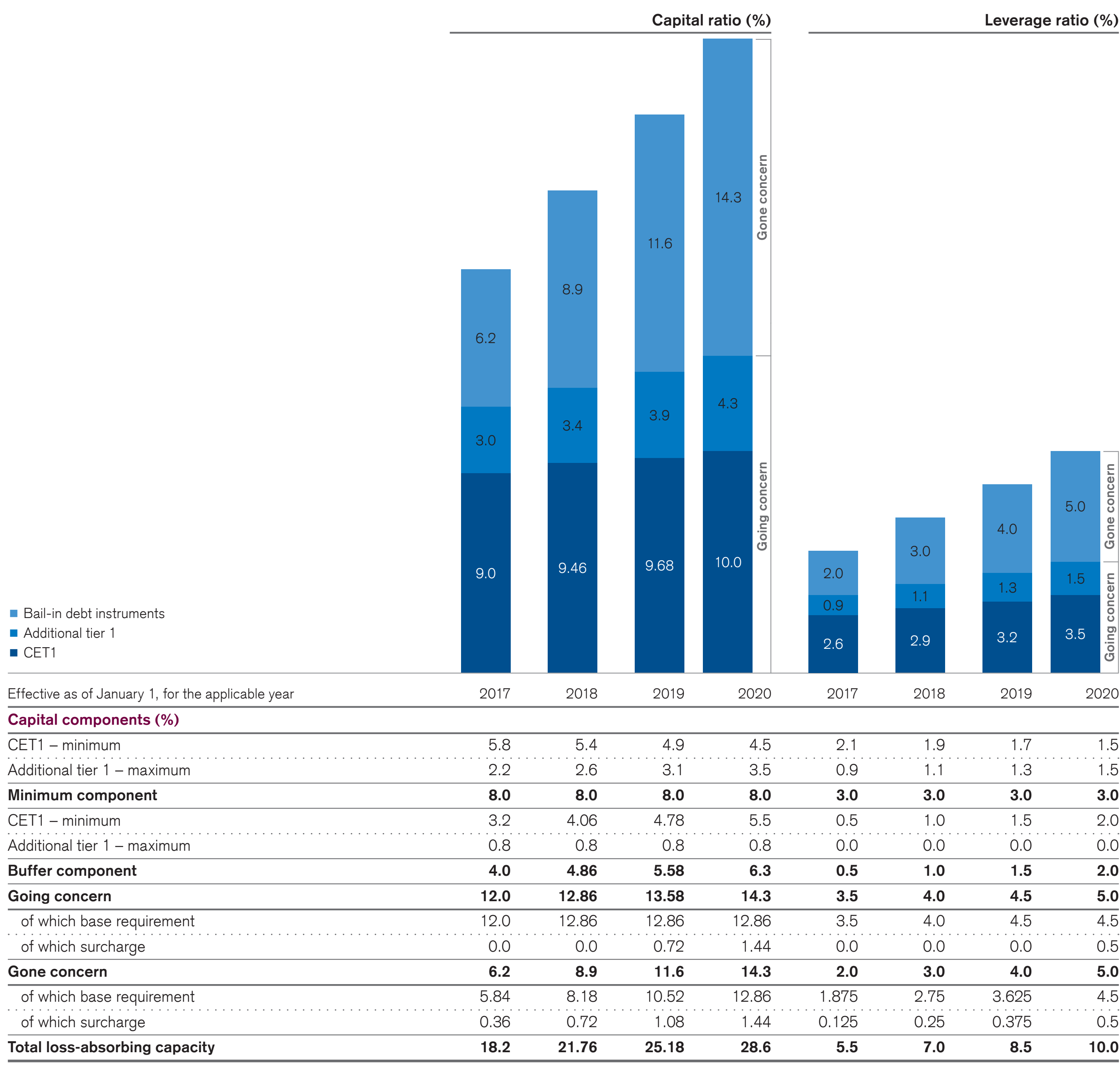
The Capital Adequacy Ordinance provides for a number of grandfathering provisions with regard to the qualification of previously issued additional tier 1 capital instruments and tier 2 capital instruments:

- Additional tier 1 capital instruments with a low trigger qualify as going concern capital until their first call date. Additional tier 1 capital instruments that no longer qualify as going concern capital pursuant to this provision qualify as gone concern capital;
- Tier 2 capital instruments with a high trigger qualify as going concern capital until the earlier of (i) their maturity date or first call date; and (ii) December 31, 2019. Tier 2 capital instruments that no longer qualify as going concern capital pursuant to this provision qualify as gone concern capital until one year before their final maturity; and
- Tier 2 capital instruments with a low trigger also qualify as going concern capital until the earlier of (i) their maturity date or first call date; and (ii) December 31, 2019. Tier 2 capital instruments that no longer qualify as going concern capital pursuant to this provision qualify as gone concern capital until one year before their final maturity.

Furthermore, to be eligible as gone concern capital, outstanding bail-in debt instruments issued before July 1, 2016 and bail-in debt instruments issued by a (Swiss or foreign) special purpose vehicle before January 1, 2017 must have been approved by FINMA.

Both the going concern and the gone concern requirements are subject to a phase-in with gradually increasing requirements and have to be fully applied by January 1, 2020.

Swiss capital and leverage phase-in requirements for Credit Suisse



Effective as of January 1, for the applicable year	2017	2018	2019	2020	2017	2018	2019	2020
Capital components (%)								
CET1 – minimum	5.8	5.4	4.9	4.5	2.1	1.9	1.7	1.5
Additional tier 1 – maximum	2.2	2.6	3.1	3.5	0.9	1.1	1.3	1.5
Minimum component	**8.0**	**8.0**	**8.0**	**8.0**	**3.0**	**3.0**	**3.0**	**3.0**
CET1 – minimum	3.2	4.06	4.78	5.5	0.5	1.0	1.5	2.0
Additional tier 1 – maximum	0.8	0.8	0.8	0.8	0.0	0.0	0.0	0.0
Buffer component	**4.0**	**4.86**	**5.58**	**6.3**	**0.5**	**1.0**	**1.5**	**2.0**
Going concern	**12.0**	**12.86**	**13.58**	**14.3**	**3.5**	**4.0**	**4.5**	**5.0**
of which base requirement	12.0	12.86	12.86	12.86	3.5	4.0	4.5	4.5
of which surcharge	0.0	0.0	0.72	1.44	0.0	0.0	0.0	0.5
Gone concern	**6.2**	**8.9**	**11.6**	**14.3**	**2.0**	**3.0**	**4.0**	**5.0**
of which base requirement	5.84	8.18	10.52	12.86	1.875	2.75	3.625	4.5
of which surcharge	0.36	0.72	1.08	1.44	0.125	0.25	0.375	0.5
Total loss-absorbing capacity	**18.2**	**21.76**	**25.18**	**28.6**	**5.5**	**7.0**	**8.5**	**10.0**

Does not include the effects of the countercyclical buffers and any rebates for resolvability and for certain tier 2 low-trigger instruments recognized in gone concern capital. As of the end of 2017, the Swiss countercyclical buffer for the Group and the Bank was CHF 430 million, which is equivalent to 0.2% of CET1 capital, and the required extended countercyclical buffer was insignificant. As of the end of 2017, the rebate for resolvability relating to the Group and the Bank's capital ratios was 0.868%, resulting in a gone concern requirement of 5.332%, and 0.28% relating to the leverage ratios, resulting in a gone concern leverage requirement of 1.72%.

Other requirements

Effective July 1, 2016, Switzerland implemented an extended countercyclical buffer, which is based on the BIS countercyclical buffer that could require banks to hold up to 2.5% of RWA in the form of CET1 capital. The extended countercyclical buffer relates to a requirement that can be imposed by national regulators when credit growth is deemed to be excessive and leading to the build-up of system-wide risk.

The Swiss Federal Council has not activated the BIS countercyclical buffer for Switzerland but instead requires banks to hold CET1 capital in the amount of 2% of their RWA pertaining to mortgage loans that finance residential property in Switzerland (Swiss countercyclical buffer).

In 2013, FINMA introduced increased capital charges for mortgages that finance owner-occupied residential property in Switzerland (mortgage multiplier) to be phased in through January 1, 2019. The mortgage multiplier applies for purposes of both BIS and FINMA requirements.

In December 2013, FINMA issued a decree (2013 FINMA Decree), effective since February 2, 2014, specifying capital adequacy requirements for the Bank, on a stand-alone basis (Bank parent company), and the Bank and the Group, each on a consolidated basis, as systemically relevant institutions. In October 2017, FINMA issued an additional decree with respect to the regulatory capital requirements of the Bank parent company (2017 FINMA Decree), specifying the treatment of investments in subsidiaries for capital adequacy purposes.

▸ Refer to "Regulatory developments and proposals" for further information.

Within the Basel framework for FINMA regulatory capital purposes, we implemented risk measurement models, including an incremental risk charge (IRC), stressed VaR, risks not in VaR (RNIV) and advanced credit valuation adjustment (CVA).

The IRC is a regulatory capital charge for default and migration risk on positions in the trading books and is intended to complement additional standards being applied to the VaR modeling framework, including stressed VaR. Stressed VaR replicates a VaR calculation on the Group's current portfolio, taking into account a one-year observation period relating to significant financial stress and helps reduce the pro-cyclicality of the minimum capital requirements for market risk. RNIV and stressed RNIV are risks that are not currently implemented within the Group's VaR model, such as certain basis risks, higher order risks and cross risks. Advanced CVA covers the risk of mark-to-market losses on the expected counterparty risk arising from changes in a counterparty's credit spreads.

For capital purposes, FINMA, in line with BIS requirements, uses a multiplier to impose an increase in market risk capital for every regulatory VaR backtesting exception over four in the prior rolling 12-month period. In 2017, our market risk capital multiplier remained at FINMA and BIS minimum levels and we did not experience an increase in market risk capital.

▸ Refer to "Market risk review" in Risk management for further information.

REGULATORY DEVELOPMENTS AND PROPOSALS

In March 2017, the BCBS released the interim regulatory treatment of accounting provisions and standards for transitional arrangements. These measures are in response to the forthcoming international accounting standards on expected credit loss provisioning that will replace the incurred loss models. The BCBS will retain the current regulatory treatment of provisions under the Basel framework for an interim period. The BCBS sets out that jurisdictions may adopt transitional arrangements to address any significant negative impact on regulatory capital which may arise on day one from the introduction of expected credit losses provisioning for accounting. Accounting principles generally accepted in the US (US GAAP) require that these credit loss provisioning standards, which require the use of expected credit loss models, become effective as of January 1, 2020.

In March 2017, the BCBS published revised Pillar 3 disclosure requirements which consolidate all existing BCBS disclosure requirements into the Pillar 3 framework. Furthermore, the revised disclosure requirements reflect ongoing reforms to the regulatory framework, such as the total loss-absorbing capacity regime for G-SIBs and the revised market risk framework. The effective dates of the revised Pillar 3 disclosure requirements as set by FINMA are between December 2018 and December 2020.

In April 2017, the BCBS published the regulatory capital treatment related to changes to lease accounting standards under forthcoming US GAAP and international accounting standards. The new accounting rules, which become effective as of January 1, 2019, require that most leases will be reflected on a lessee's balance sheet as an obligation to make lease payments (a liability) and a related right-of-use asset (an asset). The BCBS standard requires that, for leases where the underlying asset being leased is a tangible asset, the right-of-use asset should be risk-weighted with 100%.

In July 2017, the FSB issued its Guiding Principles on the Internal Loss-absorbing Capacity of G-SIBs. The principles set out high-level guidelines to assist Crisis Management Group authorities in the implementation of internal total loss-absorbing capacity mechanisms consistent with the FSB's total loss-absorbing capacity. Total loss-absorbing capacity standard of November 2015. G-SIBs should be expected to meet the internal total loss-absorbing capacity requirements by January 1, 2019, if they have been designated by the FSB as a G-SIB before the end of 2015, which is the case for Credit Suisse.

In October 2017, the BCBS published final guidelines on the identification and management of step-in risk. Step-in risk refers to the risk that a bank decides to provide financial support to an unconsolidated entity that is facing financial stress in the absence of, or in excess of, any contractual obligations or equity ties to actually provide such support, in particular to avoid reputational risks. The guidelines do not prescribe any automatic liquidity or capital charge, but rather rely on existing prudential measures to mitigate significant step-in risk through identification and management of step-in risks and a supervisory process built on reporting.

The BCBS expects the guidelines to be implemented in member jurisdictions by 2020.

In October 2017, FINMA announced its re-assessment of rebates for resolvability relating to the gone concern requirement. The eligibility for the rebates for resolvability is assessed on an annual basis. Effective July 1, 2017, our capital ratio rebate is 0.868% and our leverage ratio rebate is 0.28%.

In November 2017, the FSB published the 2017 list of G-SIBs. Based on their scores of systemic importance, G-SIBs are allocated into four equally sized buckets, with varying levels of higher loss absorbency requirements applied to the different buckets. Compared to the 2016 list of G-SIBs, Credit Suisse moved from bucket two to bucket one, reducing the required progressive buffer by 0.5% and placing Credit Suisse in the lowest 1.0% bucket. Bucket one includes the banks with the lowest level of global systemic importance.

In November 2017, the Swiss Federal Council extended the transition period from January 2018 to January 2020 for some revisions to the capital requirements of credit risk. The revisions relate to equity investments in funds and a new standardized approach for counterparty credit risk (SA-CCR) for derivatives. Furthermore, the Swiss Federal Council published revised standards for large exposure reporting and limits, which will become effective in January 2019.

In December 2017, the BCBS finalized the outstanding Basel III post-crisis regulatory reforms. The revised standards become effective January 1, 2022. The output floor will be phased in over five years from 2022 to 2027.

They include the following elements:

- a revised standardized approach for credit risk, which seeks to improve the granularity and risk sensitivity of the existing approach;
- revisions to the internal ratings-based approach for credit risk, which introduces some constraints to banks' estimates of risk parameters;
- revisions to the CVA framework, removing the model-based approach and replacing it with a standardized or a basic approach;
- a revised standardized approach for operational risk, which will replace the existing AMA;
- an aggregate output floor, which seeks to ensure that banks' RWA generated by internal models are no lower than 72.5% of RWA as calculated by the Basel III framework's standardized approach; and
- revisions to the leverage ratio framework, introducing a leverage ratio buffer for G-SIBs and refining the leverage exposure measure, including using the SA-CCR methodology within this framework.

FINMA Decrees

The SNB designated the Group as a financial group of systemic importance under applicable Swiss law. Following that designation, FINMA issued the 2013 FINMA Decree, effective since February 2, 2014, which requires the Group to fully comply with the special requirements for systemically important banks set out in the Capital Adequacy Ordinance. In addition to the capital adequacy requirements, it also specifies liquidity and risk diversification requirements for the Bank parent company.

In October 2017, FINMA issued the 2017 FINMA Decree with respect to the regulatory capital requirements of the Bank parent company, specifying the treatment of investments in subsidiaries for capital adequacy purposes. This decree partially replaces certain aspects of the 2013 FINMA Decree, but all other aspects of that decree remain in force. The 2017 FINMA Decree is effective retroactively as of July 1, 2017. The changes aim to create a capital adequacy framework for the Bank parent company that is more comparable to relevant international frameworks and does not rely on exemptions from, or corrections of, the basic framework applicable to all Swiss banks. The changes only apply to the going concern capital requirements for the Bank parent company, which, as of July 1, 2017, amount to 14.3% of RWA, of which the minimum CET1 component is 10%, with the remainder to be met with a maximum of 4.3% additional tier 1 capital, which includes high-trigger capital instruments. Additional effects from countercyclical buffers impact the CET1 minimum requirement. Under the going concern requirement, the Swiss leverage ratio must be 5%, of which the minimum CET1 component is 3.5%, with the remainder to be met with a maximum of 1.5% additional tier 1 capital, which includes high-trigger capital instruments. Unlike the Group requirements, the capital and leverage requirements for the Bank parent company are not subject to a transition period and are therefore the same under phase-in and look-through.

The 2017 FINMA Decree requires the Bank parent company to risk-weight both direct and indirect investments in subsidiaries, with the initial risk-weight set at 200%. Beginning in 2019, these risk-weights will gradually increase over 10 years to 250% for participations in subsidiaries in Switzerland and to 400% for participations in subsidiaries abroad. This replaces the existing framework that, for systemically relevant banks, provided exemptions to the general rule of capital deduction with respect to investments in subsidiaries to avoid unintended effects from the existing "Too Big to Fail" legislation and capital requirements thereunder. Furthermore, the Swiss administration plans to amend the Capital Adequacy Ordinance accordingly so that these new rules will apply to all banks in Switzerland.

The 2017 FINMA Decree also applies an adjustment (referred to as a regulatory filter) to any impact on CET1 capital arising from the upcoming accounting change under applicable Swiss banking rules for the Bank parent company's investments in subsidiaries from the current portfolio valuation method to the individual valuation method by 2020. The regulatory filter allows for the measurement of the regulatory capital position as if the Bank parent company had maintained the portfolio valuation method, which results in higher total participation values subject to risk weighting.

▸ Refer to credit-suisse.com/regulatorydisclosures for the Bank parent company's regulatory disclosures.

ISSUANCES AND REDEMPTIONS

Issuances

Bail-in instruments

The following callable bail-in instruments were issued in the first quarter of 2017:
- USD 1.75 billion 3.574% senior notes due 2023; and
- USD 2.25 billion 4.282% senior notes due 2028.

The following callable bail-in instrument was issued in the second quarter of 2017:
- EUR 1.5 billion 1.25% senior notes due 2025.

The following callable bail-in instruments were issued in the third quarter of 2017:
- GBP 750 million 2.125% senior notes due 2025;
- USD 1.0 billion 2.997% senior notes due 2023; and
- USD 500 million floating rate senior notes due 2023.

The following callable bail-in instruments were issued in the fourth quarter of 2017:
- JPY 38.7 billion 0.553% senior notes due 2023;
- JPY 8.3 billion 0.904% senior notes due 2027;
- JPY 10.0 billion 1.269% senior notes due 2033; and
- USD 1.0 billion floating rate senior notes due 2022.

The following callable bail-in instruments have been issued to date in the first quarter of 2018:
- USD 2.0 billion 3.869% senior notes due 2029;
- AUD 125 million 3.5% senior notes due 2024;
- AUD 175 million floating rate senior notes due 2024; and
- AUD 176 million zero coupon accreting senior notes due 2038.

Other issuances

In the first quarter of 2017, the Group issued USD 1.5 billion 7.125% high-trigger additional tier 1 capital instruments and CHF 200 million 3.875% high-trigger additional tier 1 capital instruments.

On May 18, 2017, the Group held an Extraordinary General Meeting of shareholders, at which shareholders approved a capital increase. The capital increase was completed by way of a rights offering in the second quarter of 2017. Net proceeds of the rights offering amounted to CHF 4.1 billion.

Redemptions

In the first quarter of 2017, Credit Suisse redeemed CHF 750 million 7.125% high-trigger tier 2 capital instruments.

In the second quarter of 2017, the Group redeemed the remaining outstanding principal balances in the amounts of USD 135 million and USD 50 million of two tier 1 capital instruments and the remaining outstanding principal balance in the amount of GBP 20 million of a tier 2 capital instrument.

Contingent convertible capital instruments

We have issued high-trigger and low-trigger capital instruments to meet our capital requirements. Our high-trigger instruments (with the exception of Contingent Capital Awards (CCA)) mandatorily convert into our ordinary shares upon the occurrence of certain specified triggering events. These events include our CET1 ratio falling below 7% (or any lower applicable minimum threshold), or a determination by FINMA that conversion is necessary, or that we require public sector capital support, to prevent us from becoming insolvent, bankrupt or unable to pay a material amount of our debts, or other similar circumstances. Conversion can only be prevented if FINMA, at our request, is satisfied that certain conditions exist and conversion is not required. High-trigger instruments are designed to absorb losses before our other capital instruments, including the low-trigger capital instruments. The features of low-trigger capital instruments are described below. CCA would not convert into common equity, but would be written down to zero upon a trigger event.

Higher Trigger Capital Amount

The capital ratio write-down triggers for certain of our outstanding capital instruments take into account the fact that other outstanding capital instruments that contain relatively higher capital ratios as part of their trigger feature are expected to convert into equity or be written down prior to the write-down of such capital instruments. The amount of additional capital that is expected to be contributed by such conversion into equity or write-down is referred to as the Higher Trigger Capital Amount.

The following tier 1 capital notes (collectively, Tier 1 Capital Notes), which have a trigger amount of 5.125% and qualify as low trigger capital instruments, were outstanding as of December 31, 2017:
- USD 2.5 billion 6.25% tier 1 capital notes;
- USD 2.25 billion 7.5% tier 1 capital notes; and
- CHF 290 million 6.0% tier 1 capital notes.

The following tier 2 capital notes (collectively, Tier 2 Capital Notes), which have a trigger amount of 5% and qualify as low trigger capital instruments, were outstanding as of December 31, 2017:
- USD 2.5 billion 6.5% tier 2 capital notes; and
- EUR 1.25 billion 5.75% tier 2 capital notes.

Each of the series of Tier 1 Capital Notes and Tier 2 Capital Notes qualify as low-trigger capital instruments and have a write-down feature, which means that the full principal amount of the notes will be permanently written down to zero upon the occurrence of specified triggering events. These events occur when the amount of our CET1 ratio, together with an additional ratio described below that takes into account other outstanding capital instruments, falls below 5.125% for the Tier 1 Capital Notes and 5% for the Tier 2 Capital Notes. The write-down can only be prevented if FINMA, at our request, is satisfied that certain conditions exist and determines a write-down is not required. The capital notes will also be written down upon a non-viability event, which occurs when FINMA determines that a write-down

is necessary, or that we require extraordinary public sector capital support, to prevent us from becoming insolvent, bankrupt or unable to pay a material amount of our debts, or other similar circumstances.

With respect to the capital instruments that specify a trigger event if the CET1 ratio were to fall below 5.125%, the Higher Trigger Capital Amount was CHF 7.6 billion and the Higher Trigger Capital Ratio (i.e., the ratio of the Higher Trigger Capital Amount to the aggregate of all RWA of the Group) was 2.8%, both as of the end of 2017.

With respect to the capital instruments that specify a trigger event if the CET1 ratio were to fall below 5%, the Higher Trigger Capital Amount was CHF 12.4 billion and the Higher Trigger Capital Ratio was 4.6%, both as of the end of 2017.

▸ Refer to the table "BIS capital metrics – Group" for further information on the BIS metrics used to calculate such measures.

BIS capital metrics – Group

	Phase-in			Look-through		
end of	**2017**	2016	% change	**2017**	2016	% change
Capital and risk-weighted assets (CHF million)						
CET1 capital	36,711	36,576	0	34,824	30,783	13
Tier 1 capital	51,482	48,865	5	47,262	41,879	13
Total eligible capital	56,696	55,728	2	51,389	46,758	10
Risk-weighted assets	272,815	271,372	1	271,680	268,045	1
Capital ratios (%)						
CET1 ratio	13.5	13.5	–	12.8	11.5	–
Tier 1 ratio	18.9	18.0	–	17.4	15.6	–
Total capital ratio	20.8	20.5	–	18.9	17.4	–

BIS CAPITAL METRICS

Our CET1 ratio was 13.5% as of the end of 2017, stable compared to the end of 2016, with slightly higher RWA. Our tier 1 ratio was 18.9% as of the end of 2017 compared to 18.0% the end of 2016. Our total capital ratio was 20.8% as of the end of 2017 compared to 20.5% as of the end of 2016.

CET1 capital was stable at CHF 36.7 billion as of the end of 2017 compared to the end of 2016. CET1 was impacted by the issuance of common shares due to the rights offering and the regulatory adjustment of deferred tax assets, primarily resulting from the US tax reform. These increases were partially offset by an additional annual 20% phase-in of regulatory deductions from CET1 (from 60% to 80%), including goodwill, other intangible assets and certain deferred tax assets, and an additional annual 20% decrease in the adjustment for the accounting treatment of pension plans (from 40% to 20%), pursuant to phase-in requirements. CET1 capital was also affected by a net loss attributable to shareholders driven by the re-assessment impact on deferred tax assets resulting from the US tax reform, a negative foreign exchange impact and the cash component of a dividend accrual.

Additional tier 1 capital increased to CHF 14.8 billion as of the end of 2017 compared to CHF 12.3 billion as of the end of 2016, mainly reflecting the issuance of high-trigger additional tier 1 capital instruments and an additional annual 20% phase-in of regulatory deductions (from 40% to 20%), including goodwill, other intangible assets and other capital deductions, partially offset by a negative foreign exchange impact.

Tier 2 capital was CHF 5.2 billion as of the end of 2017 compared to CHF 6.9 billion as of the end of 2016, mainly due to the impact of the prescribed amortization requirement as instruments move closer to their maturity date and the redemption of the high-trigger tier 2 capital instruments.

Total eligible capital as of the end of 2017 was CHF 56.7 billion compared to CHF 55.7 billion as of the end of 2016, primarily reflecting an increase in additional tier 1 capital, partially offset by a decrease in tier 2 capital.

As of the end of 2017, the look-through CET1 ratio was 12.8% compared to 11.5% as of the end of 2016. As of the end of 2017, the look-through total capital ratio was 18.9% compared to 17.4% as of the end of 2016.

Eligible capital – Group

		Phase-in			Look-through	
end of	2017	2016	% change	2017	2016	% change
Eligible capital (CHF million)						
Total shareholders' equity	**41,902**	**41,897**	0	**41,902**	**41,897**	0
Regulatory adjustments [1]	(576)	(694)	(17)	(576)	(694)	(17)
Adjustments subject to phase-in						
Accounting treatment of defined benefit pension plans	508	1,246	(59)	–	–	–
Common share capital issued by subsidiaries and held by third parties	44	83	(47)	–	–	–
Goodwill [2]	(3,792)	(2,919)	30	(4,740)	(4,864)	(3)
Other intangible assets [2]	(48)	(42)	14	(60)	(70)	(14)
Deferred tax assets that rely on future profitability	(1,770)	(2,120)	(17)	(2,213)	(3,534)	(37)
Shortfall of provisions to expected losses	(402)	(299)	34	(503)	(498)	1
Gains/(losses) due to changes in own credit on fair-valued liabilities	2,152	435	395	2,690	724	272
Defined benefit pension assets [2]	(1,337)	(479)	179	(1,672)	(798)	110
Investments in own shares	(13)	(1)	–	(16)	(2)	–
Other adjustments [3]	43	11	291	56	20	180
Deferred tax assets from temporary differences (threshold-based)	0	(542)	100	(44)	(1,398)	(97)
Adjustments subject to phase-in	**(4,615)** [4]	**(4,627)**	0	**(6,502)**	**(10,420)**	(38)
CET1 capital	**36,711**	**36,576**	0	**34,824**	**30,783**	13
High-trigger capital instruments (7% trigger)	7,575	6,000	26	7,575	6,000	26
Low-trigger capital instruments (5.125% trigger)	4,863	5,096	(5)	4,863	5,096	(5)
Additional tier 1 instruments	**12,438**	**11,096**	12	**12,438**	**11,096**	12
Additional tier 1 instruments subject to phase-out [5]	2,778	2,899	(4)	–	–	–
Deductions from additional tier 1 capital	(445) [6]	(1,706)	(74)	–	–	–
Additional tier 1 capital	**14,771**	**12,289**	20	**12,438**	**11,096**	12
Tier 1 capital	**51,482**	**48,865**	5	**47,262**	**41,879**	13
High-trigger capital instruments (7% trigger)	0	698	(100)	0	698	(100)
Low-trigger capital instruments (5% trigger)	4,127	4,181	(1)	4,127	4,181	(1)
Tier 2 instruments	**4,127**	**4,879**	(15)	**4,127**	**4,879**	(15)
Tier 2 instruments subject to phase-out	1,138	2,083	(45)	–	–	–
Deductions from tier 2 capital	(51)	(99)	(48)	–	–	–
Tier 2 capital	**5,214**	**6,863**	(24)	**4,127**	**4,879**	(15)
Total eligible capital	**56,696**	**55,728**	2	**51,389**	**46,758**	10

1 Includes regulatory adjustments not subject to phase-in, including a cumulative dividend accrual.
2 Net of deferred tax liability.
3 Includes cash flow hedge reserve.
4 Reflects 80% phase-in deductions, including goodwill, other intangible assets and certain deferred tax assets, and 20% of an adjustment primarily for the accounting treatment of pension plans pursuant to phase-in requirements.
5 Includes hybrid capital instruments that are subject to phase-out.
6 Includes 20% of goodwill and other intangible assets (CHF 1.0 billion) and other capital deductions, including the regulatory reversal of gains/(losses) due to changes in own credit risk on fair-valued financial liabilities, which will be deducted from CET1 once Basel III is fully implemented.

Capital movement – Group

	Phase-in		Look-through	
	2017	2016	**2017**	2016
CET1 capital (CHF million)				
Balance at beginning of period	**36,576**	**42,072**	**30,783**	**32,938**
Net income/(loss) attributable to shareholders	(983)	(2,710)	(983)	(2,710)
Foreign exchange impact	(807) [1]	446	(736)	413
Impact of deductions relating to phase-in requirements	(2,650)	(2,777)	0	0
Issuance of common shares	4,096 [2]	717	4,096	717
Regulatory adjustment of deferred tax assets	1,637 [3]	(401)	2,487	(258)
Regulatory adjustment of own credit on fair-valued financial liabilities	(397)	(429)	2	3
Other	(761) [4]	(342)	(825)	(320)
Balance at end of period	**36,711**	**36,576**	**34,824**	**30,783**
Additional tier 1 capital (CHF million)				
Balance at beginning of period	**12,289**	**10,991**	**11,096**	**11,663**
Foreign exchange impact	(475)	372	(372)	274
Impact of deductions relating to phase-in requirements	853	1,096	0	0
Issuances	1,680	0	1,680	0
Redemptions	(180)	(505)	0	(505)
Regulatory adjustment of own credit on fair-valued financial liabilities	386	446	0	0
Other	218	(111)	34	(336)
Balance at end of period	**14,771**	**12,289**	**12,438**	**11,096**
Tier 2 capital (CHF million)				
Balance at beginning of period	**6,863**	**9,619**	**4,879**	**6,824**
Foreign exchange impact	(41)	73	3	51
Impact of deductions relating to phase-in requirements	50	59	0	0
Redemptions	(714)	(2,005)	(698)	(1,946)
Other	(944) [5]	(883)	(57)	(50)
Balance at end of period	**5,214**	**6,863**	**4,127**	**4,879**
Eligible capital (CHF million)				
Balance at end of period	**56,696**	**55,728**	**51,389**	**46,758**

[1] Includes US GAAP cumulative translation adjustments and the foreign exchange impact on regulatory CET1 adjustments.
[2] Represents the issuance of common shares in connection due to the rights offering.
[3] Primarily reflects the impact of the re-assessment of deferred tax assets resulting from the US tax reform.
[4] Includes the impact of a dividend accrual, the net effect of share-based compensation and pensions and a change in other regulatory adjustments.
[5] Primarily reflects the impact of the prescribed amortization requirement as instruments move closer to their maturity date.

RISK-WEIGHTED ASSETS

Our balance sheet positions and off-balance sheet exposures translate into RWA that are categorized as credit, market and operational RWA. When assessing RWA, it is not the nominal size, but rather the nature (including risk mitigation such as collateral or hedges) of the balance sheet positions or off-balance sheet exposures that determines the RWA. Credit risk RWA reflect the capital requirements for the possibility of a loss being incurred as the result of a borrower or counterparty failing to meet its financial obligations or as a result of a deterioration in the credit quality of the borrower or counterparty. Capital requirements for premises and equipment, real estate and investments in real estate entities are also included in credit risk. Under Basel III, certain regulatory capital adjustments are dependent on the level of CET1 capital (thresholds). The amount above the threshold is deducted from CET1 capital and the amount below the threshold is risk weighted. RWA subject to such threshold adjustments are included in credit risk RWA. Market risk RWA reflect the capital requirements of potential changes in the fair values of financial instruments in response to market movements inherent in both balance sheet and off-balance sheet items. Operational risk RWA reflect the capital requirements for the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

RWA increased 1% to CHF 272.8 billion as of the end of 2017 from CHF 271.4 billion as of the end of 2016. The increase was primarily driven by methodology and policy changes in operational risk and credit risk, mostly offset by movements in risk levels, mainly in credit risk and market risk, and a negative foreign exchange impact.

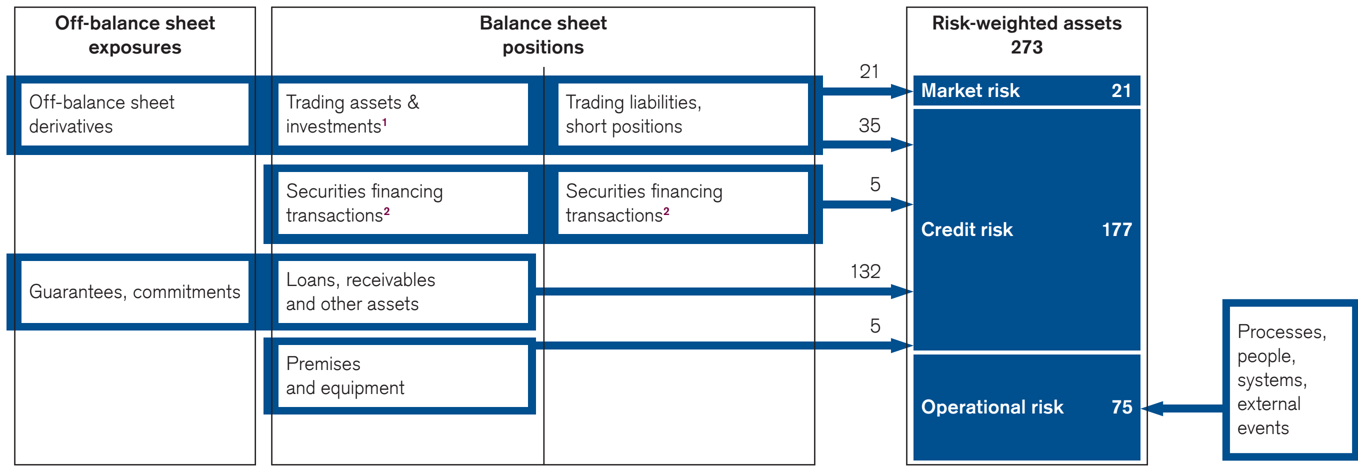
Excluding the foreign exchange impact, the decrease in **credit risk** was primarily driven by decreases related to movements in risk levels primarily attributable to book size, partially offset by increases related to methodology and policy changes. The decrease in risk levels attributable to book size was mainly due to reductions in exposures, primarily relating to the wind-down of non-core business in the Strategic Resolution Unit, and reductions in advanced CVA resulting from decreased exposures, primarily in the Strategic Resolution Unit and Swiss Universal Bank. The decrease also reflected the impact of hedging transactions executed in connection with managing the Group's RWA position and the Basel III phase-in requirements, both in the Corporate Center. These decreases were partially offset by increases from lending risk exposures primarily in Asia Pacific and Investment Banking & Capital Markets, the expiration of a credit risk hedge primarily in Global Markets and the Strategic Resolution Unit, and increases from banking book securitization exposures in Global Markets and International Wealth Management. The decrease in risk levels attributable to book quality was mainly due to a reduction in lending risk with corporate and private clients in Asia Pacific and Swiss Universal Bank. The increase due to methodology and policy changes was mainly related to an additional phase-in of the multiplier on income producing real estate (IPRE) exposures and non-IPRE exposures, both within Swiss Universal Bank, and an additional phase-in of a multiplier on certain investment banking corporate exposures in Investment Banking & Capital Markets, Global Markets and Asia Pacific. Increases related to methodology and policy changes were also impacted by a phase-in impact from a FINMA requirement to treat share-backed lending without personal guarantees as corporate exposures, which was introduced in the third quarter of 2016 impacting Asia Pacific, International Wealth Management and Investment Banking & Capital Markets.

Risk-weighted assets – Group

end of	Swiss Universal Bank	International Wealth Management	Asia Pacific	Global Markets	Investment Banking & Capital Markets	Strategic Resolution Unit	Corporate Center	Group
2017 (CHF million)								
Credit risk	52,776	24,641	20,510	34,185	17,362	12,078	14,960	**176,512**
Market risk	737	1,101	5,128	11,334	121	1,875	994	**21,290**
Operational risk	12,059	12,514	5,836	13,339	2,575	19,660	9,030	**75,013**
Risk-weighted assets – phase-in	**65,572**	**38,256**	**31,474**	**58,858**	**20,058**	**33,613**	**24,984**	**272,815**
Look-through adjustment	–	–	–	–	–	–	(1,135)	**(1,135)**
Risk-weighted assets – look-through	**65,572**	**38,256**	**31,474**	**58,858**	**20,058**	**33,613**	**23,849**	**271,680**
2016 (CHF million)								
Credit risk	52,713	21,737	19,961	29,565	15,280	22,214	20,599	**182,069**
Market risk	888	992	8,808	8,755	172	3,567	66	**23,248**
Operational risk	12,068	12,523	5,836	13,393	2,575	19,660	0	**66,055**
Risk-weighted assets – phase-in	**65,669**	**35,252**	**34,605**	**51,713**	**18,027**	**45,441**	**20,665**	**271,372**
Look-through adjustment	–	–	–	–	–	–	(3,327)	**(3,327)**
Risk-weighted assets – look-through	**65,669**	**35,252**	**34,605**	**51,713**	**18,027**	**45,441**	**17,338**	**268,045**

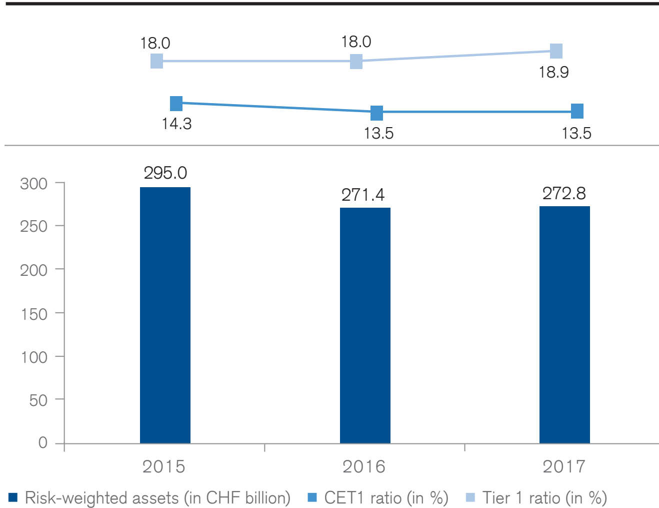
Risk-weighted assets – Group

as of December 31, 2017 (CHF billion)



1 Includes primarily trading assets, investment securities and other investments.
2 Includes central bank funds sold, securities purchased under resale agreements and central bank funds purchased, securities sold under repurchase agreements and securities lending transactions.

Risk-weighted assets and capital ratios – Group



Excluding the foreign exchange impact, the decrease in **market risk** was primarily driven by decreases in risk levels and model and parameter updates, partially offset by increases related to methodology and policy changes. The movements in risk levels reflected decreases in Asia Pacific and Strategic Resolution Unit, partially offset by increases in Global Markets. The decrease in model and parameter updates was mainly due to model enhancements to VaR and RNIV in Global Markets and Asia Pacific, including in connection with certain interest rate derivatives. Increases in methodology and policy changes primarily related to the IRC model, mainly in Global Markets and Asia Pacific.

The increase in **operational risk** was mainly driven by methodology and policy changes. Following discussions with FINMA in 2017, we updated our loss history and implemented a revised methodology for the measurement of RWA related to operational risk, primarily in respect of our residential mortgage-backed securities (RMBS) settlements. As a consequence, RWA relating to operational risk increased by CHF 9.0 billion in the second half of 2017, which was reflected in the Corporate Center.

Risk-weighted asset movement by risk type – Group

2017 (CHF million)	Swiss Universal Bank	International Wealth Management	Asia Pacific	Global Markets	Investment Banking & Capital Markets	Strategic Resolution Unit	Corporate Center	Total
Credit risk								
Balance at beginning of period	**52,713**	**21,737**	**19,961**	**29,565**	**15,280**	**22,214**	**20,599**	**182,069**
Foreign exchange impact	(291)	(441)	(457)	(654)	(582)	(850)	(391)	(3,666)
Movements in risk levels	(2,689)	1,860	(346)	4,652	1,257	(9,193)	(5,349)	(9,808)
of which credit risk – book size [1]	(1,814)	1,801	605	4,628	1,395	(9,302)	(5,436)	(8,123)
of which credit risk – book quality [2]	(875)	59	(951)	24	(138)	109	87	(1,685)
Model and parameter updates [3]	88	536	1	(218)	147	(312)	98	340
Methodology and policy changes [4]	2,955	949	1,351	840	1,260	219	3	7,577
Balance at end of period – phase-in	**52,776**	**24,641**	**20,510**	**34,185**	**17,362**	**12,078**	**14,960**	**176,512**
Market risk								
Balance at beginning of period	**888**	**992**	**8,808**	**8,755**	**172**	**3,567**	**66**	**23,248**
Foreign exchange impact	(1)	8	(65)	(135)	(2)	(38)	3	(230)
Movements in risk levels	(161)	(207)	(3,670)	3,354	(69)	(1,627)	942	(1,438)
Model and parameter updates [3]	(2)	177	(340)	(866)	14	(180)	(90)	(1,287)
Methodology and policy changes [4]	13	131	395	226	6	153	73	997
Balance at end of period – phase-in	**737**	**1,101**	**5,128**	**11,334**	**121**	**1,875**	**994**	**21,290**
Operational risk								
Balance at beginning of period	**12,068**	**12,523**	**5,836**	**13,393**	**2,575**	**19,660**	**0**	**66,055**
Movements in risk levels	(9)	(9)	0	(44)	0	0	0	(62)
Model and parameter updates [3]	0	0	0	(10)	0	0	0	(10)
Methodology and policy changes [4]	0	0	0	0	0	0	9,030	9,030
Balance at end of period – phase-in	**12,059**	**12,514**	**5,836**	**13,339**	**2,575**	**19,660**	**9,030**	**75,013**
Total								
Balance at beginning of period	**65,669**	**35,252**	**34,605**	**51,713**	**18,027**	**45,441**	**20,665**	**271,372**
Foreign exchange impact	(292)	(433)	(522)	(789)	(584)	(888)	(388)	(3,896)
Movements in risk levels	(2,859)	1,644	(4,016)	7,962	1,188	(10,820)	(4,407)	(11,308)
Model and parameter updates [3]	86	713	(339)	(1,094)	161	(492)	8	(957)
Methodology and policy changes [4]	2,968	1,080	1,746	1,066	1,266	372	9,106	17,604
Balance at end of period – phase-in	**65,572**	**38,256**	**31,474**	**58,858**	**20,058**	**33,613**	**24,984**	**272,815**
Look-through adjustment [5]	–	–	–	–	–	–	(1,135)	(1,135)
Balance at end of period – look-through	**65,572**	**38,256**	**31,474**	**58,858**	**20,058**	**33,613**	**23,849**	**271,680**

[1] Represents changes in portfolio size.
[2] Represents changes in average risk weighting across credit risk classes.
[3] Represents movements arising from updates to models and recalibrations of parameters and internal changes impacting how exposures are treated.
[4] Represents externally prescribed regulatory changes impacting how exposures are treated.
[5] The look-through adjustment impacts only credit risk within the Corporate Center. The difference between phase-in and look-through risk-weighted assets relates to transitional arrangements such as the impact from pension assets and deferred tax assets not deducted from CET1 during the phase-in period and the transitional impact from threshold-related risk-weighted assets.

LEVERAGE METRICS

Credit Suisse has adopted the BIS leverage ratio framework, as issued by the BCBS and implemented in Switzerland by FINMA. Under the BIS framework, the leverage ratio measures tier 1 capital against the end-of-period exposure. BIS leverage amounts are calculated based on our interpretation of, and assumptions and estimates related to, the BIS requirements as implemented in Switzerland by FINMA. Changes in the interpretation of these requirements in Switzerland or in any of our interpretations, assumptions or estimates could result in different numbers from those shown here.

As used herein, leverage exposure consists of period-end balance sheet assets and prescribed regulatory adjustments.

The look-through leverage exposure was CHF 916.5 billion as of the end of 2017, a decrease of 4% compared to CHF 950.8 billion as of the end of 2016. The decrease was primarily related to the Strategic Resolution Unit, reflecting a broad range of transactions, including restructuring and unwinds in the derivatives portfolio and sales in the residual loan portfolio. The decrease in leverage exposure was also impacted by a reduction in the Group's consolidated balance sheet, primarily reflecting the foreign exchange translation impact.

▸ Refer to "Balance sheet, off-balance sheet and other contractual obligations" for further information on the reduction in the Group's consolidated balance sheet.

Look-through leverage exposure – Group

	2017	2016
Look-through leverage exposure (CHF million)		
Swiss Universal Bank	257,054	252,889
International Wealth Management	99,267	94,092
Asia Pacific	105,585	108,926
Global Markets	283,809	284,143
Investment Banking & Capital Markets	43,842	45,571
Strategic Resolution Unit	59,934	105,768
Corporate Center	67,034	59,374
Leverage exposure	**916,525**	**950,763**

BIS leverage ratios – Group

The tier 1 leverage ratio was 5.6% as of the end of 2017, with a CET1 component of 4.0%. On a look-through basis, the tier 1 leverage ratio was 5.2%, with a CET1 component of 3.8%.

The CET1 leverage ratio was 4.0% as of the end of 2017 compared to 3.8% as of the end of 2016, reflecting the stable CET1 capital and lower leverage exposure.

The tier 1 leverage ratio of 5.6% increased from 5.1% as of the end of 2016, primarily reflecting the increase in tier 1 capital and lower leverage exposure.

Leverage exposure components – Group

		Phase-in			Look-through	
end of	2017	2016	% change	2017	2016	% change
Leverage exposure (CHF million)						
Balance sheet assets	**796,289**	**819,861**	(3)	**796,289**	**819,861**	(3)
Adjustments						
Difference in scope of consolidation and tier 1 capital deductions [1]	(11,873)	(9,316)	27	(14,401)	(15,620)	(8)
Derivative financial instruments	85,210	88,656	(4)	85,210	88,656	(4)
Securities financing transactions	(27,138)	(22,766)	19	(27,138)	(22,766)	19
Off-balance sheet exposures	76,565	80,632	(5)	76,565	80,632	(5)
Total adjustments	**122,764**	**137,206**	(11)	**120,236**	**130,902**	(8)
Leverage exposure	**919,053**	**957,067**	(4)	**916,525**	**950,763**	(4)

[1] Includes adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation and tier 1 capital deductions related to balance sheet assets.

BIS leverage metrics – Group

		Phase-in			Look-through	
end of	2017	2016	% change	2017	2016	% change
Capital and leverage exposure (CHF million)						
CET1 capital	36,711	36,576	0	34,824	30,783	13
Tier 1 capital	51,482	48,865	5	47,262	41,879	13
Leverage exposure	919,053	957,067	(4)	916,525	950,763	(4)
Leverage ratios (%)						
CET1 leverage ratio	4.0	3.8	–	3.8	3.2	–
Tier 1 leverage ratio	5.6	5.1	–	5.2	4.4	–

SWISS CAPITAL AND LEVERAGE METRICS

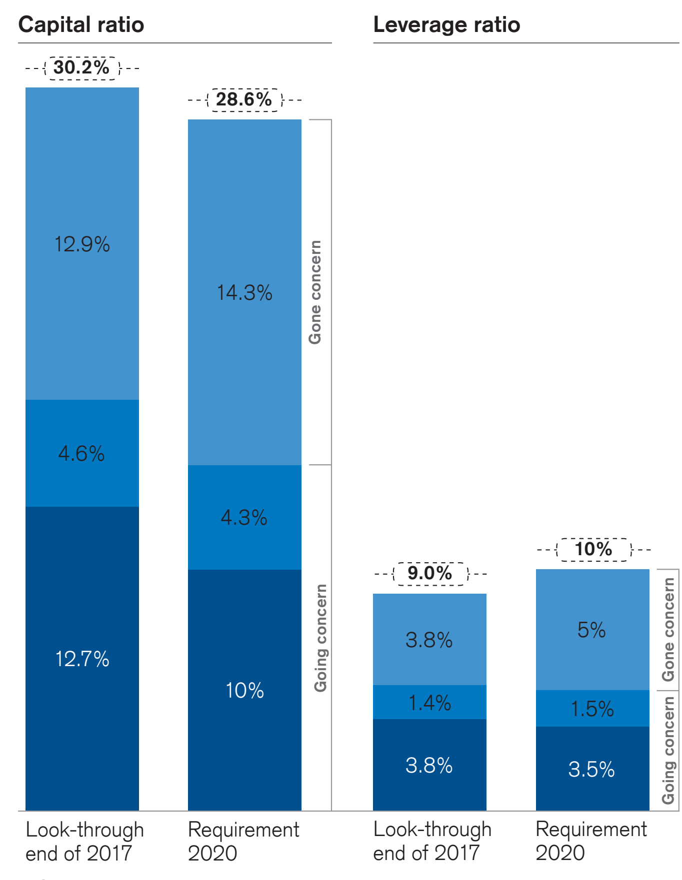
Swiss capital metrics

▸ Refer to “Swiss Requirements” for further information on Swiss regulatory requirements.

As of the end of 2017, our Swiss CET1 ratio was 13.4%, our going concern capital ratio was 19.4%, our gone concern capital ratio was 13.1% and our TLAC ratio was 32.5%.

On a look-through basis, as of the end of 2017, our Swiss CET1 capital was CHF 34.7 billion and our Swiss CET1 ratio was 12.7%. Our going concern capital was CHF 47.1 billion and our going concern capital ratio was 17.3%. Our gone concern capital was CHF 35.2 billion and our gone concern capital ratio was 12.9% Our total loss-absorbing capacity was CHF 82.3 billion and our TLAC ratio was 30.2%.

Swiss capital and leverage ratios for Credit Suisse



Rounding differences may occur. Does not include the effects of the countercyclical buffers and any rebates for resolvability and for certain tier 2 low-trigger instruments recognized in gone concern capital.

Swiss capital metrics – Group

	Phase-in			Look-through		
end of	2017	2016	% change	2017	2016	% change
Swiss capital and risk-weighted assets (CHF million)						
Swiss CET1 capital	36,567	36,417	0	34,665	30,616	13
Going concern capital	53,131	52,392	1	47,102	42,410	11
Gone concern capital	35,712	26,783	33	35,226	26,340	34
Total loss-absorbing capacity	88,843	79,175	12	82,328	68,750	20
Swiss risk-weighted assets	273,436	272,090	0	272,265	268,762	1
Swiss capital ratios (%)						
Swiss CET1 ratio	13.4	13.4	–	12.7	11.4	–
Going concern capital ratio	19.4	19.3	–	17.3	15.8	–
Gone concern capital ratio	13.1	9.8	–	12.9	9.8	–
TLAC ratio	32.5	29.1	–	30.2	25.6	–

Swiss capital and risk-weighted assets – Group

		Phase-in			Look-through	
end of	2017	2016	% change	2017	2016	% change
Swiss capital (CHF million)						
CET1 capital – BIS	36,711	36,576	0	34,824	30,783	13
Swiss regulatory adjustments [1]	(144)	(159)	(9)	(159)	(167)	(5)
Swiss CET1 capital	**36,567**	**36,417**	0	**34,665**	**30,616**	13
Additional tier 1 high-trigger capital instruments	7,574	6,000	26	7,574	6,000	26
Grandfathered capital instruments	8,990	9,975	(10)	4,863	5,794	(16)
of which additional tier 1 low-trigger capital instruments	4,863	5,096	(5)	4,863	5,096	(5)
of which tier 2 high-trigger capital instruments	0	698	(100)	0	698	(100)
of which tier 2 low-trigger capital instruments	4,127	4,181	(1)	–	–	–
Swiss additional tier 1 capital	**16,564**	**15,975**	4	**12,437**	**11,794**	5
Going concern capital	**53,131**	**52,392**	1	**47,102**	**42,410**	11
Bail-in debt instruments	31,099	22,159	40	31,099	22,159	40
Additional tier 1 instruments subject to phase-out	2,778	2,899	(4)	–	–	–
Tier 2 instruments subject to phase-out	1,138	2,083	(45)	–	–	–
Tier 2 amortization component	1,193	1,448	(18)	–	–	–
Tier 2 low-trigger capital instruments	–	–	–	4,127	4,181	(1)
Deductions	(496)	(1,806)	(73)	–	–	–
Gone concern capital	**35,712**	**26,783**	33	**35,226**	**26,340**	34
Total loss-absorbing capacity	**88,843**	**79,175**	12	**82,328**	**68,750**	20
Risk-weighted assets (CHF million)						
Risk-weighted assets – BIS	272,815	271,372	1	271,680	268,045	1
Swiss regulatory adjustments [2]	621	718	(14)	585	717	(18)
Swiss risk-weighted assets	**273,436**	**272,090**	0	**272,265**	**268,762**	1

1 Includes adjustments for certain unrealized gains outside the trading book.
2 Primarily includes differences in the credit risk multiplier.

Swiss leverage metrics

The leverage exposure used in the Swiss leverage ratios is measured on the same period-end basis as the leverage exposure for the BIS leverage ratio.

Swiss leverage metrics – Group

		Phase-in			Look-through	
end of	2017	2016	% change	2017	2016	% change
Swiss capital and leverage exposure (CHF million)						
Swiss CET1 capital	36,567	36,417	0	34,665	30,616	13
Going concern capital	53,131	52,392	1	47,102	42,410	11
Gone concern capital	35,712	26,783	33	35,226	26,340	34
Total loss-absorbing capacity	88,843	79,175	12	82,328	68,750	20
Leverage exposure	919,053	957,067	(4)	916,525	950,763	(4)
Swiss leverage ratios (%)						
Swiss CET1 leverage ratio	4.0	3.8	–	3.8	3.2	–
Going concern leverage ratio	5.8	5.5	–	5.1	4.5	–
Gone concern leverage ratio	3.9	2.8	–	3.8	2.8	–
TLAC leverage ratio	9.7	8.3	–	9.0	7.2	–

Rounding differences may occur.

As of the end of 2017, our Swiss CET1 leverage ratio was 4.0%, our going concern leverage ratio was 5.8%, our gone concern leverage ratio was 3.9% and our TLAC leverage ratio was 9.7%.

On a look-through basis, as of the end of 2017, our Swiss CET1 leverage ratio was 3.8%, our going concern leverage ratio was 5.1%, our gone concern leverage ratio was 3.8% and our TLAC leverage ratio was 9.0%.

BANK REGULATORY DISCLOSURES

The following capital, RWA and leverage disclosures apply to the Bank. The business of the Bank is substantially the same as that of the Group, including business drivers and trends relating to capital, RWA and leverage metrics.

BIS capital and leverage metrics – Bank

▸ Refer to "BIS capital metrics", "Risk-weighted assets" and "Leverage metrics" for further information.

BIS capital metrics – Bank

end of	2017	2016	Phase-in % change
Capital and risk-weighted assets (CHF million)			
CET1 capital	38,433	37,356	3
Tier 1 capital	52,378	48,888	7
Total eligible capital	57,592	55,802	3
Risk-weighted assets	272,720	270,653	1
Capital ratios (%)			
CET1 ratio	14.1	13.8	–
Tier 1 ratio	19.2	18.1	–
Total capital ratio	21.1	20.6	–

Eligible capital and risk-weighted assets – Bank

end of	2017	2016	Phase-in % change
Eligible capital (CHF million)			
Total shareholders' equity	**42,670**	**42,789**	0
Regulatory adjustments [1]	(46)	(22)	109
Adjustments subject to phase-in	(4,191) [2]	(5,411)	(23)
CET1 capital	**38,433**	**37,356**	3
Additional tier 1 instruments	11,579 [3]	10,217	13
Additional tier 1 instruments subject to phase-out [4]	2,778	2,899	(4)
Deductions from additional tier 1 capital	(412) [5]	(1,584)	(74)
Additional tier 1 capital	**13,945**	**11,532**	21
Tier 1 capital	**52,378**	**48,888**	7
Tier 2 instruments	4,127 [6]	4,931	(16)
Tier 2 instruments subject to phase-out	1,138	2,083	(45)
Deductions from tier 2 capital	(51)	(100)	(49)
Tier 2 capital	**5,214**	**6,914**	(25)
Total eligible capital	**57,592**	**55,802**	3
Risk-weighted assets by risk type (CHF million)			
Credit risk	176,417	181,350	(3)
Market risk	21,290	23,248	(8)
Operational risk	75,013	66,055	14
Risk-weighted assets	**272,720**	**270,653**	1

1 Includes regulatory adjustments not subject to phase-in, including a cumulative dividend accrual.
2 Primarily reflects 80% phase-in deductions, including goodwill, other intangible assets and certain deferred tax assets.
3 Consists of high-trigger and low-trigger capital instruments. Of this amount, CHF 7.6 billion consists of capital instruments with a capital ratio write-down trigger of 7% and CHF 3.9 billion consists of capital instruments with a capital ratio write-down trigger of 5.125%.
4 Includes hybrid capital instruments that are subject to phase-out.
5 Includes 20% of goodwill and other intangible assets (CHF 0.8 billion) and other capital deductions, including the regulatory reversal of gains/(losses) due to changes in own credit risk on fair-valued financial liabilities, which will be deducted from CET1 once Basel III is fully implemented.
6 Consists of low-trigger capital instruments with a capital ratio write-down trigger of 5%.

The Bank's CET1 ratio was 14.1% as of the end of 2017 compared to 13.8% as of the end of 2016, reflecting higher CET1 capital and slightly higher RWA. The Bank's tier 1 ratio was 19.2% as of the end of 2017 compared to 18.1% as of the end of 2016. The Bank's total capital ratio was 21.1% as of the end of 2017 compared to 20.6% as of the end of 2016.

CET1 capital was CHF 38.4 billion as of the end of 2017 compared to CHF 37.4 billion as of the end of 2016. CET1 was impacted by the capital contribution from the Group following the issuance of common shares due to the rights offering and the regulatory adjustment of deferred tax assets, primarily resulting from the US tax reform. These increases were partially offset by an additional annual 20% phase-in of regulatory deductions from CET1 (from 60% to 80%), including goodwill, other intangible assets and certain deferred tax assets, and an additional annual 20% decrease in the adjustment for the accounting treatment of pension plans (from 40% to 20%), pursuant to phase-in requirements. CET1 capital was also affected by a net loss attributable to shareholders driven by the re-assessment impact on deferred tax assets resulting from the US tax reform and a negative foreign exchange impact.

Additional tier 1 capital was CHF 13.9 billion as of the end of 2017 compared to CHF 11.5 billion as of the end of 2016, mainly reflecting the issuance of high-trigger additional tier 1 capital instruments and an additional annual 20% phase-in of regulatory deductions (from 40% to 20%), including goodwill, other intangible assets and other capital deductions, partially offset by a negative foreign exchange impact.

Tier 2 capital was CHF 5.2 billion as of the end of 2017 compared to CHF 6.9 billion as of the end of 2016, mainly due to the redemption of the high-trigger tier 2 capital instruments and the impact of the prescribed amortization requirement as instruments move closer to their maturity date.

The Bank's total eligible capital was CHF 57.6 billion as of the end of 2017 compared to CHF 55.8 billion as of the end of 2016.

RWA increased CHF 2.1 billion to CHF 272.7 billion as of the end of 2017 compared to CHF 270.7 billion as of the end of 2016.

Leverage exposure components – Bank

			Phase-in
end of	**2017**	2016	% change
Leverage exposure (CHF million)			
Balance sheet assets	**798,372**	**822,065**	(3)
Adjustments			
Difference in scope of consolidation and tier 1 capital deductions [1]	(11,569)	(10,639)	9
Derivative financial instruments	85,559	88,975	(4)
Securities financing transactions	(27,138)	(22,766)	19
Off-balance sheet exposures	76,569	80,661	(5)
Total adjustments	**123,421**	**136,231**	(9)
Leverage exposure	**921,793**	**958,296**	(4)

[1] Includes adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation and tier 1 capital deductions related to balance sheet assets.

BIS leverage metrics – Bank

			Phase-in
end of	**2017**	2016	% change
Capital and leverage exposure (CHF million)			
CET1 capital	38,433	37,356	3
Tier 1 capital	52,378	48,888	7
Leverage exposure	921,793	958,296	(4)
Leverage ratios (%)			
CET1 leverage ratio	4.2	3.9	–
Tier 1 leverage ratio	5.7	5.1	–

Swiss capital and leverage metrics – Bank

▸ Refer to "Swiss capital and leverage metrics" for further information.

Swiss capital metrics – Bank

end of	2017	2016	Phase-in % change
Swiss capital and risk-weighted assets (CHF million)			
Swiss CET1 capital	38,288	37,196	3
Going concern capital	53,995	52,344	3
Gone concern capital	35,771	26,904	33
Total loss-absorbing capacity	89,766	79,248	13
Swiss risk-weighted assets	273,332	271,359	1
Swiss capital ratios (%)			
Swiss CET1 ratio	14.0	13.7	–
Going concern capital ratio	19.8	19.3	–
Gone concern capital ratio	13.1	9.9	–
TLAC ratio	32.8	29.2	–

Rounding differences may occur.

Swiss capital and risk-weighted assets – Bank

end of	2017	2016	Phase-in % change
Swiss capital (CHF million)			
CET1 capital – BIS	38,433	37,356	3
Swiss regulatory adjustments [1]	(145)	(160)	(9)
Swiss CET1 capital	**38,288**	**37,196**	3
Additional tier 1 high-trigger capital instruments	7,631	6,083	25
Grandfathered capital instruments	8,076	9,065	(11)
of which additional tier 1 low-trigger capital instruments	3,949	4,134	(4)
of which tier 2 high-trigger capital instruments	0	750	(100)
of which tier 2 low-trigger capital instruments	4,127	4,181	(1)
Swiss additional tier 1 capital	**15,707**	**15,148**	4
Going concern capital	**53,995**	**52,344**	3
Bail-in debt instruments	31,125	22,159	40
Additional tier 1 instruments subject to phase-out	2,778	2,899	(4)
Tier 2 instruments subject to phase-out	1,138	2,083	(45)
Tier 2 amortization component	1,193	1,447	(18)
Deductions	(463)	(1,684)	(73)
Gone concern capital	**35,771**	**26,904**	33
Total loss-absorbing capacity	**89,766**	**79,248**	13
Risk-weighted assets (CHF million)			
Risk-weighted assets – BIS	272,720	270,653	1
Swiss regulatory adjustments [2]	612	706	(13)
Swiss risk-weighted assets	**273,332**	**271,359**	1

[1] Includes adjustments for certain unrealized gains outside the trading book.
[2] Primarily includes differences in the credit risk multiplier.

Swiss leverage metrics – Bank

end of	2017	2016	Phase-in % change
Swiss capital and leverage exposure (CHF million)			
Swiss CET1 capital	38,288	37,196	3
Going concern capital	53,995	52,344	3
Gone concern capital	35,771	26,904	33
Total loss-absorbing capacity	89,766	79,248	13
Leverage exposure	921,793	958,296	(4)
Swiss leverage ratios (%)			
Swiss CET1 leverage ratio	4.2	3.9	–
Going concern leverage ratio	5.9	5.5	–
Gone concern leverage ratio	3.9	2.8	–
TLAC leverage ratio	9.7	8.3	–

Rounding differences may occur.

OTHER REGULATORY DISCLOSURES

In connection with the implementation of Basel III, certain regulatory disclosures for the Group and certain of its subsidiaries are required. The Group's Pillar 3 disclosure, regulatory disclosures, additional information on capital instruments, including the main features and terms and conditions of regulatory capital instruments that form part of the eligible capital base, G-SIB financial indicators, reconciliation requirements, leverage ratios and certain liquidity disclosures as well as regulatory disclosures for subsidiaries can be found on our website.

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

SHAREHOLDERS' EQUITY AND SHARE METRICS

Total shareholders' equity

Group

The Group's total shareholders' equity was stable at CHF 41.9 billion as of the end of 2017 compared to the end of 2016. Total shareholders' equity was positively impacted by the issuance of common shares due to the rights offering, the share-based compensation obligation and an actuarial gain from the annual re-measurement of the Group's defined benefit pension plan assets and liabilities. These movements were partially offset by losses on fair value elected liabilities related to credit risk, foreign exchange-related movements on cumulative translation adjustments, a net loss attributable to shareholders, transactions relating to the settlement of share-based compensation awards and dividends paid.

▸ Refer to the "Consolidated statements of changes in equity" in VI – Consolidated financial statements – Credit Suisse Group for further information on the Group's total shareholders' equity.

Bank

The Bank's total shareholders' equity was CHF 42.7 billion as of the end of 2017 compared to CHF 42.8 billion as of the end of 2016. Total shareholders' equity was negatively impacted by losses on fair value elected liabilities related to credit risk, a net loss attributable to shareholders, foreign exchange-related movements on cumulative translation adjustments and transactions relating to the settlement of share-based compensation awards. These movements were partially offset by a capital contribution from the Group in connection with the rights offering and an increase in share-based compensation obligation.

▸ Refer to the "Consolidated statements of changes in equity" in VIII – Consolidated financial statements – Credit Suisse (Bank) for further information on the Bank's total shareholders' equity.

Shareholders' equity and share metrics

			Group			Bank
end of	**2017**	2016	% change	**2017**	2016	% change
Shareholders' equity (CHF million)						
Common shares	102	84	21	4,400	4,400	0
Additional paid-in capital	35,668	32,131	11	45,718	41,817	9
Retained earnings	24,973	25,954	(4)	8,484	9,814	(14)
Treasury shares, at cost	(103)	0	–	–	–	–
Accumulated other comprehensive income/(loss)	(18,738)	(16,272)	15	(15,932)	(13,242)	20
Total shareholders' equity	**41,902**	**41,897**	0	**42,670**	**42,789**	0
Goodwill	(4,742)	(4,913)	(3)	(4,036)	(4,189)	(4)
Other intangible assets	(223)	(213)	5	(223)	(213)	5
Tangible shareholders' equity [1]	**36,937**	**36,771**	0	**38,411**	**38,387**	0
Shares outstanding (million)						
Common shares issued	2,556.0	2,089.9	22	4,399.7	4,399.7	0
Treasury shares	(5.7)	0.0	–	–	–	–
Shares outstanding	**2,550.3**	**2,089.9**	22	**4,399.7**	**4,399.7**	0
Par value (CHF)						
Par value	**0.04**	**0.04**	0	**1.00**	**1.00**	0
Book value per share (CHF)						
Total book value per share	**16.43**	**20.05**	(18)	**9.70**	**9.73**	0
Goodwill per share	(1.86)	(2.35)	(21)	(0.92)	(0.96)	(4)
Other intangible assets per share	(0.09)	(0.11)	(18)	(0.05)	(0.05)	0
Tangible book value per share [1]	**14.48**	**17.59**	(18)	**8.73**	**8.72**	0

[1] Management believes that tangible shareholders' equity and tangible book value per share, both non-GAAP financial measures, are meaningful as they are measures used and relied upon by industry analysts and investors to assess valuations and capital adequacy.

Share repurchases

The Swiss Code of Obligations limits a corporation's ability to hold or repurchase its own shares. We may only repurchase shares if we have sufficient free reserves to pay the purchase price, and if the aggregate nominal value of the repurchased shares does not exceed 10% of our nominal share capital. Furthermore, we must create a special reserve in our parent company's financial statements in the amount of the purchase price of the acquired shares. In our consolidated financial statements, own shares are recorded at cost and reported as treasury shares, resulting in a reduction in total shareholders' equity. Shares repurchased by us do not carry any voting rights at shareholders' meetings.

In 2017, there were no effective publicly announced share repurchase plans. We purchased 857 million treasury shares and sold or re-issued 809 million treasury shares in 2017 through open market transactions, predominantly for market-making purposes and facilitating customer orders. As of December 31, 2017, the Group held 6 million treasury shares.

▸ Refer to "Impact of share-based compensation on shareholders' equity" in V – Compensation – Group compensation for further information.

Purchases and sales of treasury shares

	Number of shares (million)	Average price per share (CHF)
2017		
January	53.3	15.58
February	50.5	15.13
March	69.1	15.36
April	36.8	14.70
May	87.3	14.28
June	149.6	13.37
July	62.0	14.59
August	78.1	14.58
September	87.0	14.66
October	57.0	15.60
November	72.4	16.24
December	53.9	17.19
Total purchase of treasury shares	**857.0**	–
Total sale of treasury shares	**809.3**	–

Dividends and dividend policy

Under the Swiss Code of Obligations, dividends may be paid out only if and to the extent the corporation has distributable profits from previous business years, or if the free reserves of the corporation are sufficient to allow distribution of a dividend. In addition, at least 5% of the annual net profits must be retained and booked as general legal reserves for so long as these reserves amount to less than 20% of the paid-in share capital. Our reserves currently exceed this 20% threshold. Furthermore, dividends may be paid out only after shareholder approval at the Annual General Meeting (AGM). The Board may propose that a dividend be paid out, but cannot itself set the dividend. In Switzerland, the auditors are required to confirm whether the appropriation of retained earnings is in accordance with Swiss law and the company's articles of incorporation. In practice, the shareholders usually approve the dividend proposal of the Board. Dividends are usually due and payable after the shareholders' resolution relating to the allocation of profits has been passed. Under the Swiss Code of Obligations, the statute of limitations in respect of claiming the payment of dividends that have been declared is five years.

The dividend payment made in 2017 for the financial year 2016 consisted of a distribution of CHF 0.70 per share payable out of capital contribution reserves in cash or, upon shareholder election and subject to legal restrictions applicable in shareholders' home jurisdictions, a scrip dividend or a combination thereof. The distribution was free of Swiss withholding tax and was not subject to income tax for Swiss resident individuals holding the shares as a private investment.

Our dividend payment policy seeks to provide investors with an efficient form of capital distribution relative to earnings. We have revised our dividend policy beginning in 2017 by discontinuing the proposal of a scrip alternative at the option of shareholders and by instead proposing to pay an all-cash dividend per share at a level similar to the cash component (as opposed to the stock component) per share of the total dividend that our shareholders elected in recent years, subject to performance and to the decision of the Board and approval of our shareholders in due course.

Our Board will propose to the shareholders at the AGM on April 27, 2018 a distribution of CHF 0.25 per share out of capital contribution reserves for the financial year 2017. The distribution will be free of Swiss withholding tax and will not be subject to income tax for Swiss resident individuals holding the shares as a private investment. The distribution will be payable in cash. The ex-dividend date has been set to May 4, 2018.

Reflecting our holding company structure, the Group is not an operating company and holds investments in subsidiaries. It is therefore reliant on the dividends of its subsidiaries to pay shareholder dividends and service its long-term debt. The subsidiaries of the Group are generally subject to legal restrictions on the amount of dividends they can pay. The amount of dividends paid by operating subsidiaries is determined after consideration of the expectations for future results and growth of the operating businesses.

▸ Refer to "Proposed distribution out of capital contribution reserves" in VII – Parent company financial statements – Credit Suisse Group – Proposed appropriation of retained earnings and capital distribution for further information on dividends.

Dividend per ordinary share

	USD [1]	CHF
Dividend per ordinary share for the financial year		
2016 [3]	0.72	0.70
2015 [3]	0.72	0.70
2014	0.75	0.70
2013	0.79	0.70
2012 [2]	0.80	0.75

[1] Represents the distribution on each American Depositary Share. For further information, refer to credit-suisse.com/dividend.
[2] Distribution consisted of CHF 0.10 (USD 0.11) per share in cash and a stock dividend with a theoretical value of approximately CHF 0.65 (USD 0.69) per subscription right as approved at the AGM on April 26, 2013 for the financial year 2012.
[3] Line item label corrected since June 20, 2018.

Foreign exchange exposure and interest rate management

Foreign exchange risk associated with investments in branches, subsidiaries and affiliates is managed within defined parameters that create a balance between the interests of stability of capital adequacy ratios and the preservation of Swiss franc shareholders' equity. The decisions regarding these parameters are made by CARMC and are regularly reviewed. Foreign exchange risk associated with the nonfunctional currency net assets of branches and subsidiaries is managed through a combination of forward-looking and concurrent backward-looking hedging activity, which is aimed at reducing the foreign exchange rate induced volatility of reported earnings.

Interest rate risk inherent in banking book activities, such as lending and deposit-taking, is managed through the use of replication portfolios. Treasury develops and maintains the models needed to determine the interest rate risks of products that do not have a defined maturity, such as demand and savings accounts. For this purpose, a replicating methodology is applied in close coordination with Risk Management to maximize the stability and sustainability of spread revenues at the divisions. Further, Treasury manages the interest exposure of the Bank's equity to targets agreed with senior management.

Risk management

The prudent taking of risk in line with our strategic priorities is fundamental to our business as a leading global bank. During the year, we continued to focus on aligning the Group risk profile with our strategy and further reducing exposures in the Strategic Resolution Unit, while increasing our lending activities in our wealth management-related businesses. At the same time, strengthening our operational control framework remained a primary focus. During 2017, we continued our multi-year effort to enhance the capabilities necessary to execute a capital adequacy assessment and stress testing framework for our US intermediate holding company, further evolved our global model risk management framework and initiated a program to assess climate change risks in line with recommendations of FSB's Task Force on Climate-related Financial Disclosures.

KEY RISK DEVELOPMENTS

The world's major economies continued to expand in 2017 despite a catastrophic hurricane season in the Carribean and the US and ongoing geopolitical risk, including tensions on the Korean peninsula and in the Middle East, and further changes in the political landscape in Europe. Growing confidence in the economic recovery in the US led the Fed to announce the unwinding of its quantitative easing (QE) program, and the potential for an adverse market reaction to that unwinding program was one of the biggest risks to financial markets. Cyber threats continued to evolve rapidly, posing a major risk to the financial industry as a whole.

North Korea

Tensions ran high on the Korean peninsula. Against this environment, we enhanced risk constraints for relevant portfolios and increased the size of our macro hedge program to offset potential losses. We have been assessing and closely monitoring the related risks in our portfolio using several scenarios.

US economic climate

Despite persistently low inflation, the Fed raised rates three times in 2017 and announced the unwinding of its QE program. In December, the US enacted the Tax Cuts and Jobs Act of 2017 in an effort to accelerate economic growth. High equity valuations and a disorderly rise in bond yields remain one of the biggest risks to the markets. We are monitoring the risk associated with high valuations and a potential disorderly QE program wind-down using a suite of scenarios.

Middle East

In early June 2017, several countries, including Saudi Arabia, the United Arab Emirates, Egypt and Bahrain severed diplomatic ties and cut transportation links with Qatar. We have business relationships in all of these countries. While political uncertainty remains elevated, Qatar has not raised foreign funding or triggered a potentially disorderly forced repatriation of foreign assets. Separately, several Saudi Arabian princes and senior officials were arrested by the national anti-corruption commission in early November 2017. We are monitoring developments in the region.

Cyber risk

The financial industry continued facing rapidly evolving cyber threats from a variety of actors who are driven by monetary, political and other motivations. We continue to invest significantly in our information and cybersecurity program to strengthen our ability to anticipate, defend, detect and recover from cyber attacks. We regularly assess the effectiveness of our key controls and we conduct ongoing employee training and awareness activities, including for key management personnel, in order to embed a strong cyber risk culture.

European political landscape

Despite the defeat of right-wing nationalist candidates in the presidential elections of France and the Netherlands, nationalist populism remained a source of uncertainty in Europe along with the negotiations relating to the withdrawal of the UK from the EU. The potential impact of changes in the European political landscape on our structural exposures were managed through our enterprise stress test and risk appetite framework.

Natural disasters

The 2017 hurricanes in the Caribbean and the US caused immediate and widespread economic disruption and affected some Credit Suisse offices, including utility power loss and infrastructure shutdown. Our crisis management team successfully engaged recovery procedures and notification tools allowing offices to continue operation. An earthquake in Mexico required staff evacuation, however it did not have any further implications.

Brazil

In mid-2017, the president of Brazil was formally indicted on corruption charges in the latest iteration of a long-running corruption investigation. The impact from political developments on Brazil's fiscal policy and the economy is still uncertain. From a risk perspective, the potential threats to Brazil's economic upswing and to its local markets are likely to stay relatively high. While Brazil is a significant market for Credit Suisse, we further reduced our exposure to this country during 2017 and continued assessing potential implications in the event of further deterioration of this political crisis.

RISK MANAGEMENT OVERSIGHT

Prudent risk taking in line with our strategic priorities is fundamental to our business. The primary objectives of risk management are to protect our financial strength and reputation, while ensuring that capital is well deployed to support business growth and activities. Our risk management framework is based on transparency, management accountability and independent oversight. Risk management is an integral part of our business planning process with strong senior management and Board involvement.

We continuously work to strengthen risk management across the Group in our efforts to meet the challenges resulting from a volatile market environment and increasing complexity driven by the changing regulatory landscape. Utilizing comprehensive risk management processes and sophisticated control systems, we continuously work to minimize the negative impact that may arise from risk concentrations.

The BCBS published the "Principles for effective risk data aggregation and risk reporting" (BCBS 239) in 2013 in order to strengthen the risk data aggregation and risk reporting practices at banks and enhance their risk management and decision-making processes. We have committed to FINMA that we will implement these principles with respect to a defined scope of risk measures, risk reports and legal entities by year-end 2018. Credit Suisse remains on track to achieve compliance with these principles in 2018 with strong engagement and oversight from the Board.

Risk governance

Effective risk governance sets a solid foundation for comprehensive risk management discipline. Our 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 Group. 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.

Key management bodies and committees covering risk management matters

[1] Divisional risks may be covered by the respective legal entity risk management committees.

Our operations are regulated by authorities in each of the jurisdictions in which we conduct business. Central banks and other bank regulators, financial services agencies, securities agencies and exchanges and self-regulatory organizations are among the regulatory authorities that oversee our businesses. FINMA is our primary regulator.

▸ Refer to "Regulation and supervision" in I – Information on the company for further information.

Our 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 CRO, the Group Chief Compliance and Regulatory Affairs Officer (CCRO) and the board of directors of significant subsidiaries, in accordance with their respective responsibilities and levels of authority.

▸ Refer to "Board of Directors" and "Executive Board" in IV – Corporate Governance for further information.

Board of Directors

The Board is responsible for our strategic direction, supervision and control, and for defining our 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 our 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 our strategic business plans, subject to approval by the Board. It further reviews and coordinates significant initiatives for the risk management function and establishes Group-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 our risk profile, recommending risk limits at the Group 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 Group businesses, sets and approves risk appetite within Board-approved limits and other appropriate measures to monitor and manage the risk profile of the Group and allocates liquidity resources and sets liquidity risk limits for individual divisions. The internal control system cycle monitors and analyzes significant operational, 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 our 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 our reputational and sustainability policies and oversees their implementation.

Divisional and legal entity risk management committees

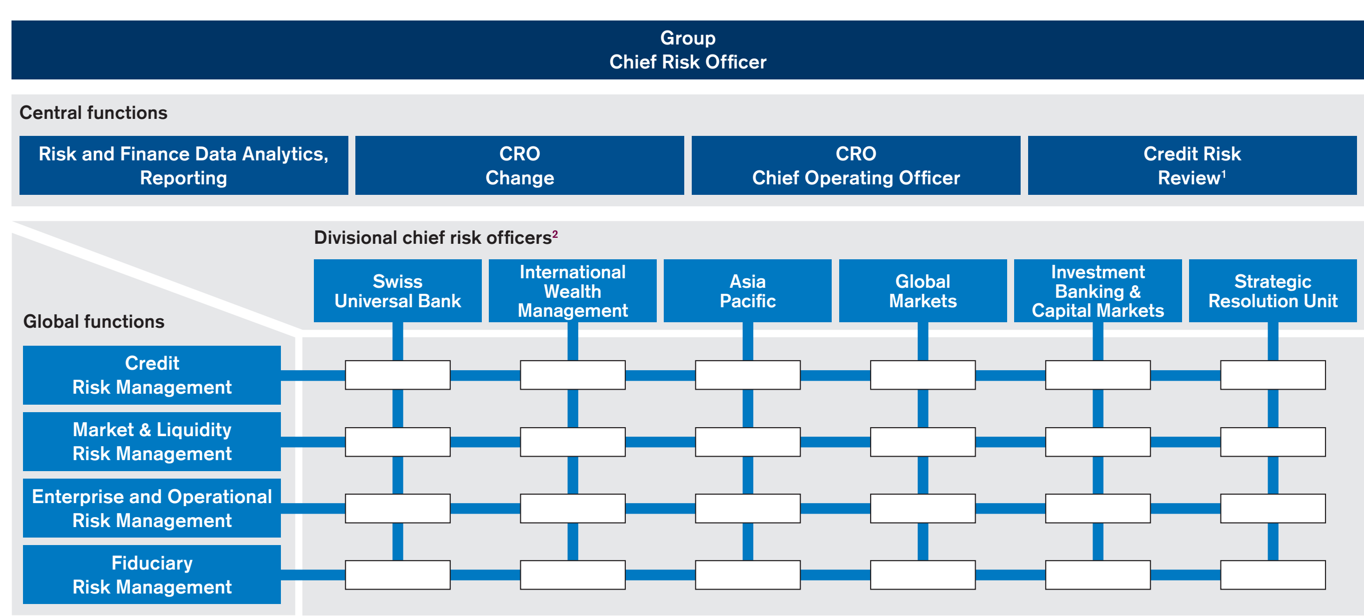
Divisional and legal entity risk management committees review risk, legal, compliance and internal control matters specific to the divisions and individual legal entities, respectively.

Risk organization

The risk management function is responsible for providing risk management oversight and establishing an organizational basis to manage risk matters. The risk management function challenges and proactively engages with the business divisions in shaping the divisions' and the Group's risk profiles.

Our risk organization supports the Group's strategy and divisional structure. The divisional chief risk officers, who also act as legal entity chief risk officers for the most significant legal entities in their respective regions, assume an important role in this organization.

Risk organization



[1] Direct reporting line to the Board's Risk Committee, administratively reporting to the Group CRO. The head of Credit Risk Review is also responsible for the CCAR Review & Challenge function.
[2] The legal entity chief risk officer roles for the most significant legal entities are generally assumed by the divisional chief risk officers in their respective regions.

From a people and business management perspective, the organizational setup of the risk function builds on a matrix structure, unifying global functions and divisional/legal entity perspectives.

Our governance framework includes dedicated risk management committees for each division. The divisional and legal entity chief risk officer organizations have established granular risk appetite frameworks and reporting capabilities to cover the specific needs of their business divisions. The global risk functions drive our risk appetite, ensure globally harmonized models and methodologies, execute global regulatory deliverables, provide global limit frameworks and ensure risk conflict remediation.

The key elements of the risk organization include:

Matrix structure

Our matrix structure reflects the Group's business strategy and emphasizes the Group's legal entity considerations.

The global functions comprise credit, market & liquidity, enterprise, operational and fiduciary risk management, and are accountable for functional risk oversight and the risk limit framework at the global and local legal entity level. They are also responsible for functional models, methodologies and policies and function-related regulatory change. The enterprise risk management mandate is focused on the overarching risk framework including risk appetite and stress testing, Group risk reporting, model risk management, risk-related regulatory management and coordination of our reputational risk-related activities.

The divisional chief risk officers for Swiss Universal Bank, International Wealth Management, Asia Pacific, Global Markets, Investment Banking & Capital Markets and the Strategic Resolution Unit are responsible for ensuring alignment of the risk management function within our divisions.

The legal entity chief risk officers provide risk oversight for certain significant legal entities in the locations of our main operations. They define the local risk management and risk appetite frameworks and are responsible for meeting the legal-entity-specific regulatory requirements. The legal entity chief risk officer roles for our most significant legal entities are assumed by the divisional chief risk officers in their respective regions, except for Credit Suisse AG where the chief risk officer role is assumed by the Group CRO.

The heads of the global functions and the divisional/legal entity chief risk officers jointly manage the embedded functional teams.

Central functions

Risk and Finance Data Analytics, Reporting provides consistent reporting production, analytics and data management shared with finance functions. CRO Change is responsible for the portfolio of strategic change programs across the risk management function. The Group CRO's chief operating officer facilitates business management within the risk management function. Credit Risk Review is a review function independent from credit risk management with a direct reporting line to the Board's Risk Committee, administratively reporting to the Group CRO. Credit Risk Review assesses Credit Suisse's credit exposures and credit risk management processes and practices. The head of Credit Risk Review is also responsible for our comprehensive capital analysis and

review (CCAR) challenge function which supports the application of the CCAR framework for the Group and provides independent assessments of the processes for managing and allocating capital resources. CCAR is a US regulatory framework introduced by the Fed to assess, regulate and supervise large financial institutions.

In April 2017, Credit Suisse Holdings (USA), Inc. submitted its first capital plan to the Fed as part of its CCAR process for 2017. This non-public submission detailed Credit Suisse Holdings (USA), Inc.'s capital adequacy process, including its stress testing capabilities, processes, methodologies, governance and results. Preparations for the CCAR submission for 2018 have begun and the capital adequacy results will be publicly disclosed once the review by the Fed is completed.

Compliance and regulatory affairs

The compliance and regulatory affairs (compliance) function is a proactive, independent function working with the businesses to continuously challenge practices to manage compliance risk. As a second line of defense function, responsibilities include independently assessing compliance risk, monitoring and testing and reporting on adherence to the compliance risk appetite and other material matters to the Board and senior management. It also oversees regulatory interactions of the Group and assesses potential impact and monitors implementation of regulatory developments.

Our compliance organization supports the Group's strategy and divisional structure, with the involvement of the divisional chief compliance officers, who also provide compliance oversight for the most significant legal entities in their respective regions. The divisional chief compliance officers are responsible for providing independent oversight and control over the compliance and regulatory risks relating to their respective divisions and legal entities.

Central compliance functions

Central compliance functions, such as core compliance services, financial crime compliance, regulatory affairs and investigations, support all divisions by overseeing and managing global programs in partnership with the divisional chief compliance officers. The core compliance services function oversees framework design and establishes enterprise level standards for compliance practices, surveillance and global programs (e.g., cross-border compliance, client tax compliance and conduct risk). The financial crime compliance function establishes and monitors compliance policies, guidelines, procedures and controls related to anti-money laundering, anti-corruption and sanctions. The regulatory affairs function supports the Group through management of regulatory relationships and interactions, including coordination of regulatory commitments on behalf of relevant divisions. The investigations function is responsible for the identification and remediation of significant breaches in the Group's compliance processes and controls.

Risk culture

We base our business operations on conscious and disciplined risk-taking. We believe that independent risk management, compliance and audit processes with proper management accountability are critical to the interests and concerns of our stakeholders. Our risk culture is supported by the following principles:

- Our risk management and compliance policies set out authorities and responsibilities for taking and managing risks;
- We establish a clear risk appetite that sets out the types and levels of risk we are prepared to take;
- We actively monitor risks and take mitigating actions where they fall outside accepted levels;
- Breaches of risk limits are identified, analyzed and escalated, and large, repeated or unauthorized exceptions may lead to terminations, adverse adjustments to compensation or other disciplinary action; and
- We seek to establish resilient risk constraints that promote multiple perspectives on risk and reduce the reliance on single risk measures.

We actively promote a strong risk culture where employees are encouraged to take accountability for identifying and escalating risks and for challenging inappropriate actions. The businesses are held accountable for managing all of the risks they generate, including those relating to employee behavior and conduct, in line with our risk appetite. Expectations on risk culture are regularly communicated by senior management, reinforced through policies and training, and considered in the performance assessment and compensation processes and, with respect to employee conduct, assessed by formal disciplinary review committees.

We seek to promote responsible behavior through the Group's Code of Conduct, which provides a clear statement on the conduct standards and ethical values that we expect of our employees and members of the Board, and thereby maintain and strengthen our reputation for integrity, fair dealing and measured risk-taking. In addition, our six conduct and ethics standards, which include client focus, accountability and transparency, are a key part of our effort to embed our core ethical values into our business strategy and the fabric of our organization. They are designed to encourage employees to act with responsibility, respect, honesty and compliance at all times in order to secure the trust of our stakeholders. Initiatives in this area have provided employees with practical guidance on careful and considered behavior as well as the importance of acting ethically and learning from mistakes. Our employee performance assessment and compensation processes are linked to the conduct and ethics standards and the Group's Code of Conduct.

▸ Refer to "Conduct risk" in Risk coverage and management for further information.

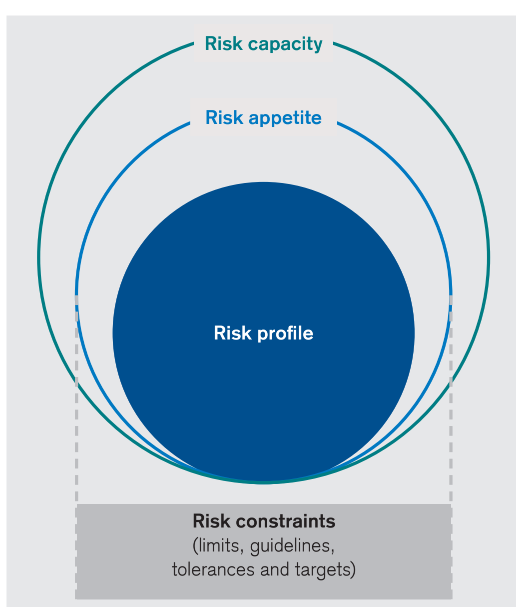
RISK APPETITE FRAMEWORK

Overview

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

Risk capacity is the maximum level of risk that we can assume given our current level of resources before breaching any constraints determined by capital and liquidity needs, the operational environment and our responsibilities to depositors, shareholders, investors and other stakeholders. Risk appetite expresses the aggregate level and types of risk we are willing to assume within our risk capacity to achieve our strategic objectives and business plan. Risk profile is a point-in-time assessment of our net risk exposures aggregated within and across each relevant risk category and is expressed in a variety of different quantitative risk metrics and qualitative risk observations. The size of our risk profile is restricted to the planned level of our risk appetite through the use of risk constraints, such as limits, guidelines, tolerances and targets.

Risk appetite framework – key definitions



Risk capacity Maximum level of risk that we can assume given our current level of resources before breaching any constraints determined by capital and liquidity needs, the operational environment and our responsibilities to depositors, shareholders, investors and other stakeholders.

Risk appetite Aggregate level and types of risk we are willing to assume within our risk capacity to achieve our strategic objectives and business plan.

Risk profile Point-in-time assessment of our net risk exposures aggregated within and across each relevant risk category and expressed in a variety of different quantitative risk metrics and qualitative risk observations.

Risk constraints Quantitative and qualitative measures based on forward-looking assumptions that allocate our aggregate risk appetite to businesses, legal entities, risk categories, concentrations and, as appropriate, other levels.

Risk appetite framework

The Group 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 Group-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 our enterprise risk and control framework (ERCF) to ensure sustainable performance;
- minimizing reputational risk; and
- managing and mitigating conduct risk.

Group-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 our strategic risk objectives, financial resources and business plans are aligned. The capital plans are also analyzed using our 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 our Group-wide risk appetite. Key divisional allocations are cascaded from the Group and approved in divisional risk management committees. Legal entity risk appetites are set by the local legal entity board of directors within the limits established by the Group.

The top-down and bottom-up risk appetite calibration process includes the following key steps:

Top-down:

- Group-level strategic risk objectives are agreed by the Board in line with our financial and capital objectives.
- Top-down risk capacities and risk appetites are determined with reference to available resources and key thresholds, such as minimum regulatory requirements.
- A risk appetite statement is determined and approved annually by the Board, and is based on the strategic risk objectives, the comprehensive scenario stress testing of our forecasted financial results and capital requirements, and our economic capital framework. A semi-annual review of the risk appetite and capacity levels is performed. The risk appetite statement comprises quantitative and qualitative risk measures necessary for adequate control of the risk appetite across the organization. The review of the top-down and bottom-up risk appetite levels and their allocation between divisions and legal entities is performed by the Risk Appetite Review Committee.
- Separate legal entity risk appetite frameworks aligned to local regulatory requirements are in place for material subsidiaries. An integrated year-end planning process ensures that individual legal entity risk appetites are consistent with Group levels.
- Divisional risk committees are responsible for allocating risk appetite within the respective divisions based on individual business line reviews and requirements.

Bottom-up:

- Planned risk levels and related risk appetite requirements are provided by front office business experts in conjunction with financial and capital plans in order to ensure consistency with the business strategy. Risk plans are reviewed by the relevant risk management committees.
- Bottom-up risk forecasts are aggregated across businesses to assess divisional and Group-wide risk plans and to support management decisions on variations to existing risk appetite levels or the possible need for new risk appetite measures.
- The effectiveness of risk appetite in support of business strategy execution and delivery against financial objectives is assessed via a risk appetite effectiveness framework. This framework assists senior management and the Board in ensuring that appropriate levels of risk appetite are set and that the subsequent risk constraints are appropriately calibrated.
- Risk, financial and capital plans are jointly reviewed and approved by the Executive Board and the Board.

The following chart provides an overview of key Group-wide quantitative and qualitative aspects covered in our risk appetite statement for the Group and their connection to the division-specific risk appetite statements.

Risk appetite framework – key aspects

	Group-wide		Division-specific
Selected quantitative aspects	■ Economic risk capital limits ■ Liquidity ratios ■ Leverage ratios	■ Scenario loss limits ■ Risk-weighted assets ■ Look-through CET1 ratio (post stress testing)	■ Economic risk capital limits ■ Market risk limits ■ Credit risk limits ■ Operational risk tolerance levels
Selected qualitative aspects	■ Compliance with international and local laws and regulations ■ Minimizing reputational risk ■ Managing and mitigating conduct risk ■ Compliance with industry guidelines and internal policies ■ Managing credit risk		■ Avoidance of concentration risks ■ Adherence to suitability and appropriateness requirements ■ Operational risk tolerance statements

Risk constraints

A core aspect of our risk appetite framework is a sound system of integrated risk constraints to maintain our risk profile within our overall risk appetite. Our risk appetite framework utilizes a suite of different types of risk constraints to reflect the aggregate risk appetite of the Group and to further cascade risk appetite across our organization, including among business divisions and legal entities. The risk constraints restrict our maximum balance sheet and off-balance sheet exposure given the market environment, business strategy and financial resources available to absorb losses. Different levels of seniority are mapped to, and specific enforcement and breach response protocols are required for, each type of risk constraint. We define the following risk constraint categories:

- *Qualitative constraints* represent constraints that are used to manage identified but unquantifiable or subjective risks, with adherence assessed by the appropriate level of constraint authority.

- *Quantitative constraints* represent constraints that are used to manage identified quantifiable risks and exist in the form of limits, guidelines, tolerances, targets and flags.

Constraint authority for the risk constraints is determined by the relevant approving body and constraints are currently in effect for all key risk governance bodies and committees including the Board, its Risk Committee, the Executive Board and CARMC. The appropriateness of the constraint types for the various risk classes within our risk appetite, including market, credit, operational and liquidity risk, is determined considering the respective characteristics of the various risk constraint types. We define the following types of risk constraints:

- *Qualitative constraint statements* are required for all qualitative constraints. Qualitative constraint statements need to be specific and to clearly define the respective risk to ensure that the risk profile for unquantifiable or subjective risks is readily assessable.
- *Limits, guidelines and tolerances* are specific threshold levels for a given risk metric. Limits are binding thresholds that require discussion to avoid a breach and trigger immediate remediating action if a breach occurs. Guidelines are thresholds which, if breached, require an action plan to reduce risk below the guideline or to propose, justify and agree to adjust the guideline. Tolerances are designed as management thresholds to initiate discussion, and breach of a tolerance level triggers review by the relevant constraint authority.
- *Targets* represent the level of risk that the Group intends to accept in pursuit of business objectives at a specific point in time in the future.
- *Flags* are early warning indicators, which serve primarily as a business risk management and supervisory control tool for our front offices and Treasury, and they may be complementary to other types of constraints.

With respect to limits, guidelines and tolerances, established criteria are applied in the selection of the appropriate risk constraint, including the assessment of (i) the materiality of the respective risk metric with regard to its contribution to the overall Group risk appetite; (ii) the importance of the risk constraint to the organization from a qualitative perspective; (iii) the characteristic of the respective risk, e.g., risk concentrations or high priority risk for the Group; and (iv) the availability of mitigating actions to manage the risk profile of the Group in relation to the respective risk.

We have established a constraint structure which manages the Group's risk profile using multiple metrics, including economic risk capital, value-at-risk (VaR), scenario analysis and various exposure limits at the Group level. The overall risk limits for the Group are set by the Board in consultation with its Risk Committee and are binding. In the rare circumstance where a breach of these limits would occur, it would result in a notification to the Chair of the Board's Risk Committee and the Group CEO, and written notification to the full Board at its next meeting. Following notification, the Group CRO may approve positions that exceed the Board limits up to a predefined level and any such approval is reported to the full Board. Positions that exceed the Board limits by more than the predefined level may only be approved by the Group CRO and the full Board acting jointly. In 2017 and 2016, no Board limits were exceeded.

Dedicated constraints are also in place to cover the specific risk profiles of individual businesses and legal entities. In the context of the overall risk appetite of the Group, as defined by the limits set by the Board and its Risk Committee, CARMC is responsible for allocating divisional risk limits and more specific limits deemed necessary to control the concentration of risk within individual lines of business. The divisional risk management committees and the divisional and legal entity chief risk officers are responsible for allocating risk appetite further within the organization. For this purpose, they use a detailed framework of individual risk limits designed to control risk-taking at a granular level by individual businesses and in the aggregate. The risk constraints are intended to:

- limit overall risk-taking to the Group's risk appetite;
- trigger senior management discussions with the businesses involved, risk management and governance committees in case of substantial change in the overall risk profile;
- ensure consistent risk measurement across businesses;
- provide a common framework for the allocation of resources to businesses; and
- provide a basis for protecting the Group's capital base and meeting strategic risk objectives.

The limit owners are responsible for reviewing warning triggers for risk limits. They may set warning triggers for potential limit excesses at any level lower than the approved limits as deemed appropriate after taking into account the nature of the underlying business. Strict escalation procedures apply to any limit breaches and, depending on the severity of the excess, the Group CRO or divisional chief executive officer's approval may be required. Serious excesses are highlighted in periodic Risk Committee meeting management summaries. An assessment by the disciplinary review committee and any disciplinary actions that may be taken are considered in the regular performance assessment and compensation processes.

Update to the risk appetite framework

During the second quarter of 2017, we amended and enhanced our risk appetite framework to provide additional governance and controls within our relevant transaction approval processes to distinguish between those types of business exposures held in the Strategic Resolution Unit that will be allowed for execution in our strategic divisions and those that will be prohibited or for which we have limited risk appetite. The amendments introduce a specific risk appetite statement which together with the entire risk appetite framework will be reviewed annually in line with our current process. This framework has been approved by CARMC.

The risk appetite statement includes a detailed list of transaction and product types that are prohibited from being executed in our strategic businesses. These transaction and product types are classified in five categories: (i) specific products; (ii) risk types; (iii) counterparties; (iv) investment classes; and (v) operational and franchise considerations. In addition, the statement establishes a robust set of principles and guidelines that serve to limit the execution of non-strategic transactions or business activities in our strategic business divisions.

We have established a framework for approval of exceptions to the provisions outlined in our risk appetite framework for certain transactions which may arise. Execution of such exceptions requires the approval of the divisional chief risk officer and divisional chief executive officer or their delegates and, where needed, by CARMC and/or the legal entity board of directors. Proposed transactions or business activities within our relevant transaction approval processes are assessed against the risk appetite statement.

RISK COVERAGE AND MANAGEMENT

Overview

We use a wide range of risk management practices to address the variety of risks that arise from our business activities. Policies, limits, guidelines, processes, standards, risk assessment and measurement methodologies, and risk monitoring and reporting are key components of our risk management practices. Our risk management practices complement each other in our analysis of potential loss, support the identification of interdependencies and interactions of risks across the organization and provide a comprehensive view of our exposures. We regularly review and update our risk management practices to ensure consistency with our business activities and relevance to our business and financial strategies. Risk management practices have evolved over time without a standardized approach within the industry, therefore comparisons across firms may not be meaningful.

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

Key risk types overview

Key risk types and definition	Key risk evaluation methods
Liquidity and funding risks: The risk that we do not have the appropriate amount of funding and liquidity to meet our 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 our franchise and clients we serve. It includes the risk that changes in laws, regulations, rules or market standards may limit our activities and have a negative effect on our business or our 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 our employees may result in a negative financial, non-financial or reputational impact to our clients, employees or the Group 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 us, our inability to enforce legal rights or the failure to take measures to protect our 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 Group 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.	

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

The primary evaluation methods used to assess Group-wide quantifiable risks include economic risk capital and stress testing. Economic risk capital captures both position risk, such as market risk and credit risk, and non-position risk, such as operational risk and certain other risks, and is a key component in our risk appetite framework with limits established to control aggregate risk. Stress testing also captures position and non-position risks and provides an evaluation method capable of capturing both historic and forward-looking scenarios to ensure that aggregate risks are managed within the Group-wide risk appetite also under stressed conditions.

The description of our economic risk capital methodology and our stress testing framework below is followed by a more detailed description of our key risk types.

▸ Refer to "Liquidity and funding management" for further information on liquidity and funding risks-related evaluation methods used in our liquidity risk management framework and for funding management.

Economic risk capital

Overview

Economic risk capital is used as a consistent and comprehensive tool for capital management, limit monitoring and performance management. Economic risk capital is our core Group-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 our capital position.

Under the Basel framework, we are 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 our overall risk profile and the current operating environment. Our economic risk capital model represents our internal view of the amount of capital required to support our business activities.

▸ Refer to "Capital strategy and framework" and "Regulatory capital framework" in Capital management for further information on our capital management framework.

During 2017, as part of our economic risk capital strategic development program to further embed economic risk capital into our risk appetite framework, we 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. We redeveloped the position risk methodology by introducing new and enhancing previously used credit and market risk models. Our redesigned credit risk model is based on multi-factor Monte Carlo simulation, compared to the single-factor model used previously. Our new market risk model incorporates new price and spread shocks for structured assets and illiquid private equity investments and uses historical simulation for equity and fixed income trading, compared to the combination of credit spread shocks and historical simulation used in previous models. In addition, we improved our pension risk model which models assets and liabilities in line with the redeveloped position risk framework. Finally, we introduced an enhanced and newly calibrated correlation matrix to aggregate across both position and non-position risk models. The new economic risk capital framework should enable us to further embed economic risk capital into our risk appetite and risk management framework, and to better assess, monitor and manage capital adequacy and solvency risk in both "going concern" and "gone concern" scenarios. In a "going concern" scenario, we hold sufficient capital to absorb losses to ensure continuity of service. In a "gone concern" scenario, we hold sufficient capital to fund an orderly resolution without recourse to public resources. Our new economic risk capital framework was implemented in January 2018 and the net impact from of these methodology enhancements on economic risk capital for the Group as of December 31, 2017 was a decrease of CHF 0.7 billion, or 2%.

▸ Refer to "Methodology and model developments" in Risk review and results – Economic risk capital review for further information.

Methodology and scope

Economic risk capital measures risks in terms of economic realities rather than regulatory or accounting rules and estimates the amount of capital needed to remain solvent and in business under extreme market, business and operating conditions over the period of one year, given our target financial strength (our long-term credit rating). Economic risk capital is set to a level needed to absorb unexpected losses at a confidence level of 99.97%. Our economic risk capital model is a set of methodologies used for measuring quantifiable risks associated with our business activities on a consistent basis. It is calculated separately for position risk (reflecting our exposure to market and credit risks), operational risk and other risks. Within each of these risk categories, risks are further divided into subcategories, for which economic risk capital is calculated using the appropriate specific methodology. Some of these methodologies are common to a number of risk subcategories, while others are tailored to the particular features of single, specific risk types included in position risk, operational risk and other risks. Economic risk capital is calculated as the sum of position risk, operational risk and other risks.

Position risk and diversification benefit

Position risk is the level of unexpected loss from our portfolio of balance sheet and off-balance sheet positions over a one-year holding period and includes market and credit risks. Position risk is calculated at a 99% confidence level for risk management purposes reflecting a "going concern" scenario. Position risk is also calculated at a 99.97% confidence level for capital management purposes reflecting a "gone concern" resolution scenario. Our position risks categories are described in the table "Position risk categories".

To determine our overall position risk, we consider the diversification benefit across risk types. Diversification benefit represents the reduction in risk that occurs when combining different, not

perfectly correlated risk types in the same portfolio and is measured as the difference between the sum of position risk for the individual risk types and the position risk calculated for the combined portfolio. Hence, position risk for the combined portfolio is non-additive across risk types and is lower than the sum of position risk of its individual risk types due to risk reduction (or benefit) caused by portfolio diversification. When analyzing position risk for risk management purposes, we look at individual risk types before and after the diversification benefit.

As part of our overall risk management, we hold a portfolio of hedges. Hedges are impacted by market movements, similar to other trading securities, and may result in gains or losses which offset losses or gains on the portfolios they were designated to hedge. Due to the varying nature and structure of hedges, these gains or losses may not wholly offset the losses or gains on the portfolios.

Operational risk

Operational risk is the risk of financial loss arising from inadequate or failed internal processes, people and systems or from external events. We use an internal model to calculate the economic capital requirement for operational risk at a 99.97% confidence level and a one-year holding period. A loss distribution approach based on historical data on internal and relevant external losses of peers is used to generate a loss distribution for a range of potential operational risk loss scenarios, such as unauthorized trading incidents, business interruption, fraud or other material business disruptions. The parameters estimated through the quantitative model are reviewed by business experts and senior management in order to take account of the business environment and internal control factors and to reflect a forward-looking view in the estimate. The capital calculation also includes a component to reflect litigation events and insurance mitigation. The overall approach is based on the same principles and methodology of the AMA model used for regulatory capital requirements.

Position risk categories

Position risk categories	Risks captured
Fixed income trading	■ Foreign exchange rates and volatilities ■ Interest rate levels and volatilities ■ Commodity prices and volatilities ■ Credit spreads and the risk of corporate bond defaults ■ Life finance and litigation business activities
Equity trading & investments	■ Equity prices and volatilities ■ Non-recourse share-backed financing transactions ■ Liquid hedge funds exposures and fund-linked products ■ Equity risk arbitrage activities, in particular the risk that an announced merger may not be completed ■ Private equity, illiquid hedge funds and other illiquid equity investment exposures
Private banking corporate & retail lending	■ Potential changes in the creditworthiness of counterparty exposures and the risk of counterparty defaults
International lending & counterparty exposures	■ Potential changes in the creditworthiness of counterparty exposures and the risk of counterparty defaults
Emerging markets country event risk	■ Loss due to significant country events ■ Simultaneous impact across the Group's exposures in a given country ■ Risk of related disturbance in neighboring countries or countries in the same region
Real estate & structured assets	■ Commercial real estate activities and structured assets ■ Residential real estate activities and positions in asset-backed securities

Other risks

The other risks category includes the following:

- Our expense risk measures the potential difference between expenses and revenues in a severe market event, excluding the elements captured by position risk and operational risk, using conservative assumptions regarding the earnings capacity and the ability to reduce the cost base in a crisis situation.
- Pension risk is the risk that we, as a plan sponsor, are required to fund a deficit in employee pension schemes in an extreme event. It covers fluctuations in our pension plan assets and liabilities which can lead to potential funding shortfalls. Funding shortfalls can arise from a decline in asset values and/or an increase in the present value of liabilities. The shortfall would need to be funded using available resources. In order to recognize the potential for a funding shortfall, we apply an economic risk capital charge.
- Owned real estate risk is defined as the capital at risk which arises from fluctuations in the value of buildings owned by the Group.
- Foreign exchange risk is the risk arising from a currency mismatch between available economic capital and economic risk capital required.
- Corporate interest rate risk is the interest rate risk on our treasury positions arising from discounting our client interest rate margins.

- The impact from deferred share-based compensation awards captures the economic benefit that may result from covering our structural short obligations to deliver own shares through market purchases during times of falling market prices.
- Model uncertainty add-on addresses other potential low-probability events with potential high impact for which limited market data exists. It also reflects an estimate of the impacts of certain planned methodology changes.

Available economic capital

Available economic capital is an internal view of the capital available to absorb losses based on the reported BIS look-through CET1 capital under Basel III, with economic adjustments applied to provide consistency with our economic risk capital. It enables a comparison between capital needs (economic risk capital) and capital resources (available economic capital).

Economic risk capital coverage ratio

Economic risk capital coverage ratio is defined as the ratio of capital available to absorb losses in a "gone concern" scenario (available economic capital) to capital needs (economic risk capital). The economic risk capital coverage ratio is primarily meant to provide an assessment of our solvency and reflects our best internal assessment of risk and loss absorbing capacity in an extreme scenario. Furthermore, the economic risk capital coverage ratio is embedded in our risk appetite framework through our capital adequacy objective. We also plan to incorporate the "going concern" economic risk capital coverage ratio into our risk appetite and risk management frameworks, to supplement the "gone concern" coverage ratio introduced in 2015.

The economic risk capital coverage ratio operates with a number of distinct bands that serve as key control for monitoring and managing our operational solvency. An economic risk capital coverage ratio lower than 125% requires senior management review, followed by an action plan at a coverage ratio lower than 110%. Immediate actions such as risk reductions or capital measures would be triggered at a coverage ratio lower than 100%. The Board has set the minimum level for this coverage ratio at 80%.

Governance

Our economic risk capital framework is governed and maintained by a dedicated steering committee, which regularly reviews, assesses and updates the economic risk capital methodology in light of market and regulatory developments, risk management practice and organizational changes. In addition, the steering committee approves new methodologies and prioritizes the implementation for its three components (position risk, operational risk and other risks).

Stress testing framework

Overview

Stress testing or scenario analysis provides an additional approach to risk management and formulates hypothetical questions, including what would happen to our portfolio if, for example, historic or adverse forward-looking events were to occur. A well-developed stress testing framework provides a powerful tool for senior management to identify these risks and also take corrective actions to protect the earnings and capital from undesired impacts.

Stress testing is a fundamental element of our Group-wide risk appetite framework included in overall risk management to ensure that our financial position and risk profile provide sufficient resilience to withstand the impact of severe economic conditions. Stress testing results are monitored against limits, and are used in risk appetite discussions and strategic business planning and to support our internal capital adequacy assessment. Within the risk appetite framework, CARMC sets Group-wide and divisional stressed position loss limits to correspond to minimum post-stress capital ratios. Currently, limits are set on the basis of look-through BIS CET1 capital ratios. Stress tests also form an integral part of the Group's recovery and resolution plan (RRP). Within the RRP, stress tests provide the indicative scenario severity required to reach recovery and resolution capital levels.

Stress testing provides key inputs for managing the following objectives of the risk appetite framework:

- Ensuring Group-wide capital adequacy on both a regulatory basis and under stressed conditions: We run a suite of scenarios on forecasted financial metrics such as revenues, expenses, pre-tax income and risk-weighted assets. The post-stress capital ratios are assessed against the risk appetite of the Group.
- Maintaining stable earnings: We mainly use stress testing to quantitatively assess earnings stability risk. Earnings-loss-triggers are established and monitored to contain excessive risk-taking which could compromise our earnings stability.

We also conduct externally defined stress tests that meet the specific requirements of regulators. For example, as part of various regular stress tests and analysis, FINMA requires a semi-annual loss potential analysis that includes an extreme scenario that sees European countries experience a severe recession resulting from the worsening of the European debt crisis as well as a scenario focusing on a financial crisis in China and the US.

Methodology and scope of Group-wide stress testing

Stress tests are carried out to determine stressed position losses, earnings volatility and stressed capital ratios using historical, forward-looking and reverse stress testing scenarios. The scope of stress testing includes market, credit default, operational, business and pension risk. Stress tests also include the scenario impact on risk-weighted assets through changes to market, credit and operational components.

We use historical stress testing scenarios to consider the impact of market shocks from relevant periods of extreme market disturbance. Standardized severity levels allow comparability of severity across differing risk types. The calibration of bad day, bad week, severe event and extreme event scenarios involves the identification of the worst moves that have occurred in recent history. Severe flight to quality (SFTQ) is a key scenario used for Group-wide stress testing and risk appetite setting. It is a combination of

market shocks and defaults that reflects conditions similar to what followed the Lehman collapse during the fourth quarter of 2008. The SFTQ scenario assumes a severe crash across financial markets, along with stressed default rates.

We use forward-looking stress testing scenarios to complement historical scenarios. The forward-looking scenarios are centered on potential macroeconomic, geopolitical or policy threats. The Scenario Management Oversight Committee, comprised of internal economists, front office and representatives of the risk management and finance function, discusses the backdrop to several forward-looking scenarios. The Scenario Management Oversight Committee reviews a wide range of scenarios and selects those that are most relevant to the analysis of key macroeconomic shocks. Some examples of forward-looking scenarios include US and European country recessions, a so-called emerging markets economic "hard landing" and the impact of monetary policy changes by central banks. Various scenarios are also used to mitigate concentration risks across the entire firm, such as the credit concentration scenario. During 2017, the Group focused on the following forward-looking scenarios:

- Financial sector problems in the eurozone: the markets challenge the solvency of a systemically-important bank, which puts the overall European financial sector and selected eurozone countries under acute pressure. The European economy is forced into recession. Contagion from a European recession to the US and emerging market economies is assumed to be substantial.
- An emerging markets "hard landing" scenario: there is a severe economic slowdown in China driven by a wave of defaults in the private non-financial and financial sectors. The problems in China negatively impact all large emerging markets through lower commodity prices, increased capital flight and reduced intra-regional foreign trade. There is also significant contagion to the economy in the US and in Europe.
- Reframed stress scenarios for the UK and for the US: the reframed scenarios take into account the large increase in economic policy outlook uncertainties and the higher risk that inflation significantly accelerates, bringing about a disorderly rise in government bond yields. The UK stress scenario focuses on the risks which may materialize from the negotiations on leaving the EU. The US stress scenario focuses on the business risks which may materialize from more expansionary fiscal policies and from any shift toward more protectionist foreign trade practices.

The scenarios are reviewed and updated regularly as markets and business strategies evolve. In addition to these periodic scenario analyses, we also perform ad hoc scenario analyses, for example in respect of the French and the US elections, in connection with current events as a proactive risk management tool.

We use reverse stress testing scenarios to complement traditional stress testing and enhance our understanding of business model vulnerabilities. Reverse stress testing scenarios define a range of severe adverse outcomes and identify what could lead to these outcomes. The more severe scenarios include large counterparty failures, sudden shifts in market conditions, operational risk events, credit rating downgrades and the shutdown of wholesale funding markets.

Governance

Our stress testing framework is comprehensive and governed by a dedicated steering committee, the Scenario Steering Committee. The Scenario Steering Committee reviews the scenario methodology and approves changes to scenario frameworks. It is comprised of experts in stress methodologies representing various risk functions (market risk, liquidity risk, credit risk and operational risk) and also represents the Group divisions and major legal entities.

The Scenario Management Oversight Committee has received responsibility from CARMC for the Group-wide scenario calibration and analysis process, including the design of scenarios and the assessment and approval of scenario results. Stress tests are conducted on a regular basis and the results, trend information and supporting analysis are reported to the Board, senior management and regulators.

Market risk

Definition

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. Our trading portfolios (trading book) and non-trading portfolios (banking book) have different sources of market risk.

Sources of market risk

Market risks arise from both our trading and non-trading business activities. The classification of assets and liabilities into trading book and banking book portfolios determines the approach for analyzing our 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.

Trading book

Market risks from our trading book relate to our trading activities, primarily in 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. Our trading book, as measured for risk management purposes, typically includes fair-valued positions only, primarily of the following balance sheet items: trading assets and trading liabilities, investment securities, other investments, other assets (mainly derivatives used for hedging, loans and real estate held-for-sale),

short-term borrowings, long-term debt and other liabilities (mainly derivatives used for hedging).

We are active globally in the principal trading markets, using a wide range of trading and hedging products, including derivatives and structured products. Structured products are customized transactions often using combinations of derivatives and are executed to meet specific client or internal needs. As a result of our broad participation in products and markets, our trading strategies are correspondingly diverse and exposures are generally spread across a range of risks and locations.

The market risks associated with the entire portfolio, including the embedded derivative elements of our structured products, are actively monitored and managed on a portfolio basis as part of our overall trading book and are reflected in our VaR measures.

Banking book

Market risks from our banking book primarily relate to asset and liability mismatch exposures, equity participations and investments in bonds and money market instruments. Our 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. Our banking book, as measured for risk management purposes, includes a majority of the following balance sheet items: loans, central bank funds sold, securities purchased under resale agreements and securities borrowing transactions, cash and due from banks, brokerage receivables, due to banks, customer deposits, central bank funds purchased, securities sold under repurchase agreements and securities lending transactions, brokerage payables, selected positions of short-term borrowings and long-term debt, hedging instruments and other assets and liabilities not included in the trading portfolio.

We assume interest rate risks in our banking book through lending and deposit-taking, money market and funding activities, and the deployment of our consolidated equity as well as other activities, including market making and trading activities involving banking book positions at the divisional level. 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 our 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 our net investment in foreign branches, subsidiaries and affiliates denominated in currencies other than Swiss francs. This exposure is actively managed to hedge our capital and leverage ratios and is governed within our risk appetite framework.

Evaluation and management of market risk

We use market risk measurement and management methods capable of calculating comparable exposures across our many activities and employ 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. Our principal market risk measurement for the trading book is VaR. In addition, our market risk exposures are reflected in scenario analysis, as included in our stress testing framework, position risk, as included in our economic risk capital, and sensitivity analysis. Each market risk measurement aims to estimate the potential loss that we 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 our market risk assessment and are used to measure market risk at the Group level. Our risk management practices are regularly reviewed to ensure they remain appropriate.

The Group's overall limit framework encompasses specific limits on a large number of different products and risk type concentrations at the Group, divisional, and legal entity levels. For example, there are controls over consolidated trading exposures, the mismatch of interest-earning assets and interest-bearing liabilities, private equity and seed capital. Risk limits are cascaded to lower organizational levels within the businesses. Risk limits are binding and generally set close to the planned risk profile to ensure that any meaningful increase in risk exposures is promptly escalated. The Group's Organizational Guidelines and Regulations and the Group's policies determine limit-setting authority, temporary modification of such limits in certain situations and required approval authority at the Group, Bank, divisional, business and legal entity levels for any instances that could cause such limits to be exceeded. For example, with respect to market risk limits, the divisional chief risk officers and certain other members of senior management have the authority to temporarily increase the divisional risk committee limits by an approved percentage for a specified maximum period. Market risk limit excesses are subject to a formal escalation procedure and the incremental risk associated with the excess must be approved by the responsible risk manager within market risk management, with escalation to senior management if certain thresholds are exceeded. The majority of the market risk limits are monitored on a daily basis. Limits for which the inherent calculation time is longer or for which the risk profile changes less often are monitored less frequently depending on the nature of the limit (weekly, monthly, or quarterly). For example, limits relating to illiquid investments are monitored on a monthly basis. The business is mandated to remediate market risk limit excesses within three business days upon notification. Remediation actions which take longer than three days are subject to an out-of-policy remediation process with senior management escalation. All limit excesses identified in 2017 were resolved in line with applicable policy requirements.

For the purpose of this disclosure, market risk in the trading book is mainly measured using VaR and market risk in our banking book is mainly measured using sensitivity analysis on related market factors.

Value-at-risk

VaR is a risk measure which quantifies the potential loss on a given portfolio of financial instruments over a certain holding period and that is expected to occur at a certain confidence level. VaR can be calculated for all financial instruments with adequate price histories. Positions are aggregated by risk category rather than by product. For example, interest rate risk VaR captures potential losses driven by fluctuations of interest rates affecting a wide variety of interest rate products (such as interest rate and foreign exchange swaps or swaptions) as well as other products (such as foreign exchange, equity and commodity options) for which interest rate risk is not the primary market risk driver. The use of VaR allows the comparison of risk across different businesses. It also provides a means of aggregating and netting a variety of positions within a portfolio to reflect actual correlations between different assets, applying the concept of portfolio diversification benefit described above for position risk. Our VaR model is designed to take into account a comprehensive set of risk factors across all asset classes.

VaR is an important tool in risk management and is used for measuring quantifiable risks from our activities exposed to market risk on a daily basis. In addition, VaR is one of the main risk measures for limit monitoring, financial reporting, calculation of regulatory capital and regulatory backtesting.

Our VaR model is predominantly based on historical simulation which derives plausible future trading losses from the analysis of historical movements in market risk factors. The model is responsive to changes in market conditions through the use of exponential weighting, which applies a greater weight to more recent events, and the use of expected shortfall equivalent measures to ensure all extreme adverse events are considered in the model. We use the same VaR model for risk management (including limit monitoring and financial reporting), regulatory capital calculation and regulatory backtesting purposes, although confidence level, holding period and the scope of financial instruments considered can be different.

For our risk management VaR, we use a two-year historical dataset, a one-day holding period and a 98% confidence level. This means that we would expect daily mark-to-market trading losses to exceed the reported VaR not more than twice in 100 trading days over a multi-year observation period. This measure captures risks in trading books only and includes securitization positions. It is closely aligned to the way we consider the risks associated with our trading activities and to the way we measure regulatory VaR for capital purposes. For internal risk management and limit monitoring purposes we add certain banking book positions to the scope of the risk management VaR calculation.

For regulatory capital purposes, we operate under the Basel III market risk framework which includes the following components for the calculation of regulatory capital: regulatory VaR, stressed VaR, incremental risk charge (IRC), risk not in VaR (RNIV), stressed RNIV and the impact of changes in a counterparty's credit spreads (also known as CVA). The regulatory VaR for capital purposes uses a two-year historical dataset, a ten-day holding period and a 99% confidence level. This measure captures all risks in the trading book and foreign exchange and commodity risks in the banking book and excludes securitization positions, as these are treated under the securitization approach for regulatory purposes. Stressed VaR replicates the regulatory VaR calculation on the Group's current portfolio over a continuous one-year observation period that results in the highest VaR. The historical dataset starting in 2006 avoids the smoothing effect of the two-year dataset used for our risk management and regulatory VaR, allows for the capturing of a longer history of potential loss events and helps reduce the pro-cyclicality of the minimum capital requirements for market risk. IRC is a regulatory capital charge for default and migration risk on positions in the trading books. RNIV captures a variety of risks, such as certain basis risks, higher order risks and cross risks between asset classes, not currently captured by the VaR model for example due to lack of sufficient or accurate data.

Backtesting VaR uses a two-year historical dataset, a one-day holding period and a 99% confidence level. This measure captures risks in the trading book and includes securitization positions. Backtesting VaR is not a component used for the calculation of regulatory capital but may have an impact through the regulatory capital multiplier if the number of backtesting exceptions exceeds regulatory thresholds.

Assumptions used in our market risk measurement methods for regulatory capital purposes are compliant with the standards published by the BCBS and other international standards for market risk management. We have approval from FINMA, as well as from other regulators for our subsidiaries, to use our regulatory VaR model in the calculation of market risk capital requirements. Ongoing enhancements to our VaR methodology are subject to regulatory approval or notification depending on their materiality, and the model is subject to regular reviews by regulators and the Group's independent model validation function.

Information required under Pillar 3 of the Basel framework related to risk is available on our website at *credit-suisse.com/regulatorydisclosures*.

▸ Refer to "Other requirements" in Capital management – Swiss requirements for further information on the use of our regulatory VaR model in the calculation of trading book market risk capital requirements.

VaR assumptions and limitations

The VaR model uses assumptions and estimates that we believe are reasonable, but VaR only quantifies the potential loss on a portfolio based on historical market conditions. The main assumptions and limitations of VaR as a risk measure are:

- VaR relies on historical data to estimate future changes in market conditions. Historical scenarios may not capture all potential future outcomes, particularly where there are significant changes in market conditions, such as increases in volatilities and changes in the correlation of market prices across asset classes;
- VaR provides an estimate of losses at a specified confidence level; the use of an expected shortfall equivalent measure

allows all extreme adverse events to be considered in the model;

- VaR is based on either a one-day (for internal risk management, backtesting and disclosure purposes) or a ten-day (for regulatory capital purposes) holding period. This assumes that risks can be either sold or hedged over the holding period, which may not be possible for all types of exposure, particularly during periods of market illiquidity or turbulence; it also assumes that risks will remain in existence over the entire holding period; and
- VaR is calculated using positions held at the end of each business day and does not include intra-day changes in exposures.

To mitigate some of the VaR limitations and estimate losses associated with unusually severe market movements, we use other metrics designed for risk management purposes and described above, including stressed VaR, position risk and scenario analysis.

For some risk types there can be insufficient historical data for a calculation within the Group's VaR model. This often happens because underlying instruments may have traded only for a limited time. Where we do not have sufficient market data, either market data proxies or extreme parameter moves for these risk types are used. Market data proxies are selected to be as close to the underlying instrument as possible. Where neither a suitable market dataset nor a close proxy is available, extreme parameter moves are used.

We use a risk factor identification process to ensure that risks are identified and measured correctly. There are two parts to this process. First, the market data dependency approach systematically determines the risk requirements based on data inputs used by front-office pricing models and compares this with the risk types that are captured by the Group's VaR model and the RNIV framework. Second, the product-based approach is a qualitative analysis of product types undertaken in order to identify the risk types that those product types would be exposed to. A comparison is again made with the risk types that are captured in the VaR and RNIV frameworks. This process identifies risks that are not yet captured in the VaR model or the RNIV framework. A plan for including these risks in one or the other framework can then be devised. RNIV is captured in our economic risk capital framework.

VaR backtesting

Various techniques are used to assess the accuracy of the VaR methodology used for risk management and regulatory purposes and to assess if our regulatory capital is sufficient to absorb actual losses. Our VaR backtesting process is used to assess the accuracy and performance of our regulatory VaR model and to encourage developments to our VaR model. Backtesting involves comparing the results produced from the VaR model with the daily trading revenues. Actual daily trading revenues for the purpose of this backtesting are defined as gains and losses arising from our trading activities, excluding non-market-driven provisions, the net cost of funding, profit and loss transfers between businesses and any gains and losses resulting from valuation adjustments associated with counterparty and own credit exposures. A backtesting exception occurs when a trading loss exceeds the daily VaR estimate. Statistically, at the overall Group level, given the 99% confidence level and the one-day holding period used in the regulatory VaR model for backtesting purposes, we would expect daily trading losses to exceed the calculated daily VaR not more than once in 100 trading days over a multi-year observation period.

For capital purposes, FINMA, in line with BIS requirements, uses a multiplier to impose an increase in market risk capital for every regulatory VaR backtesting exception over four in the prior rolling 12-month period calculated using a subset of actual daily trading revenues, also referred to as "hypothetical" trading revenues under the Basel framework. These hypothetical trading revenues are defined on a consistent basis with the regulatory VaR model and thereby exclude non-market elements such as fees, commissions, gains and losses from intra-day trading, as well as cancellations and terminations.

VaR governance

Like other sophisticated models, our VaR model is subject to internal governance including validation by a team of modeling experts independent from the model developers. Validation includes identifying and testing the model's assumptions and limitations, investigating its performance through historical and potential future stress events, and testing that the live implementation of the model behaves as intended. We employ a range of different control processes to help ensure that the models used for market risk remain appropriate over time. As part of these control processes, a dedicated Market Risk Quantitative Steering Committee meets regularly to review model performance and approve any new or amended models.

Sensitivity analysis

Market risks associated with our banking book positions are measured, monitored and limited using several tools, including economic risk capital, scenario analysis, sensitivity analysis and VaR. For the purpose of this disclosure, the aggregated market risks associated with our banking book positions are measured using sensitivity analysis. Sensitivity analysis is a technique used to determine how different values of an independent variable will impact a particular dependent variable under a given set of assumptions. The sensitivity analysis for the banking book positions measures the potential change in economic value resulting from specified hypothetical shocks to market factors (e.g., interest rates). It is not a measure of the potential impact on reported earnings in the current period, since the banking book positions generally are not marked to market through the income statement.

Credit and debit valuation adjustments

Credit valuation adjustments are modifications to the measurement of derivative assets used to reflect the credit risk of counterparties. Debit valuation adjustments are modifications to the measurement of derivative liabilities used to reflect an entity's own credit risk. VaR excludes the impact of changes in both counterparty and our own credit spreads on derivative products.

Credit risk

Definition

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. In the event of a counterparty default, a bank generally incurs a loss equal to the amount owed by the debtor, less any recoveries from foreclosure, liquidation of collateral, or the restructuring of the debtor company. A change in the credit quality of a counterparty has an impact on the valuation of assets measured at fair value, with valuation changes recorded in the consolidated statements of operations.

Sources of credit risk

The majority of our credit risk arises from our 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.

Evaluation and management of credit risk

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.

Our credit risk management framework applies to all of the Group'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.

Counterparty and transaction rating systems

We employ a set of credit ratings for the purpose of internally rating counterparties to whom we are exposed to credit risk as the contractual party, including with respect to loans, loan commitments, securities financings or 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.

Our 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 (PD), loss given default (LGD) and exposure at default (EAD) 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 our main regulators for application in the regulatory capital calculation in the A-IRB approach under the Basel framework. The A-IRB models are subject to a comprehensive backtesting process to demonstrate that model performance can be confirmed annually during the entire lifecycle of each model. Findings from backtesting serve as a key input for any future model enhancements.

For the majority of clients and counterparties, internal ratings or PDs are calculated directly by proprietary statistical rating models. These models are based on internally compiled data comprising both quantitative factors (e.g., primarily balance sheet information for corporates and loan-to-value (LTV) ratio and the borrower's income level for mortgage lending) and qualitative factors (e.g., credit histories from credit reporting bureaus) concentrating on economic trends and financial fundamentals. For statistical rating models calculating a PD, an equivalent rating based on the Standard & Poor's rating scale is assigned based on the PD band associated with each rating, which is used for disclosure purposes.

For the remaining facilities where statistical rating models are not used, a PD is determined through an internal rating assigned on the basis of a structured expert approach. Credit officers make use of peer analyses, industry comparisons, external ratings and research as well as the judgment of credit experts for the purpose of their analysis. The PD for each internal rating is calibrated to historical default experience using internal data and external data from Standard & Poor's.

LGD represents the expected loss on a transaction should a default occur, and our LGD models consider the structure, collateral, seniority of the claim, counterparty industry, recovery costs and downturn conditions.

EAD represents the expected exposure in the event of a default. Off-balance sheet exposures are converted into expected EADs through the application of a credit conversion factor which is modeled using internal data.

We use internal rating methodologies consistently for the purposes of approval, establishment and monitoring of credit limits and credit portfolio management, credit policy, management reporting, risk-adjusted performance measurement, economic risk capital measurement and allocation and financial accounting. This approach also allows us to price transactions involving credit risk more accurately, based on risk/return estimates.

Our internal rating grades are mapped to the Group's internal masterscale. The PDs assigned to each rating grade are reflected in the following table.

Credit Suisse counterparty ratings

Ratings	PD bands (%)	Definition	S&P	Fitch	Moody's	Details
AAA	0.000–0.021	Substantially risk free	AAA	AAA	Aaa	Extremely low risk, very high long-term stability, still solvent under extreme conditions
AA+ AA AA-	0.021–0.027 0.027–0.034 0.034–0.044	Minimal risk	AA+ AA AA-	AA+ AA AA-	Aa1 Aa2 Aa3	Very low risk, long-term stability, repayment sources sufficient under lasting adverse conditions, extremely high medium-term stability
A+ A A-	0.044–0.056 0.056–0.068 0.068–0.097	Modest risk	A+ A A-	A+ A A-	A1 A2 A3	Low risk, short- and medium-term stability, small adverse developments can be absorbed long term, short- and medium-term solvency preserved in the event of serious difficulties
BBB+ BBB BBB-	0.097–0.167 0.167–0.285 0.285–0.487	Average risk	BBB+ BBB BBB-	BBB+ BBB BBB-	Baa1 Baa2 Baa3	Medium to low risk, high short-term stability, adequate substance for medium-term survival, very stable short term
BB+ BB BB-	0.487–0.839 0.839–1.442 1.442–2.478	Acceptable risk	BB+ BB BB-	BB+ BB BB-	Ba1 Ba2 Ba3	Medium risk, only short-term stability, only capable of absorbing minor adverse developments in the medium term, stable in the short term, no increased credit risks expected within the year
B+ B B-	2.478–4.259 4.259–7.311 7.311–12.550	High risk	B+ B B-	B+ B B-	B1 B2 B3	Increasing risk, limited capability to absorb further unexpected negative developments
CCC+ CCC CCC- CC	12.550–21.543 21.543–100.00 21.543–100.00 21.543–100.00	Very high risk	CCC+ CCC CCC- CC	CCC+ CCC CCC- CC	Caa1 Caa2 Caa3 Ca	High risk, very limited capability to absorb further unexpected negative developments
C D1 D2	100 Risk of default has materialized	Imminent or actual loss	C D	C D	C	Substantial credit risk has materialized, i.e., counterparty is distressed and/or non-performing. Adequate specific provisions must be made as further adverse developments will result directly in credit losses.

Transactions rated C are potential problem loans; those rated D1 are non-performing assets and those rated D2 are non-interest earning.

Credit risk and country concentration limits overview

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.

Active credit portfolio management

Our regular review of the credit quality of clients and counterparties does not depend on the accounting treatment of the asset or commitment. We regularly review the appropriateness of allowances for credit losses. Changes in the credit quality of counterparties of loans held at fair value are reflected in valuation changes recorded directly in revenues, and therefore are not part of the impaired loans balance. 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. The credit portfolio & provisions review committee regularly determines the adequacy of allowances.

Credit risk provisioning methodology

We maintain specific valuation allowances on loans valued at amortized cost, which we consider a reasonable estimate of losses identified in the existing credit portfolio. We provide for loan losses 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 Group credit risk management at least annually or more frequently depending on the risk profile of the borrower or credit-relevant events.

In accordance with US GAAP, 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

We actively manage our credit exposure utilizing credit hedges, collateral and guarantees. Collateral is security in the form of an asset, such as cash and marketable securities, which serves to mitigate the inherent risk of credit loss and to improve recoveries in the event of a default.

Collateral valuation and management

The policies and processes for collateral valuation and management are driven by legal documentation that is agreed with our 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 Group-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 mortgage lending portfolios, real estate property is valued at the time of credit approval and periodically thereafter, according to our internal policies and controls, depending on the type of loan (e.g., residential or commercial loan) and LTV ratio.

Primary types of collateral

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.

Credit risk governance

Credit risk is managed and controlled by Group credit risk management, an independent function within the risk management area and governed by a framework of policies and procedures. Key processes are reviewed through supervisory checks on a regular basis by management, including the functional area head.

In order to strengthen the risk governance on credit exposures, we established the Credit Risk Review function. Credit Risk Review is a review function independent from credit risk management with a direct reporting line to the Board's Risk Committee, administratively reporting to the Group CRO. Its objective is to provide regular assessments of the Group's credit exposures and credit risk management processes and practices.

Credit Risk Review is responsible for performing cycled and continuous credit monitoring activities. These include (i) identifying credit exposures with potential weaknesses, (ii) assessing the accuracy and consistency of Group counterparty and transaction ratings, (iii) assessing compliance with internal and regulatory requirements for credit risk management, (iv) ensuring compliance with regulatory and supervisory statements where Credit Risk Review is designated as a review function, and (v) reporting trends and material review recommendations to the Risk Committee and senior management.

Model risk

Like most other financial firms, we rely on advanced quantitative models across all business lines and legal entities to support a broad range of applications, including estimating various forms of financial risk, valuation of securities, stress testing, assessing capital adequacy, providing wealth management services to clients and to meet various reporting requirements.

Definition and sources of 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, Group-wide model risk.

Evaluation and management of model risk

Through our global model risk management and governance framework we seek to identify, measure and mitigate all significant risks arising from the use of models embedded within our 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.

Robust model risk management is crucial to ensuring that the Group's model risk is assessed and managed in order to remain within a defined model risk appetite by focusing on identification, measurement and resolution of model limitations. Under the Group's model governance policies, the model risk management function

validates and approves all new models and material changes to existing models before their implementation, in compliance with standards established by regulators. Developers, owners and model supervisors are responsible for identifying, developing, implementing and testing their models. Model supervisors are responsible for ensuring that models are submitted to model risk management for validation and approval and entered into the Group's model inventory. The model risk management function is structured to be independent from model users, developers and supervisors.

A rigorous validation practice should ensure that models are conceptually sound, correctly implemented by the model owners and developers and functioning as intended. To accomplish this, model risk management deploys a team of objective, well-informed subject matter experts (the model validators) who have the necessary skills and knowledge to pose effective challenge to all classes of models as a guiding principle for mitigating model risk.

Under the Group model governance policies, all models are risk-tiered according to an internal scoring method that combines complexity and materiality to assign models into one of three risk ratings: high, medium and low. The rating tiers are used in turn to prioritize models and allocate resources for initial validations, annual reviews and ongoing monitoring.

Governance is an important part of model risk management. Various model review committees within model risk management prepare aggregate model risk reports that serve to identify concentrations of model risk and to make recommendations for remediation. These reports are submitted regularly to a dedicated model risk governance committee which escalates issues as necessary to the Group's Model Risk Steering Committee and the Board's Risk Committee.

Model risk management reviews models annually, reports model limitations to key stakeholders, tracks remediation plans for validation findings and reports on model risk tolerance and metrics to senior management. Model risk management oversees controls to support a complete and accurate Group-wide model inventory and performs annual attestations affirming the completeness and accuracy of its model inventory.

Operational and compliance risk

Similar to all financial institutions, the Group is required to have an adequate and effective risk and control framework in place to manage operational and compliance risks. Building on established, independent operational and compliance risk frameworks, as of 2017, the ERCF further integrates these frameworks and harmonizes the related processes in the Group recognizing the commonality and prevalence of operational and compliance risk in the non-financial risk domain. The ERCF establishes a consistent, unified approach to non-financial risk and control identification and assessment and sets common minimum standards across the Group for each key component with regard to processes and the policy framework.

Operational 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 our business, including the systems and processes that support our 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

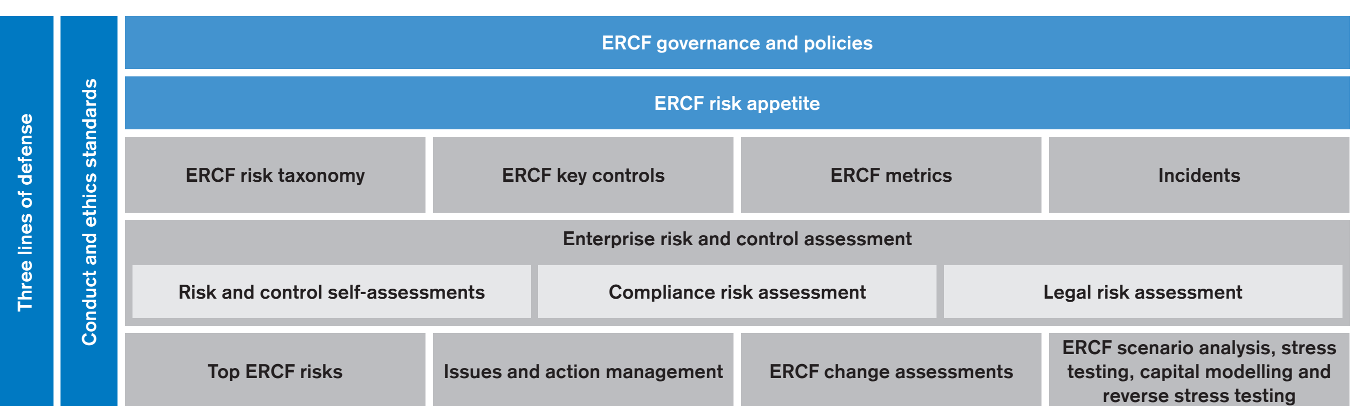
Compliance and regulatory risk is the risk from the failure to comply with laws, regulations, rules or market standards that may have a negative effect on our franchise and clients we serve. It includes the risk that changes in laws, regulations, rules or market standards may limit our activities and have a negative effect on our business or our 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. 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.

The enterprise risk and control framework

To effectively manage operational and compliance risks, the Group-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. We 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, we established the ERCF which integrated this operational risk framework and all of its components with the compliance risk components to further harmonize our 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 (RCSA) that covers both risk types in a more consistent manner. Also, standardized Group-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 Group.

Continuous enhancement of our non-financial risk management practices across the three lines of defense is expected in 2018.

Enterprise risk and control framework (ERCF)



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 Group while providing individual businesses with sufficient flexibility to tailor specific components to their own needs, as long as they meet Group-wide minimum standards. The main components of the ERCF are described below:

Governance and policies
The ERCF relies on effective governance processes that establish clear roles and responsibilities for managing operational and compliance risk and define appropriate escalation processes for outcomes that are outside expected levels. We utilize a comprehensive set of policies and procedures that set out how employees are expected to conduct their activities.

- Each business area takes responsibility for its operational and compliance risks and the provision of adequate resources and procedures for the management of those risks. Businesses are supported by designated second line of defense operational risk and compliance teams that are responsible for independent risk oversight, methodologies, tools and reporting within their areas as well as working with management on any operational and compliance risk issues that arise. Businesses and relevant control functions meet regularly to discuss operational and compliance risk issues and identify required actions to mitigate risks.
- The operational risk management and compliance functions are jointly responsible for setting minimum standards with policies and procedures for operational and compliance risks. This includes ensuring the cohesiveness of policies, tools and practices throughout the Group particularly with regard to the identification, evaluation, mitigation, monitoring and reporting of these risks.
- Operational and compliance risk exposures, metrics, issues and remediation efforts are discussed at the quarterly CARMC meetings of the internal control system cycle and at divisional operational risk and compliance management committees, which have senior representatives from all relevant functions.

ERCF risk appetite
ERCF risk appetite determines our approach to risk-taking and articulates the motivations for taking, accepting or avoiding certain types of risks or exposures. Senior management expresses their operational and compliance risk appetite in terms of quantitative tolerance levels that apply to operational risk incidents (which may also arise due to compliance issues) and qualitative statements covering outcomes that should be avoided. Senior management also defines market area and client risk appetites. They define their risk appetite with the relevant risk management committees in agreement with the operational risk management and compliance functions.

ERCF risk taxonomy
The ERCF risk taxonomy represents a unified and standardized catalogue of inherent non-financial risk definitions across operational and compliance risk. It provides a consistent approach to the identification and classification of these risks across the Group.

ERCF key controls
The ERCF key controls are documented and assessed under a common controls assessment framework, ensuring that key controls are identified, documented, executed and assessed consistently and comprehensively, with a focus on the Group's most significant risks and associated key controls. We utilize a comprehensive set of internal controls that are designed to ensure that our activities follow agreed policies and that processes operate as intended. Key controls are subject to independent testing to evaluate their effectiveness. The results of these tests are considered by other ERCF components, such as in the RCSA process.

ERCF metrics
ERCF metrics are risk and control indicators that are used to monitor identified operational risks, compliance risks and controls over

time. A key risk indicator is defined as a metric used to provide early warning of increasing risk exposure and can be backward and forward looking in nature. A key control indicator is defined as a metric that assesses and monitors the effectiveness of one or several controls. Minimum standards apply to the identification, selection, risk mapping approval, monitoring and escalation of metrics that are linked to ERCF risk appetite and top ERCF risks which are reported to the CARMC internal controls system cycle and divisional, functional or legal entity risk management committees. Key risk and control indicators may also be used as inputs into scenario analysis and capital allocation.

Incidents

In the incidents process, we systematically collect, analyze and report data on operational and compliance risk incidents to ensure that we understand the reasons why they occurred and how controls can be improved to reduce the risk of future incidents. We focus both on incidents that result in economic losses and on events that provide information on potential control gaps, even if no losses occurred. We also collect and utilize available data on incidents at relevant peer firms to identify potential risks that may be relevant in the future, even if they have not impacted the Group. Incident data is also a key input for our operational risk capital models and other analytics.

Enterprise risk and control assessment

Enterprise risk and control assessment consolidates the assessment, review and challenge activities for operational, compliance and legal risks across all divisions and functions into a single framework and consists of the elements RCSA, compliance risk assessment and any associated legal risk assessment:

- *Risk and control self-assessments* are comprehensive, bottom-up assessments of the key operational and compliance risks in each business and control function. The process of preparing RCSAs comprises a self-assessment of the relevant business line or functional risk profile based on the Group-wide ERCF risk taxonomy classifying risks under a standardized approach. It covers an assessment of the inherent risks of each business and control function, provides an evaluation of the effectiveness of the controls in place to mitigate these risks, determines the residual risk ratings and requires a decision to either accept or remediate any residual risks. In the case of remediation, mitigating actions are defined and approved by management. While these are self-assessments, they are subject to independent review and challenge by relevant risk management functions to ensure that they have been conducted appropriately. RCSAs utilize other components of the ERCF, such as ERCF metrics and incidents, and they generate outputs that are used to manage and monitor risks.
- *Compliance risk assessment* is the Group's formal, proactive dynamic process which provides the framework for the independent second line compliance function to formally assess the overall compliance and regulatory risks associated with a particular business unit or business activity. The results are used to identify potential or actual areas of risk in the business which also assists compliance management in planning the compliance objectives to mitigate risks identified. This risk assessment consists of an analysis of the inherent risk and control effectiveness aligned to the compliance risk categories and is performed at the level of a risk unit. Quantitative metrics are leveraged wherever possible, supplementing the qualitative assessments. Upon completion of the assessment, overall risk unit ratings are established through a compliance divisional and Group-wide review and mitigating actions are identified as appropriate. The results of the compliance risk assessment are presented to the Board and the Group's Audit Committee.
- *Legal risk assessment* is a sub-assessment of the Group's RCSA with the objective to conduct an enhanced assessment of legal risks across the Group. The legal risk assessment is based on the principles defined for the RCSA program. The General Counsel function reviews the results of the legal risk assessments performed by business units across the Group. The legal risk assessment complements the RCSA process in providing an independent review and challenge process by the second line of defense.

Top ERCF risks

Top ERCF risks represent the most significant risks requiring senior management attention across the Group and are generated through a combination of top-down assessment by senior management and a bottom-up process collating the main themes arising from the RCSA and compliance risk assessment processes. Where appropriate, remediation plans are put in place with ownership by senior management.

Issues and action management

Issues and action management encompasses a structured approach to responding to operational and compliance risk incidents and breaches of ERCF quantitative and qualitative risk appetite or metrics, as well as continuous monitoring of remediation actions against identified control issues. It is applicable to business divisions and corporate functions globally. Further, the compliance and regulatory responses function consolidates and monitors Group-wide issues and actions including audit, regulatory, self-identified and second line identified issues and actions.

The operational risk incident management component includes a defined process for identifying, categorizing, investigating, escalating and remediating incidents. These reviews seek to assess the causes of control weaknesses, establish appropriate remediation actions and ascertain whether events have implications for other businesses or could have potential impact in the future. They can result in recommendations to impose restrictions on businesses while operational risk management processes and controls are improved. The breach component provides a methodology for evaluating breaches of quantitative and qualitative ERCF risk appetite statements. Its goal is to provide senior management with the information needed to make decisions on how to best remediate issues that fall outside agreed risk appetite levels.

ERCF change assessments
Where appropriate, major strategic change programs may also undergo independent change assessments by the operational risk function, leveraging the ERCF assessment framework to determine the potential impact of the change activity on the overall operational risk profile of the impacted area both during and after implementation.

ERCF scenario analysis, stress testing, capital modelling and reverse stress testing
The ERCF scenario analysis is focused on operational and compliance risks and is used to identify and measure exposure to a range of adverse events, such as unauthorized trading, transaction processing errors and compliance issues. These scenarios help businesses assess the suitability of controls in light of potential losses, and they are also an input to the internal models used by the Group to calculate stressed loss projections as well as economic and regulatory capital.

More specifically, the ERCF stress testing is a sub-component of the Group-wide stress testing framework and it focuses on the evaluation of potential operational risk impacts of macro-economic scenarios on net income and regulatory capital across a number of operational risk categories. The macro-economic scenarios are provided as part of regulatory processes, such as CCAR and loss potential analysis, or internal processes, such as financial planning and risk appetite setting.

Capital modelling is based on an advanced measurement approach (AMA) and utilizes both historical data as well as scenario analysis to estimate capital requirements for the Group, as further described below.

Finally, ERCF reverse stress testing is an additional complementary tool that introduces a more forward-looking element into the RCSA process. It assumes that a business has suffered an adverse outcome, such as a large operational risk loss, and requires consideration of the events that could have led to the result. As such, it allows for the consideration of risks beyond normal business expectations and it challenges common assumptions about the risk profile, the emergence of new risks or interactions between existing risks, as well as the performance of expected control and mitigation strategies.

Operational risk regulatory capital measurement
We have used an internal model to calculate the regulatory capital requirement for operational risk under the AMA approach since 2008. This model was replaced with an enhanced AMA internal model in 2014, which has been approved by FINMA.

The model is based on a loss distribution approach that uses historical data on internal and relevant external losses of peers to generate frequency and severity distributions for a range of potential operational risk loss scenarios, such as an unauthorized trading incident or a material business disruption. Business experts and senior management review, and may adjust, the parameters of these scenarios to take account of business environment and internal control factors, such as RCSA results and risk and control indicators, to provide a forward-looking assessment of each scenario. Insurance mitigation is included in the regulatory capital requirement for operational risk where appropriate, by considering the level of insurance coverage for each scenario and incorporating haircuts as appropriate. The internal model then uses the adjusted parameters to generate an overall loss distribution for the Group over a one-year time horizon. The AMA capital requirement represents the 99.9th percentile of this overall loss distribution. We use a risk-sensitive approach to allocating the AMA capital requirement to businesses that is designed to be forward-looking and incentivize appropriate risk management behaviors.

In 2017, we updated the model structure to further align with the Group's divisions and expanded the scenario analysis program to address more specific divisional risk assessments. We also updated our loss history and implemented a revised methodology for the measurement of our risk-weighted assets relating to operational risk, primarily in respect of our RMBS settlements. As a consequence of the application of this revised methodology to the RMBS settlements, risk-weighted assets relating to operational risk increased significantly during the third and fourth quarters of 2017.

Transfer of operational risk to third-party insurance companies
In addition to managing and mitigating operational risks under the ERCF through business- and risk-related processes and organization, we also transfer 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 our employees may result in a negative financial, non-financial or reputational impact to our clients, employees or the Group or negatively impact the integrity of the financial markets. Conduct risk may arise from a wide variety of activities and types of behaviors. A Group-wide definition of expectations relating to the conduct of our employees helps to ensure that we have a common understanding of and are consistently managing, minimizing and mitigating our conduct risk and further promotes standards of responsible conduct and ethics in our 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 Group and at other firms in the financial services sector. Compliance oversees conduct risk for the Group.

As noted, establishment of a strong risk culture is fundamental to the management of conduct risk with the Group's Code of Conduct providing a clear statement on our conduct standards and ethical values, supported by our six conduct and ethics standards.

‣ Refer to "Risk culture" in Risk management oversight and to "Corporate governance framework" in IV – Corporate Governance – Corporate Governance overview for further information on our Code of Conduct.

Technology risk

Technology risk deserves particular attention given the complex technological landscape that covers our business model. Ensuring that confidentiality, integrity and availability of information assets are protected is critical to our 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 our IT assets, but also in the people and processes that interact with them including through dependency on third-party suppliers and the worldwide telecommunications infrastructure. We seek 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. We require our critical IT systems to be identified, secure, resilient and available and support our ongoing operations, decision-making, communications and reporting. Our systems must also have the capability, capacity, scalability and adaptability to meet current and future business objectives, the needs of our customers and regulatory and legal expectations. Failure to meet these standards and requirements may result in adverse events that could subject us to reputational damage, fines, litigation, regulatory sanctions, financial losses or loss of market share.

Cyber risk, which is part of technology risk, is the risk that we 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. Any such event could subject us to litigation or cause us to suffer a financial loss, a disruption of our businesses, liability to our clients, regulatory intervention or reputational damage. We could also be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures.

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

Legal risk

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 us, our inability to enforce legal rights or the failure to take measures to protect our rights.

Reputational risk

Reputational risk is the risk that negative perception by our stakeholders, including clients, counterparties, employees, shareholders, regulators and the general public, may adversely impact client acquisition and damage our 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 Group's risk appetite framework to ensure that risk-taking is aligned with the approved risk appetite. We highly value our reputation and are 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. This involves a submission by an originator (any employee), approval by a business area head or designee, and its subsequent referral to one of the assigned reputational risk approvers, each of whom is an experienced and high-ranking senior manager, independent of the business divisions, who has authority to approve, reject or impose conditions on our participation in the transaction or service.

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 Group's risk appetite framework as well as assessing the adequacy of the management of reputational risks.

In order to inform our stakeholders about how we manage some of the environmental and social risks inherent to the banking business, we publish our *Corporate Responsibility Report*, in which we also describe our efforts to conduct our operations in a manner that is environmentally and socially responsible and broadly contributes to society.

Fiduciary risk

Fiduciary risk is the risk of financial loss arising when the Group 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.

Assessing investment performance and reviewing forward-looking investment risks in our discretionary client portfolios and investment funds is central to our oversight program. Areas of focus include:

- Monitoring client investment guidelines or investment fund limits. In certain cases, internal limits or guidelines are also established and monitored.
- Ensuring discretionary portfolio managers' investment approach is in line with client expectations and in accordance with written sales and marketing materials.
- Measuring investment performance of discretionary client portfolios and investment funds and comparing the returns against benchmarks to understand sources and drivers of the returns.
- Assessing risk measures such as exposure, sensitivities, stress scenarios, expected volatility and liquidity across our portfolios to ensure that we are managing the assets in line with the clients' expectations and risk tolerance.
- Treating clients with a prudent standard of care, which includes information disclosure, subscriptions and redemptions processes, trade execution and requiring the highest ethical conduct.

Sound governance is essential for all discretionary management activities including trade execution and investment process. Our 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. Strategic risk may arise from a variety of sources, including:

- an inadequate or inaccurate understanding of our existing capabilities and competitive positioning;
- an inadequate or inaccurate analysis of current and prospective operating conditions in our markets, including the macroeconomic environment, client and competitor behaviors and actions, regulatory developments and technological impacts;
- inappropriate strategic decisions, such as those pertaining to which activities we will undertake, which markets and client segments we will serve, which organizational structure we will adopt and how we will position ourselves relative to competitors;
- ineffective implementation and execution of chosen business strategies and related organizational changes;
- the inability to properly identify and analyze key changes in our operating environment, and to adapt strategies accordingly; and
- the inability to properly monitor progress against strategic objectives.

A wide variety of financial, risk, client and market analyses are used to monitor the effectiveness of our strategies and the performance of our 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 Group plan, which is reviewed by the Group CRO, CFO and CEO before presentation to the Executive Board. Following approval by the Executive Board, the Group plan is submitted for review and approval to the Board. In addition, there is an annual strategic review at which the Board evaluates the Group's performance against strategic objectives and sets the overall strategic direction for the Group. From time to time, the Board and the Executive Board conduct more fundamental in-depth reviews of the Group's strategy.

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

To complement the annual cycle, each division presents a more detailed individual analysis to review key dimensions of its strategy at various points during the year. Additionally, the CEO, the Executive Board and individual business heads regularly assess the performance of each business against strategic objectives through a series of strategic business reviews conducted throughout the year. The reviews include assessments of business strategy, overall operating environment, including our competitive position, financial performance and key business risks.

An example of a strategic risk is climate change, which, following the publication of recommendations from FSB's Task Force on Climate-related Financial Disclosures in June 2017, is now emerging as an important area of focus for the banking industry. The final report establishes a high-level framework for considering climate-related risks and opportunities in firm strategy and is applicable to listed corporations across all sectors globally. We have started to work towards addressing the recommendations and are engaging with key industry groups to develop our understanding of market practice.

RISK REVIEW AND RESULTS

Economic risk capital review

Methodology and model developments

We regularly review and update our economic risk capital methodology in order to ensure that the model remains relevant as markets and business strategies evolve. In the event of material methodology changes and dataset and model parameter updates, prior-period balances are restated in order to show meaningful trends.

Economic risk capital

With effect from July 1, 2017, the Global Markets division entered into an agreement with Swiss Universal Bank and International Wealth Management whereby it provides centralized trading and sales services, referred to as International Trading Solutions, to private and institutional clients across the three divisions. As a result, we have updated our divisional capital allocation key and revenue sharing agreements. The impact of this update on our economic risk capital measures was immaterial and prior periods have not been restated.

Economic risk capital

end of	2017	2016	% change
Available economic capital (CHF million)			
BIS look-through CET1 capital (Basel III)	34,824	30,783	13
Economic adjustments [1]	15,460	15,166	2
Available economic capital	**50,284**	**45,949**	9
Position risk (CHF million)			
Fixed income trading [2]	777	1,270	(39)
Equity trading & investments	1,337	1,504	(11)
Private banking corporate & retail lending	2,810	2,920	(4)
International lending & counterparty exposures	5,172	5,784	(11)
Emerging markets country event risk	1,514	1,168	30
Real estate & structured assets [3]	1,417	1,188	19
Diversification benefit [4]	(2,513)	(2,495)	1
Position risk (99% confidence level for risk management purposes)	**10,514**	**11,339**	(7)
Economic risk capital (CHF million)			
Position risk (99.97% confidence level for capital management purposes)	18,745	20,299	(8)
Operational risk	7,635	7,720	(1)
Other risks [5]	6,698	6,628	1
Economic risk capital	**33,078**	**34,647**	(5)
Economic risk capital coverage ratio (%)			
Economic risk capital coverage ratio [6]	**152**	**133**	–

1 Includes primarily high- and low-trigger capital instruments, adjustments to unrealized gains on owned real estate, reduced recognition of deferred tax assets and adjustments to treatment of pensions. Economic adjustments are made to BIS look-through CET1 capital to enable comparison between economic risk capital and available economic capital under the Basel III framework.
2 This category comprises fixed income trading, foreign exchange, commodity and insurance exposures.
3 This category comprises commercial and residential real estate (including RMBS and CMBS), ABS exposure, real estate acquired at auction and real estate fund investments.
4 Reflects the net difference between the sum of the position risk categories and the position risk on the total portfolio.
5 Includes owned real estate risk, expense risk, pension risk, foreign exchange risk between available economic capital and economic risk capital, interest rate risk on treasury positions, diversification benefits, the impact from deferred share-based compensation awards and an estimate for the impacts of certain planned methodology changes.
6 Ratio of available economic capital to economic risk capital.

Available economic capital trends

As of the end of 2017, our available economic capital for the Group was CHF 50.3 billion, an increase of CHF 4.3 billion from the end of 2016. BIS look-through CET1 capital increased CHF 4.0 billion, mainly reflecting our capital increase. Economic adjustments increased CHF 0.3 billion, mainly reflecting the issuance of high-trigger tier 1 instruments, partially offset by the redemption of high-trigger tier 2 instruments.

Economic risk capital by division

	End of period			Average		
	2017	2016	% change	**2017**	2016	% change
Economic risk capital by division (CHF million)						
Swiss Universal Bank	5,420	5,789	(6)	5,566	5,564	0
International Wealth Management	4,762	3,816	25	4,379	3,785	16
Asia Pacific	3,483	4,504	(23)	3,897	4,147	(6)
Global Markets	9,980	9,295	7	9,327	9,928	(6)
Investment Banking & Capital Markets	5,528	5,117	8	5,279	4,652	13
Strategic Resolution Unit	3,162	5,145	(39)	3,748	5,691	(34)
Corporate Center [1]	743	981	(24)	915	970	(6)
Economic risk capital	**33,078**	**34,647**	(5)	**33,111**	**34,737**	(5)

[1] Includes primarily expense risk, operational risk, diversification benefits from the divisions and foreign exchange risk between available economic capital and economic risk capital.

Economic risk capital trends

Compared to the end of 2016, our economic risk capital decreased 5% to CHF 33.1 billion as of the end of 2017, mainly due to an 8% decrease in position risk. The decrease in position risk was primarily driven by decreases in the Strategic Resolution Unit in line with our strategy and Asia Pacific, partially offset by an increase in International Wealth Management. Operational risks and other risks were stable.

For the Strategic Resolution Unit, economic risk capital decreased 39% to CHF 3.2 billion, mainly due to lower loan commitments in international lending & counterparty exposures, reduced traded credit spread exposures from high-yield bonds in the US in fixed income trading, reduced exposures in Turkey in emerging markets country event risk and decreased risk in equity trading & investments, mainly due to lower private equity exposures across regions.

For Asia Pacific, economic risk capital decreased 23% to CHF 3.5 billion, mainly due to the securitization of certain lending exposures in international lending & counterparty exposures and private banking corporate & retail lending and reduced traded credit spread exposures in fixed income trading.

For Swiss Universal Bank, economic risk capital decreased 6% to CHF 5.4 billion, mainly due to a reduction in private banking corporate & retail lending exposures, primarily reflecting lower counterparty concentration risk.

For International Wealth Management, economic risk capital increased 25% to CHF 4.8 billion, primarily reflecting increases in position risk, in particular from higher loan commitments in private banking corporate & retail lending and increased equity exposures in equity trading & investments related to securitization, and a change in pension risk allocation.

For Global Markets, economic risk capital increased 7% to CHF 10.0 billion, mainly due to increased exposures in Brazil in emerging markets country event risk and higher asset-backed securities exposures in the US in real estate & structured assets.

For Investment Banking & Capital Markets, economic risk capital increased 8% to CHF 5.5 billion, mainly due to increased lending risk in international lending & counterparty exposures reflecting enhancements to the investment banking lending dataset and increased lending.

Market risk review

Trading book

Development of trading book risks

The tables entitled “One-day, 98% risk management VaR” and “Average one-day, 98% risk management VaR by division” show our trading-related market risk exposure, as measured by one-day, 98% risk management VaR in Swiss francs and US dollars. As we measure trading book VaR for internal risk management purposes using the US dollar as the base currency, the VaR figures were translated into Swiss francs using daily foreign exchange translation rates. VaR estimates are computed separately for each risk type and for the whole portfolio using the historical simulation methodology. The different risk types are grouped into five categories including interest rate, credit spread, foreign exchange, commodity and equity.

We regularly review our VaR model to ensure that it remains appropriate given evolving market conditions and the composition of our trading portfolio. In 2017, we updated our VaR model to capture higher order risks in exotic equity derivatives, South Korean interest rate derivatives and foreign exchange derivatives. Furthermore, we improved our VaR methodology to better reflect equity volatility risks by increasing the granularity of the short-term time series. These risks were previously included in RNIV. We also enhanced the methodology to capture volatility risk in exotic interest rate products. The volatility modelling now accounts for a close to zero and a negative interest rate environment for major developed markets and for select emerging markets. The impact of these updates on our VaR measures was immaterial and prior periods have not been restated.

One-day, 98% risk management VaR

in / end of	Interest rate	Credit spread	Foreign exchange	Commodity	Equity	Diversi-fication benefit	**Total**
Risk management VaR (CHF million)							
2017							
Average	16	19	6	2	10	(27)	26
Minimum	11	16	4	1	8	– [1]	21
Maximum	23	23	12	6	13	– [1]	31
End of period	15	19	5	1	10	(22)	28
2016							
Average	14	28	8	2	16	(35)	33
Minimum	9	20	4	1	10	– [1]	24
Maximum	20	44	18	3	38	– [1]	65
End of period	15	21	7	1	13	(28)	29
2015							
Average	20	36	11	2	23	(43)	49
Minimum	6	31	5	1	16	– [1]	34
Maximum	35	42	22	4	35	– [1]	63
End of period	17	40	9	1	31	(42)	56
Risk management VaR (USD million)							
2017							
Average	16	19	6	2	10	(27)	26
Minimum	11	17	4	1	8	– [1]	22
Maximum	23	23	12	7	13	– [1]	33
End of period	15	19	5	1	10	(21)	29
2016							
Average	14	28	9	2	17	(36)	34
Minimum	9	21	3	1	10	– [1]	23
Maximum	20	44	18	3	38	– [1]	65
End of period	15	21	6	1	13	(28)	28
2015							
Average	20	37	11	2	24	(43)	51
Minimum	6	32	5	1	17	– [1]	40
Maximum	35	42	23	4	35	– [1]	64
End of period	17	40	9	1	32	(42)	57

Excludes risks associated with counterparty and own credit exposures.

[1] As the maximum and minimum occur on different days for different risk types, it is not meaningful to calculate a portfolio diversification benefit.

Average one-day, 98% risk management VaR by division

in	Swiss Universal Bank	International Wealth Management	Asia Pacific	Global Markets	Strategic Resolution Unit	Diversi-fication benefit [1]	**Credit Suisse**
Average risk management VaR (CHF million)							
2017	0	4	13	21	6	(18)	26
2016	3	2	16	26	13	(27)	33
2015	7	1	18	44	25	(46)	49
Average risk management VaR (USD million)							
2017	0	4	13	21	6	(18)	26
2016	3	2	17	27	14	(29)	34
2015	8	1	19	45	26	(48)	51

Excludes risks associated with counterparty and own credit exposures. Investment Banking & Capital Markets has only banking book positions.
[1] Difference between the sum of the standalone VaR for each division and the VaR for the Group.

We measure VaR in US dollars, as the majority of our trading activities are conducted in US dollars.

Period-end risk management VaR of USD 29 million as of December 31, 2017 remained largely stable compared to USD 28 million as of December 31, 2016. The USD 7 million decrease in average risk management VaR to USD 26 million in 2017 reflected the significantly higher exposures in the first half of 2016, mainly in credit spread and equity risk, resulting in a higher average risk management VaR for the full-year 2016. Average risk management VaR levels in 2017 remained consistent with average risk management VaR levels in the second half of 2016.

In the 12-month period ending December 31, 2017, we had no backtesting exceptions in our regulatory VaR model, compared to two backtesting exceptions in the 12-month period ending December 31, 2016 and one backtesting exception in the 12-month period ending December 31, 2015. Since there were fewer than five backtesting exceptions in the rolling 12-month periods ending December 31, 2017, 2016 and 2015, in line with BIS industry guidelines, the VaR model is deemed to be statistically valid.

For capital purposes, FINMA, in line with BIS requirements, uses a multiplier to impose an increase in market risk capital for every regulatory VaR backtesting exception over four in the prior rolling 12-month period calculated using a subset of the actual daily trading revenues also referred to as "hypothetical" trading revenues under the Basel framework.

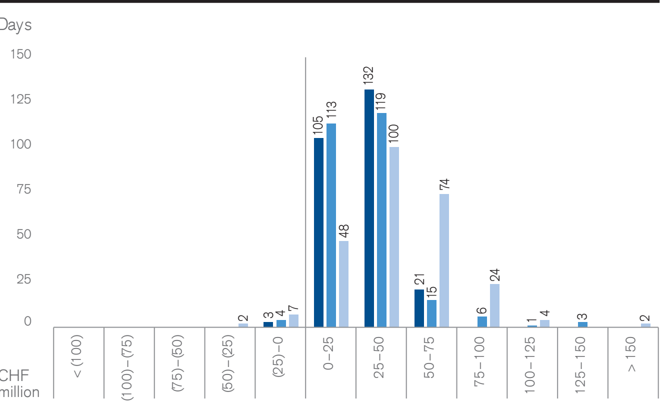
▸ Refer to "Other requirements" in Capital management – Swiss requirements for further information on the use of our regulatory VaR model in the calculation of trading book market risk capital requirements.

The histogram entitled "Actual daily trading revenues" compares the actual daily trading revenues for 2017 with those for 2016 and 2015. The dispersion of trading revenues indicates the day-to-day volatility in our trading activities. In 2017, we had three trading loss days, each of them with a trading loss not exceeding CHF 25 million, compared to four trading loss days in 2016, each of them with a trading loss not exceeding CHF 25 million.

Daily risk management VaR

Excludes risks associated with counterparty and own credit exposures.

Actual daily trading revenues



Trading revenues exclude Neue Aargauer Bank AG and valuation adjustments associated with counterparty and own credit exposures.

Banking book

Development of banking book interest rate risks

Interest rate risk on 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. As of December 31, 2017, the interest rate sensitivity of a one basis point parallel increase in yield curves would have been positive CHF 4.8 million, compared to positive CHF 4.2 million as of December 31, 2016.

One basis point parallel increase in yield curves by currency – banking book positions

end of	CHF	USD	EUR	GBP	Other	**Total**
2017 (CHF million)						
Fair value impact of a one basis point parallel increase in yield curves	1.7	2.0	0.9	0.0	0.2	4.8
2016 (CHF million) [1]						
Fair value impact of a one basis point parallel increase in yield curves	0.1	2.7	1.3	(0.1)	0.2	4.2

[1] Prior period has been corrected.

Interest rate risk on banking book positions is also assessed using other measures, including the potential value change resulting from a significant change in yield curves. The following table shows the impact of immediate 100 basis point and 200 basis point moves in the yield curves.

Interest rate scenario results – banking book positions

end of	CHF	USD	EUR	GBP	Other	**Total**
2017 (CHF million)						
Increase (+)/decrease (–) in interest rates						
+200 basis points	307	405	167	(2)	46	923
+100 basis points	159	201	85	(2)	23	466
–100 basis points	(171)	(198)	(88)	5	(22)	(474)
–200 basis points	(354)	(394)	(178)	13	(44)	(957)
2016 (CHF million) [1]						
Increase (+)/decrease (–) in interest rates						
+200 basis points	7	558	258	(18)	36	841
+100 basis points	5	285	131	(11)	19	429
–100 basis points	(7)	(299)	(134)	15	(18)	(443)
–200 basis points	(18)	(611)	(272)	35	(35)	(901)

[1] Prior period has been corrected.

As of December 31, 2017, the fair value impact of an adverse 200 basis point move in yield curves was a loss of CHF 1.0 billion, compared to a loss of CHF 0.9 billion as of December 31, 2016. The monthly analysis of the potential impact resulting from a significant change in yield curves indicated that as of the end of 2017 and 2016, the fair value impact of an adverse 200 basis point move in yield curves in relation to total eligible regulatory capital, was significantly below the 20% threshold used by regulators to identify banks that potentially run excessive levels of interest rate risk in the banking book.

Development of banking book equity risks

Our equity portfolios of the banking book include positions in private equity, hedge funds, strategic investments and other instruments. These positions may not be strongly correlated with general equity markets. Equity risk on banking book positions is measured using sensitivity analysis that estimates the potential change in value resulting from a 10% decline in the equity markets of developed nations and a 20% decline in the equity markets of emerging market nations. The estimated impact of this scenario would have been a decrease of CHF 391 million in the value of the banking book portfolio as of December 31, 2017, compared to a decrease of CHF 517 million as of December 31, 2016.

Development of banking book commodity risks

Our commodity portfolios of the banking book include mainly precious metals, primarily gold. Commodity risk on banking book positions is measured using sensitivity analysis that estimates the potential change in value resulting from a 20% weakening in commodity prices. The estimated impact of this scenario on the value of the banking book portfolio would have been a decrease of CHF 0.1 million as of December 31, 2017, compared to an increase of CHF 0.1 million as of December 31, 2016.

Credit and debit valuation adjustments

VaR excludes the impact of changes in both counterparty and our own credit spreads on derivative products. As of December 31, 2017, the estimated sensitivity implies that a one basis point increase in credit spreads, both counterparty and our own, would have resulted in a CHF 0.8 million gain on the overall derivatives position in the investment banking businesses. In addition, a one basis point increase in our own credit spread on our fair valued structured notes portfolio (including the impact of hedges) would have resulted in a CHF 24.2 million gain as of December 31, 2017.

Credit risk review

Credit risk overview

All transactions that are exposed to potential losses due to a counterparty failing to meet an obligation are subject to credit risk exposure measurement and management.

▸ Refer to "Impaired loans" in VI – Consolidated financial statements – Credit Suisse Group – Note 18 – Loans, allowance for loan losses and credit quality for information on credit quality and aging analysis of loans.

For regulatory capital purposes, credit risk comprises several regulatory categories where credit risk measurement and related regulatory capital requirements are subject to different measurement approaches under the Basel framework. Details on regulatory credit risk categories, credit quality indicators and credit risk concentration are available in our disclosures required under Pillar 3 of the Basel framework related to risk, which will be available on our website at *credit-suisse.com/regulatorydisclosures*.

Loans and irrevocable loan commitments

The following table provides an overview of loans and irrevocable loan commitments by division in accordance with accounting principles generally accepted in the US and are not comparable with the regulatory credit risk exposures presented in our disclosures required under Pillar 3 of the Basel framework.

Loans and irrevocable loan commitments

end of	**2017**	2016	% change
Loans and irrevocable loan commitments (CHF million)			
Gross loans	280,137	277,043	1
Irrevocable loan commitments	106,401	116,975	(9)
Total loans and irrevocable loan commitments	**386,538**	**394,018**	(2)
of which Swiss Universal Bank	174,386	175,717	(1)
of which International Wealth Management	54,378	48,527	12
of which Asia Pacific	47,145	44,399	6
of which Global Markets	61,649	67,063	(8)
of which Investment Banking & Capital Markets	43,692	43,145	1
of which Strategic Resolution Unit	4,623	14,636	(68)

Loans held-for-sale and traded loans

As of December 31, 2017 and 2016, loans held-for-sale included CHF 61 million and CHF 82 million, respectively, of seasoned US subprime residential mortgages from consolidated variable interest entities (VIE). Traded loans included US subprime residential mortgages of CHF 1,067 million and CHF 1,152 million as of December 31, 2017 and 2016, respectively.

Loans

The following table provides an overview of our loans by loan classes, impaired loans, the related allowance for loan losses and selected loan metrics by business division. The carrying values of loans and related allowance for loan losses are presented in accordance with generally accepted accounting standards in the US and are not comparable with the regulatory credit risk exposures presented in our disclosures required under Pillar 3 of the Basel framework.

Loans

end of	Swiss Universal Bank	International Wealth Management	Asia Pacific	Global Markets	Investment Banking & Capital Markets	Strategic Resolution Unit	Credit Suisse [1]
2017 (CHF million)							
Mortgages	100,498	4,106	1,309	0	0	126	106,039
Loans collateralized by securities	6,934	18,848	14,731	0	1,409	94	42,016
Consumer finance	3,174	941	25	17	0	85	4,242
Consumer	110,606	23,895	16,065	17	1,409	305	152,297
Real estate	23,158	1,968	720	302	403	48	26,599
Commercial and industrial loans	28,230	22,669	22,499	3,576	2,834	1,731	81,670
Financial institutions	2,749	1,917	2,912	6,432	422	1,059	15,697
Governments and public institutions	707	246	977	1,355	0	589	3,874
Corporate & institutional	54,844 [2]	26,800 [3]	27,108 [4]	11,665	3,659	3,427	127,840
Gross loans	**165,450**	**50,695**	**43,173**	**11,682**	**5,068**	**3,732**	**280,137**
of which held at fair value	33	150	4,837	6,743	1,483	2,061	15,307
Net (unearned income) / deferred expenses	56	(113)	(19)	(17)	(12)	(1)	(106)
Allowance for loan losses [5]	(465)	(108)	(74)	(44)	(55)	(136)	(882)
Net loans	**165,041**	**50,474**	**43,080**	**11,621**	**5,001**	**3,595**	**279,149**
2016 (CHF million)							
Mortgages	99,383	3,551	1,166	0	0	235	104,335
Loans collateralized by securities	7,224	17,863	11,704	0	273	204	37,268
Consumer finance	2,923	438	3	18	0	108	3,490
Consumer	109,530	21,852	12,873	18	273	547	145,093
Real estate	23,661	1,383	499	160	214	99	26,016
Commercial and industrial loans	28,460	19,618	23,405	3,788	4,441	4,008	83,740
Financial institutions	3,657	2,077	2,320	4,351	465	4,878	17,921
Governments and public institutions	801	223	1,135	1,070	0	1,044	4,273
Corporate & institutional	56,579 [2]	23,301 [3]	27,359 [4]	9,369	5,120	10,029	131,950
Gross loans	**166,109**	**45,153**	**40,232**	**9,387**	**5,393**	**10,576**	**277,043**
of which held at fair value	38	397	5,377	6,711	2,545	4,460	19,528
Net (unearned income) / deferred expenses	38	(99)	(27)	(8)	(8)	(25)	(129)
Allowance for loan losses [5]	(462)	(89)	(71)	(19)	(24)	(273)	(938)
Net loans	**165,685**	**44,965**	**40,134**	**9,360**	**5,361**	**10,278**	**275,976**

[1] Includes the Corporate Center, in addition to the divisions disclosed.
[2] The values of financial collateral and mortgages related to secured loans, considered up to the amount of the related loans, were CHF 11,201 million and CHF 32,704 million, respectively, as of December 31, 2017, and CHF 11,266 million and CHF 33,515 million, respectively, as of December 31, 2016.
[3] The values of financial collateral and mortgages related to secured loans, considered up to the amount of the related loans, were CHF 20,485 million and CHF 1,809 million, respectively, as of December 31, 2017, and CHF 18,084 million and CHF 1,165 million, respectively, as of December 31, 2016.
[4] The values of financial collateral and mortgages related to secured loans, considered up to the amount of the related loans, were CHF 19,566 million and CHF 138 million, respectively, as of December 31, 2017, and CHF 21,135 million and CHF 175 million, respectively, as of December 31, 2016.
[5] Allowance for loan losses is only based on loans that are not carried at fair value.

Compared to December 31, 2016, gross loans increased CHF 3.1 billion to CHF 280.1 billion as of December 31, 2017, due to higher loans collateralized by securities, higher residential mortgages, increased consumer finance loans, higher loans to the real estate sector and the translation impact from the euro. These increases were partially offset by decreased loans to financial institutions, lower commercial and industrial loans, lower loans to governments and public institutions and the translation impact from the US dollar. The net increase of CHF 4.7 billion in loans collateralized by securities was mainly driven by increases in Asia Pacific, Investment Banking & Capital Markets and International Wealth Management. The net increase of CHF 1.7 billion in residential mortgages was mainly driven by increases in Swiss Universal Bank and International Wealth Management. Consumer finance loans increased CHF 0.8 billion, primarily due to increases in International Wealth Management and Swiss Universal Bank. Loans to the real estate sector increased CHF 0.6 billion, mainly driven by increases in International Wealth Management, Asia Pacific, Investment Banking & Capital Markets and Global Markets, partially offset by a decrease in Swiss Universal Bank. The net decrease of CHF 2.2 billion in loans to financial institutions was mainly driven by decreases in the Strategic Resolution Unit and Swiss Universal Bank, partially offset by increases in Global Markets and Asia Pacific. Commercial and industrial loans decreased CHF 2.1 billion, primarily due to decreases in the Strategic Resolution Unit, Investment Banking & Capital Markets and Asia Pacific, partially offset by an increase in

International Wealth Management. The net decrease of CHF 0.4 billion in loans to governments and public institutions was mainly due to decreases in the Strategic Resolution Unit and Asia Pacific, partially offset by an increase in Global Markets.

On a divisional level, increases in gross loans of CHF 5.5 billion in International Wealth Management, CHF 2.9 billion in Asia Pacific and CHF 2.3 billion in Global Markets were partially offset by decreases of CHF 6.8 billion in the Strategic Resolution Unit, CHF 0.7 billion in Swiss Universal Bank and CHF 0.3 billion in Investment Banking & Capital Markets.

▸ Refer to "Note 18 – Loans, allowance for loan losses and credit quality" in VI – Consolidated financial statements – Credit Suisse Group for further information.

As of December 31, 2017, 97% of the aggregate Swiss residential mortgage loan portfolio of CHF 105.1 billion had an LTV ratio equal to or lower than 80%. As of December 31, 2016, 97% of the aggregate Swiss residential mortgage loan portfolio of CHF 104.5 billion had an LTV ratio equal to or lower than 80%. For substantially all Swiss residential mortgage loans originated in 2017 and 2016, the average LTV ratio was equal to or lower than 80% at origination. Our LTV ratios are based on the most recent appraised value of the collateral.

Impaired loans

end of	Swiss Universal Bank	International Wealth Management	Asia Pacific	Global Markets	Investment Banking & Capital Markets	Strategic Resolution Unit	**Credit Suisse** [1]
2017 (CHF million)							
Non-performing loans	413	327	92	32	36	148	1,048
Non-interest-earning loans	161	16	0	0	0	46	223
Non-performing and non-interest-earning loans	574	343	92	32	36	194	1,271
Restructured loans	66	95	0	0	0	129	290
Potential problem loans	129	103	29	9	0	279	549
Other impaired loans	195	198	29	9	0	408	839
Gross impaired loans [2]	**769**	**541** [3]	**121**	**41**	**36**	**602**	**2,110**
of which loans with a specific allowance	694	245	91	41	36	569	1,676
of which loans without a specific allowance	75	296	30	0	0	33	434
2016 (CHF million)							
Non-performing loans	341	179	242	8	0	466	1,236
Non-interest-earning loans	168	17	1	0	0	79	265
Non-performing and non-interest-earning loans	509	196	243	8	0	545	1,501
Restructured loans	53	89	17	0	0	199	358
Potential problem loans	191	39	6	9	0	368	613
Other impaired loans	244	128	23	9	0	567	971
Gross impaired loans [2]	**753**	**324** [3]	**266**	**17**	**0**	**1,112**	**2,472**
of which loans with a specific allowance	674	170	239	17	0	985	2,085
of which loans without a specific allowance	79	154	27	0	0	127	387

[1] Includes the Corporate Center, in addition to the divisions disclosed.
[2] Impaired loans are only based on loans that are not carried at fair value.
[3] Includes gross impaired loans of CHF 111 million and CHF 18 million as of December 31, 2017 and 2016, respectively, which are mostly secured by guarantees provided by investment-grade export credit agencies.

Impaired loans and allowance for loan losses

Compared to December 31, 2016, gross impaired loans decreased CHF 0.4 billion to CHF 2.1 billion as of December 31, 2017, mainly driven by decreases in non-performing loans and potential problem loans in the Strategic Resolution Unit.

In the Strategic Resolution Unit, gross impaired loans decreased CHF 510 million, primarily driven by the reduction in the oil and gas and ship finance portfolios, including certain repayments and sales of the oil and gas positions with a total exposure of CHF 257 million. The decrease was partially offset by an increase in the Swiss real estate leasing business. In Asia Pacific, gross impaired loans decreased CHF 145 million, mainly driven by the repayment of several share-backed facilities. In International Wealth Management, gross impaired loans increased CHF 217 million, primarily driven by export finance exposures, which are mostly secured by guarantees provided by investment-grade export credit agencies, as well as ship finance exposures and mortgages, partially offset by reductions in aviation finance exposures and securities-backed lending. Gross impaired loans in Investment Banking & Capital Markets and Global Markets increased CHF 36 million and CHF 24 million, respectively, mainly driven by a default in the supermarket sector in Europe. In Swiss Universal Bank, gross impaired loans increased CHF 16 million, mainly reflecting new potential problem loans for private and wealth management clients within Private Clients as well as small and medium-sized enterprises in Switzerland and the default of an exposure in commodity trade finance, partially offset by several upgrades of impaired loans to performing status and repayments.

▸ Refer to “Impaired loans” in VI – Consolidated financial statements – Credit Suisse Group – Note 18 – Loans, allowance for loan losses and credit quality for information on categories of impaired loans.

Allowance for loan losses

end of	Swiss Universal Bank	International Wealth Management	Asia Pacific	Global Markets	Investment Banking & Capital Markets	Strategic Resolution Unit	**Credit Suisse** [1]
2017 (CHF million)							
Allowance for loan losses at beginning of period [2]	**462**	**89**	**71**	**19**	**24**	**273**	**938**
of which individually evaluated for impairment	314	56	62	9	0	259	700
of which collectively evaluated for impairment	148	33	9	10	24	14	238
Net movements recognized in statements of operations	81	28	15	15	18	33	190
Gross write-offs	(107)	(19)	(2)	0	0	(174)	(302)
Recoveries	25	0	0	8	10	10	53
Net write-offs	(82)	(19)	(2)	8	10	(164)	(249)
Provisions for interest	8	5	(6)	1	1	4	13
Foreign currency translation impact and other adjustments, net	(4)	5	(4)	1	2	(10)	(10)
Allowance for loan losses at end of period [2]	**465**	**108**	**74**	**44**	**55**	**136**	**882**
of which individually evaluated for impairment	340	75	56	24	27	132	654
of which collectively evaluated for impairment	125	33	18	20	28	4	228

[1] Includes the Corporate Center, in addition to the divisions disclosed.
[2] Allowance for loan losses is only based on loans that are not carried at fair value.

The following tables provide an overview of changes in impaired loans and related allowance for loan losses by loan portfolio segment.

Gross impaired loans by loan portfolio segment

	Consumer	Corporate & institutional	**Total**
2017 (CHF million)			
Balance at beginning of period	**662**	**1,810**	**2,472**
New impaired loans	471	785	1,256
Increase in existing impaired loans	50	73	123
Reclassifications to performing loans	(192)	(261)	(453)
Repayments [1]	(224)	(470)	(694)
Liquidation of collateral, insurance or guarantee payments	(79)	(79)	(158)
Sales [2]	(3)	(130)	(133)
Write-offs	(53)	(202)	(255)
Foreign currency translation impact and other adjustments, net	0	(48)	(48)
Balance at end of period	**632**	**1,478**	**2,110**

[1] Full or partial principal repayments.
[2] Includes transfers to loans held-for-sale for intended sales of held-to-maturity loans.

Allowance for loan losses by loan portfolio segment

	Consumer	Corporate & institutional	**Total**
2017 (CHF million)			
Balance at beginning of period	**216**	**722**	**938**
of which individually evaluated for impairment	172	528	700
of which collectively evaluated for impairment	44	194	238
Net movements recognized in statements of operations	54	136	190
Gross write-offs	(60)	(242)	(302)
Recoveries	12	41	53
Net write-offs	(48)	(201)	(249)
Provisions for interest	(1)	14	13
Foreign currency translation impact and other adjustments, net	(1)	(9)	(10)
Balance at end of period	**220**	**662**	**882**
of which individually evaluated for impairment	179	475	654
of which collectively evaluated for impairment	41	187	228

Loan metrics

end of	Swiss Universal Bank	International Wealth Management	Asia Pacific	Global Markets	Investment Banking & Capital Markets	Strategic Resolution Unit	**Credit Suisse** [1]
2017 (%)							
Non-performing and non-interest-earning loans / Gross loans	0.3	0.7	0.2	0.6	1.0	11.6	0.5
Gross impaired loans / Gross loans	0.5	1.1	0.3	0.8	1.0	36.0	0.8
Allowance for loan losses / Gross loans	0.3	0.2	0.2	0.9	1.5	8.1	0.3
Specific allowance for loan losses / Gross impaired loans	44.2	13.9	46.3	58.5	75.0	21.9	31.0
2016 (%)							
Non-performing and non-interest-earning loans / Gross loans	0.3	0.4	0.7	0.3	0.0	8.9	0.6
Gross impaired loans / Gross loans	0.5	0.7	0.8	0.6	0.0	18.2	1.0
Allowance for loan losses / Gross loans	0.3	0.2	0.2	0.7	0.8	4.5	0.4
Specific allowance for loan losses / Gross impaired loans	41.7	17.3	23.3	52.9	–	23.3	28.3

Gross loans and gross impaired loans exclude loans carried at fair value and the allowance for loan losses is only based on loans that are not carried at fair value.
[1] Includes the Corporate Center, in addition to the divisions disclosed.

Derivative instruments

We enter into derivative contracts in the normal course of business for market making, positioning and arbitrage purposes, as well as for our own risk management needs, including mitigation of interest rate, foreign exchange and credit risk.

Derivatives are either privately negotiated OTC contracts or standard contracts transacted through regulated exchanges. The most frequently used derivative products include interest rate swaps, cross-currency swaps and credit default swaps (CDS), interest rate and foreign exchange options, foreign exchange forward contracts, and foreign exchange and interest rate futures.

The replacement values of derivative instruments correspond to their fair values at the dates of the consolidated balance sheets and arise from transactions for the account of individual customers and for our own account. Positive replacement values (PRV) constitute an asset, while negative replacement values (NRV) constitute a liability. Fair value does not indicate future gains or losses, but rather premiums paid or received for a derivative instrument at inception, if applicable, and unrealized gains and losses from marking to market all derivatives at a particular point in time. The fair values of derivatives are determined using various methodologies, primarily observable market prices where available and, in their absence, observable market parameters for instruments with similar characteristics and maturities, net present value analysis or other pricing models as appropriate.

The following table illustrates how credit risk on derivatives receivables is reduced by the use of legally enforceable netting agreements and collateral agreements. Netting agreements allow us to net balances from derivative assets and liabilities transacted with the same counterparty when the netting agreements are legally enforceable. Replacement values are disclosed net of such agreements in the consolidated balance sheets. Collateral agreements are entered into with certain counterparties based upon the nature of the counterparty and/or the transaction and require the placement of cash or securities with us as collateral for the underlying transaction. The carrying values of derivatives are presented in accordance with generally accepted accounting standards in the US and are not comparable with the derivatives metrics presented in our disclosures required under Pillar 3 of the Basel framework.

Derivative instruments by maturity

end of				**2017**				2016
due within	Less than 1 year	1 to 5 years	More than 5 years	**Positive replace-ment value**	Less than 1 year	1 to 5 years	More than 5 years	**Positive replace-ment value**
Derivative instruments (CHF billion)								
Interest rate products	9.6	26.5	50.9	87.0	15.3	43.9	79.2	138.4
Foreign exchange products	16.3	8.0	6.2	30.5	34.6	17.7	9.6	61.9
Equity/index-related products	5.4	6.6	0.1	12.1	6.0	5.1	1.3	12.4
Credit derivatives	0.6	5.3	1.8	7.7	1.0	4.7	2.4	8.1
Other products [1]	0.4	0.2	1.0	1.6	0.6	0.4	1.5	2.5
OTC derivative instruments	**32.3**	**46.6**	**60.0**	**138.9**	**57.5**	**71.8**	**94.0**	**223.3**
Exchange-traded derivative instruments				9.5				11.8
Netting agreements [2]				(128.8)				(208.2)
Total derivative instruments				**19.6**				**26.9**
of which recorded in trading assets				19.6				26.8
of which recorded in other assets				0.0				0.1

[1] Primarily precious metals, commodity and energy products.
[2] Taking into account legally enforceable netting agreements.

Derivative transactions exposed to credit risk are subject to a credit request and approval process, ongoing credit and counterparty monitoring and a credit quality review process. The following table represents the rating split of our credit exposure from derivative instruments.

Derivative instruments by counterparty credit rating

end of	**2017**	2016
Derivative instruments (CHF billion)		
AAA	1.5	1.5
AA	5.7	8.0
A	4.1	5.8
BBB	5.7	8.7
BB or lower	1.7	2.2
OTC derivative instruments	**18.7**	**26.2**
Exchange-traded derivative instruments [1]	0.9	0.7
Total derivative instruments [1]	**19.6**	**26.9**

[1] Taking into account legally enforceable netting agreements.

Derivative instruments by maturity and by counterparty credit rating for the Bank are not materially different, neither in absolute amounts nor in terms of movements, from the information for the Group presented above.

Derivative instruments are categorized as exposures from trading activities (trading) and those qualifying for hedge accounting (hedging). Trading includes activities relating to market making, positioning and arbitrage. It also includes economic hedges where the Group enters into derivative contracts for its own risk management purposes, but where the contracts do not qualify for hedge accounting under US GAAP. Hedging includes contracts that qualify for hedge accounting under US GAAP, such as fair value hedges, cash flow hedges and net investment hedges.

▸ Refer to "Note 26 – Offsetting of financial assets and financial liabilities" in VI – Consolidated financial statements – Credit Suisse Group for further information on offsetting of derivatives.

▸ Refer to "Note 31 – Derivatives and hedging activities" in VI – Consolidated financial statements – Credit Suisse Group for further information on derivatives, including an overview of derivatives by products categorized for trading and hedging purposes.

Forwards and futures

We enter into forward purchase and sale contracts for mortgage-backed securities, foreign currencies and commitments to buy or sell commercial and residential mortgages. In addition, we enter into futures contracts on equity-based indices and other financial instruments, as well as options on futures contracts. These contracts are typically entered into to meet the needs of customers, for trading and for hedging purposes.

On forward contracts, we are exposed to counterparty credit risk. To mitigate this credit risk, we limit transactions by counterparty, regularly review credit limits and adhere to internally established credit extension policies.

For futures contracts and options on futures contracts, the change in the market value is settled with a clearing broker in cash each day. As a result, our credit risk with the clearing broker is limited to the net positive change in the market value for a single day.

Swaps

Our swap agreements consist primarily of interest rate swaps, CDS, currency and equity swaps. We enter into swap agreements for trading and risk management purposes. Interest rate swaps are contractual agreements to exchange interest rate payments based on agreed upon notional amounts and maturities. CDS are contractual agreements in which the buyer of the swap pays a periodic fee in return for a contingent payment by the seller of the swap following a credit event of a reference entity. A credit event is commonly defined as bankruptcy, insolvency, receivership, material adverse restructuring of debt, or failure to meet payment obligations when due. Currency swaps are contractual agreements to exchange payments in different currencies based on agreed notional amounts and currency pairs. Equity swaps are contractual agreements to receive the appreciation or depreciation in value based on a specific strike price on an equity instrument in exchange for paying another rate, which is usually based on an index or interest rate movements.

Options

We write options specifically designed to meet the needs of customers and for trading purposes. These written options do not expose us to the credit risk of the customer because, if exercised, we and not our counterparty are obligated to perform. At the beginning of the contract period, we receive a cash premium. During the contract period, we bear the risk of unfavorable changes in the value of the financial instruments underlying the options. To manage this market risk, we purchase or sell cash or derivative financial instruments. Such purchases and sales may include debt and equity securities, forward and futures contracts, swaps and options.

We also purchase options to meet customer needs, for trading purposes and for hedging purposes. For purchased options, we obtain the right to buy or sell the underlying instrument at a fixed price on or before a specified date. During the contract period, our risk is limited to the premium paid. The underlying instruments for these options typically include fixed income and equity securities, foreign currencies and interest rate instruments or indices. Counterparties to these option contracts are regularly reviewed in order to assess creditworthiness.

Selected European credit risk exposures

The scope of our disclosure of European credit risk exposure includes all countries of the EU which are rated below AA or its equivalent by at least one of the three major rating agencies and where our gross exposure exceeds our quantitative threshold of EUR 0.5 billion. We believe this external rating is a useful measure in determining the financial ability of countries to meet their financial obligations, including giving an indication of vulnerability to adverse business, financial and economic conditions.

Monitoring of selected European credit risk exposures

Our credit risk exposure to these European countries is managed as part of our overall risk management process. The Group makes use of country limits and performs scenario analyses on a regular basis, which include analyses of our indirect sovereign credit risk exposures from our exposures to selected European financial institutions. This assessment of indirect sovereign credit risk exposures includes analysis of publicly available disclosures of counterparties' exposures to the European countries within the defined scope of our disclosure. We monitor the concentration of collateral underpinning our ▹OTC derivative and ▹reverse repurchase agreement exposures through monthly reporting. We also monitor the impact of sovereign rating downgrades on collateral eligibility. Strict limits on sovereign collateral from ▹G7 and non-G7 countries are monitored monthly. Similar disclosure is part of our regular risk reporting to regulators.

As part of our global scenario framework, the counterparty credit risk stress testing framework measures counterparty exposure under scenarios calibrated to the 99th percentile for the worst one month and one year moves observed in the available history, as well as the absolutely worst weekly move observed in the same dataset. The scenario results are aggregated at the counterparty level for all our counterparties, including all European countries to which we have exposure. Furthermore, counterparty default scenarios are run where specific entities are set to default. In one of these scenarios, a European sovereign default is investigated. This scenario determines the maximum exposure that we have to this country in the event of its default and serves to identify those counterparties where exposure will rise substantially as a result of the modeled country defaulting.

The scenario framework also considers a range of other severe scenarios, including a specific eurozone crisis scenario which assumes the default of selected European countries, currently modeled to include Greece, Ireland, Italy, Portugal and Spain. It is assumed that the sovereigns, financial institutions and corporates within these countries default, with a 100% loss of sovereign and financial institutions exposures and a 0% to 100% loss of corporates depending on their credit ratings. As part of this scenario, we additionally assume a severe market sell-off involving an equity market crash, widening credit spreads, a rally in the price of gold and a devaluation of the euro. In addition, the eurozone crisis scenario assumes the default of a small number of our market counterparties that we believe would be severely affected by a default across the selected European countries. These counterparties are

assumed to default as we believe that they would be the most affected institutions because of their direct presence in the relevant countries and their direct exposures. Through these processes, revaluation and redenomination risks on our exposures are considered on a regular basis by our risk management function.

Presentation of selected European credit risk exposures

The basis for the presentation of the country exposure is our internal risk domicile view. The risk domicile view is based on the domicile of the legal counterparty, i.e., it may include exposure to a legal entity domiciled in the reported country even if its parent is located outside of the country.

The credit risk exposure in the table is presented on a risk-based view before deduction of any related allowance for loan losses. We present our credit risk exposure and related risk mitigation for the following distinct categories:

- *Gross credit risk exposure* includes the principal amount of loans drawn, letters of credit issued and undrawn portions of committed facilities, the PRV of derivative instruments after consideration of legally enforceable netting agreements, the notional value of investments in money market funds and the market values of securities financing transactions and the debt cash trading portfolio (short-term securities) netted at the issuer level.
- *Risk mitigation* includes CDS and other hedges, at their net notional amount, guarantees, insurance and collateral (primarily cash, securities and, to a lesser extent, real estate, mainly for exposures of our private banking, corporate and institutional businesses to corporates & other). Collateral values applied for the calculation of the net exposure are determined in accordance with our risk management policies and reflect applicable margining considerations.
- *Net credit risk exposure* represents gross credit risk exposure net of risk mitigation.
- *Inventory* represents the long inventory positions in trading and non-trading physical debt and synthetic positions, each at market value, all netted at the issuer level. Physical debt is non-derivative debt positions (e.g., bonds), and synthetic positions are created through OTC contracts (e.g., CDS purchased and/or sold and total return swaps).

CDS presented in the risk mitigation column are purchased as a direct hedge to our OTC exposure and the risk mitigation impact is considered to be the notional amount of the contract for risk purposes, with the mark-to-market fair value of CDS risk-managed against the protection provider. Net notional amounts of CDS reflect the notional amount of CDS protection purchased less the notional amount of CDS protection sold and are based on the origin of the CDS reference credit, rather than that of the CDS counterparty. CDS included in the inventory column represent contracts recorded in our trading books that are hedging the credit risk of the instruments included in the inventory column and are disclosed on the same basis as the value of the fixed income instrument they are hedging.

We do not have any tranched CDS positions on these European countries and only an insignificant amount of indexed credit derivatives is included in inventory.

The credit risk of CDS contracts themselves, i.e., the risk that the CDS counterparty will not perform in the event of a default, is managed separately from the credit risk of the reference credit. To mitigate such credit risk, all CDS contracts are collateralized and executed with counterparties with whom we have an enforceable International Swaps and Derivatives Association (ISDA) master agreement that provides for daily margining.

Development of selected European credit risk exposures

On a gross basis, before taking into account risk mitigation, our risk-based sovereign credit risk exposure to Cyprus, Croatia, Greece, Ireland, Italy, Malta, Portugal and Spain increased 2% to EUR 3,008 million as of December 31, 2017, compared to EUR 2,959 million as of December 31, 2016. Our net exposure to these sovereigns was EUR 1,463 million, 176% higher compared to EUR 531 million as of December 31, 2016. Our non-sovereign risk-based credit risk exposure in these countries as of December 31, 2017 included net exposures to financial institutions of EUR 1,898 million, 5% lower compared to December 31, 2016, and net exposures to corporates and other counterparties of EUR 2,391 million, 82% higher compared to December 31, 2016.

A significant majority of the purchased credit protection is transacted with central counterparties or banks outside of the disclosed countries. For credit protection purchased from central counterparties or banks in the disclosed countries, such credit risk is reflected in the gross and net exposure to each respective country.

Sovereign debt rating developments

From year-end 2017 through February 28, 2018, the long-term sovereign debt ratings of the countries listed in the table changed as follows: Standard & Poor's increased Cyprus' rating from BB to BB+, increased Greece's rating from B- to B, increased Italy's rating from BBB- to BBB and increased Portugal's rating from BB+ to BBB-. Fitch increased Croatia's rating from BB to BB+, increased Cyprus' rating from BB- to BB, increased Greece's rating from CCC to B, increased Ireland's rating from A to A+, decreased Italy's rating from BBB+ to BBB, increased Malta's rating from A to A+, increased Portugal's rating from BB+ to BBB and increased Spain's rating from BBB+ to A-. Moody's increased Cyprus' rating from B1 to BA3, increased Greece's rating from CAA3 to B3 and increased Ireland's rating from A3 to A2. These rating changes did not have a significant impact on the Group's financial position, result of operations, liquidity or capital resources.

Selected European credit risk exposures

December 31, 2017	Gross credit risk exposure	Risk mitigation		Net credit risk exposure	Inventory [2]		Total credit risk exposure	
		CDS	Other [1]			Net synthetic inventory [3]	Gross	Net
Croatia (EUR million)								
Sovereign	0	0	0	0	7	6	7	7
Corporates & other	50	0	0	50	0	0	50	50
Total	**50**	**0**	**0**	**50**	**7**	**6**	**57**	**57**
Cyprus (EUR million)								
Sovereign	0	0	0	0	2	0	2	2
Financial institutions	19	0	19	0	0	0	19	0
Corporates & other	1,338	0	1,275	63	0	0	1,338	63
Total	**1,357**	**0**	**1,294**	**63**	**2**	**0**	**1,359**	**65**
Greece (EUR million)								
Sovereign	0	0	0	0	24	0	24	24
Financial institutions	137	0	136	1	0	0	137	1
Corporates & other	688	0	662	26	1	(5)	689	27
Total	**825**	**0**	**798**	**27**	**25**	**(5)**	**850**	**52**
Ireland (EUR million)								
Sovereign	771	0	0	771	0	0	771	771
Financial institutions	1,187	0	341	846	37	(65)	1,224	883
Corporates & other	768	0	297	471	28	(17)	796	499
Total	**2,726**	**0**	**638**	**2,088**	**65**	**(82)**	**2,791**	**2,153**
Italy (EUR million)								
Sovereign	1,854	1,414	131	309	0	(585)	1,854	309
Financial institutions	820	51	568	201	20	(68)	840	221
Corporates & other	3,785	41	2,772	972	109	(6)	3,894	1,081
Total	**6,459**	**1,506**	**3,471**	**1,482**	**129**	**(659)**	**6,588**	**1,611**
Malta (EUR million)								
Financial institutions	29	0	0	29	0	0	29	29
Corporates & other	618	0	612	6	0	0	618	6
Total	**647**	**0**	**612**	**35**	**0**	**0**	**647**	**35**
Portugal (EUR million)								
Sovereign	0	0	0	0	42	36	42	42
Financial institutions	251	0	232	19	9	(8)	260	28
Corporates & other	284	8	183	93	0	(68)	284	93
Total	**535**	**8**	**415**	**112**	**51**	**(40)**	**586**	**163**
Spain (EUR million)								
Sovereign	308	0	0	308	0	(18)	308	308
Financial institutions	1,299	6	593	700	36	(36)	1,335	736
Corporates & other	1,925	85	1,337	503	69	(13)	1,994	572
Total	**3,532**	**91**	**1,930**	**1,511**	**105**	**(67)**	**3,637**	**1,616**
Total (EUR million)								
Sovereign	2,933	1,414	131	1,388	75	(561)	3,008	1,463
Financial institutions	3,742	57	1,889	1,796	102	(177)	3,844	1,898
Corporates & other	9,456	134	7,138	2,184	207	(109)	9,663	2,391
Total	**16,131**	**1,605**	**9,158**	**5,368**	**384**	**(847)**	**16,515**	**5,752**

[1] Includes other hedges (derivative instruments), guarantees, insurance and collateral.
[2] Represents long inventory positions netted at issuer level.
[3] Substantially all of which results from CDS; represents long positions net of short positions.

Balance sheet, off-balance sheet and other contractual obligations

During 2017, total assets and total liabilities decreased by 3%, primarily reflecting the foreign exchange translation impact. As of the end of 2017, total assets were CHF 796.3 billion, total liabilities were CHF 754.1 billion and total equity was CHF 42.2 billion. The majority of our transactions are recorded on our balance sheet. However, we also enter into transactions that give rise to both on and off-balance sheet exposure.

BALANCE SHEET

Total assets were CHF 796.3 billion as of the end of 2017, a decrease of CHF 23.6 billion, or 3%, compared to the end of 2016. Excluding the foreign exchange translation impact, total assets decreased CHF 3.6 billion.

In Swiss francs, central bank funds sold, securities purchased under resale agreements and securities borrowing transactions decreased CHF 19.5 billion, or 14%, mainly driven by a decrease in reverse repurchase transactions with banks and customers, a decrease in cash collateral and the foreign exchange translation impact. Cash and due from banks decreased CHF 11.3 billion, or 9%, mainly driven by lower cash positions at central banks, including the SNB, the Fed and the ECB. Trading assets decreased CHF 8.8 billion, or 5%, primarily reflecting the foreign exchange translation impact. Brokerage receivables increased CHF 13.5 billion, or 40%, mainly due to open trades and increases in margin lending and failed settlements. Net loans and all other assets were stable.

Balance sheet summary

			end of		% change
	2017	2016	2015	17 / 16	16 / 15
Assets (CHF million)					
Cash and due from banks	109,815	121,161	92,328	(9)	31
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	115,346	134,839	123,049	(14)	10
Trading assets	156,334	165,150	190,737	(5)	(13)
Net loans	279,149	275,976	272,995	1	1
Brokerage receivables	46,968	33,431	34,542	40	(3)
All other assets	88,677	89,304	107,154	(1)	(17)
Total assets	**796,289**	**819,861**	**820,805**	(3)	0
Liabilities and equity (CHF million)					
Due to banks	15,413	22,800	21,054	(32)	8
Customer deposits	361,162	355,833	342,705	1	4
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	26,496	33,016	46,598	(20)	(29)
Trading liabilities	39,119	44,930	48,971	(13)	(8)
Long-term debt	173,032	193,315	197,608	(10)	(2)
Brokerage payables	43,303	39,852	39,452	9	1
All other liabilities	95,575	87,804	79,399	9	11
Total liabilities	**754,100**	**777,550**	**775,787**	(3)	0
Total shareholders' equity	**41,902**	**41,897**	**44,382**	0	(6)
Noncontrolling interests	287	414	636	(31)	(35)
Total equity	**42,189**	**42,311**	**45,018**	0	(6)
Total liabilities and equity	**796,289**	**819,861**	**820,805**	(3)	0

Total liabilities were CHF 754.1 billion as of the end of 2017, a decrease of CHF 23.5 billion, or 3%, compared to the end of 2016. Excluding the foreign exchange translation impact, total liabilities decreased CHF 2.7 billion.

In Swiss francs, long-term debt decreased CHF 20.3 billion, or 10%, primarily driven by maturities of senior debt and the foreign exchange translation impact, partially offset by issuances of senior debt. Due to banks decreased CHF 7.4 billion, or 32%, mainly driven by a decrease in demand deposits with banks and a decrease in time deposits. A decrease of CHF 6.5 billion, or 20%, in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions mainly reflected decreases in repurchase transactions with banks and customers and lower cash collateral. Trading liabilities decreased CHF 5.8 billion, or 13%, primarily reflecting a decrease in derivative instruments and the foreign exchange translation impact. Customer deposits were stable. Brokerage payables increased CHF 3.5 billion, or, 9%, mainly due to an increase in open trades with banks and customers, partially offset by decreases in margin lending, failed settlements and the foreign exchange translation impact. All other liabilities increased CHF 7.8 billion, or 9%, including increases of CHF 10.5 billion, or 68%, in short-term borrowings and CHF 5.5 billion, or 17%, in obligation to return securities received as collateral, partially offset by a decrease of CHF 8.2 billion, or 21%, in other liabilities.

▸ Refer to “Liquidity and funding management” and “Capital management” for more information, including our funding of the balance sheet and the leverage ratio.

OFF-BALANCE SHEET

We enter into off-balance sheet arrangements in the normal course of business. Off-balance sheet arrangements are transactions or other contractual arrangements with, or for the benefit of, an entity that is not consolidated. These transactions include derivative instruments, guarantees and similar arrangements, retained or contingent interests in assets transferred to an unconsolidated entity in connection with our involvement with special purpose entities (SPEs), and obligations and liabilities (including contingent obligations and liabilities) under variable interests in unconsolidated entities that provide financing, liquidity, credit and other support.

Derivative instruments

We enter into derivative contracts in the normal course of business for market making, positioning and arbitrage purposes, as well as for our own risk management needs, including mitigation of interest rate, foreign exchange and credit risk.

▸ Refer to “Derivative instruments” in Risk management – Risk review and results – Credit risk review for further information.

▸ Refer to “Note 31 – Derivatives and hedging activities” in VI – Consolidated financial statements – Credit Suisse Group for further information.

▸ Refer to “Note 34 – Financial instruments” in VI – Consolidated financial statements – Credit Suisse Group for further information.

Guarantees and similar arrangements

In the ordinary course of business, guarantees and indemnifications are provided that contingently obligate us to make payments to a guaranteed or indemnified party based on changes in an asset, liability or equity security of the guaranteed or indemnified party. We may be contingently obligated to make payments to a guaranteed party based on another entity’s failure to perform, or we may have an indirect guarantee of the indebtedness of others. Guarantees provided include, but are not limited to, customary indemnifications to purchasers in connection with the sale of assets or businesses; to investors in private equity funds sponsored by us regarding potential obligations of their employees to return amounts previously paid as carried interest; to investors in our securities and other arrangements to provide gross-up payments if there is a withholding or deduction because of a tax assessment or other governmental charge; and to counterparties in connection with securities lending arrangements.

In connection with the sale of assets or businesses, we sometimes provide the acquirer with certain indemnification provisions. These indemnification provisions vary by counterparty in scope and duration and depend upon the type of assets or businesses sold. They are designed to transfer the potential risk of certain unquantifiable and unknowable loss contingencies, such as litigation, tax and intellectual property matters, from the acquirer to the seller. We closely monitor all such contractual agreements in order to ensure that indemnification provisions are adequately provided for in our consolidated financial statements.

US GAAP requires disclosure of our maximum potential payment obligations under certain guarantees to the extent that it is possible to estimate them and requires recognition of a liability for the fair value of obligations undertaken for guarantees issued or amended after December 31, 2002.

▸ Refer to “Note 32 – Guarantees and commitments” in VI – Consolidated financial statements – Credit Suisse Group for disclosure of our estimated maximum payment obligations under certain guarantees and related information.

Representations and warranties on residential mortgage loans sold

In connection with the former Investment Banking division’s sale of US residential mortgage loans, we have provided certain representations and warranties relating to the loans sold. We have provided these representations and warranties relating to sales of loans to: the US government-sponsored enterprises Fannie Mae and Freddie Mac; institutional investors, primarily banks; and non-agency, or private label, securitizations. The loans sold are primarily loans that we have purchased from other parties. The scope of representations and warranties, if any, depends on the transaction, but can include: ownership of the mortgage loans and legal capacity to sell the loans; LTV ratios and other characteristics of the property, the borrower and the loan; validity of the liens securing the loans and absence of delinquent taxes or related liens; conformity to underwriting standards and completeness of documentation; and origination in compliance with law. If it is determined that representations and warranties were breached, we may be required to repurchase the related loans or indemnify the investors

to make them whole for losses. Whether we will incur a loss in connection with repurchases and make whole payments depends on: the extent to which claims are made; the validity of such claims (including the likelihood and ability to enforce claims); whether we can successfully claim against parties that sold loans to us and made representations and warranties to us; the residential real estate market, including the number of defaults; and whether the obligations of the securitization vehicles were guaranteed or insured by third parties.

▸ Refer to "Representations and warranties on residential mortgage loans sold" in Note 32 – Guarantees and commitments in VI – Consolidated financial statements – Credit Suisse Group for further information.

Involvement with special purpose entities

In the normal course of business, we enter into transactions with, and make use of, SPEs. An SPE is an entity in the form of a trust or other legal structure designed to fulfill a specific limited need of the company that organized it and is generally structured to isolate the SPE's assets from creditors of other entities, including the Group. The principal uses of SPEs are to assist us and our clients in securitizing financial assets and creating investment products. We also use SPEs for other client-driven activity, such as to facilitate financings, and for Group tax or regulatory purposes.

▸ Refer to "Note 33 – Transfers of financial assets and variable interest entities" in VI – Consolidated financial statements – Credit Suisse Group for further information.

From time to time, we may issue subordinated and senior securities through SPEs that lend the proceeds to the Group.

CONTRACTUAL OBLIGATIONS AND OTHER COMMERCIAL COMMITMENTS

In connection with our operating activities, we enter into certain contractual obligations and commitments to fund certain assets. Our contractual obligations and commitments include short and long-term on-balance sheet obligations as well as future contractual interest payments and off-balance sheet obligations. Total obligations decreased CHF 15.2 billion in 2017 to CHF 666.9 billion, primarily reflecting decreases in long-term debt of CHF 20.3 billion to CHF 173.0 billion, in due to banks of CHF 7.4 billion to CHF 15.4 billion and in trading liabilities of CHF 5.8 billion to CHF 39.1 billion. The decreases were partially offset by increases in short-term borrowings of CHF 10.5 billion to CHF 25.9 billion, in customer deposits of CHF 5.3 billion to CHF 361.2 billion and in brokerage payables of CHF 3.5 billion to CHF 43.3 billion.

▸ Refer to "Note 24 – Long-term debt" in VI – Consolidated financial statements – Credit Suisse Group for further information on long-term debt and the related interest commitments.

▸ Refer to "Note 32 – Guarantees and commitments" in VI – Consolidated financial statements – Credit Suisse Group for further information on commitments.

Contractual obligations and other commercial commitments

					2017	2016
Payments due within	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total	Total
On- and off-balance sheet obligations (CHF million)						
Due to banks	14,606	658	0	149	15,413	22,800
Customer deposits	359,317	740	319	786	361,162	355,833
Short-term borrowings	25,889	0	0	0	25,889	15,385
Long-term debt [1]	33,757	44,193	29,585	65,497	173,032 [2]	193,315 [2]
Contractual interest payments [3]	1,417	234	170	753	2,574 [4]	3,622
Trading liabilities	39,119	0	0	0	39,119	44,930
Brokerage payables	43,303	0	0	0	43,303	39,852
Operating lease obligations	570	1,039	741	2,884	5,234	5,777
Purchase obligations	555	353	148	127	1,183	564
Total obligations [5]	**518,533**	**47,217**	**30,963**	**70,196**	**666,909**	**682,078**

[1] Refer to "Debt issuances and redemptions" in Liquidity and funding management and "Note 24 – Long-term debt" in VI – Consolidated financial statements – Credit Suisse Group for further information on long-term debt.

[2] Includes non-recourse liabilities from consolidated VIEs of CHF 863 million and CHF 1,759 million as of December 31, 2017 and 2016, respectively.

[3] Includes interest payments on fixed rate long-term debt, fixed rate interest-bearing deposits (excluding demand deposits) and fixed rate short-term borrowings, which have not been effectively converted to variable rate on an individual instrument level through the use of swaps.

[4] Due to the non-determinable nature of interest payments, the following notional amounts have been excluded from the table: variable rate long-term debt of CHF 66,925 million, variable rate short-term borrowings of CHF 21,072 million, variable rate interest-bearing deposits and demand deposits of CHF 149,300 million, fixed rate long-term debt and fixed rate interest-bearing deposits converted to variable rate on an individual instrument level through the use of swaps of CHF 77,028 million and CHF 203 million, respectively.

[5] Excludes total accrued benefit liability for pension and other post-retirement benefit plans of CHF 533 million and CHF 516 million as of December 31, 2017 and 2016, respectively, recorded in other liabilities in the consolidated balance sheets, as the accrued liability does not represent expected liquidity needs. Refer to "Note 30 – Pension and other post-retirement benefits" in VI – Consolidated financial statements – Credit Suisse Group for further information on pension and other post-retirement benefits.

IV

Corporate Governance

Corporate Governance overview 182

Shareholders 185

Board of Directors 190

Executive Board 208

Additional information 216

Corporate Governance overview

The Group's corporate governance complies with internationally accepted standards. We are committed to safeguarding the interests of our stakeholders and recognize the importance of good corporate governance. We know that transparent disclosure of our governance helps stakeholders assess the quality of the Group's corporate governance and assists investors in their investment decisions.

CORPORATE GOVERNANCE DEVELOPMENTS

During 2017, the Group's corporate governance continued to align with the implementation of the Group's strategy and the ongoing program to evolve the Group's legal entity structure. The key corporate governance developments for the Group in 2017 included:

- The decision, announced in connection with the publication of our first quarter financial report, not to pursue a partial initial public offering of Credit Suisse (Schweiz) AG, thus retaining full ownership of a historically stable income stream in our home market of Switzerland and avoiding complexity in the business structure and activities of a key division of the Group;
- The Extraordinary General Meeting (EGM) held on May 18, 2017, at which shareholders approved an ordinary capital increase by way of a rights offering, which resulted in 393,232,572 newly issued shares and net proceeds for the Group of CHF 4.1 billion;
- The election of two new Group Board of Directors (Board) members, Andreas Gottschling and Alexandre Zeller, at the 2017 Annual General Meeting (AGM). Alexandre Zeller also serves as chairman of the board of directors of our Swiss subsidiary Credit Suisse (Schweiz) AG, and Andreas Gottschling was appointed as a board member to two of the Group's UK subsidiaries, Credit Suisse International and Credit Suisse Securities (Europe) Limited, effective in January 2018;
- The appointment of Board member Kai S. Nargolwala as the new Compensation Committee Chair, succeeding Jean Lanier, effective as of the 2017 AGM;
- The selection and nomination of two new Board member candidates, Michael Klein and Ana Paula Pessoa, for election at the 2018 AGM;
- Significant progress in evolving the legal entity structure of the Group, including the establishment of Credit Suisse Services AG, our Swiss service company, which became operational in July 2017; and
- Continued progress in aligning the governance of the Group's major subsidiaries, including appointments of new non-executive directors to the boards of the Group's major subsidiaries in the US, UK and Switzerland.

▸ Refer to "Evolution of legal entity structure" in I – Information on the company – Strategy for further information on our legal entity structure.

We regularly monitor developments in corporate governance guidelines, regulations and best practice standards in all jurisdictions relevant to our business operations. In 2017, the Swiss parliament started its review of the proposed revision to Swiss corporate law, which includes proposals that impact shareholder meetings and executive compensation, carrying over the regulations of the Swiss Ordinance Against Excessive Compensation with respect to Listed Corporations (Compensation Ordinance) into the general Swiss corporate law, as well as gender diversity at the board and executive board levels. The Swiss Financial Market Supervisory Authority FINMA (FINMA) circular 2017/1 "Corporate Governance – Banks", which concentrated existing specifications set forth in various FINMA circulars and emphasizes the importance of modern corporate governance and appropriate and efficient risk management for banks, became effective on July 1, 2017. The Group's existing corporate governance framework, including its risk management framework, reflects the guidance and standards set forth in this new circular. Furthermore, the SIX Swiss Exchange (SIX) issued a partial revision of the Directive on Information relating to Corporate Governance with respect to sustainability reporting. The amendment became effective on July 1, 2017 and enables issuers on an optional basis to report to the SIX by means of an opting-in clause that the issuer produces a sustainability report in accordance with an internationally recognized standard recognized by the SIX.

▸ Refer to "Risk management" in III – Treasury, Risk, Balance sheet and Off-balance sheet for further information on risk governance.

CORPORATE GOVERNANCE FRAMEWORK

The Group's corporate governance framework consists of its governing bodies and its corporate governance policies and procedures, which define the competencies of the governing bodies and other corporate governance rules, as well as the practices to be followed throughout the Group, in line with Swiss corporate law and international best practice standards for corporate governance. The governing bodies of the Group are:

- the General Meeting of Shareholders;
- the Board of Directors;
- the Executive Board; and
- the external auditors.

Corporate Governance Framework

[1] The Board of Directors has also formed an advisory body, the Innovation and Technology Committee, which consists of Members of the Board of Directors and the Executive Board as well as external advisors.

The shareholders elect the members of the Board and the external auditors on an annual basis and approve required resolutions at the AGM, such as the consolidated financial statements, capital increases and Board and Executive Board compensation. The Board is responsible for the overall strategic direction, supervision and control of the Group and appoints the members of the Executive Board. The Executive Board is responsible for the day-to-day operational management of the Group's business and for developing and implementing business plans.

The Group is engaged in the banking business and is structured into five business divisions – Swiss Universal Bank; International Wealth Management; Asia Pacific; Global Markets; and Investment Banking & Capital Markets – as well as the Strategic Resolution Unit. The divisions are supported by corporate functions that provide infrastructure and services and have internal control responsibilities. The Group's banking business is carried out through its legal entities, which are operational in various jurisdictions and subject to the governance rules and supervision of the regulators in those jurisdictions. The Group has identified certain major subsidiary companies, which, in aggregate, account for a significant proportion of the Group's business operations. These major subsidiaries are Credit Suisse (Schweiz) AG, Credit Suisse Holdings (USA) Inc., Credit Suisse International and Credit Suisse Securities (Europe) Ltd., all subsidiaries of Credit Suisse AG. Corporate governance at these major subsidiaries is closely aligned with the Group's corporate governance.

The Group's corporate governance framework is depicted in the chart above. The duties and responsibilities of the governing bodies are described in further detail in the sections below.

The Group's corporate governance policies and procedures, adopted by the Board, are defined in a series of documents, all of which are available on our website at *credit-suisse.com/governance*, and include:

- Articles of Association (AoA): define the purpose of the business, the capital structure and the basic organizational framework. The AoA of Credit Suisse Group AG (Group) are dated June 6, 2017, and the AoA of Credit Suisse AG (Bank) are dated September 4, 2014. The Group's and the Bank's AoAs are available on our website at *credit-suisse.com/articles.*
- Code of Conduct: defines the Group's ethical values and professional standards that the Board and all employees are required to follow, including adherence to all relevant laws, regulations and policies in order to maintain and strengthen our reputation for integrity, fair dealing and measured risk taking. Our Code of Conduct is available on our website at *credit-suisse.com/code* in ten languages.
- Organizational Guidelines and Regulations (OGR): define the organizational structure of the Group and the responsibilities and sphere of authority of the Board, its committees and the various senior management bodies within the Group, as well as the relevant reporting procedures.
- Board charter: outlines the organization and responsibilities of the Board. The Board charter is available on our website at: *credit-suisse.com/boardcharter.*
- Board committee charters: define the organization and responsibilities of the committees.
- Compensation policy: provides a foundation for the development of sound compensation plans and practices. The Group's compensation policy is available on our website at *credit-suisse.com/compensationpolicy*.

The summaries herein of the material provisions of our AoA and the Swiss Code of Obligations do not purport to be complete and are qualified in their entirety by reference to the AoA and the Swiss Code of Obligations.

Credit Suisse Group AG and Credit Suisse AG are registered companies in Switzerland. The Group's shares are listed on the SIX stock exchange and – in the form of American Depositary Shares (ADS), as evidenced by American Depositary Receipts – on the New York Stock Exchange (NYSE). The business purpose of the Group, as set forth in Article 2 of its AoA, is to hold direct or indirect interests in all types of businesses in Switzerland and abroad, in particular in the areas of banking, finance, asset management and insurance. The business purpose of the Bank, as set forth in Article 2 of its AoA, is to operate as a bank, with all related banking, finance, consultancy, service and trading activities in Switzerland and abroad. The AoA of the Group and the Bank set forth their powers to establish new businesses, acquire a majority or minority interest in existing businesses and provide related financing and to acquire, mortgage and sell real estate properties both in Switzerland and abroad. These and other company details are shown in the table below.

Company details

	Group	Bank
Legal name	Credit Suisse Group AG	Credit Suisse AG
Business purpose	Operate as a holding company	Operate as a bank
Registration details	Commercial register of the Canton of Zurich as of March 3, 1982; No. CHE-105.884.494	Commercial register of the Canton of Zurich as of April 27, 1883; No. CHE-106.831.974
Date incorporated, with unlimited duration	March 3, 1982	July 5, 1856
Registered office	Paradeplatz 8 8001 Zurich Switzerland	Paradeplatz 8 8001 Zurich Switzerland
Equity listing	Swiss Exchange (SIX) SIX number 1213853 NYSE in the form of ADS	–
Authorized representative in the US	Credit Suisse (USA), Inc., 11 Madison Avenue, New York, New York, 10010	Credit Suisse (USA), Inc., 11 Madison Avenue, New York, New York, 10010

▸ Refer to "II – Operating and financial review" for a detailed review of our operating results.

▸ Refer to "Note 39 – Significant subsidiaries and equity method investments" in VI – Consolidated financial statements – Credit Suisse Group for a list of significant subsidiaries and associated entities.

Code of Conduct

At Credit Suisse, we are convinced that our responsible approach to business is a decisive factor in determining our long-term success. We therefore expect all of our employees and members of the Board to observe the professional standards and ethical values set out in our Code of Conduct, including our commitment to complying with all applicable laws, regulations and policies in order to safeguard our reputation for integrity, fair dealing and measured risk-taking. The Code of Conduct also implements requirements stipulated under the US Sarbanes-Oxley Act of 2002 (SOX) by including provisions on ethics for our CEO and our principal financial and accounting officers and other persons performing similar functions. No waivers or exceptions are permissible under our Code of Conduct.

▸ Refer to "credit-suisse.com/code" for our Code of Conduct.

Corporate Responsibility

A responsible approach to business is a key factor in determining our long-term success. For Credit Suisse, corporate responsibility is about creating sustainable value for clients, shareholders, employees and other stakeholders. We strive to comply with the ethical values and professional standards set out in our Code of Conduct in every aspect of our work, including in our relationship with stakeholders. We do so based on a broad understanding of our duties as a financial services provider and employer and as an integral part of the economy and society. This approach also reflects our commitment to protecting the environment. To ensure that we supply the full breadth of information required by our stakeholders, we publish a Corporate Responsibility Report each year. The Group's reporting on corporate responsibility reflects the requirements set out in the Global Reporting Initiative (GRI) and has been prepared in accordance with GRI Standards: Core Option. Our Corporate Responsibility Report 2017 will be voluntarily reported to the SIX in accordance with the new opting-in regulation for companies issuing sustainability reports.

▸ Refer to "credit-suisse.com/responsibility" for our Corporate Responsibility Report.

Employee relations

As of December 31, 2017, we had 46,840 employees worldwide, of which 16,490 were in Switzerland and 30,350 were abroad. Our corporate titles include managing director, director, vice president, assistant vice president and non-officer staff. The majority of our employees do not belong to unions. We have not experienced any significant strikes, work stoppages or labor disputes in recent years. We consider our relations with our employees to be good.

▸ Refer to "Credit Suisse" in II – Operating and financial review for further information on our responsibility as an employer.

Shareholders

Capital structure

Our total issued share capital as of December 31, 2017 was CHF 102,240,469 divided into 2,556,011,720 shares, with a nominal value of CHF 0.04 per share. On May 18, 2017, the Group held an EGM at which shareholders approved an ordinary capital increase by way of a rights offering, which resulted in 393,232,572 newly issued shares and net proceeds for the Group of CHF 4.1 billion.

▸ Refer to "Note 15 – Share capital, conditional, conversion and authorized capital of Credit Suisse Group" in VII – Parent company financial statements – Credit Suisse Group and our AoA (Articles 26, 26c and 27) for information on changes to our capital structure during the year.

Shareholder base

We have a broad shareholder base, with the majority of shares owned directly or indirectly by institutional investors outside Switzerland. As of December 31, 2017, 112,139 shareholders were registered in our share register with 1,444,901,325 shares, representing 57% of the total shares issued. The remaining 43% of shares are not registered in our share register. As of December 31, 2017, 121,345,463 or 4.75%, of the issued shares were in the form of ADS. The information provided in the following tables reflects the distribution of Group shares as registered in our share register as of December 31, 2017.

Distribution of Group shares

end of				2017				2016
	Number of shareholders	%	Number of shares	%	Number of shareholders	%	Number of shares	%
Distribution of Group shares								
Private investors	108,856	97	178,205,123	7	114,541	97	165,821,864	8
of which Switzerland	99,164	88	157,977,712	6	104,367	88	146,980,705	7
of which foreign	9,692	9	20,227,411	1	10,174	9	18,841,159	1
Institutional investors	3,283	3	1,266,696,202	50	3,478	3	1,105,973,725	53
of which Switzerland	2,827	3	290,518,357	11	3,040	3	232,035,476	11
of which foreign [1]	456	0	976,177,845	38	438	0	873,938,249	42
Shares registered in share register	**112,139**	100	**1,444,901,325**	57	**118,019**	100	**1,271,795,589**	61
of which Switzerland	101,991	91	448,496,069	18	107,407	91	379,016,181	18
of which Europe	9,175	8	610,345,374	24	9,595	8	586,277,229	28
of which US [1]	162	0	362,822,676	14	148	0	290,750,194	14
of which other	811	1	23,237,206	1	869	1	15,751,985	1
Shares not registered in share register	**–**	–	**1,111,110,395**	43	**–**	–	**818,101,789**	39
Total shares issued	**–**	–	**2,556,011,720**	100	**–**	–	**2,089,897,378**	100

[1] Includes shares issued in the form of ADS.

Distribution of institutional investors in share register by industry

end of				2017				2016
	Number of shareholders	%	Number of shares	%	Number of shareholders	%	Number of shares	%
Institutional investors by industry								
Banks	20	1	795,084	0	20	1	1,255,503	0
Insurance companies	77	2	16,310,918	1	84	2	11,728,261	1
Pension funds	449	14	60,280,116	5	520	15	56,358,187	5
Investment trusts	391	12	233,752,140	18	360	10	164,705,849	15
Other trusts	552	17	9,160,647	1	579	17	8,320,368	1
Governmental institutions	23	1	648,134	0	25	1	604,300	0
Other [1]	1,657	50	161,226,970	13	1,761	51	130,483,026	12
Direct entries	**3,169**	97	**482,174,009**	38	**3,349**	96	**373,455,494**	34
Fiduciary holdings	114	3	**784,522,193**	62	**129**	4	**732,518,231**	66
Total institutional investors	**3,283**	100	**1,266,696,202**	100	**3,478**	100	**1,105,973,725**	100

Rounding differences may occur.

[1] Includes various other institutional investors for which a breakdown by industry type was not available.

Through the use of an external global market intelligence firm, we regularly gather additional information on the composition of our shareholder base, including information on shares that are not registered in our share register. According to this data, our shareholder base as of December 31, 2017 comprised 88% institutional investors, with around half of such investors located in North America. The distribution of Group shareholdings by investor type and region is shown as follows:

Group shares by investor type

End of 2017 (in %)

Investor type	%
Institutional investors	88
Private investors	9
Other investors	3

Institutional investors by region

End of 2017 (in %)

Region	%
North America	48
Switzerland	18
UK & Ireland	14
Europe	12
Other	8

Shareholder engagement

The Group engages regularly with its shareholders and proxy advisors. The purpose of such engagements is to understand the perspectives of its shareholders, exchange views about the Group's strategy, financial performance, corporate governance and compensation and other matters of importance to the Group or its shareholders. Shareholder engagement meetings may be attended by the Chairman of the Board (Chairman), the Compensation Committee Chair, the CEO, CFO and other members of the Board or senior management. The responsibility for shareholder engagement is overseen by our Investor Relations department. The Group aims to ensure that all shareholders receive the relevant information they need to keep abreast of current Group developments and make informed decisions.

Information policy

We are committed to an open and fair information policy with our shareholders and other stakeholders. Our Investor Relations and Corporate Communications departments are responsible for addressing inquiries received. All Group shareholders registered in our share register receive an invitation to our AGM, including an order form to receive the annual report and other reports. Each registered shareholder may elect to receive the quarterly reports on our financial performance. All of these reports and other information can be accessed on our website at *credit-suisse.com/investors*.

Notices required under Swiss law

Notices to shareholders required under Swiss law are made by publication in the Swiss Official Gazette of Commerce. The Board may designate further means of communication for publishing notices to shareholders. Notices required under the listing rules of the SIX will either be published in two Swiss newspapers in German and French and sent to the SIX or otherwise communicated to the SIX in accordance with applicable listing rules. The SIX may further disseminate the relevant information.

Significant shareholders

Under the Swiss Federal Act on Financial Market Infrastructure and market Conduct in Securities and Derivative Trading (FMIA), anyone holding shares in a company listed on the SIX is required to notify the company and the SIX if their holding reaches, falls below or exceeds the following thresholds: 3%, 5%, 10%, 15%, 20%, 25%, 33⅓%, 50% or 66⅔% of the voting rights entered into the commercial register, whether or not the voting rights can be exercised (that is, notifications must also include certain derivative holdings such as options or similar instruments). Following receipt of such notification, the company has an obligation to inform the public. In addition, pursuant to the Swiss Code of Obligations, a company must disclose in the notes to its annual consolidated financial statements the identity of any shareholders who own in excess of 5% of its shares. The following provides an overview of the holdings of our significant shareholders, including any rights to purchase or dispose of shares, based on the most recent disclosure notifications. In line with the FMIA requirements, the percentages indicated below were calculated in relation to the share capital reflected in the AoA at the time of the disclosure notification. As shareholders are only required to notify the company and the SIX if their holding reaches, falls below or exceeds the thresholds listed above, the percentage holdings of our significant shareholders may vary at any given time compared to the date of submission of the most recent notification for these respective shareholders. The full text of all notifications can be found on our website at *credit-suisse.com/shareholders*. Each share entitles the holder to one vote, except as described below.

▸ Refer to "Note 3 – Business developments, significant shareholders and subsequent events" in VI – Consolidated financial statements – Credit Suisse Group for further information on significant shareholders.

The Group also holds positions in its own shares, which are subject to the same disclosure requirements as significant external shareholders. These positions fluctuate and primarily reflect activities related to market making, facilitating client orders and satisfying the obligations under our employee compensation plans. Shares held by the Group have no voting rights. As of December 31, 2017, our holdings amounted to 3.79% purchase positions (0.42% registered shares and 3.37% share acquisition rights) and 21.19% sales positions (disposal rights), mainly related to the Group's outstanding tier 1 capital instruments, which would be converted into Group ordinary shares upon the occurrence of certain specified triggering events.

▸ Refer to "Issuances and redemptions" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital management for further information.

Cross shareholdings

The Group has no cross shareholdings in excess of 5% of capital or voting rights with any other company.

Significant shareholders

	Group publication of notification	Number of shares (million)	Approximate shareholding % [1]	Purchase rights %
December 31, 2017 or the most recent notification date				
Norges Bank	February 15, 2018	127.4	4.98	–
Qatar Investment Authority (registered entity – Qatar Holding LLC)	August 16, 2017	126.2	4.94	10.97 [2]
The Olayan Group (registered entity – Crescent Holding GmbH)	June 2, 2017	106.6	4.93	5.29 [3]
BlackRock Inc.	September 2, 2017	86.9	4.17	–
Harris Associates L.P.	November 9, 2013 [4]	81.5	5.17	–
Capital Group Companies, Inc.	October 31, 2017	76.6	3.01	–
December 31, 2016 or the most recent notification date				
The Olayan Group (registered entity – Crescent Holding GmbH)	September 16, 2016	111.3	5.41	5.31
Norges Bank	December 3, 2016	104.4	4.99	–
Qatar Investment Authority (registered entity – Qatar Holding LLC)	November 16, 2016	103.0	4.93	12.81
Capital Group Companies, Inc.	January 28, 2017	96.7	4.91	–
Harris Associates L.P.	November 9, 2013	81.5	5.17	–
BlackRock Inc.	January 25, 2013	38.6	3.01	–
December 31, 2015 or the most recent notification date				
Norges Bank	February 12, 2016	98.5	5.03	–
Qatar Investment Authority (registered entity – Qatar Holding LLC)	December 10, 2015	97.5	4.98	13.59
The Olayan Group (registered entity – Crescent Holding GmbH)	December 2, 2015	84.0	4.95	6.40
Harris Associates L.P.	November 9, 2013	81.5	5.17	–
Franklin Resources, Inc.	February 25, 2016	69.0	3.52	–
Dodge & Cox	December 19, 2012	63.5	4.96	–
Capital Group Companies, Inc.	April 21, 2015	48.4	3.01	–
BlackRock Inc.	January 25, 2013	38.6	3.01	–

[1] The approximate shareholding percentages were calculated in relation to the share capital at the time of the relevant disclosure notification. They therefore do not reflect changes in such percentages that would result from changes in the number of outstanding shares, following the date of the disclosure notification.

[2] Consists of 10.97% purchase rights relating to Qatar Holding LLC's holdings of USD 1.72 billion 9.5% tier 1 capital instruments and CHF 2.5 billion 9.0% tier 1 capital instruments (perpetual security with mandatory contingent conversion into shares), which will be converted into shares only in situations where the Group no longer meets specific regulatory capital requirements.

[3] Consists of 5.242% purchase rights relating to The Olayan Group's holdings of USD 1.725 billion 9.5% tier 1 capital instruments (perpetual security with mandatory contingent conversion into shares), 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.

[4] Harris Associates L.P.'s position includes the reportable position (4.97% shareholding as published by the SIX on November 28, 2017) of Harris Associates Investment Trust, which is managed by Harris Associates L.P.

Shareholder rights

We are fully committed to the principle of equal treatment of all shareholders. The following information summarizes certain shareholder rights at the Group.

Voting rights and transfer of shares

There is no limitation under Swiss law or the AoA on the right to own Group shares.

In principle, each share represents one vote at the AGM. Shares held by the Group have no voting rights. Shares for which a single shareholder or shareholder group can exercise voting rights may not exceed 2% of the total outstanding share capital, unless one of the exemptions discussed below applies. The restrictions on voting rights do not apply to:

- the exercise of voting rights by the independent proxy as elected by the AGM;
- shares in respect of which the shareholder confirms to us that the shareholder has acquired the shares in the shareholder's name for the shareholder's own account and in respect of which the disclosure requirements in accordance with the FMIA and the relevant ordinances and regulations have been fulfilled; or
- shares that are registered in the name of a nominee, provided that this nominee is willing to furnish us, on request, the name, address and shareholdings of any beneficial owner or group of related beneficial owners on behalf of whom the nominee holds 0.5% or more of the total outstanding share capital of the Group.

To execute voting rights, shares need to be registered in the share register directly or in the name of a nominee. In order to be registered in the share register, the purchaser must file a share registration form with the depository bank. The registration of shares in the share register may be requested at any time. Failing such

registration, the purchaser may not vote or participate in shareholders' meetings. However, each shareholder, whether registered in the share register or not, is entitled to receive dividends or other distributions approved at the AGM. Transfer restrictions apply regardless of the way and the form in which the registered shares are kept in the accounts and regardless of the provisions applicable to transfers. The transfer of intermediated securities based on Group shares, and the pledging of these intermediated securities as collateral, is based on the provisions of the Swiss Federal Intermediated Securities Act. The transfer or pledging of shares as collateral by means of written assignment is not permitted.

Annual General Meeting

We encourage shareholders to participate at our AGM. Under Swiss law, the AGM must be held within six months of the end of the fiscal year. Notice of an AGM, including agenda items and proposals submitted by the Board and by shareholders, must be published in the Swiss Official Gazette of Commerce at least 20 days prior to the AGM.

Shares only qualify for voting at an AGM if they are registered in the share register with voting rights no later than three days prior to the AGM.

Convocation of shareholder meetings

The AGM is convened by the Board or, if necessary, by the statutory auditors, with 20 days' prior notice. The Board is further required to convene an EGM if so resolved at a shareholders' meeting or if so requested by shareholders holding in aggregate at least 10% of the nominal share capital. The request to call an EGM must be submitted in writing to the Board, and, at the same time, Group shares representing at least 10% of the nominal share capital must be deposited for safekeeping. The shares remain in safekeeping until the day after the EGM.

Request to place an item on the agenda

Shareholders holding shares with an aggregate nominal value of at least CHF 40,000 have the right to request that a specific item be placed on the agenda and voted upon at the AGM. The request to include a particular item on the agenda, together with a relevant proposal, must be submitted in writing to the Board no later than 45 days before the meeting and, at the same time, Group shares with an aggregate nominal value of at least CHF 40,000 must be deposited for safekeeping. The shares remain in safekeeping until the day after the AGM.

Quorum requirements

The AGM may, in principle, pass resolutions without regard to the number of shareholders present at the meeting or represented by proxy, except as discussed below. Resolutions and elections generally require the approval of a majority of the votes represented at the meeting, except as otherwise provided by mandatory provisions of law or by the AoA.

Shareholders' resolutions that require a vote by a majority of the votes represented include:

- amendments to the AoA, unless a supermajority is required;
- election of members of the Board, the Chairman, the members of the Compensation Committee, the independent proxy and statutory auditors;
- approval of the compensation of the members of the Board and the Executive Board;
- approval of the annual report and the statutory and consolidated accounts;
- discharge of the acts of the members of the Board and Executive Board; and
- determination of the appropriation of retained earnings.

A quorum of at least two-thirds of the votes represented is required for resolutions on:

- change of the purpose of the company;
- creation of shares with increased voting powers;
- implementation of transfer restrictions on shares;
- increase in conditional and authorized capital;
- increase of capital by way of conversion of capital surplus or by contribution in kind;
- restriction or suspension of pre-emptive rights;
- change of location of the principal office; and
- dissolution of the company without liquidation.

A quorum of at least half of the total share capital and approval by at least three-quarters of the votes represented is required for resolutions on:

- the conversion of registered shares into bearer shares;
- amendments to the AoA relating to registration and voting rights of nominee holders; and
- the dissolution of the company.

A quorum of at least half of the total share capital and the approval of at least seven-eighths of the votes cast is required for amendments to provisions of the AoA relating to voting rights.

Say on pay

In accordance with the Swiss Code of Best Practice for Corporate Governance, the Group submitted the compensation report (contained in the Compensation section of the Annual Report) for a consultative vote by shareholders at the 2017 AGM. In accordance with the Compensation Ordinance, the Group will submit the following Board and Executive Board compensation recommendations for binding votes by shareholders at the 2018 AGM:

- For the Board: a maximum aggregate amount of compensation to be paid to members of the Board for the period from the 2018 to the 2019 AGM;
- For the Executive Board: an aggregate amount of variable compensation in the form of short-term incentive (STI) awards to be awarded to Executive Board members for the 2017 financial year;
- For the Executive Board: a maximum aggregate amount of fixed compensation to be paid to members of the Executive Board for the period from the 2018 to the 2019 AGM; and

- For the Executive Board: a maximum aggregate amount of variable compensation in the form of long-term incentive (LTI) awards to be granted to Executive Board members for the 2018 financial year.

In line with current practice, the Group will continue to submit the compensation report for a consultative vote by shareholders.

▸ Refer to V – Compensation for further information on the binding vote.

Discharge of the acts of the Board and the Executive Board

According to Swiss law, the AGM has the power to discharge the actions of the members of the Board and the Executive Board. The 2017 AGM granted discharge to the members of the Board and the Executive Board for the 2016 financial year.

Pre-emptive rights

Under Swiss law, any share issue, whether for cash or non-cash consideration or no consideration, is subject to the prior approval of the shareholders. Shareholders of a Swiss corporation have certain pre-emptive rights to subscribe for new issues of shares in proportion to the nominal amount of shares held. A resolution adopted at a shareholders' meeting with a supermajority may, however, limit or suspend pre-emptive rights in certain limited circumstances.

Duty to make an offer

Swiss law provides that anyone who, directly or indirectly or acting in concert with third parties, acquires 33⅓% or more of the voting rights of a listed Swiss company, whether or not such rights are exercisable, must make an offer to acquire all of the listed equity securities of such company, unless the AoA of the company provides otherwise. Our AoA does not include a contrary provision. This mandatory offer obligation may be waived under certain circumstances by the Swiss Takeover Board or the FINMA. If no waiver is granted, the mandatory offer must be made pursuant to procedural rules set forth in the FMIA and implementing ordinances.

Clauses on changes in control

To the best of our knowledge, there are no agreements in place that could lead to a change in control of the Group. Subject to certain provisions in the Group's employee compensation plans, which allow for the Compensation Committee or Board to determine the treatment of outstanding awards for all employees, including the Executive Board members, in the case of a change in control, there are no provisions that require the payment of extraordinary benefits in the agreements and plans benefiting members of the Board and the Executive Board or any other members of senior management. Specifically, there are no contractually agreed severance payments in the case of a change in control of the Group.

▸ Refer to "Contract lengths, termination and change in control provisions" in V – Compensation – Executive Board compensation for 2017 for further information on the clauses on changes in control.

Borrowing and raising funds

Neither Swiss law nor our AoA restrict our power to borrow and raise funds in any way. The decision to borrow funds is passed by or under the direction of our Board, with no shareholders' resolution required.

Liquidation

Under Swiss law and our AoA, the Group may be dissolved at any time by a shareholders' resolution which must be passed by:

- a supermajority of at least three-quarters of the votes cast at the meeting in the event the Group were to be dissolved by way of liquidation; and
- a supermajority of at least two-thirds of the votes represented and an absolute majority of the par value of the shares represented at the meeting in other cases.

Dissolution by order of FINMA is possible if we become bankrupt. Under Swiss law, any surplus arising out of liquidation (after the settlement of all claims of all creditors) is distributed to shareholders in proportion to the paid-up par value of shares held.

Board of Directors

Membership and qualifications

The AoA provide that the Board shall consist of a minimum of seven members. The Board currently consists of 12 members. We believe that the size of the Board must be such that the committees can be staffed with qualified members. At the same time, the Board must be small enough to ensure an effective and rapid decision-making process. Board members are elected at the AGM by our shareholders individually for a period of one year and are eligible for re-election. Shareholders will also elect a member of the Board as the Chairman and each of the members of the Compensation Committee for a period of one year. One year of office is understood to be the period of time from one AGM to the close of the next AGM. Members of the Board shall generally retire after having served on the Board for 12 years. Under certain circumstances, the Board may extend the limit of terms of office for a particular Board member for a maximum of three additional years.

An overview of the Board and the committee membership is shown in the following table. The composition of the Boards of the Group and the Bank is identical.

Members of the Board and Board committees

	Board member since	Independence	Governance and Nominations Committee	Audit Committee	Compensation Committee	Risk Committee
December 31, 2017						
Urs Rohner, Chairman	2009	Independent	Chairman	–	–	–
Iris Bohnet	2012	Independent	–	–	Member	–
Andreas Gottschling	2017	Independent	–	–	–	Member
Alexander Gut	2016	Independent	–	Member	–	–
Andreas N. Koopman	2009	Independent	–	–	Member	Member
Seraina Macia	2015	Independent	–	Member	–	–
Kai S. Nargolwala	2013	Independent	Member	–	Chairman	–
Joaquin J. Ribeiro	2016	Independent	–	Member	–	–
Severin Schwan, Vice-Chair and Lead Independent Director	2014	Independent	Member	–	–	Member
Richard E. Thornburgh, Vice-Chair	2006	Independent	Member	Member	–	Chairman
John Tiner	2009	Independent	Member	Chairman	–	Member
Alexandre Zeller	2017	Independent	Member	–	Member	–

Board changes

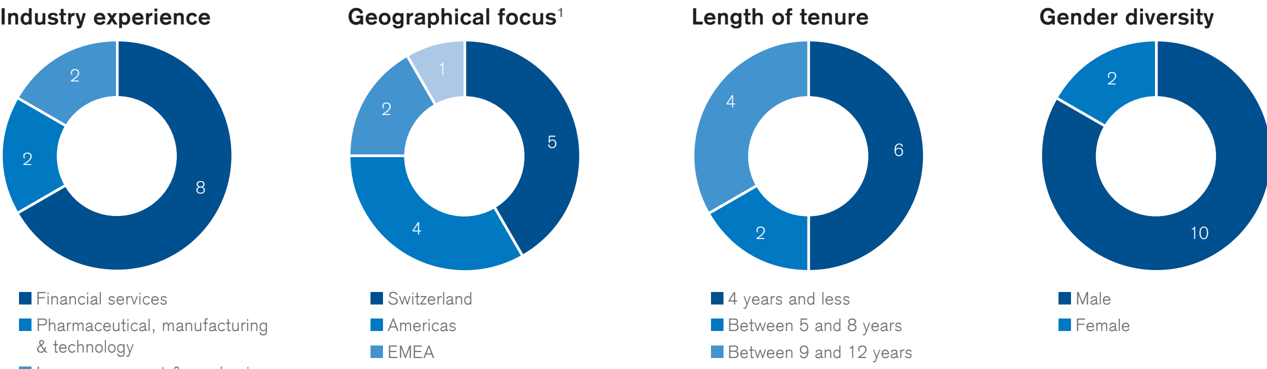
At the 2017 AGM, Andreas Gottschling and Alexandre Zeller were elected as new members of the Board. Noreen Doyle, Jean Lanier and Jassim bin Hamad J.J. Al Thani stepped down from the Board. The Board proposes Michael Klein and Ana Paula Pessoa for election as new non-executive Board members at the AGM on April 27, 2018. Michael Klein, former Chairman and Co-CEO Markets & Banking at Citigroup, is a recognized international banking professional and expert with over thirty years of experience in banking and financial services. Ana Paula Pessoa has wide ranging-experience in finance and strategy spanning more than two decades and currently serves as an independent board member of News Corporation, New York, and Vinci Group, Paris. Richard E. Thornburgh, upon reaching the relevant tenure limit, will not stand for re-election. The Board proposes that all other current members of the Board be re-elected to the Board, proposes the re-election of Urs Rohner as Chairman and proposes Iris Bohnet, Andreas N. Koopmann, Kai S. Nargolwala and Alexandre Zeller as members of the Compensation Committee.

Board composition and succession planning

The Governance and Nominations Committee (formerly Chairman's and Governance Committee) regularly considers the composition of the Board as a whole and in light of staffing requirements for the committees. The Governance and Nominations Committee recruits and evaluates candidates for Board membership based on criteria as set forth by the OGR. The Governance and Nominations Committee may also retain outside consultants with respect to the identification and recruitment of potential new Board members. In assessing candidates, the Governance and Nominations Committee considers the requisite skills and characteristics of Board members as well as the composition of the Board as a whole. Among other considerations, the Governance and Nominations Committee takes into account skills, management experience, independence and diversity in the context of the needs of the Board to fulfill its responsibilities. The Governance and Nominations Committee also considers other activities and commitments of an individual in order to be satisfied that a proposed member of the Board can devote enough time to a Board position at the Group.

▸ Refer to "Mandates" for further information.

Board composition



[1] Geographical focus represents the region in which the Board member has mostly focused his or her professional activities and may differ from the nationality of that individual.

The background, skills and experience of our Board members are diverse and broad and include holding or having held top management positions at financial services and other companies in Switzerland and abroad, as well as leading positions in government, academia and international organizations. The Board is composed of individuals with wide-ranging professional expertise in key areas such as financial management, audit, risk management, legal and regulatory affairs, human resources, digitalization, communication and incentive structures. Diversity of culture, experience and opinion are important aspects of Board composition, as well as gender diversity. While the ratio of female-to-male Board members may vary in any given year, the Board is committed to maintaining a good gender balance over the long term.

To maintain a high degree of expertise, diversity and independence in the future, the Board has a succession planning process in place to identify potential candidates for the Board at an early stage. With this process, we are well prepared when Board members rotate off the Board. The objectives of the succession planning process are to ensure adequate representation of key Board competencies and a Board composition that is well-suited to address future challenges, while maintaining the stability and professionalism of the Board. Potential candidates are evaluated according to criteria defined to assess the candidates' expertise and experience, which include the following:

- proven track record as an executive with relevant leadership credentials gained in an international business environment in financial services or another industry;
- relevant functional skills and credentials (e.g., in the areas of financial management, audit, risk management, legal, regulatory, innovation, technology, marketing, media, human resources, etc.);
- understanding of global banking, financial markets and financial regulation;
- broad international experience and global business perspective, with a track record of having operated in multiple geographies;
- ability to bring insight and clarity to complex situations and to both challenge and constructively support management;
- high level of integrity and affinity with the Group's values and corporate culture; and
- willingness to commit sufficient time to prepare for and attend Board and committee meetings.

The evaluation of candidates also considers formal independence and other criteria for Board membership, consistent with legal and regulatory requirements and the Swiss Code of Best Practice for Corporate Governance. Furthermore, we believe that other aspects, including team dynamics and personal reputation of Board members, play a critical role in ensuring the effective functioning of the Board. This is why the Group places the utmost importance on the right mix of personalities who are also fully committed to making their blend of specific skills and experience available to the Board.

While the Board is continually engaged in considering potential candidates throughout the year, succession planning for the next year is typically kicked off at the Board's annual strategy offsite, which is held mid-year. In addition to its discussions of the Group's strategy, the Board holds a dedicated session on corporate governance, at which, among other topics, current Board composition and future needs are discussed, including the needs for suitable Board committee composition. Based on the outcome of these discussions, the interest and availability of certain candidates will be explored further. The Board's discussions will continue at its annual self-assessment session, which usually takes place at year-end, and it will consider specific changes in Board composition to be proposed at the next AGM. The Board will ultimately approve candidates to be nominated as new Board members for election at the AGM at its February or March meetings, shortly before the publication of this report.

New members and continuing training

Any newly appointed member is required to participate in an orientation program to become familiar with our organizational structure, strategic plans, significant financial, accounting and risk issues and other important matters relating to the governance of the Group.

The orientation program is designed to take into account the new Board member's individual background and level of experience in each specific area. Moreover, the program's focus is aligned with any committee memberships of the person concerned. Board members are encouraged to engage in continuing training. The Board and the committees of the Board regularly ask specialists within the Group to speak about specific topics in order to enhance the Board members' understanding of issues that already are, or may become, of particular importance to our business.

Meetings

In 2017, the Board held six meetings in person and eight additional meetings. In addition, the Board held a two and a half-day strategy session.

All members of the Board are expected to spend the necessary time outside of these meetings needed to discharge their responsibilities appropriately. The Chairman calls the meeting with sufficient notice and prepares an agenda for each meeting. However, any other Board member has the right to call an extraordinary meeting, if deemed necessary. The Chairman has the discretion to invite members of management or others to attend the meetings. Generally, the members of the Executive Board attend part of the meetings to ensure effective interaction with the Board. The Board also holds separate private sessions without management present. Minutes are kept of the proceedings and resolutions of the Board.

From time to time, the Board may take certain decisions via circular resolution, unless a member asks that the matter be discussed in a meeting and not decided upon by way of written consent.

Meeting attendance

The members of the Board are encouraged to attend all meetings of the Board and the committees on which they serve.

Meeting attendance – Board and Board committees

	Board of Directors [1]	Governance and Nominations Committee [2]	Audit Committee [3]	Compensation Committee [4]	Risk Committee [5]
in 2017					
Total number of meetings held	14	8	16	10	6
Number of members who missed no meetings	9	7	4	4	6
Number of members who missed one meeting	3	1	1	0	0
Number of members who missed two or more meetings	3	0	0	1	1
Meeting attendance, in %	95	98	99	95	91

1 The Board consisted of 13 and 12 members at the beginning of the year and the end of the year, respectively, with 2 members joining the Board and 3 members leaving the Board as of the 2017 AGM.
2 The Governance and Nominations Committee consisted of five members at the beginning of the year and six members at the end of the year.
3 The Audit Committee consisted of five members at the beginning and the end of the year.
4 The Compensation Committee consisted of four members at the beginning and the end of the year.
5 The Risk Committee consisted of six members at the beginning of the year and five members at the end of the year.

Meeting attendance – individual Board members

Attendance (%)	< 80	80–89	90–100
Board member			
Urs Rohner, Chairman			●
Iris Bohnet		●	
Andreas Gottschling [1]			●
Alexander Gut			●
Andreas N. Koopman			●
Seraina Macia			●
Kai S. Nargolwala			●
Joaquin J. Robeiro			●
Severin Schwan		●	
Richard E. Thornburgh			●
John Tiner			●
Alexandre Zeller [1]		●	

1 Board member as of the 2017 AGM.

Mandates

Our Board members may assume board or executive level or other roles in companies and organizations outside of the Group, which are collectively referred to as mandates. The Compensation Ordinance sets out that companies must include provisions in their articles of association to define the activities that fall within the scope of a mandate and set limits on the number of mandates that board members and executive management may hold. According to the Group's AoA, mandates include activities in the most senior executive and management bodies of listed companies and all other legal entities that are obliged to obtain an entry in the Swiss commercial register or a corresponding foreign register.

The limitations on mandates assumed by Board members outside of the Group are summarized in the table below.

Type of mandate and limitation – Board

Type of mandate	Limitation
Listed Companies	No more than four other mandates
Other legal entities [1]	No more than five mandates
Legal entities on behalf of the Group [2]	No more than ten mandates
Charitable legal entities [3]	No more than ten mandates

1 Includes private non-listed companies.
2 Includes memberships in business and industry associations.
3 Also includes honorary mandates in cultural or educational organizations.

No Board member holds mandates in excess of these restrictions. The restrictions shown above do not apply to mandates of Board members in legal entities controlled by the Group such as subsidiary boards.

▸ Refer to "Audit Committee" in Board committees for further information on limits on Audit Committee service.

Independence

The Board consists solely of non-executive directors within the Group, of which at least the majority must be determined to be independent. In its independence determination, the Board takes into account the factors set forth in the OGR, the committee charters and applicable laws and listing standards. Our independence standards are also periodically measured against other emerging best practice standards.

The Governance and Nominations Committee performs an annual assessment of the independence of each Board member and reports its findings to the Board for the final determination of independence of each individual member. The Board has applied the independence criteria of the SIX Exchange Directive on Information relating to Corporate Governance, FINMA, the Swiss Code of Best Practice for Corporate Governance and the rules of the NYSE and the Nasdaq Stock Market (Nasdaq) in determining the definition of independence.

Independence criteria applicable to all Board members

In general, a director is considered independent if the director:

- is not, and has not been for the prior three years, employed as an executive officer or in another function at the Group or any of its subsidiaries;
- is not, and has not been for the prior three years, an employee or affiliate of our external auditor; and
- does not maintain a material direct or indirect business relationship with the Group or any of its subsidiaries.

Whether or not a relationship between the Group or any of its subsidiaries and a member of the Board is considered material depends in particular on the following factors:

- the volume and size of any transactions concluded in relation to the financial status and credit standing of the Board member concerned or the organization in which he or she is a partner, significant shareholder or executive officer;
- the terms and conditions applied to such transactions in comparison to those applied to transactions with counterparties of a similar credit standing;
- whether the transactions are subject to the same internal approval processes and procedures as transactions that are concluded with other counterparties;
- whether the transactions are performed in the ordinary course of business; and
- whether the transactions are structured in such a way and on such terms and conditions that the transaction could be concluded with a third party on comparable terms and conditions.

Moreover, a Board member is not considered independent if the Board member is, or has been at any time during the prior three years, part of an interlocking directorate in which a member of the Executive Board serves on the compensation committee of another company that employs the Board member. Significant shareholder status is generally also not considered a criterion for independence unless the shareholding exceeds 10% of the Group's share capital or in instances where the shareholder may otherwise influence the Group in a significant manner. Board members with immediate family members who would not qualify as independent are also not considered independent.

Additional independence considerations for Audit Committee and Compensation Committee members

Board members serving on the Audit Committee are subject to independence requirements in addition to those required of other Board members. None of the Audit Committee members may be an affiliated person of the Group or may, directly or indirectly, accept any consulting, advisory or other compensatory fees from us other than their regular compensation as members of the Board and its committees.

For Board members serving on the Compensation Committee, the independence determination considers all factors relevant to determining whether a director has a relationship with the Group that is material to that director's ability to be independent from management in connection with the duties of a Compensation Committee member, including, but not limited to:

- the source of any compensation of the Compensation Committee member, including any consulting, advisory or other compensatory fees paid by the Group to such director; and
- whether the Compensation Committee member is affiliated with the Group, any of its subsidiaries or any affiliates of any of its subsidiaries.

Other independence standards

While the Group is not subject to such standards, the Board acknowledges that some proxy advisors apply different standards for assessing the independence of our Board members, including the length of tenure a Board member has served, the full-time status of a Board Member, annual compensation levels of Board members within a comparable range to executive pay or a Board member's former executive status for periods further back than the preceding three years.

Independence determination

As of December 31, 2017, all 12 members of the Board were determined by the Board to be independent.

Board leadership

Chairman of the Board

The Chairman is a non-executive member of the Board, in accordance with Swiss banking law, and performs his role on a full-time basis, in line with the practice expected by FINMA, our main regulator. The Chairman:

- coordinates the work within the Board;
- works with the committee chairmen to coordinate the tasks of the committees;
- ensures that the Board members are provided with the information relevant for performing their duties;
- drives the Board agenda;
- drives key Board topics, especially regarding the strategic development of the Group, succession planning, the structure and organization of the Group, corporate governance, as well as compensation and compensation structure, including the performance evaluation and compensation of the CEO and the Executive Board;
- chairs the Board, the Governance and Nominations Committee and the Shareholder Meetings;
- takes an active role in representing the Group to key shareholders, investors, regulators and supervisors, industry associations and other external stakeholders;
- has no executive function within the Group;
- with the exception of the Governance and Nominations Committee, is not a member of any of the Board's standing committees; and
- may attend all or parts of selected committee meetings as a guest without voting power.

Vice-Chair

The Vice-Chair:

- is a member of the Board;
- is a designated deputy to the Chairman; and
- assists the Chairman by providing support and advice to the Chairman, assuming the Chairman's role in the event of the Chairman's absence or indisposition and leading the Board accordingly.

There may be one or more Vice-Chairs. Severin Schwan and Richard E. Thornburgh currently serve as Vice-Chairs.

Lead Independent Director

According to the Group's OGR, the Board may appoint a Lead Independent Director. If the Chairman is determined not to be independent by the Board, the Board must appoint a Lead Independent Director. The Lead Independent Director:

- may convene meetings without the Chairman being present;
- takes a leading role among the Board members, particularly when issues between a non-independent Chairman and the independent Board members arise (for example, when the non-independent Chairman has a conflict of interest);
- leads the Board's annual assessment of the Chairman; and
- ensures that the work of the Board and Board-related processes continue to run smoothly.

As of the date of the 2017 AGM, Severin Schwan was appointed as the new Lead Independent Director.

Segregation of duties

In accordance with Swiss banking law, the Group operates under a dual board structure, which strictly segregates the duties of supervision, which are the responsibility of the Board, from the duties of management, which are the responsibility of the Executive Board. The roles of the Chairman (non-executive) and the CEO (executive) are separate and carried out by two different people.

Board responsibilities

In accordance with the OGR, the Board delegates certain tasks to Board committees and delegates the management of the company and the preparation and implementation of Board resolutions to certain management bodies or executive officers to the extent permitted by law, in particular Article 716a and 716b of the Swiss Code of Obligations, and the AoA.

With responsibility for the overall direction, supervision and control of the company, the Board:

- regularly assesses our competitive position and approves our strategic and financial plans and risk appetite statement and overall risk limits;
- receives a status report at each ordinary meeting on our financial results, capital, funding and liquidity situation;
- receives, on a monthly basis, management information packages, which provide detailed information on our performance and financial status, as well as quarterly risk reports outlining recent developments and outlook scenarios;
- is provided by management with regular updates on key issues and significant events, as deemed appropriate or requested;
- has access to all information concerning the Group in order to appropriately discharge its responsibilities;
- reviews and approves significant changes in our structure and organization;
- approves the annual variable compensation pools for the Group and the divisions and recommends total compensation of the Board and Executive Board for shareholder approval at the AGM;
- provides oversight on significant projects including acquisitions, divestitures, investments and other major projects; and
- along with its committees, is entitled, without consulting with management and at the Group's expense, to engage external legal, financial or other advisors, as it deems appropriate, with respect to any matters within its authority.

Governance of Group subsidiaries

The Board assumes oversight responsibility for establishing appropriate governance for Group subsidiaries. The governance of the Group is based on the principles of an integrated oversight and management structure with global scope, which enables management of the Group as one economic unit. The Group sets corporate governance standards to ensure the efficient and harmonized steering of the Group. In accordance with the OGR, the Board appoints or dismisses the chairperson and the members of the board of directors of the major subsidiaries of the Group and approves their compensation. A policy naming the subsidiaries in scope and providing guidelines for the nomination and compensation process is periodically reviewed by the Board. The governance of the major subsidiaries, subject to compliance with all applicable local laws and regulations, should be consistent with the corporate governance principles of the Group, as reflected in the OGR and other corporate governance documents. In order to facilitate consistency and alignment of Group and subsidiary governance, it is the Group's policy for the Board to appoint at least one Group director to each of the boards of its major subsidiaries. Directors and officers of the Group and its major subsidiaries are committed to ensuring transparency and collaboration throughout the Group.

Board evaluation

The Board performs a self-assessment once a year, where it reviews its own performance against the responsibilities listed in its charter and the Board's objectives and determines future objectives, including any special focus objectives for the coming year. The Chairman does not participate in the discussion of his own performance. As part of the self-assessment, the Board evaluates its effectiveness with respect to a number of different aspects, including board structure and composition, communication and reporting, agenda setting and continuous improvement. From time to time, the Board may also mandate an external advisor to facilitate the evaluation process. Toward the end of 2016, the Board mandated an external firm to perform an effectiveness review of the Board, which was conducted in the first quarter of 2017 and included a comprehensive review of Board processes and documentation, interviews by the external assessor with the Chairman and the individual Board members and the participation of the external assessor as an observer in Board and Board committee meetings. The results were reviewed and analyzed by the Board during 2017 and the Board agreed to target performing an external board effectiveness review every three years.

Board – 2017 activities

During 2017, the Board focused on a number of key areas, including but not limited to the activities described below. Specifically, the Board:

- continued to closely supervise the Group's strategy implementation, with particular focus in the first half of 2017 on strengthening the Group's capital base, which resulted in a capital increase by way of a rights offering and the decision not to pursue a partial IPO of Credit Suisse (Schweiz) AG;
- held its annual strategy workshop with the Executive Board to review progress on strategic initiatives in each of the business divisions and to address key industry themes such as the expected UK withdrawal from the EU and digitalization in banking;
- conducted a strategy workshop with the Asia Pacific senior management team in Hong Kong on the growth of our Asia Pacific Wealth Management & Connected business and repositioning of the Asia Pacific Markets business;
- reviewed and approved the Group's financial targets for 2018 and the introduction of the new Group objectives relating to return on tangible equity, as announced at the 2017 Investor Day;
- actively supported and reviewed management's implementation of the global Conduct and Ethics program, which has resulted in increased awareness across the organization and greater consistency through one global framework under the governance of the Conduct and Ethics Boards (CEBs);
- continued to focus on corporate governance at the Group's major subsidiaries, which included overseeing selected non-executive director appointments to the boards of the Group's major subsidiaries in Switzerland, the US and the UK;
- held the second annual board leadership event, involving board members of the Group and each of the major subsidiaries; key focus topics included capital planning for the Group and its subsidiaries in light of the final Basel III reforms and regulatory priorities in Switzerland, the US and the UK;
- reviewed and approved the Group's risk management framework, following an assessment by the Risk Committee in line with regulatory requirements; the firm-wide risk management framework encompasses all key risk frameworks, including the enterprise risk and control framework and the risk appetite framework;
- maintained Board-level focus on innovation and technology through the Board's advisory Innovation and Technology Committee, including regular monitoring of our cybersecurity programs and receiving assessments from internal and external technology experts regarding emerging trends; and
- performed a comprehensive board effectiveness review with the assistance of an external board assessor, in addition to the Board's usual annual self-assessment process.

BOARD COMMITTEES

The Board has four standing committees: the Governance and Nominations Committee, the Audit Committee, the Compensation Committee and the Risk Committee. Except for the Compensation Committee members who are elected by the shareholders on an annual basis, the committee members are appointed by the Board for a term of one year.

At each Board meeting, the Chairs of the committees report to the Board about the activities of the respective committees. In addition, the minutes and documentation of the committee meetings are accessible to all Board members.

Each committee has its own charter, which has been approved by the Board. Each standing committee performs a self-assessment once a year, where it reviews its own performance against the responsibilities listed in its charter and the committee's objectives and determines any special focus objectives for the coming year.

Governance and Nominations Committee

The Governance and Nominations Committee consists of the Chairman, the Vice-Chairs and the Chairs of the committees of the Board and other members appointed by the Board. It may include non-independent Board members. Our Governance and Nominations Committee currently consists of five members, all of whom are independent.

The Governance and Nominations Committee generally meets on a monthly basis and the meetings are usually attended by the CEO. It is at the Chairman's discretion to ask other members of management or specialists to attend a meeting.

The Governance and Nominations Committee:

- acts as an advisor to the Chairman and supports him in the preparation of the Board meetings;
- is responsible for the development and review of corporate governance guidelines, which are then recommended to the Board for approval;
- at least once annually, evaluates the independence of the Board members and reports its findings to the Board for final determination;
- is responsible for identifying, evaluating, recruiting and nominating new Board members in accordance with the Group's internal criteria, subject to applicable laws and regulations;
- guides the Board's annual performance assessment of the Chairman, the CEO and the members of the Executive Board;
- proposes to the Board the appointment, promotion, dismissal or replacement of members of the Executive Board; and
- reviews succession plans for senior executive positions in the Group with the Chairman and the CEO.

Governance and Nominations Committee – 2017 activities

During 2017, the Governance and Nominations Committee focused on a number of key areas, including but not limited to the activities described below. Specifically, the Governance and Nominations Committee:

- continued to focus on supporting the CEO in the execution of the Group's three-year strategic plan announced in October 2015;
- supported the Chairman in setting the priorities for the Board's annual strategy workshop in 2017, which was focused on strategy implementation;
- provided guidance for the external Board effectiveness review and the annual performance assessments of the Chairman and the CEO;
- advised on the appointments of Kai Nargolwala, as the new Compensation Committee Chair, and Andreas Gottschling, as a non-executive director of the UK subsidiaries Credit Suisse International and Credit Suisse (Europe) Securities Ltd.;
- assessed potential new Board Member candidates during 2017 and recommended that Michael Klein and Ana Paula Pessoa be proposed as new Board members for election at the 2018 AGM; and
- participated in a simulation event with management designed to test the Group's recovery and resolution plans, in line with regulatory expectations.

Audit Committee

The Audit Committee consists of at least three members, all of whom must be independent. The Chair of the Risk Committee is generally appointed as one of the members of the Audit Committee. Our Audit Committee currently consists of five members, all of whom are independent.

The Audit Committee charter stipulates that all Audit Committee members must be financially literate. In addition, they may not serve on the Audit Committee of more than two other companies, unless the Board deems that such membership would not impair their ability to serve on our Audit Committee.

Furthermore, the US Securities and Exchange Commission (SEC) requires disclosure about whether a member of the Audit Committee is an audit committee financial expert within the meaning of SOX. The Board has determined that John Tiner is an audit committee financial expert.

Pursuant to its charter, the Audit Committee holds meetings at least once each quarter, prior to the publication of our consolidated financial statements. Typically, the Audit Committee convenes for a number of additional meetings and workshops throughout the year. The meetings are attended by management representatives, as appropriate, the Head of Internal Audit and senior representatives of the external auditor. A private session with Internal Audit and the external auditors is regularly scheduled to provide them with an opportunity to discuss issues with the Audit Committee

without management being present. The Head of Internal Audit reports directly to the Audit Committee Chair.

The primary function of the Audit Committee is to assist the Board in fulfilling its oversight role by:

- monitoring and assessing the integrity of the consolidated financial statements as well as disclosures of the financial condition, results of operations and cash flows;
- monitoring the adequacy of the financial accounting and reporting processes and the effectiveness of internal controls over financial reporting;
- monitoring processes designed to ensure compliance by the Group in all significant respects with legal and regulatory requirements, including disclosure controls and procedures;
- monitoring the adequacy of the management of operational risks jointly with the Risk Committee, including assessing the effectiveness of internal controls that go beyond the area of financial reporting;
- monitoring the adequacy of the management of reputational risks, jointly with the Risk Committee; and
- monitoring the qualifications, independence and performance of the external auditors and of Internal Audit.

The Audit Committee is regularly informed about significant projects aimed at further improving processes and receives regular updates on major litigation matters as well as significant regulatory and compliance matters. Furthermore, the Audit Committee has established procedures for the receipt, retention and treatment of complaints regarding accounting, internal controls or auditing matters, including a whistleblower hotline to provide the option to report complaints on a confidential, anonymous basis.

Audit Committee – 2017 activities

During 2017, the Audit Committee focused on a number of key areas, including but not limited to the activities described below. Specifically, the Audit Committee:

- performed its regular review of the quarterly and annual financial results and related accounting, reporting and internal control matters;
- held specific reviews on certain accounting and reporting matters of particular relevance in 2017, including valuation impacts in connection with the ongoing migration of the Group's structured notes portfolio to a new target operating model, and Group tax matters, including the assessment of the implications of the US tax reform;
- maintained a focus on compliance topics through briefings at every regular meeting by the Chief Compliance and Regulatory Affairs Officer on key compliance risks and associated internal controls;
- held dedicated sessions on compliance for the International Wealth Management and Asia Pacific divisions;
- conducted a comprehensive review of the Group's finance functions;
- continued to monitor the Strategic Resolution Unit, including the governance and controls in place to ensure all new business activities are scrutinized to distinguish between those types of business exposures held in the Strategic Resolution Unit that will be allowed for execution in our strategic divisions and those that will be prohibited or for which we have limited risk appetite;
- reviewed, jointly with the Risk Committee, the Group's data management framework, as well as measures in place to address data security topics, including cybersecurity;
- reviewed, jointly with the Risk Committee, our approach to monitoring conduct risk, including enhanced monitoring and surveillance capabilities, specific measures in the divisions to strengthen conduct and culture, and the activities of the CEBs;
- received regular updates by the Head of Internal Audit on key audit findings and held a dedicated workshop with the Internal Audit senior leadership team about their risk assessments for the organization and emerging risk and control themes;
- held various briefing sessions on new and updated US GAAP guidance on selected accounting topics with internal experts and KPMG; and
- assessed the Group's position with respect to auditor rotation, in light of EU mandatory auditor rotation rules, which are applicable to Group entities in the EU.

Internal Audit

Our Internal Audit function comprises a team of around 350 professionals, substantially all of whom are directly involved in auditing activities. The Head of Internal Audit reports directly to the Audit Committee Chair and the Audit Committee oversees the activities of the Internal Audit function.

Internal Audit performs an independent and objective assurance function that is designed to add value to our operations. Using a systematic and disciplined approach, the Internal Audit team evaluates and enhances the effectiveness of our risk management, control and governance processes.

Internal Audit is responsible for carrying out periodic audits in line with the Charter for Internal Audit approved by the Audit Committee. It regularly and independently assesses the risk exposure of our various business activities, taking into account industry trends, strategic and organizational decisions, best practice and regulatory matters. Based on the results of its assessment, Internal Audit develops detailed annual audit objectives, defining key risk themes and specifying resource requirements for approval by the Audit Committee.

As part of its efforts to achieve best practice, Internal Audit regularly benchmarks its methods and tools against those of its peers. In addition, it submits periodic internal reports and summaries thereof to the management teams as well as the Chairman and the Audit Committee Chair. The Head of Internal Audit reports to the Audit Committee at least quarterly and more frequently as appropriate. Internal Audit coordinates its operations with the activities of the external auditor for maximum effect.

The Audit Committee annually assesses the performance and effectiveness of the Internal Audit function. For 2017, the Audit Committee concluded that the Internal Audit function was effective.

External Audit

The Audit Committee is responsible for the oversight of the external auditor. The external auditor reports directly to the Audit Committee and the Board with respect to its audit of the Group's financial statements and is ultimately accountable to the shareholders. The Audit Committee pre-approves the retention of, and fees paid to, the external auditor for all audit and non-audit services.

‣ Refer to "External audit" in Additional information for further information.

External Auditor rotation

In view of the EU rules with respect to mandatory auditor rotation for certain of our significant subsidiaries, the Group's Audit Committee has decided to pursue a rotation of our Group auditor effective no later than for the audit of the fiscal year ending December 31, 2021.

Compensation Committee
The Compensation Committee consists of at least three members of the Board, all of whom must be independent. Our Compensation Committee currently consists of four members, all of whom are independent.

Pursuant to its charter, the Compensation Committee holds at least four meetings per year. Additional meetings may be scheduled at any time. The meetings are attended by management representatives, as appropriate.

The Compensation Committee's duties and responsibilities include:
- reviewing the Group's compensation policy;
- establishing new compensation plans or amending existing plans and recommending them to the Board for approval;
- reviewing the performance of the Group and the divisions and recommending to the Board for approval the variable compensation pools for the Group and the divisions;
- proposing individual compensation for the Board members to the Board;
- recommending to the Board a proposal for the CEO's compensation;
- based on proposals by the CEO, discussing and recommending to the Board the Executive Board members' compensation; and
- reviewing and recommending to the Board the compensation for individuals being considered for an Executive Board position.

In accordance with the Compensation Ordinance, all compensation proposals for members of the Board and the Executive Board are subject to AGM approval.

The Compensation Committee is authorized to retain outside advisors, at the Group's expense, for the purpose of providing guidance to the Compensation Committee as it carries out its responsibilities. Prior to their appointment, the Compensation Committee conducts an independence assessment of the advisors pursuant to the rules of the SEC and the listing standards of the NYSE and Nasdaq.

▸ Refer to "The Compensation Committee" in V – Compensation – Compensation governance for information on our compensation approach, principles and objectives and outside advisors.

Compensation Committee – 2017 activities

During 2017, the Compensation Committee focused on a number of key areas, including but not limited to the activities described below. Specifically, the Compensation Committee:
- initiated an extensive shareholder engagement effort, which included holding numerous meetings with shareholders involving the Compensation Committee Chair and the Chairman, in response to concerns expressed by some shareholders regarding the compensation of the Executive Board and the Board;
- conducted a comprehensive review of the Group's compensation framework with a focus on Executive Board compensation, based on the feedback gathered from shareholders and other external stakeholders;
- determined a number of key changes for the Executive Board compensation design for 2018, which are aligned with the Group's strategy, including simplified metrics for assessing Executive Board performance which focus more on profitability and shareholder returns and the use of Group level metrics in setting the STI and LTI payout levels, enabling greater transparency on performance targets;
- recommended certain changes with respect to Board compensation, including a reduction of the fees paid to Board members who simultaneously serve on the boards of Group subsidiary companies;
- assessed the Group's performance and determined the variable compensation pools for 2017, taking into account the input from the Group's risk and control functions, including the CEBs;
- previewed the proposed variable compensation amounts for specific groups of employees, in line with regulatory guidance and the Group's compensation policy, including any disciplinary issues and/or points of positive recognition;
- introduced modifications to the structure and presentation of the Group's compensation report to make it more clear and reader-friendly; and
- retained Deloitte LLP as the Compensation Committee's new external compensation advisor.

Risk Committee

The Risk Committee consists of at least three members. It may include non-independent members. The Chair of the Audit Committee is generally appointed as one of the members of the Risk Committee. Our Risk Committee currently consists of five members, all of whom are independent.

Pursuant to its charter, the Risk Committee holds at least four meetings a year. In addition, the Risk Committee usually convenes for additional meetings throughout the year in order to appropriately discharge its responsibilities. The meetings are attended by management representatives, as appropriate.

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

- reviewing and assessing the integrity and adequacy of the risk management function of the Group, in particular as it relates to market, credit and liquidity and funding risks;
- reviewing the adequacy of the Group's capital and its allocation to the Group's businesses;
- reviewing and assessing the Group's risk appetite framework, including certain risk limits and regular risk reports and making recommendations to the Board;
- reviewing and assessing the adequacy of the Group's management of reputational risks, jointly with the Audit Committee;
- reviewing and assessing the adequacy of the Group's management of operational risks, including the adequacy of the Group's internal control system, jointly with the Audit Committee; and
- reviewing the Group's policy in respect of corporate responsibility and sustainable development.

The Risk Committee is regularly informed about major initiatives aimed at responding to regulatory change and further improving risk management across the Group, including organizational changes, changes to risk measurement methods and upgrades to risk systems infrastructure.

Risk Committee – 2017 activities

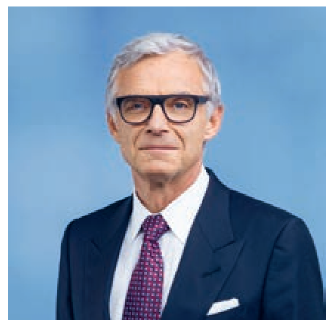
During 2017, the Risk Committee focused on a number of key areas, including but not limited to the activities described below. Specifically, the Risk Committee:

- maintained its focus on supporting the Board in reviewing strategically important topics, including adequacy of capital, liquidity and funding and the allocation of capital to Group businesses and major legal entities, with a focus on the Bank and Credit Suisse Holdings (USA);
- reviewed and endorsed the 2018 risk appetite statement and limit requests for the Group and its major legal entities, based on an integrated risk and financial planning process;
- monitored the migration of certain business activities between Group entities with a focus on capital and risk management;
- monitored developments with respect to the Group's risk framework, including several reviews of the economic risk capital methodology and the stress testing framework;
- regularly monitored the risk profile and limits for a number of businesses, reviewed risk concentrations and limit breaches;
- oversaw the Group's responses to key risk developments, reputational risks and various country risks including those related to China and Korea;
- reviewed, jointly with the Audit Committee, risks related to data management, IT and cybersecurity, including our Group-wide IT and cybersecurity response framework and cyber risk simulation testing plans;
- conducted focused risk reviews for a number of different businesses and risk management areas, including credit, market and operational risk, model risk and conduct risk;
- regularly reviewed the risk management function including processes and organizational structures;
- received regular updates on key change programs in line with regulatory expectations including the Basel Committee on Banking Supervision 239 principles for effective risk data aggregation and risk reporting; and
- received regular updates from the CEOs of the divisions on key risk matters within their divisions.

Innovation and Technology Committee

The Board established an Innovation and Technology Committee as an interdisciplinary advisory group in 2015. The group acts as a senior platform to discuss internal progress in relation to innovation and technology initiatives, as well as relevant industry-wide technology trends. The Innovation and Technology Committee is chaired by former Group Board member Sebastian Thrun in his role as senior advisor. Participants in the Innovation and Technology Committee include Board members, members of management, internal technology experts and a senior cybersecurity advisor. In 2017, the committee addressed progress on various digital initiatives across the Group and conducted regular reviews of the Group's responsiveness to cybersecurity risk and overall approach for delivering secure technology-based services. The committee also received regular updates on technology-driven innovation projects, as well as emerging technology and cybersecurity trends.

BIOGRAPHIES OF THE BOARD MEMBERS



Urs Rohner
Born 1959
Swiss Citizen

Board member since 2009

Chairman of the Board

Iris Bohnet
Born 1966
Swiss Citizen

Board member since 2012

Professional history

2004–present	Credit Suisse
	Chairman of the Board and the Governance and Nominations Committee (2011–present)
	Member of the Innovation and Technology Committee (2015–present)
	Member of the board of Credit Suisse (Schweiz) AG (Swiss subsidiary) (2015–present)
	Vice-Chair of the Board and member of the Governance and Nominations Committee (2009–2011)
	Member of the Risk Committee (2009–2011)
	Chief Operating Officer (2006–2009)
	General Counsel (2004–2009)
	Member of the Executive Board (2004–2009)
2000–2004	ProSiebenSat.1 Media AG, Chairman of the Executive Board and CEO
1983–1999	Lenz & Staehelin
	Partner (1992–1999)
	Attorney (1983–1988; 1990–1992)
1988–1989	Sullivan & Cromwell LLP, New York, attorney

Education

1990	Admission to the bar of the State of New York
1986	Admission to the bar of the Canton of Zurich
1983	Master in Law (lic.iur.), University of Zurich, Switzerland

Other activities and functions

GlaxoSmithKline plc, board member
Swiss Bankers Association, vice-chairman[1]
Swiss Finance Council, board member[1]
Institute of International Finance, board member[1]
European Banking Group, member[1]
European Financial Services Roundtable, member[1]
University of Zurich Department of Economics, chairman of the advisory board
Lucerne Festival, board of trustees member

[1] Mr. Rohner performs functions in these organizations in his capacity as Chairman of the Group.

Professional history

2012–present	Credit Suisse
	Member of the Compensation Committee (2012–present)
	Member of the Innovation and Technology Committee (2015–present)
1998–present	Harvard Kennedy School
	Director of the Women and Public Policy Program (2008–present)
	Professor of public policy (2006–present)
	Academic dean (2011–2014)
	Associate professor of public policy (2003–2006)
	Assistant professor of public policy (1998–2003)
1997–1998	Haas School of Business, University of California at Berkeley, visiting scholar

Education

1997	Doctorate in Economics, University of Zurich, Switzerland
1992	Master's degree in Economic History, Economics and Political Science, University of Zurich, Switzerland

Other activities and functions

Applied, board member
Global Future Council on Behavioral Science, World Economic Forum (WEF), co-chair
Economic Dividends for Gender Equality (EDGE), advisory board member

Andreas Gottschling
Born 1967
German Citizen

Board member since 2017

Professional history

2017–present	Credit Suisse
	Member of the Risk Committee (2017–present)
	Member of the board of Credit Suisse International and Credit Suisse Securities (Europe) Limited (UK subsidiaries) (2018–present)
2013–2016	Erste Group Bank, Vienna, Chief Risk Officer and Member of the Management Board
2012–2013	McKinsey and Company, Zurich, Senior Advisor Risk Practice
2005–2012	Deutsche Bank, London and Frankfurt
	Member of the Risk Executive Committee & Divisional Board (2005–2012)
	Global Head Operational Risk (2006-2010)
2003–2005	LGT Capital Management, Switzerland, Head of Quant Research
2000–2003	Euroquants, Germany, Consultant
1997–2000	Deutsche Bank, Frankfurt, Head of Quantitative Analysis

Education

1997	Doctorate in Economics, University of California, San Diego, USA
1991	Postgraduate Studies in Physics, Mathematics and Economics, Harvard University, Cambridge, US
1990	Degrees in Mathematics and Economics, University of Freiburg, Germany

Other activities and functions

Mr. Gottschling currently does not hold directorships in other organizations.

Alexander Gut
Born 1963
Swiss and British Citizen

Board member since 2016

Professional history

2016–present	Credit Suisse
	Member of the Audit Committee (2016–present)
	Member of the Innovation and Technology Committee (2017–present)
	Member of the board of Credit Suisse (Schweiz) AG (Swiss subsidiary) (2016–present)
2007–present	Gut Corporate Finance AG, managing partner
2003–2007	KPMG Switzerland
	Member of the Executive Committee, Switzerland (2005–2007)
	Partner and Head of Audit Financial Services, Switzerland (2004–2007) and region Zurich (2003–2004)
2001–2003	Ernst & Young, partner of the Transaction Advisory Services practice
1991–2001	KPMG Switzerland
	Senior Manager, Audit Financial Services
	Senior Manager, Banking Audit
	Banking auditor

Education

1996	Swiss Certified Accountant, Swiss Institute of Certified Accountants and Tax Consultants
1995	Doctorate in Business Administration, University of Zurich
1990	Masters degree in Business Administration, University of Zurich

Other activities and functions

Adecco Group Ltd., board member and chairman of the compensation committee

SIHAG Swiss Industrial Holding Ltd, board member

Andreas N. Koopmann
Born 1951
Swiss and French Citizen

Board member since 2009

Seraina Macia
Born 1968
Swiss and Australian Citizen

Board member since 2015

Andreas N. Koopmann

Professional history

2009–present	Credit Suisse
	Member of the Compensation Committee (2013–present)
	Member of the Risk Committee (2009–present)
	Member of the board of Credit Suisse (Schweiz) AG (Swiss subsidiary) (2015–2017)
1982–2009	Bobst Group S.A., Lausanne
	Group CEO (1995–2009)
	Member of the board (1998–2002)
	Executive Vice President (1994–1995)
	Member of the Group Executive Committee, head of manufacturing (1991–1994)
	Management positions in engineering and manufacturing (1982–1991)
Prior to 1982	Bruno Piatti AG and Motor Columbus AG, various positions

Education

1978	MBA, International Institute for Management Development, Switzerland
1976	Master's degree in Mechanical Engineering, Swiss Federal Institute of Technology, Switzerland

Other activities and functions

Nestlé SA, board member and vice-chairman
Georg Fischer AG, chairman of the board
CSD Group, board member
Sonceboz SA, board member
Swiss Board Institute, member of the board of trustees
Economiesuisse, board member
EPFL, Lausanne, Switzerland, strategic advisory board member
EPFL+ Foundation, member of the board of trustees

Seraina Macia

Professional history

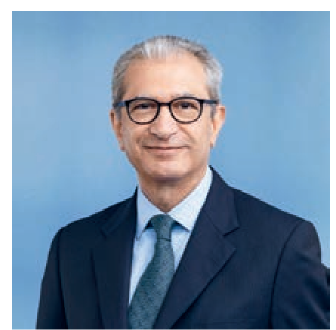
2015–present	Credit Suisse
	Member of the Audit Committee (2015–present)
2017–present	AIG Corporation
	Executive vice president & CEO of Blackboard (AIG technology-focused subsidiary; formerly Hamilton USA)
2016–2017	Hamilton Insurance Group
	CEO Hamilton USA
2013–2016	AIG Corporation
	Executive vice-president and CEO Regional Management & Operations of AIG, New York (2015–2016)
	CEO and President of AIG EMEA, London (2013–2016)
2010–2013	XL Insurance North America, chief executive
2002–2010	Zurich Financial Services
	President Specialties Business Unit, Zurich North America Commercial, New York (2007–2010)
	CFO, Zurich North America Commercial, New York (2006–2007)
	Various positions, among others: head of the joint investor relations and rating agencies management departments; head of rating agencies management; senior investor relations officer (2002–2008)
2000–2002	NZB Neue Zuercher Bank, founding partner and financial analyst
1990–2000	Swiss Re
	Rating agency coordinator, Swiss Re Group (2000)
	Senior underwriter and deputy head of financial products (1996–1999)
	Various senior positions in Zurich and Melbourne (1990–1996)

Education

2001	Chartered Financial Analyst (CFA), CFA Institute, US
1999	MBA, Monash Mt Eliza Business School, Australia
1997	Post-graduate certificate in Management, Deakin University, Australia

Other activities and functions

CFA Institute, member
Food Bank for New York City, board member



Kai S. Nargolwala
Born 1950
Singaporean Citizen

Board member since 2013

Professional history

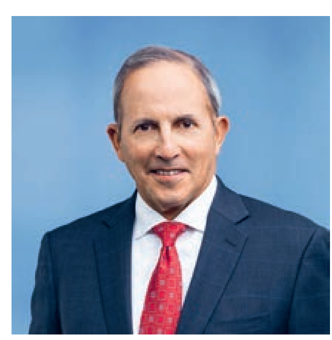
2008–present	Credit Suisse
	Chair of the Compensation Committee (2017–present)
	Member of the Governance and Nominations Committee (2017-present)
	Member of the Innovation and Technology Committee (2015–present)
	Member of the Compensation Committee (2014–present)
	Member of the Risk Committee (2013–2017)
	Non-executive chairman of Credit Suisse's Asia-Pacific region (2010–2011)
	Member of the Executive Board (2008–2010)
	CEO of Credit Suisse Asia Pacific region (2008–2010)
1998–2007	Standard Chartered plc, main board executive director
Prior to 1998	Bank of America
	Group executive vice president and head of Asia Wholesale Banking group in Hong Kong (1990–1995)
	Head of High Technology Industry group in San Francisco and New York (1984–1990)
	Various management and other positions in the UK (1976–1984)
	Peat Marwick Mitchell & Co., London, accountant (1970–1976)

Education

1974	Fellow of the Institute of Chartered Accountants (FCA), England and Wales
1969	BA in Economics, University of Delhi

Other activities and functions

Prudential plc, board member
Prudential Corporation Asia Limited, director and non-executive chairman
PSA International Pte. Ltd. Singapore, board member
Clifford Capital Pte. Ltd., director and non-executive chairman
Duke-NUS Graduate Medical School, Singapore, chairman of the governing board
Singapore Institute of Directors, Fellow



Joaquin J. Ribeiro
Born 1956
US Citizen

Board member since 2016

Professional history

2016–present	Credit Suisse
	Member of the Audit Committee (2016–present)
1997–2016	Deloitte LLP (USA)
	Vice chairman (2010–2016)
	Chairman of Global Financial Services Industry practice (2010–2016)
	Head of US Financial Services Industry practice (2003–2010)
	Head of Global Financial Services Industry practice in Asia (1997–2003)
	Head of South East Asian Corporate Restructuring practice (1997–2000)
2005–2010	World Economic Forum, senior advisor to Finance Governor's Committee

Education

1996	Executive Business Certificate, Columbia Business School, New York
1988	MBA in Finance, New York University, New York
1980	Certified Public Accountant, New York
1978	Bachelor degree in Accounting, Pace University, New York

Other activities and functions

Pace University, member of the board of trustees and chair of the audit committee

Severin Schwan
Born 1967
Austrian and German Citizen

Board member since 2014

Vice-Chair of the Board
Lead Independent Director

Professional history

2014–present	Credit Suisse
	Vice-Chair and Lead Independent Director (2017–present)
	Member of the Governance and Nominations Committee (2017–present)
	Member of the Risk Committee (2014–present)
	Member of the board of Credit Suisse (Schweiz) AG (Swiss subsidiary) (2015–2017)
1993–present	Roche Group
	CEO (2008–present)
	Member of the board of Roche Holding Ltd. (2013–present)
	CEO, Division Roche Diagnostics (2006–2008)
	Head Asia Pacific Region, Roche Diagnostics Singapore (2004–2006)
	Head Global Finance & Services, Roche Diagnostics Basel (2000–2004)
	Various management and other positions with Roche Germany, Belgium and Switzerland (1993–2000)

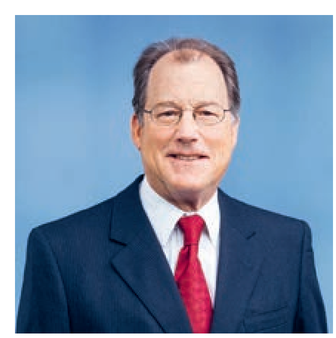
Education

1993	Doctor of Law, University of Innsbruck, Austria
1991	Master's degrees in Economics and Law, University of Innsbruck, Austria

Other activities and functions

International Federation of Pharmaceutical Manufacturers & Associations (IFPMA), vice-president

International Business Leaders Advisory Council for the Mayor of Shanghai, member



Richard E. Thornburgh
Born 1952
US Citizen

Board member since 2006

Vice-Chair of the Board

Professional history

2006–present	Credit Suisse
	Vice-Chair (2014–present)
	Member of the Audit Committee (2011–present)
	Chair of the Risk Committee (2009–present)
	Member of the Governance & Nominations Committee (2009–present)
	Member of the Risk Committee (2006–present)
	Member of the board and chair of Credit Suisse Holdings (USA), Inc. / Credit Suisse (USA), Inc. / Credit Suisse Securities (USA), LLC (US subsidiaries) (2015–present)
	Member of the board of Credit Suisse International and Credit Suisse Securities (Europe) Limited (UK subsidiaries) (2013–2016)
2006–2015	Corsair Capital LLC, New York, vice-chairman
Prior to 2006	Credit Suisse
	Member of the Group Executive Board in various executive roles including Group CRO, Group CFO and CFO Investment Banking (1997–2005)
	Chief financial and administrative officer and member of the executive board of Credit Suisse First Boston (1995–1996)
	Began investment banking career in New York with The First Boston Corporation (predecessor firm of Credit Suisse First Boston)

Education

2009	Honorary Doctorate, Commercial Sciences, University of Cincinnati, Ohio
1976	MBA in Finance, Harvard University, Cambridge, Massachusetts
1974	BBA in Finance, University of Cincinnati, Ohio

Other activities and functions

Corsair Capital LLC, investment committee member

S&P Global Inc., board executive committee member, audit committee member and financial policy committee chair

CapStar Bank, board member

St. Xavier High School, trustee and finance committee chair

University of Cincinnati, investment committee member

John Tiner
Born 1957
British Citizen

Board member since 2009

Professional history

2009–present	Credit Suisse
	Chair of the Audit Committee (2011–present)
	Member of the Governance and Nominations Committee (2011–present)
	Member of the Risk Committee (2011–present)
	Member of the Audit Committee (2009–present)
	Member of the board of Credit Suisse Holdings (USA), Inc. / Credit Suisse (USA), Inc. / Credit Suisse Securities (USA), LLC (US subsidiaries) (2015–present)
2008–2013	Resolution Operations LLP, CEO
2001–2007	Financial Services Authority (FSA)
	CEO (2003–2007)
	Managing director of the investment, insurance and consumer directorate (2001–2003)
Prior to 2001	Arthur Andersen, UK
	Managing partner, UK Business Consulting (1998–2001)
	Managing partner, Worldwide Financial Services practice (1997–2001)
	Head of UK Financial Services practice (1993–1997)
	Partner in banking and capital markets (1988–1997)
	Auditor and consultant, Tansley Witt (later Arthur Andersen UK) (1976–1988)

Education

2010	Honorary Doctor of Letters, Kingston University, London
1980	UK Chartered Accountant, Institute of Chartered Accountants in England and Wales

Other activities and functions

Ardonagh Group Limited, chairman
Tilney Group Limited, board member
Salcombe Brewery Limited, chairman
The Urology Foundation, chairman

Alexandre Zeller
Born 1961
Swiss Citizen

Board member since 2017

Professional history

2016–present	Credit Suisse
	Member of the Governance and Nominations Committee (2017–present)
	Member of the Compensation Committee (2017–present)
	Chairman of the board of Credit Suisse (Schweiz) AG (Swiss subsidiary) (2016–present)
2013–2016	SIX Group AG, Chairman of the Board
2008–2012	HSBC Private Bank (Suisse)
	CEO, Country Manager Switzerland (2008–2012)
	Regional CEO Global Private Banking EMEA (2010–2012)
2002–2008	Banque Cantonale Vaudoise (BCV), CEO
1987–2002	Credit Suisse
	CEO Private Banking Switzerland (2002)
	Member of the Executive Board Private Banking Switzerland (1999–2002)
	Various management positions, including Head French speaking Switzerland and Vaud Region, Credit Suisse Private Banking and Head Corporate Clients (1987–1999)
1984–1987	Nestlé SA, Switzerland, International Operational Auditor

Education

1999	Advanced Management Program, Harvard Business School
1989	Corporate Finance and Capital Markets, International Bankers School
1982	Degree in Economics (Business Administration), University of Lausanne, Switzerland

Other activities and functions

Kudelski S.A., board member
Maus Frères S.A., board member
Spencer Stuart, advisory board member
Swiss Finance Council, chairman[1]
Swiss Board Institute, advisory council member
Schweizer Berghilfe, foundation board member
Studienzentrum Gerzensee, foundation board member

[1] Mr. Zeller performs functions in this organization in his capacity as chairman of Credit Suisse (Schweiz) AG.

IN MEMORIAM

In 2017 we lost our dear friend and colleague, Jean Lanier.

Jean Lanier was initially elected to the Board of Credit Suisse in 2005 and served as a Board member for 12 years. During his tenure at Credit Suisse, Jean was a member of the Audit Committee (2005–2015) and the Compensation Committee (2011–2017). He most recently acted as Chair of the Compensation Committee and was a member of the Governance and Nominations Committee from 2013 until his retirement from the Board at the AGM in April 2017.

Jean played a crucial role in the development of our current compensation strategy and in decisions that underpinned the transition to a client-centric and capital-efficient business model.

His tireless efforts, warm and engaging personality and great sense of humor will be missed by all who worked with him.

Honorary Chairman of Credit Suisse Group AG

Rainer E. Gut, born 1932, Swiss Citizen, was appointed Honorary Chairman of the Group in 2000 after he retired as Chairman, a position he had held from 1986 to 2000. Mr. Gut was a member of the board of Nestlé SA, Vevey, from 1981 to 2005, where he was vice-chairman from 1991 to 2000 and chairman from 2000 to 2005.

As Honorary Chairman, Mr. Gut does not have any function in the governance of the Group and does not attend the meetings of the Board.

Secretaries of the Board

Joan E. Belzer
Roman Schaerer

Executive Board

Membership

The Executive Board is the most senior management body of the Group. Its members are appointed by the Board. Prior to the appointment of an Executive Board member, the terms and conditions of the individual's employment contract with the Group are reviewed by the Compensation Committee. The Executive Board currently consists of twelve members. The composition of the Executive Board of the Group and the Bank is identical, with the exception of Thomas Gottstein, who is a member of the Executive Board of the Group, but not the Bank. There were no changes in the composition of the Executive Board during 2017. The individual members of the Executive Board are listed in the table below.

Members of the Executive Board

	Executive Board member since	Role
December 31, 2017		
Tidjane Thiam, Chief Executive Officer	2015	Group CEO
James L. Amine, CEO Investment Banking & Capital Markets	2014	Divisional Head
Pierre-Olivier Bouée, COO	2015	Corporate Function Head
Romeo Cerutti, General Counsel	2009	Corporate Function Head
Brian Chin, CEO Global Markets	2016	Divisional Head
Peter Goerke, Chief Human Resources Officer	2015	Corporate Function Head
Thomas P. Gottstein, CEO Swiss Universal Bank	2015	Divisional Head
Iqbal Khan, CEO International Wealth Management	2015	Divisional Head
David R. Mathers, Chief Financial Officer	2010	Corporate Function Head
Joachim Oechslin, Chief Risk Officer	2014	Corporate Function Head
Helman Sitohang, CEO Asia Pacific	2015	Divisional Head
Lara J. Warner, Chief Compliance and Regulatory Affairs Officer	2015	Corporate Function Head

Responsibilities

The Executive Board is responsible for the day-to-day operational management of the Group under the leadership of the CEO. Its main duties and responsibilities include:

- establishment of the strategic business plans for the Group overall as well as for the principal businesses, subject to approval by the Board;
- regular review and coordination of significant initiatives, projects and business developments in the divisions and the corporate functions, including important risk management matters;
- regular review of the consolidated and divisional financial performance, including progress on KPIs, as well as the Group's capital and liquidity positions and those of its major subsidiaries;
- appointment and dismissal of senior managers, with the exception of managers from Internal Audit, and the periodic review of senior management talent across the Group and talent development programs;
- review and approval of business transactions, including mergers, acquisitions, establishment of joint ventures and establishment of subsidiary companies; and
- approval of key policies for the Group.

Executive Board committees

The Executive Board has several standing committees, which are chaired by an Executive Board member and meet periodically throughout the year and/or as required. These committees are:

- Capital Allocation & Risk Management Committee (CARMC): CARMC is responsible for overseeing and directing our risk profile, recommending risk limits at the Group 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 three rotating cycles: the asset & liability management cycle (chaired by the CFO), the market & credit risks cycle (chaired by the CRO) and the internal control system cycle (jointly chaired by the CRO and the Chief Compliance and Regulatory Affairs Officer (CCRO)).
- Valuation Risk Management Committee (VARMC): the VARMC (chaired by the CFO) is responsible for establishing policies regarding the valuation of certain material assets and the policies and calculation methodologies applied in the valuation process.
- Risk Process & Standards Committee (RPSC): the RPSC (chaired by the CRO) 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 our internal models used for calculating regulatory capital.
- Reputational Risk & Sustainability Committee (RRSC): the RRSC (chaired by the CRO) sets policies and reviews processes and significant cases relating to reputational risks and sustainability issues. It also reviews adherence to our reputational and sustainability policies and oversees their implementation.
- Group Conduct and Ethics Board: the Group CEB (co-chaired by the Chief Human Resources Officer and the CCRO) is responsible for overseeing how conduct and ethics matters are handled within the divisions and corporate functions and ensuring consistency and alignment of practices across the Group. The Group CEB also conducts reviews of employee sanctions and may perform subsequent evaluations for specific matters that have been escalated by the CEBs established for each division and the corporate functions.

‣ Refer to "Risk management" in III – Treasury, Risk, Balance sheet and Off-balance sheet for information on our risk management oversight.

Executive Board mandates

Our Executive Board members may, similar to our Board members, assume board or executive level or other roles in companies and organizations outside of the Group, which are collectively referred to as mandates. According to the Group's AoA, the number of mandates Executive Board members may hold in listed companies and other organizations outside of the Group is subject to certain restrictions, in order to comply with the Compensation Ordinance and to ensure that our Executive Board members dedicate sufficient time to fulfil their executive roles.

The limitations on mandates assumed by Executive Board members outside of the Group are summarized in the table below.

Type of mandate and limitation – Executive Board

Type of mandate	Limitation
Listed Companies	No more than one other mandate
Other legal entities [1]	No more than two mandates
Legal entities on behalf of the Group [2]	No more than ten mandates
Charitable legal entities [3]	No more than ten mandates

[1] Includes private non-listed companies.
[2] Includes memberships in business and industry associations.
[3] Also includes honorary mandates in cultural or educational organizations.

No Executive Board member holds mandates in excess of these restrictions. The restrictions shown above do not apply to mandates of Executive Board members in legal entities controlled by the Group, such as subsidiary boards.

‣ Refer to "Mandates" in Board of Directors for further information.

BIOGRAPHIES OF THE EXECUTIVE BOARD MEMBERS

Tidjane Thiam
Born 1962
French and Ivorian Citizen

Member since 2015

Chief Executive Officer

Professional history

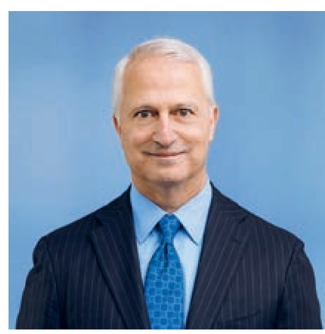
2015–present	Credit Suisse
	Chief Executive Officer of the Group (2015–present)
	Member of the board of Credit Suisse (Schweiz) AG (Swiss subsidiary) (2016–present)
2008–2015	Prudential plc
	Group Chief Executive (2009–2015)
	Chief Financial Officer (2008–2009)
2002–2008	Aviva
	Chief Executive, Europe (2006–2008)
	Managing director, International (2004–2006)
	Group strategy & development director (2002–2004)
2000–2002	McKinsey & Co, partner, Paris
1998–1999	Minister of planning and development, Côte d'Ivoire
1994–1998	National Bureau for Technical Studies & Development, Côte d'Ivoire, Chairman and Chief Executive
Prior to 1994	McKinsey & Co, consultant, Paris, London and New York

Education

1988	Master of Business Administration, INSEAD
1986	Advanced Mathematics and Physics, Ecole Nationale Supérieure des Mines de Paris
1984	Ecole Polytechnique, Paris

Other activities and functions

21st Century Fox, board member
Group of Thirty (G30), member
International Business Council of the World Economic Forum, member



James L. Amine
Born 1959
US Citizen

Member since 2014

**CEO
Investment Banking
& Capital Markets**

Professional history

1997–present	Credit Suisse
	CEO Investment Banking & Capital Markets (2015–present)
	Member of the board of Credit Suisse Holdings (USA), Inc. / Credit Suisse (USA), Inc. / Credit Suisse Securities (USA) LLC (US subsidiaries) (2014–present)
	Joint Head of Investment Banking, responsible for the Investment Banking Department (2014–2015)
	Head of Investment Banking Department (2012–2015)
	Member of the executive board of Credit Suisse Holdings (USA), Inc. (2010–2015)
	Co-Head of Investment Banking Department, responsible for the Americas and Asia Pacific (2010–2012)
	Co-Head of Investment Banking Department, responsible for EMEA and Asia Pacific and Head of Global Market Solutions Group (2008–2010)
	Head of European Global Markets Solutions Group and Co-Head of Global Leveraged Finance (2005–2008)
	Head of European Leveraged Finance (1999–2000; 2003–2005), Co-Head (2000–2003)
	Various functions within High-Yield Capital Markets of Credit Suisse First Boston (1997–1999)
Prior to 1997	Cravath, Swaine & Moore, attorney

Education

1984	JD, Harvard Law School
1981	BA, Brown University

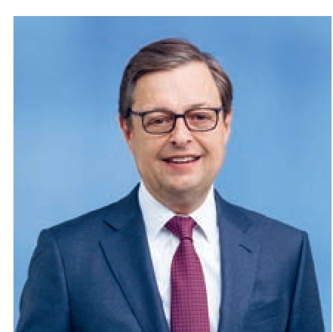
Other activities and functions

New York Cares, board member
Americas Diversity Council, member
Leadership Committee of Lincoln Center Corporate Fund, member
Caramoor Center for Music and the Arts, board member
Harvard Law School, dean's advisory board member
Credit Suisse Americas Foundation, board member

Pierre-Olivier Bouée
Born 1971
French Citizen

Member since 2015

Chief Operating Officer



Romeo Cerutti
Born 1962
Swiss and Italian Citizen

Member since 2009

General Counsel

Professional history

2015–present	Credit Suisse
	Chief Operating Officer (2015–present)
	Member of the Innovation and Technology Committee (2017–present)
	Chief of Staff (2015)
2008–2015	Prudential plc
	Group Risk Officer (2013–2015)
	Managing director, CEO office (2009–2013)
	Business representative Asia (2008–2013)
2004–2008	Aviva
	Director, Central & Eastern Europe (2006–2008)
	Director, Group strategy (2004–2006)
2000–2004	McKinsey & Company
	Associate principal (2004)
	Engagement manager (2002–2004)
	Associate (2000–2002)
1997–2000	French Government Ministry of Economy and Finance, Treasury Department
	Deputy General Secretary of the Paris Club
	Deputy Head, International Debt office (F1)

Education

1997	Master in Public Administration, Ecole Nationale d'Administration (ENA)
1991	Master in Business and Finance, Hautes Etudes Commerciales (HEC)
1991	Master in Corporate Law, Faculté de Droit Paris XI, Jean Monnet

Other activities and functions

Mr. Bouée currently does not hold directorships in other organizations.

Professional history

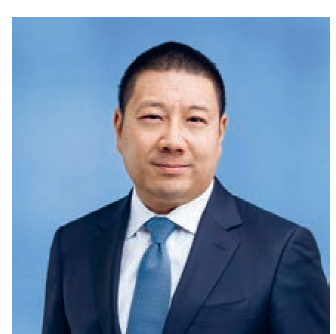
2006–present	Credit Suisse
	General Counsel (2009–present)
	Global Co-Head of Compliance (2008–2009)
	General Counsel, Private Banking (2006–2009)
1999–2006	Lombard Odier Darier Hentsch & Cie
	Partner of the Group Holding (2004–2006)
	Head of Corporate Finance (1999–2004)
1995–1999	Homburger Rechtsanwälte, Zurich, attorney-at-law
Prior to 1995	Latham and Watkins, Los Angeles, attorney-at-law

Education

1998	Post-doctorate degree in Law (Habilitation), University of Fribourg
1992	Admission to the bar of the State of California
1992	Master of Law (LLM), University of California, Los Angeles
1990	Doctorate in Law, University of Fribourg
1989	Admission to the bar of the Canton of Zurich
1986	Master in Law (lic.iur.), University of Fribourg

Other activities and functions

Vifor Pharma Ltd., board member
Swiss Finance Institute (SFI), chairman
Zurich Chamber of Commerce, board member
American-Swiss Chamber of Commerce, legal group member
Ulrico Hoepli Foundation, board of trustees member



Brian Chin
Born 1977
US Citizen

Member since 2016

**CEO
Global Markets**

Professional history

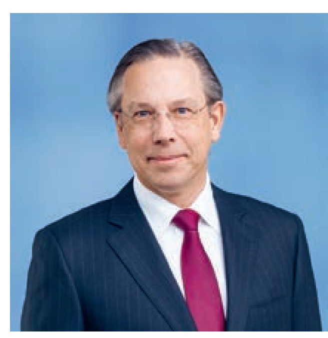
2003–present	Credit Suisse
	CEO Global Markets (2016–present)
	Member of the board of Credit Suisse Holdings (USA), Inc. / Credit Suisse (USA), Inc. / Credit Suisse Securities (USA) LLC (US subsidiaries) (2016–present)
	Co-Head of Credit Pillar within Global Markets (2015–2016)
	Global Head of Securitized Products and Co-Head of Fixed Income, Americas (2012–2016)
	Other senior positions within Investment Banking (2003–2012)
2000–2003	Deloitte & Touche LLP, senior analyst, Securitization Transaction Team
Prior to 2000	PriceWaterhouseCoopers LLP, Capital Markets Advisory Services
	The United States Attorney's Office, Frauds division

Education

2000	BS in Accounting, Rutgers University

Other activities and functions

Credit Suisse Americas Foundation, board member



Peter Goerke
Born 1962
Swiss Citizen

Member since 2015

Head of Human Resources

Professional history

2015–present	Credit Suisse
	Head of Human Resources (2017–present)
	Head of Human Resources, Communications & Branding (2015–2017)
2011–2015	Prudential plc
	Group Human Resources director and member of the Group Executive Committee (2011–2015)
	Chairman of the Group Head Office Management Committee (2012–2015)
	Director of Corporate Property (2012–2015)
2005–2010	Zurich Financial Services, AG, Switzerland, Group Head of Human Resources and Member of the Group Management Board
2000–2005	Egon Zehnder International, Switzerland, Head of Global Insurance Practice
1997–2000	McKinsey & Company, Zurich and Chicago, Senior engagement manager
1989–1996	Abegglen Management Consultants, Switzerland, Various positions up to partner

Education

2002	Advanced Management Program (AMP), University of Pennsylvania – The Wharton School
1998	lic.oec., University of St. Gallen

Other activities and functions

Credit Suisse Foundation, board member

Thomas P. Gottstein
Born 1964
Swiss Citizen

Member since 2015

CEO
Swiss Universal Bank

Professional history

1999–present	Credit Suisse
	CEO Credit Suisse (Schweiz) AG (2016-present)
	CEO Swiss Universal Bank (2015–present)
	Member of the Executive Board of Credit Suisse AG (2015-2016)
	Head of Premium Clients Switzerland & Global External Asset Managers (2014–2015)
	Head of Investment Banking Coverage Switzerland (2010–2013)
	Co-Head of Equity Capital Markets EMEA (2007–2009)
	Head Equity Capital Markets Switzerland, Austria and Scandinavia, London (2005–2007)
	Head Equity Capital Markets Switzerland, Zurich (2002–2005)
	Investment Banking Department Switzerland (1999–2002)
Prior to 1999	UBS, Telecoms Investment Banking and Equity Capital Markets

Education

1996	PhD in Finance and Accounting, University of Zurich
1989	Degree in Business Administration and Economics, University of Zurich

Other activities and functions

- Credit Suisse Foundation, trustee
- Pension Fund CS Group (Schweiz), member of the foundation board and investment committee member
- Private Banking Steering Committee of the Swiss Banking Association, member
- FINMA Private Banking Panel, member
- Opernhaus Zurich, board member
- Digitalswitzerland, association member

Iqbal Khan
Born 1976
Swiss Citizen

Member since 2015

CEO
International Wealth Management

Professional history

2013–present	Credit Suisse
	CEO International Wealth Management (2015–present)
	CFO Private Banking & Wealth Management (2013–2015)
2001–2013	Ernst & Young, Switzerland
	Managing Partner Assurance and Advisory Services – Financial Services (2011-2013)
	Member of Swiss Management Committee (2011–2013)
	Industry Lead Partner Banking and Capital Markets, Switzerland and EMEA Private Banking (2009-2011)
	Various positions (2001–2009)

Education

2012	Advanced Master of International Business Law (LLM), University of Zurich
2004	Certified Financial Analyst
2002	Swiss Certified Public Accountant
1999	Swiss Certified Trustee

Other activities and functions

Mr. Khan currently does not hold directorships in other organizations.

David R. Mathers
Born 1965
British Citizen

Member since 2010

Chief Financial Officer

Professional history

1998–present	Credit Suisse
	Chief Financial Officer (2010–present)
	CEO of Credit Suisse International and Credit Suisse Securities (Europe) Limited (UK subsidiaries) (2016–present)
	Head of Strategic Resolution Unit (2015–present)
	Head of IT and Operations (2012–2015)
	Head of Finance and COO of Investment Banking (2007–2010)
	Senior positions in Credit Suisse's Equity business, including Director of European Research and Co-Head of European Equities (1998–2007)
Prior to 1998	HSBC
	Global head of equity research (1997–1998)
	Research analyst, HSBC James Capel (1987–1997)

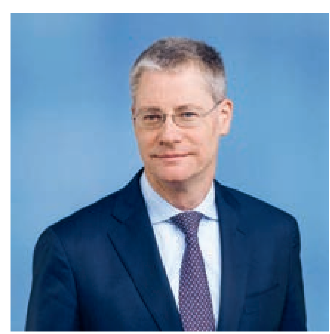
Education

1991	Associate Certification, Society of Investment Analysis
1991	MA in Natural Sciences, University of Cambridge, England
1987	BA in Natural Sciences, University of Cambridge, England

Other activities and functions

European CFO Network, member

Women in Science & Engineering (WISE) program and academic awards and grants at Robinson College, Cambridge, sponsor



Joachim Oechslin
Born 1970
Swiss Citizen

Member since 2014

Chief Risk Officer

Professional history

2014–present	Credit Suisse
	Chief Risk Officer (2014–present)
	Member of the board of Credit Suisse Holdings (USA), Inc. / Credit Suisse (USA), Inc. / Credit Suisse Securities (USA) LLC (US subsidiaries) (2016–present)
2007–2013	Munich Re Group, Chief Risk Officer
2007	AXA Group, deputy Chief Risk Officer
2001–2006	"Winterthur" Swiss Insurance Company
	Member of the executive board (2006)
	Chief Risk Officer (2003–2006)
	Head of risk management (2001–2003)
1998–2001	McKinsey & Company, consultant

Education

1998	Licentiate/Master of Science in Mathematics, Swiss Federal Institute of Technology (ETH), Zurich
1994	Engineering degree, Higher Technical Institute (HTL), Winterthur

Other activities and functions

International Financial Risk Institute, member

Credit Suisse Foundation, board member

Helman Sitohang
Born 1965
Indonesian Citizen

Member since 2015

CEO
Asia Pacific

Professional history

1999–present	Credit Suisse
	CEO Asia Pacific (2015–present)
	Regional CEO APAC (2014–2015)
	Head of Investment Banking Asia Pacific (2012–2015)
	Co-Head of the Emerging Markets Council (2012–2015)
	CEO of South East Asia (2010–2015)
	Co-Head of the Investment Banking Department – Asia Pacific (2009–2012)
	Co-Head of the Global Markets Solutions Group – Asia Pacific (2009–2012)
	Country CEO, Indonesia (1999–2010)
Prior to 1999	Bankers Trust, derivatives group

Education

1989	BS in Engineering, Bandung Institute of Technology

Other activities and functions

Credit Suisse Foundation, board member
Room to Room Singapore Ltd., advisory board member

Lara J. Warner
Born 1967
Australian and US Citizen

Member since 2015

Chief Compliance and Regulatory Affairs Officer

Professional history

2002–present	Credit Suisse
	Chief Compliance and Regulatory Affairs Officer (2015–present)
	Chief Operating Officer, Investment Banking (2013–2015)
	Chief Financial Officer, Investment Banking (2010–2015)
	Head of Global Fixed Income Research (2009–2010)
	Head of US Equity Research (2004–2009)
	Senior Equity Research Analyst (2002–2004)
1999–2001	Lehman Brothers, equity research analyst
Prior to 1999	AT&T
	Director of Investor Relations (1997–1999)
	Chief Financial Officer, Competitive Local Exchange Business (1995-1997)
	Various finance and operating roles (1988-1995)

Education

1988	BS, Pennsylvania State University

Other activities and functions

The Depository Trust & Clearing Corporation, board member
Pennsylvania State University Board of Visitors, member
Women's Leadership Board of Harvard University's John F. Kennedy School of Government, executive committee chair
Aspen Institute's Business and Society Program, board member

Additional information

BANKING RELATIONSHIPS WITH BOARD AND EXECUTIVE BOARD MEMBERS AND RELATED PARTY TRANSACTIONS

The Group is a global financial services provider. Many of the members of the Board and the Executive Board, their close family members or companies associated with them maintain banking relationships with us. The Group or any of its banking subsidiaries may from time to time enter into financing and other banking agreements with companies in which current members of the Board or the Executive Board have a significant influence as defined by the SEC, such as holding executive and/or board level roles in these companies. With the exception of the transactions described below, relationships with members of the Board or the Executive Board and such companies are in the ordinary course of business and are entered into on an arm's length basis. Also, unless otherwise noted, all loans to members of the Board, members of the Executive Board, their close family members or companies associated with them were made in the ordinary course of business, were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and did not involve more than the normal risk of collectability or present other unfavorable features. As of December 31, 2017, 2016 and 2015, there were no loan exposures to such related parties that were not made in the ordinary course of business and at prevailing market conditions.

▸ Refer to "Board loans" and "Executive Board loans (audited)" in V – Compensation – Board of Directors compensation and – Executive Board compensation for 2017, respectively, for the outstanding loans to members of the Board and the Executive Board.

Related party transactions

Tier 1 capital instruments

Beginning in February 2011, the Group entered into agreements with entities affiliated with Qatar Investment Authority (QIA) and The Olayan Group, each of which has significant holdings of Group shares and other Group financial products. The agreements were amended in 2012 and 2013 and, as a result, QIA and The Olayan Group agreed to purchase new tier 1 high-trigger capital instruments (new Tier 1 Capital Notes) in exchange for their holdings of previously issued notes.

The following new Tier 1 Capital Notes were outstanding as of December 31, 2017:

- USD 1.725 billion, 9.5%, held by an affiliate of The Olayan Group;
- USD 1.72 billion, 9.5%, held by an affiliate of QIA; and
- CHF 2.5 billion, 9.0%, held by an affiliate of QIA.

Under their terms, the new Tier 1 Capital Notes will be converted into our ordinary shares if our reported common equity tier 1 (CET1) ratio, as determined under Basel Committee on Banking Supervision regulations as of the end of any calendar quarter, falls below 7% (or any lower applicable minimum threshold), unless FINMA, at our request, has agreed on or prior to the publication of our quarterly results that actions, circumstances or events have restored or will imminently restore, the ratio to above the applicable threshold. The new Tier 1 Capital Notes will also be converted if FINMA determines that conversion is necessary or that we require public sector capital support, to prevent us from becoming insolvent, bankrupt or unable to pay a material amount of our debts, or other similar circumstances. In addition, conversion of the new Tier 1 Capital Notes issued to the entities affiliated with The Olayan Group will be triggered if, in the event of a request by FINMA for an interim report prior to the end of any calendar quarter, our reported CET1 ratio, as of the end of any such interim period, falls below 5%. The conversion price will be the higher of a given floor price per share (subject to customary adjustments) or the daily volume-weighted average sales price of our ordinary shares over a five-day period preceding the notice of conversion. The new Tier 1 Capital Notes are deeply subordinated, perpetual and callable by us no earlier than 2018 and in certain other circumstances with FINMA approval. Interest, which is payable on the USD 1.725 billion and the USD 1.72 billion new Tier 1 Capital Notes at a fixed rate of 9.5% and on the CHF 2.5 billion new Tier 1 Capital Notes at a fixed rate of 9.0%, will reset after the first call date. Interest payments will generally be discretionary (unless triggered), subject to suspension in certain circumstances and non-cumulative.

At the time of the original transaction, the Group determined that this was a material transaction and deemed QIA and The Olayan Group to be related parties of our then Board members Jassim Bin Hamad J.J. Al Thani and Aziz R.D. Syriani for purposes of evaluating the terms and corporate governance of the original transaction. At that time, the Board (except for Mr. Bin Hamad J.J. Al Thani and Mr. Syriani, who abstained from participating in the determination process) determined that the terms of the original transaction, given its size, the nature of the contingent capital instrument, for which there was no established market, and the terms of the notes issued and held by QIA and The Olayan Group, were fair. As of April 26, 2013 and April 28, 2017, respectively, Mr. Syriani and Mr. Bin Hamad J.J. Al Thani retired from the Board and no other person affiliated with The Olayan Group or with QIA has been elected as a Board member.

▸ Refer to "Note 29 – Related parties" in VI – Consolidated financial statements – Credit Suisse Group for further information on related party transactions.

EXTERNAL AUDIT

▸ Refer to "Audit Committee" in Board of Directors – Board committees for further information on the responsibilities of the audit committee.

External audit forms an integral part of the Group's corporate governance framework and plays a key role by providing an independent assessment of our operations and internal controls.

The AGM elects the external auditors annually. Our statutory auditor is KPMG AG (KPMG), Badenerstrasse 172, 8004 Zurich, Switzerland. The mandate was first given to KPMG for the business year 1989/1990. The lead audit partners are subject to periodic rotation requirements. The lead Group engagement partners are Anthony Anzevino, Global Lead Partner (since 2012) and Nicholas Edmonds, Group Engagement Partner (since 2016).

In addition, we have mandated BDO AG, Fabrikstrasse 50, 8031 Zurich, Switzerland, as special auditor for the purposes of issuing the legally required report for capital increases in accordance with Article 652f of the Swiss Code of Obligations, mainly relating to the valuation of companies in consideration of the qualified capital increases involving contributions in kind.

Audit committee pre-approval policy

The Audit Committee monitors and pre-approves the fees to be paid to KPMG for its services. It has developed and approved a policy on the engagement of public accounting firms that is designed to help ensure that the independence of the external auditor is maintained at all times.

The policy limits the scope of services that the external auditor may provide to us or any of our subsidiaries in connection with its audit and stipulates certain permissible types of non-audit services, including audit-related services, tax services and other services that have been pre-approved by the Audit Committee. The Audit Committee pre-approves all other services on a case-by-case basis. The external auditor is required to report periodically to the Audit Committee about the scope of the services it has provided and the fees for the services it has performed to date.

Fees paid to external auditors

in	**2017**	2016	% change
Fees paid to external auditors (CHF million)			
Audit services [1]	51.4	48.8	5
Audit-related services [2]	7.2	5.5	31
Tax services [3]	3.3	1.9	74

[1] Audit services include the integrated audit of the Group's consolidated and statutory financial statements, interim reviews and comfort and consent letters. Additionally they include all assurance and attestation services related to the regulatory filings of the Group and its subsidiaries. Audit fees exclude value-added taxes.

[2] Audit-related services are primarily in respect of: (i) reports related to the Group's compliance with provisions of agreements or calculations required by agreements; (ii) accounting advice; (iii) audits of private equity funds and employee benefit plans; and (iv) regulatory advisory services.

[3] Tax services are in respect of tax compliance and consultation services, including: (i) preparation and/or review of tax returns of the Group and its subsidiaries; (ii) assistance with tax audits and appeals; and (iii) confirmations relating to the Qualified Intermediary status of Group entities.

KPMG attends all meetings of the Audit Committee and reports on the findings of its audit and/or interim review work. The Audit Committee reviews KPMG's audit plan on an annual basis and evaluates the performance of KPMG and its senior representatives in fulfilling their responsibilities. Moreover, the Audit Committee recommends to the Board the appointment or replacement of the external auditor, subject to shareholder approval as required by Swiss law.

KPMG provides a report as to its independence to the Audit Committee at least once a year. In accordance with our pre-approval policy and as in prior years, all KPMG non-audit services provided in 2017 were pre-approved. KPMG is required to report to the Audit Committee periodically regarding the extent of services provided by KPMG and the fees for the services performed as of that date.

OTHER INFORMATION

Complying with rules and regulations

We fully adhere to the principles set out in the Swiss Code of Best Practice for Corporate Governance, dated August 28, 2014, including its appendix stipulating recommendations on the process for setting compensation for the Board and the Executive Board.

In connection with our primary listing on the SIX, we are subject to the SIX Directive on Information relating to Corporate Governance, dated December 13, 2016. Our shares are also listed on the NYSE in the form of ADS and certain of the Group's exchange traded notes are listed on Nasdaq. As a result, we are subject to certain US rules and regulations. We adhere to the NYSE's and Nasdaq's corporate governance listing standards (NYSE and Nasdaq standards), with a few exceptions where the rules are not applicable to foreign private issuers.

The following are the significant differences between our corporate governance standards and the corporate governance standards applicable to US domestic issuers listed on the NYSE and Nasdaq:

- Approval of employee benefit plans: NYSE and Nasdaq standards require shareholder approval of the establishment of, and material revisions to, certain equity compensation plans. We comply with Swiss law, which requires that shareholders approve the creation of conditional capital used to set aside shares for employee benefit plans and other equity compensation plans, but does not require shareholders to approve the terms of those plans.
- Risk assessment and risk management: NYSE standards allocate to the Audit Committee responsibility for the discussion of guidelines and policies governing the process by which risk assessment and risk management is undertaken, while at the Group these duties are assumed by the Risk Committee. Whereas our Audit Committee members satisfy the NYSE as well as Nasdaq independence requirements, our Risk Committee may include non-independent members.
- Independence of nominating and corporate governance committee: NYSE and Nasdaq standards require that all members of the nominating and corporate governance committee be independent. The Group's Governance and Nominations Committee is currently composed entirely of independent members, but according to its charter, may include non-independent members.
- Reporting: NYSE standards require that certain board committees report specified information directly to shareholders, while under Swiss law only the Board reports directly to the shareholders and the committees submit their reports to the full Board.
- Appointment of the external auditor: NYSE and Nasdaq standards require that an Audit Committee of a listed company comply with and have the authority necessary to comply with the requirements of Rule 10A-3 of the Securities Exchange Act of 1934. Rule 10A-3 requires the Audit Committee to be directly responsible for the appointment, compensation, retention and oversight of the external auditor unless there is a conflicting requirement under home country law. Under Swiss law, the appointment of the external auditor must be approved by the shareholders at the AGM based on the proposal of the Board, which receives the advice and recommendation of the Audit Committee.
- Audit Committee charter: Nasdaq standards require the Audit Committee to review and assess the adequacy of its charter on an annual basis, while our Audit Committee's charter only requires review and assessment from time to time.
- Executive sessions: NYSE and Nasdaq standards require the board of directors to meet regularly in executive sessions composed solely of independent directors. Our Board meets regularly in executive sessions comprising all directors, including any directors determined to be not independent. If any item discussed at the meeting raises a conflict of interest for any of our directors, however, such director does not participate in the related decision making. The Board does not include any directors who are also members of management.
- Quorums: Nasdaq standards require that the company's bylaws provide for a quorum of at least 33⅓% of the outstanding shares of the company's common stock for any meeting of the holders of common stock. The Group's AoA call for a quorum in certain instances, but do not require a quorum of 33⅓% or greater of the holders of the outstanding shares of common stock for any meeting of shareholders.
- Independence: NYSE and Nasdaq independence standards specify thresholds for the maximum permissible amount of (i) direct compensation that can be paid by the company to a director or an immediate family member thereof, outside of such director's directorship fees and other permitted payments; and (ii) payments between the company and another company at which such director or an immediate family member thereof is an executive officer, controlling shareholder, partner or employee. Our independence standards do not specify thresholds for direct compensation or cross-company revenues, but consider these facts in the overall materiality of the business relationship determination for independence purposes.

Fiduciary duties and indemnification

The Swiss Code of Obligations requires directors and members of senior management to safeguard the interests of the corporation and, in connection with this requirement, imposes the duties of care and loyalty on directors and members of senior management. While Swiss law does not have a general provision on conflicts of interest, the duties of care and loyalty are generally understood to disqualify directors and members of senior management from participating in decisions that could directly affect them. Directors and members of senior management are personally liable to the corporation for any breach of these provisions.

The Group's AoA and the Bank's AoA do not contain provisions regarding the indemnification of directors and officers. According to Swiss statutory law, an employee has a right to be indemnified by the employer against losses and expenses incurred by such

person in the execution of such person's duties under an employment agreement, unless the losses and expenses arise from the employee's gross negligence or willful misconduct. It is our policy to indemnify current and former directors and/or employees against certain losses and expenses in respect of service as a director or employee of the Group, one of the Group's affiliates or another entity that we have approved, subject to specific conditions or exclusions. We maintain directors' and officers' insurance for our directors and officers.

Fees and charges for holders of ADS

In November 2016, after a competitive bid process, the Group entered into an amended and restated deposit agreement with The Bank of New York Mellon as depositary for the ADS (Depositary), replacing the previous depositary. In accordance with the terms of the deposit agreement, the Depositary may charge holders of our ADS, either directly or indirectly, fees or charges up to the amounts described below.

The Depositary collects its fees and related expenses for the delivery and surrender of ADS directly from investors depositing or surrendering ADS for the purpose of withdrawal or from intermediaries acting for them. The Depositary collects fees and expenses for making distributions to holders by deducting those fees and expenses from the amounts distributed or by selling a portion of distributable property to pay the fees and expenses. The Depositary may generally refuse to provide fees and expenses until its fees for those services are paid.

Fees and charges for holders of ADS

Fees	
USD 5 (or less) per 100 ADS (or portion thereof)	For the issuance of ADS, including issuances resulting from a distribution of shares, share dividends, share splits and other property; for ADS issued upon the exercise of rights; and for the surrender of ADS for cancellation and withdrawal of shares.
USD 0.05 (or less) per ADS	For any distribution of cash to ADS registered holders, including upon the sale of rights or other entitlements.
Registration or transfer fees	For the transfer and registration of shares on our share register to or from the name of the Depositary or its agent when the holder deposits or withdraws shares.
Charges	
Expenses of the Depositary	For cable and facsimile transmissions (when expressly provided in the deposit agreement); and for converting foreign currency to US dollars.
Taxes and other governmental charges	Paid, as necessary, to the Depositary or the custodian who pays certain charges on any ADS or share underlying an ADS, for example, stock transfer taxes, stamp duty or applicable interest or penalty thereon.
Other charges	Paid, as necessary, to the Depositary or its agents for servicing the deposited shares.

Amounts paid by the Depositary to the Group

In 2017, in accordance with the Group's previous deposit agreement and amended and restated deposit agreement, the respective entities acting as depositary under these agreements made payments to the Group in an aggregated amount of USD 0.4 million, including for the reimbursement of expenses relating to its ADS program. The respective depositaries have also contractually agreed to provide certain ADS program-related services free of charge.

Under certain circumstances, including removal of the Depositary or termination of the ADS program by the Group, the Group is required to repay certain amounts paid to the Group and to compensate the Depositary for payments made or services provided on behalf of the Group.

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V

Compensation

Letter from the Chair of the Compensation Committee	222
Compensation design at a glance	226
Compensation governance	228
Executive Board compensation for 2017	230
Revised Executive Board compensation design for 2018	236
Board of Directors compensation	238
Group compensation	242

LETTER FROM THE CHAIR OF THE COMPENSATION COMMITTEE

Kai S. Nargolwala
Chair of the
Compensation Committee

Dear shareholders

As the new Chair of the Compensation Committee of the Board of Directors (Compensation Committee), I am pleased to present to you the 2017 Compensation Report. This year we have modified the structure and presentation of the report to make it clearer and more reader-friendly.

2017 Annual General Meeting regarding compensation

After we published the 2016 Compensation Report, some shareholders expressed concerns over the amount of variable incentive compensation proposed for the Executive Board. Recognizing these concerns, the Chief Executive Officer (CEO) and each member of the Executive Board voluntarily proposed to reduce both their 2016 Short-Term Incentive (STI) awards and 2017 Long-Term Incentive (LTI) opportunities by 40%, and this proposal was approved by the Board of Directors (Board). In terms of compensation for members of the Board, the Board decided to maintain the proposed aggregate amount at the same level as approved by shareholders for 2015 and 2016, with no incremental increase in 2017 as originally proposed.

All revised compensation proposals were approved by shareholders at the Annual General Meeting (AGM) on April 28, 2017, with many shareholders commenting positively on our efforts to address their concerns. However, the consultative vote on the 2016 Compensation Report resulted in only 58% of votes in favor, indicating a clear desire for change.

We noted the view of many shareholders that the interests of management and shareholders should have been more closely aligned. My top priority has been, and will remain, to strengthen confidence in our responsiveness to investor sentiment and ensure that our compensation decisions are guided by our principles and values, which includes greater alignment between pay and performance.

Shareholder engagement during 2017

Against that background, one of the first tasks I undertook as Chair of the Compensation Committee was to meet our key shareholders and other external stakeholders, including our regulators, in order to listen to their views on our compensation framework, address their questions, and better understand any concerns they had. I personally attended 26 investor meetings, a number of these together with the Chairman of the Board (Chairman), covering approximately 40% of our shareholder base, and maintained a continuous dialogue with our various regulators. The discussions were frank and open and the Compensation Committee has considered the feedback received as part of its review of the compensation framework.

Phase	Activity
Listening (April – July)	Meetings with key shareholders to better understand their concerns and views on compensation
Consultation (August – October)	Discussions with key shareholders and other external stakeholders on compensation design considerations
Feedback (November – December)	Meetings with key shareholders to explain the proposed changes to our compensation design
Implementation (2018)	Changes to our compensation design approved by the Board and to be implemented in 2018

Review of our compensation framework and key changes proposed

Equipped with the feedback from our shareholders and other external stakeholders, the Compensation Committee conducted a comprehensive review of our overall compensation framework, including compensation governance and approach to compensation disclosure.

In doing so, the Compensation Committee was mindful of the objectives of our compensation strategy, which is intended to attract, retain, reward and motivate the talented individuals needed for our long-term success as a client-focused and capital-efficient business. In particular, the compensation strategy emphasizes the link between pay and performance, supporting a performance culture which is based on merit, which recognizes and rewards excellent short- and long-term performance, and which is aligned with the Group's values.

Key changes for 2018 onwards

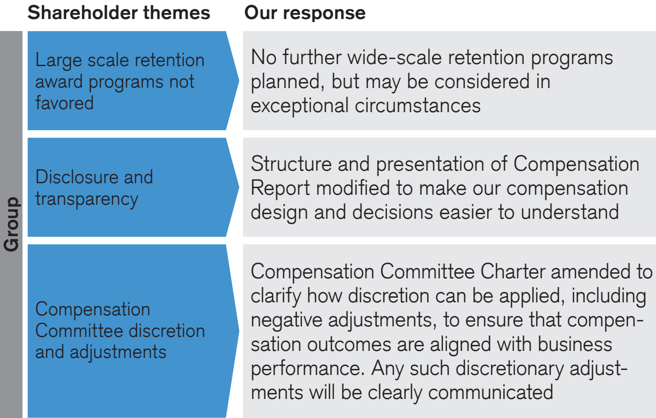
- Stronger governance and transparency
- Removal of capital metrics and introduction of simplified metrics for assessing Executive Board performance to focus more on profitability and shareholder returns
- Use of only Group-level metrics in setting the STI and LTI payout levels, enabling greater transparency on performance targets
- Reduced STI and LTI payout levels for achievement of target performance and reduced LTI payout for below median relative total shareholder return (RTSR) ranking
- Increased shareholding requirements
- Reduced subsidiary board fees for members of the Group Board newly appointed to subsidiary boards

The Compensation Committee decided that while the overall compensation framework remained appropriate, refinements were required in certain areas, in particular with respect to the Executive Board. Given that the 2017 compensation framework had been approved and the performance targets had been set at the beginning of the 2017 financial year, before the shareholder engagement and review period, implementation of the key changes is planned to take effect only for 2018 and onwards.

The proposed changes are aimed at strengthening the link between delivery of the strategy approved by the Board and our compensation outcomes. The performance measures for the Executive Board for 2017 reflected a phase of stabilization and consolidation (e.g., capital metrics, adjusted income before taxes, and division-specific performance indicators), whereas the performance measures for 2018 and beyond reflect a turnaround phase, building a leading wealth management business with strong investment banking capabilities which has the benefit of having gone through a significant and deep restructuring period. This can be seen in the removal of capital metrics for both STI and LTI awards and the introduction of return on tangible shareholders' equity (RoTE) and tangible book value per share (TBVPS) as metrics for the LTI awards, to reward long-term sustainable performance for performance periods starting with 2018.

The proposed compensation arrangements for the Executive Board, as well as the Board and the wider Group, are shown below.

	Shareholder themes	Our response
Executive Board	Simple and transparent STI and LTI metrics	Group-level only metrics to determine an overall STI pool and the LTI awards
Executive Board	More stringent performance conditions and hurdles	STI and LTI payout levels for target performance reduced to 67% (previously 80%) and reduced payout on RTSR component of LTI awards if RTSR is below median
Executive Board	Return, profitability and growth metrics	RoTE and TBVPS added to LTI performance metrics
Executive Board	Reduced overlap in short- and long-term measures	Limited overlap of STI and LTI measures
Executive Board	Lower RTSR component of LTI awards	RTSR component of LTI awards reduced to 33⅓% weighting from 50% previously
Executive Board	Lower weighting on capital metrics	Capital metrics removed from both STI and LTI awards
Executive Board	Higher shareholding requirement	CEO requirement increased to 500,000 shares, and Executive Board member requirement increased to 300,000 shares
Executive Board	Greater transparency on performance targets	Retrospective disclosure of STI performance targets and prospective disclosure of LTI performance targets
Board	Board fee levels	Our Group Board fees are comparable to market in a Swiss context. Going forward, Group Board members newly appointed to subsidiary boards will receive fees generally lower than for other external subsidiary board members



	Shareholder themes	Our response
Group	Large scale retention award programs not favored	No further wide-scale retention programs planned, but may be considered in exceptional circumstances
Group	Disclosure and transparency	Structure and presentation of Compensation Report modified to make our compensation design and decisions easier to understand
Group	Compensation Committee discretion and adjustments	Compensation Committee Charter amended to clarify how discretion can be applied, including negative adjustments, to ensure that compensation outcomes are aligned with business performance. Any such discretionary adjustments will be clearly communicated

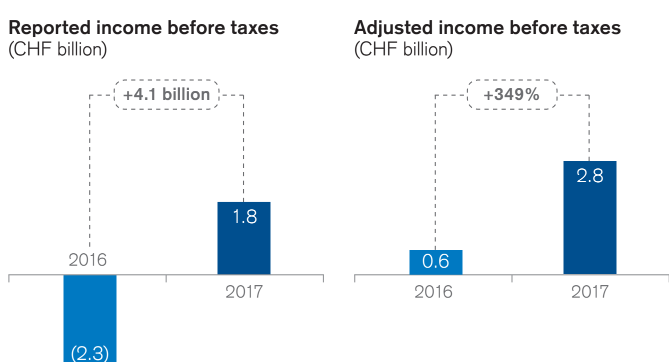
Financial performance context for compensation decisions

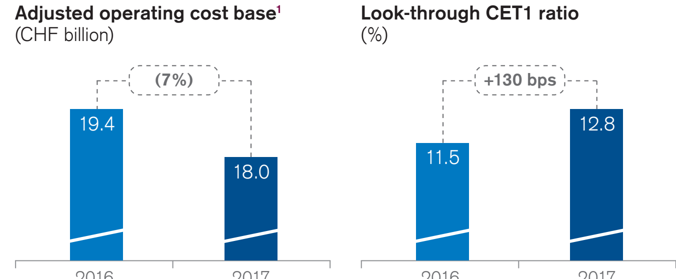
The Group's performance forms the primary basis for compensation decision-making. During the second full year of our three-year restructuring plan announced in October 2015, the Group continued to make strong progress in delivering on its key priorities. In particular we strengthened our capital position, delivered profitable growth with higher adjusted income before taxes, reduced our fixed cost base, right-sized and de-risked our trading activities, and made progress in resolving our legacy issues. The key financial achievements for 2017 noted by the Compensation Committee included:

- Group adjusted revenues increased by 5% compared with the prior year, while adjusted total operating expenses decreased by 6%, driving positive operating leverage;
- Group reported income before taxes was CHF 1.8 billion, an increase of CHF 4.1 billion compared with the prior year, and Group adjusted income before taxes was CHF 2.8 billion, up 349% year on year;
- Adjusted income before taxes and before variable incentive compensation expense was 54% higher compared with the prior year;
- The Group cost target was achieved for 2017 and management is on track to deliver further fixed cost savings by the end of 2018;
- Net new assets of CHF 37.2 billion from the wealth management[1] businesses reached the highest level since 2013, and increased by 27% compared with the prior year;
- The Group achieved a look-through CET1 ratio of 12.8% at the end of the year (after deducting approximately 45 basis points due to increased risk-weighted assets related to operational risk in the second half of 2017, primarily in respect of our RMBS settlements), compared with 11.5% at the end of the prior year, and a look-through CET1 leverage ratio of 3.8% compared with 3.2% at the end of the prior year;
- The Strategic Resolution Unit is on track to close one year ahead of schedule by the end of 2018, which should, from 2019 onwards, significantly reduce the drag on the Group's operating profits from legacy positions compared with prior years; and
- Market capitalization at the end of 2017 was up 46% from a year earlier.

[1] Referring to the combined net new assets of Private Clients within Swiss Universal Bank, Private Banking within International Wealth Management and Private Banking within Wealth Management & Connected in Asia Pacific.

Group performance highlights





[1] The adjusted operating cost base at constant foreign exchange (FX) rates from 2015 is based on adjusted operating expenses and also includes adjustments for certain accounting changes in 2017, which had not been in place at the launch of the cost savings program of CHF 170 million, and debit valuation adjustments related volatility in 2017 of CHF 83 million and the negative FX impact in 2017 of CHF (326) million and in 2016 of CHF (293) million. Adjustments for FX apply unweighted currency exchange rates, i.e., a straight line average of monthly rates, consistently for the periods under review.

▸ Adjusted results are non-GAAP financial measures that exclude goodwill impairment, real estate transactions, business sales, restructuring expenses and major litigation provisions. Refer to "Reconciliation of adjusted results" in II – Operating and financial review – Credit Suisse for further information. For further information on variable incentive compensation expense, refer to the "Group compensation and benefits expense" table in Group compensation.

On December 22, 2017, the United States enacted new tax legislation which, among other things, lowered the US federal corporate tax rate. Overall, we believe the US Tax Cuts and Jobs Act is a positive development for our US businesses. The legislation could also result in a more favorable business climate, in particular for our investment banking activities in advisory and underwriting, which enjoy a strong position in the US market. As required by US GAAP, however, the reduction in US federal corporate tax rates has led to a re-assessment of our deferred tax assets (DTAs), with an associated non-cash tax charge of CHF 2.3 billion recognized in the fourth quarter of 2017, primarily related to our US DTAs. Many of our peers also reported significant DTA re-assessments following the enactment of the US tax reform. This was a primary factor behind the net loss attributable to shareholders of CHF 983 million for the full year. For the performance year 2017, the Compensation Committee took into account the effect of this non-cash item in determining the variable incentive compensation pool proposal. Although this event was outside of the control of management and had minimal impact on capital, liquidity, our ability to pay dividends or our underlying results, the Compensation Committee applied a downward adjustment of approximately CHF 100 million to the overall Group variable incentive compensation pool to reflect the impact of the tax charge on net income.

This tax charge does not impact our strategy going forward, and we intend to maintain a look-through CET1 ratio of greater than 12.5% in 2018 as well as in 2019 and 2020, before the implementation of the Basel III reforms beginning in 2020. The policy for returning capital to shareholders announced at the Investor Day is also unchanged.

2017 compensation decisions

Group compensation

Aside from the Group's financial performance in 2017, the Compensation Committee considered a range of other factors such as progress made against strategic objectives, relative performance, market position and market trends, as well as control, risk, compliance and ethical considerations, to determine the Group variable incentive compensation pool. The Board approved the total Group variable incentive compensation pool of CHF 3,190 million, 3% higher than 2016 after the downward adjustment of approximately CHF 100 million applied by the Compensation Committee to take into account the impact resulting from the US tax reform mentioned above.

Executive Board compensation

Executive Board compensation is included in the total compensation awarded for the Group. Executive Board compensation related to 2017 is comprised of:

- CHF 28.89 million total fixed compensation;
- CHF 25.46 million total STI award, subject to shareholder approval at the 2018 AGM; and
- CHF 31.2 million total LTI award maximum opportunity, with a fair value of CHF 15.55 million at the time of grant (estimated based on a Monte Carlo pricing model) as approved at the 2017 AGM.

▸ Refer to "Executive Board compensation for 2017" for further information.

The total compensation amount of CHF 69.90 million reflects the Group's business performance and ongoing restructuring described above and the fair value of the 2017 LTI award at the time of grant. This total amount for 2017 is 4% lower than the prior year amount of CHF 73.06 million, mainly due to the voluntary reduction to the initial 2017 LTI award proposal.

CEO compensation

Compensation for our CEO, Tidjane Thiam, has been determined based on evaluation of his performance against a range of quantitative and qualitative factors. The quantitative measures capture the Group's financial performance and capital strength, while the qualitative assessment includes criteria related to strategy execution, leadership, talent management, collaboration and reputation. The Compensation Committee considers that Mr. Thiam's

proposed total compensation for 2017 of CHF 9.70 million reflects his strong performance against this suite of measures, while also recognizing that the Group is still in a transition phase, having completed the second year of its three-year restructuring plan. Mr. Thiam's total compensation amount for 2017 is 5% lower than for the prior year, which in part reflects his voluntary proposal to reduce his 2017 LTI award opportunity by 40%, as approved by shareholders at the 2017 AGM. In future years the Compensation Committee expects the compensation for the CEO to return to levels in line with the expected improvement in Group performance.

Board of Directors compensation

Consistent with recent years, compensation of the Board continues to be based on a fixed fee structure, with pre-defined fees for Board membership, committee membership and chairing a committee. The fee amounts are set at levels comparable to those at other leading Swiss companies and global financial services firms, with 50% of the Group-level Board fees paid in Group shares. In line with industry practice, Board fees are not linked to the financial performance of the Group. Fees for specific Board leadership roles are reviewed periodically and adjusted as required, and base Board fees have remained constant for over 10 years.

In the past few years, the Chairman has voluntarily waived all or part of his chair fee. For the period from the 2017 AGM to the 2018 AGM, the Chairman has proposed to waive 30% of his chair fee, an amount equal to CHF 0.45 million, and this proposal was approved by the Board. The Board expects that the Chairman's compensation will return to the previously approved level, as the Group completes its restructuring plan.

In line with the Group's governance framework, at least one Board member at the Group level is appointed to the board of each major subsidiary. This is to leverage the knowledge and experience that Board members already have concerning the Group and to perform an oversight role. Going forward, Board members newly appointed to serve on subsidiary boards will receive a flat subsidiary board membership fee of CHF 100,000 (or higher amounts if a Board member serves as the chair of the subsidiary board or a committee), paid in cash. This amount is generally less than that received by other external subsidiary board members, given that Board members are already familiar with the Group's entities and activities.

2018 AGM proposals

At the 2018 AGM on April 27, 2018, we plan to submit the following proposals related to Executive Board and Board compensation:

- Maximum aggregate amount of CHF 31.0 million in total fixed compensation for the Executive Board for the 2018 AGM to 2019 AGM period (no change compared with the prior year's proposal);
- CHF 25.46 million total 2017 STI award to be granted to the Executive Board (2% lower than the prior year's initial proposal before the voluntary reduction);
- Maximum aggregate amount of CHF 58.5 million total 2018 LTI award maximum opportunity to be granted to the Executive Board (12.5% higher than the prior year's proposal before the voluntary reduction); and
- Maximum aggregate amount of CHF 12.0 million in total compensation for the Board for the 2018 AGM to 2019 AGM period (no change compared with the prior year's proposal approved at the 2017 AGM).

In aggregate, the compensation proposals for the Executive Board at the 2018 AGM will be 5.5% higher than the initial proposals at the 2017 AGM before the voluntary reduction. The proposal for the Board remains unchanged compared with the prior year's approved amount of CHF 12.0 million.

For the 2018 LTI awards, the maximum opportunity is designed to keep the Executive Board members focused on further achieving the Group's strategic mid-term goals, while being aligned with market. The percentage of the maximum opportunity realized will be based on performance over the three-year period as well as changes in the share price of Credit Suisse Group during the five years prior to the settlement of the award in full. Historically, LTI awards granted in previous years have been realized at 50-60% of the initial grant value. As outlined earlier and explained in more detail later in this report, we have removed the capital-based performance metrics and introduced performance conditions that are more aligned to long-term profitability and shareholder return generation for the 2018 LTI awards. In addition, we have reduced the payout levels for achievement of target performance to 67% (from 80% previously), and reduced payout levels on the RTSR component for below-median rankings. We have not increased the LTI award maximum opportunity for the CEO (250% of base salary) or the upper range of maximum opportunities for the other Executive Board members (425% of base salary). The increase in the total LTI award maximum opportunity from the initial proposal at the 2017 AGM of CHF 52 million to the 2018 AGM proposal of CHF 58.5 million relates to three individuals whose roles have expanded in scope and impact, and the need to take into account developments in local labor markets in order to retain the required talent. The maximum opportunity for the LTI awards of the other Executive Board members remained unchanged.

On behalf of the Compensation Committee, I would like to thank you for your support and feedback, which we will continue to seek as we review and refine our compensation practices to ensure that they are fully compliant with all regulatory requirements and aligned with the interests of our shareholders.

Kai S. Nargolwala
Chair of the Compensation Committee
Member of the Board of Directors
March 2018

Compensation design at a glance

Compensation strategy and objectives

Consistent with prior years, our key compensation objectives are to maintain compensation practices that:

- foster a **performance culture** based on merit that differentiates and rewards excellent performance;
- **attract and retain employees**, and motivate them to achieve results with integrity and fairness;
- **balance the mix of fixed and variable** compensation to appropriately reflect the value and responsibility of the role performed, and to influence appropriate behaviors and actions;
- promote **effective risk management** practices that are aligned with the Group's compliance and control cultures;
- create a culture that adheres **to high conduct and ethics standards** through a system of applying both malus and rewards;
- encourage **teamwork and collaboration** across the Group;
- achieve a **balanced distribution of profitability between employees and shareholders** over the long term, subject to Group performance and market conditions; and
- take into account the long-term performance of the Group, in order to **create sustainable value for shareholders**.

Executive Board compensation framework 2017: key elements

	Features	Vesting (year) 2017	2018	2019	2020	2021	2022	Design
Fixed	Base Salary	■						■ CEO base salary remained at CHF 3 million ■ Executive Board member base salary remained at CHF 2 million/USD 2 million
Fixed	Pension and Benefits	■						■ Pension and benefits consistent with local market practice ■ Other benefits include housing allowances, expense allowances and relocation allowances
Variable	STI Awards	Annual performance period	½ cash			½ deferred cash		■ Payout subject to achievement of threshold, target and maximum performance levels for the performance year, defined as % of total opportunity: – Maximum performance: 100% – Target performance: 80% – Threshold performance: 25% – Below threshold: 0% ■ Metrics depend on role and may include divisional metrics for divisional heads
Variable	LTI Awards	Three-year performance period Rewards achievement of long-term business plan and long-term return for shareholders			⅓ shares	⅓ shares	⅓ shares	■ Payout for financial metrics subject to threshold, target and maximum performance levels over a three-year period, defined as % of total opportunity: – Maximum performance: 100% – Target performance: 80% – Threshold performance: 25% – Below threshold: 0% ■ Assessed against group and divisional targets at the end of the three-year period
		Vesting over 5 years						
Minimum shareholding requirement								■ CEO: 350,000 shares ■ Other Executive Board members: 150,000 shares

Note: Individuals in certain jurisdictions may be subject to conditions other than those outlined above in order to comply with local legal or regulatory requirements.

▸ Refer to "Executive Board compensation for 2017" for further information.

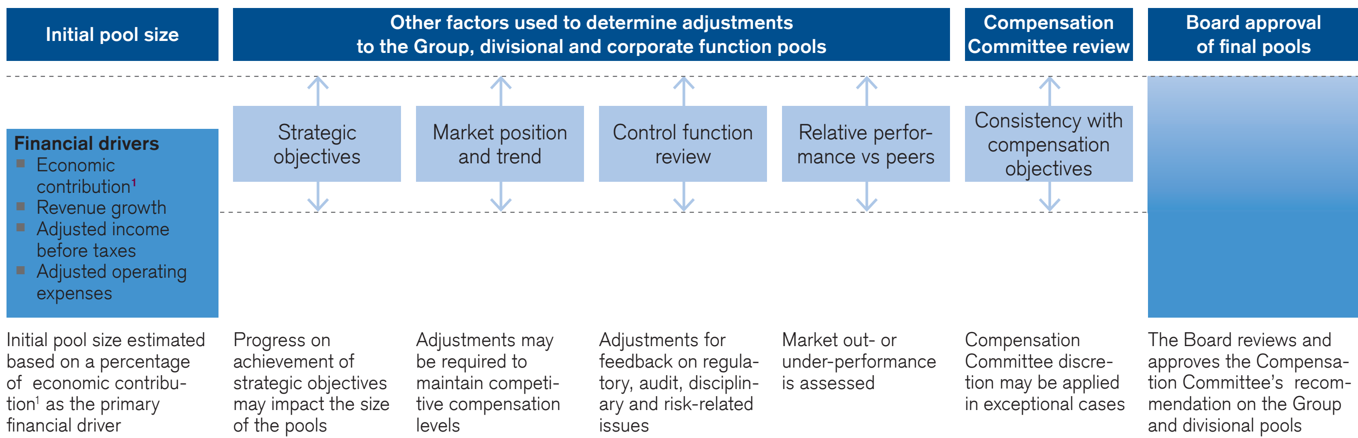
Executive Board compensation: key changes for 2018

- **Revised metrics** for assessing Executive Board performance, including **removal of capital-based performance metrics** and use of **only Group-level metrics**
- **Reduced STI and LTI payout levels** for achievement of target performance
- **Reduced payout for below median RTSR ranking** and zero payout for a bottom quartile ranking
- **Increased shareholding requirements** (500,000 shares for the CEO and 300,000 shares for Executive Board members)

▸ Refer to "Revised Executive Board compensation design for 2018" for further information.

Determination of Group variable incentive compensation pools

The Group variable incentive compensation pools are determined on an annual basis, with accruals made throughout the year. The primary driver of the pool amounts is economic contribution, which is considered along with the other factors shown in the illustrative example below.



[1] Economic contribution is measured as adjusted income before taxes excluding variable incentive compensation expense, after deducting a capital usage charge that is calculated based on regulatory capital. Group and divisional results are adjusted to exclude items such as goodwill impairment, real estate transactions, business sales, restructuring expenses and major litigation provisions. For 2017, regulatory capital for compensation purposes was defined for each division as the higher of 10% of average divisional Basel III risk-weighted assets and 3.5% of average divisional leverage exposure. This measure of economic contribution considers the profitability of the divisions and the Group and the capital utilized to achieve this profitability.

‣ Refer to "Determination of variable incentive compensation pools" in Group compensation – Compensation framework for further information.

Group employees' compensation framework: key elements

	Features	Vesting (year)					Design
		2017	2018	2019	2020	2021	
Fixed	Base Salary						■ Based on skills, qualifications, relevant experience, responsibilities and external market factors
Fixed	Pension and Benefits						■ Pension and benefits consistent with local market practice ■ Includes country-specific pension schemes, certain allowances, subsidizations and insurances ■ Role-based allowances apply to certain Material Risk Takers and Controllers (MRTC)
Variable	Cash Award						■ Employees with total compensation below CHF/USD 250,000 receive their full amount of variable compensation in the form of an immediate cash award
Variable	Share Awards			⅓	⅓	⅓	For total compensation of CHF/USD 250,000 or higher: ■ Deferred share awards with no additional performance conditions
Variable	Performance Share Awards			⅓	⅓	⅓	■ Managing Directors (MD) and MRTC receive deferred share awards with performance conditions as part of their deferred compensation
Variable	Contingent Capital Awards (CCA)						■ MD and Directors receive loss-absorbing contingent capital awards ■ At settlement, contingent capital instrument or cash payment based on the fair value of the CCA ■ Prior to settlement, conditional right to receive semi-annual cash payments of interest equivalents

Note: Individuals in certain jurisdictions may be subject to conditions other than those outlined above in order to comply with local legal or regulatory requirements.

‣ Refer to "Group compensation" for further information.

Compensation governance

THE COMPENSATION COMMITTEE

The Compensation Committee is the supervisory and governing body for compensation policies, practices and plans. In designing and setting compensation, the Compensation Committee aims to make decisions in the best interests of the Group and also to align the interests of the Group's employees to those of shareholders. The Compensation Committee reviews proposals regarding Group, Executive Board and Board compensation, and makes recommendations to the Board for approval. Total Executive Board compensation and Board compensation are also subject to shareholder approval pursuant to the Swiss Ordinance Against Excessive Compensation with respect to Listed Stock Corporations (Compensation Ordinance) and the Articles of Association of Credit Suisse Group AG (AoA).

The Compensation Committee consists of at least three members of the Board, all of whom must be independent. The current members are Kai S. Nargolwala (Chair), Iris Bohnet, Andreas N. Koopmann and Alexandre Zeller. The Board has applied the independence criteria of the SIX Swiss Exchange Directive on Information relating to Corporate Governance, FINMA, the Swiss Code of Best Practice for Corporate Governance, and the listing standards of the New York Stock Exchange (NYSE) and the Nasdaq Stock Market (Nasdaq), in determining that all of these individuals are independent.

▸ Refer to "Independence" in IV – Corporate Governance – Board of Directors for more information on how the Group determines the independence of its Board members.

Compensation Committee activities

The Chairman and the CEO may attend the Compensation Committee meetings, and the Compensation Committee Chair determines the attendance of other Board members, Executive Board members, senior management, compensation advisers and external legal counsel, as appropriate. The Chairman, CEO, Executive Board members and senior management do not participate in discussions which relate to their own compensation.

In addition to the 26 investor meetings held by the Compensation Committee Chair, during 2017, the Compensation Committee held 10 meetings and calls, with an overall attendance rate of 95%. The Compensation Committee's focus areas in 2017 are summarized in the following table:

Compensation Committee activities in 2017

	Jan	Feb	Mar	Apr	Jun	Jul	Aug	Oct	Dec
Compensation governance, design and disclosure									
Review of compensation policy and charter updates					●		●	●	●
Review of Compensation Report			●					●	●
Review and refinement of Executive Board compensation design			●		●		●	●	
Review of Group compensation structure and award plans	●		●	●			●		
Compensation Committee self-assessment and focus areas	●								
Risk and regulatory									
Review of input from control functions		●					●		●
Review of any disciplinary events/potential application of malus	●	●	●	●	●		●	●	●
Review of regulatory developments				●				●	
Annual compensation review									
Accruals and full year forecast of variable incentive compensation pools				●		●		●	●
Performance assessment and overall Group pool recommendation	●	●							●
CEO and Executive Board performance objectives and target setting		●	●						●
CEO and Executive Board performance assessment and awards		●	●	●					●
Review of Board fees			●				●		
External									
Review of shareholder engagement and feedback				●	●		●		●
Review of market trends				●				●	●
Review of benchmarking data								●	●

Advisers to the Compensation Committee

The Compensation Committee is authorized to retain external advisers to provide support as it carries out its responsibilities. Deloitte LLP (Deloitte) has been retained to assist the Compensation Committee in ensuring that the Group's compensation programs remain competitive, responsive to regulatory developments and in line with the compensation policy. Deloitte has appointed a senior consultant to advise the Compensation Committee. Apart from assisting the Compensation Committee, this senior consultant does not provide any other services to the Group. Before the appointment of Deloitte in October 2017, McLagan provided the above mentioned advisory services. The Compensation Committee also obtained legal advice during 2017 on various matters relating to compensation policy and design. Prior to appointment, the Compensation Committee conducted an independence assessment of its advisers pursuant to the rules of the US Securities and Exchange Commission (SEC) and the listing standards of the NYSE and the Nasdaq.

OTHER ASPECTS OF COMPENSATION GOVERNANCE

Compensation policy

The compensation policy applies to all employees and compensation plans of the Group. It contains a detailed description of the Group's compensation principles and objectives as well as the compensation programs. It also sets out the standards and processes relating to the development, management, implementation and governance of compensation. The compensation policy is available at *credit-suisse.com/compensationpolicy*.

Approval authority

The approval authorities for setting the compensation policy and compensation for different groups of employees are defined in the Group's Organizational Guidelines and Regulations (OGR) and the Compensation Committee charter available at *credit-suisse.com/governance*.

Action	Compensation Committee	Board
Establish or change the Group's compensation policy	R	A
Establish or change compensation plans	R	A
Set variable incentive compensation pools for the Group and the divisions	R	A
Determine Executive Board compensation, including for the CEO	R	A [1]
Determine Board compensation, including for the Chairman	R	A [1]
Determine compensation for the Head of Internal Audit	A [2]	n/a
Determine compensation for MRTC and other selected members of management	A	n/a

R = recommendation; A = approval

[1] Subject to shareholder approval requirement pursuant to the Compensation Ordinance and the AoA.

[2] In consultation with the Audit Committee Chair.

Risk and control considerations

During its annual review of the Group's performance, the Compensation Committee considers input from the Risk Committee Chair with respect to risk considerations, and the Audit Committee Chair with respect to internal control considerations. The Compensation Committee also considers input from various corporate functions including Compliance and Regulatory Affairs, General Counsel, Human Resources, Internal Audit, Product Control and Risk Management, regarding control and compliance issues and any breaches of relevant rules and regulations or the Group's Code of Conduct.

To meet regulatory guidelines regarding employees engaged in risk-taking activities, the Compensation Committee reviews and approves the compensation for employees identified as Material Risk Takers and Controllers (MRTC). The Risk Committee is involved in the review process for MRTC compensation.

▸ Refer to "Focus on risk and control " in Group compensation for further information.

Performance criteria and target setting

At the beginning of the year, as part of the annual compensation review, the Compensation Committee defines the performance criteria and performance targets that will be applied to determine the Executive Board's variable incentive compensation. For the STI awards, the performance criteria and performance levels are set on an annual basis, and are designed to reward progress towards the achievement of the Group's annual objectives in the financial plan. For the LTI awards, the performance criteria and performance levels are set for a prospective three-year period, designed to reward achievement of the longer term business plan and the enhancement of shareholder returns. In setting the threshold, target and maximum performance levels, the Compensation Committee takes into account the Group's ambitious financial plan, prior-year performance, analyst expectations and any publicly stated targets, in order to set performance levels which are challenging and motivating for the Executive Board. The performance criteria and performance levels are presented to the Board for approval before implementation.

Executive Board compensation for 2017

COMPENSATION STRUCTURE FOR 2017

The compensation structure and design for Executive Board members remained unchanged in 2017 and is in line with the framework described in the 2016 Annual Report. Total compensation for the Executive Board members included fixed compensation and the 2017 STI awards, as well as the fair value of the 2017 LTI awards at the time of their grant in 2017 (estimated based on a Monte Carlo pricing model).

Maximum opportunity levels

The maximum STI and LTI opportunity levels for the Executive Board members and the CEO are reviewed annually, based on internal factors as well as external benchmarking of the market levels of compensation for each role. The maximum levels for each individual vary from one another, subject to the overall maximum levels outlined in the following table.

Maximum opportunity levels for 2017

	Executive Board member		CEO	
	Opportunity ranges (multiple of base salary)	Maximum compensation (CHF million) [2]	Maximum opportunity (multiple of base salary)	Maximum compensation (CHF million) [2]
Base salary [1]	–	2.00	–	3.00
STI awards	0.75 – 2.50	5.00	1.50	4.50
LTI awards	1.25 – 4.25	8.50	2.50	7.50
Total	**2.00 – 6.75**	**15.50**	**4.00**	**15.00**

[1] Equivalent amount may be provided in local currency. USD 2.0 million for Executive Board members based in the US.
[2] Excluding dividend equivalents, pension and other benefits.

As part of the review of Executive Board compensation conducted at the beginning of the year, the Compensation Committee considered it necessary to adjust the upper end of the STI maximum opportunity range for 2017 to 250%, compared with 225% for 2016, to reflect the expansion of one Executive Board member's role and to reflect developments in the local labor market.

COMPENSATION OUTCOMES FOR 2017

2017 STI awards

The 2017 STI awards have the same overall structure as the 2016 STI awards, and are designed to reward the achievement of annual objectives based on performance in 2017. The final payout of the STI award is determined based on pre-defined quantitative criteria and performance levels which are linked to our strategic plan, as well as qualitative criteria related to topics such as delivery of strategic initiatives, leadership/culture and risk and compliance. Taking into account the quantitative achievements against the target performance levels, as well as the qualitative assessment outlined below, the Compensation Committee recommended a total STI award amount of CHF 25.46 million for the Executive Board. This represented, on average, 81% of the STI maximum opportunity pre-defined for each Executive Board member. The 2017 STI compensation will be submitted for shareholder approval at the 2018 AGM.

Executive Board compensation for 2017 (audited)

in	STI awards (Non-deferred) [1]	STI awards (Deferred) [2]	**Total STI compensation**	Base salaries and role-based allowances	Dividend equivalents [3]	Pension and similar benefits and other benefits [4]	**Total fixed compensation**	LTI awards 2017 fair value (Deferred) [5]	**Total compensation, including LTI awards** [6]
2017 (CHF million, except where indicated)									
12 members	12.54	12.92	**25.46**	26.34	0.56	1.99	**28.89**	15.55	**69.90**
% of total compensation, including LTI awards			**36%**				**42%**	22%	
of which CEO: Tidjane Thiam	1.99	1.99	**3.98**	3.00	0.22	0.25	**3.47**	2.25	**9.70**
% of total compensation, including LTI awards			**41%**				**36%**	23%	

[1] STI non-deferred awards for 2017 comprised CHF 12.16 million cash, with a further CHF 0.38 million granted as blocked shares to Mr. Mathers, to comply with regulatory requirements given that he was categorized as UK PRA Code Staff during 2017.
[2] STI deferred awards for 2017 comprised CHF 12.34 million in deferred cash awards as well as CHF 0.58 million granted as share awards to Mr. Mathers, to comply with regulatory requirements given that he was categorized as UK PRA Code Staff during 2017.
[3] Dividend equivalents were paid in respect of replacement awards and were delivered in cash, consistent with dividends paid on actual shares.
[4] Other benefits consist of housing allowances, expense allowances and relocation allowances.
[5] The fair value of the LTI awards as of the date of grant has been determined using a Monte Carlo pricing model. The pricing is based on a valuation and estimate by an external provider. The awards have a total maximum opportunity of CHF 31.2 million, which was the amount approved by shareholders at the 2017 AGM.
[6] For the total compensation awarded to the members of the Executive Board, the Group made payments of CHF 3.05 million in 2017 to cover the mandatory employer social security contributions as required under the social security laws applicable to the individual Executive Board members based on their domicile and employment status. These contributions do not form part of the Executive Board members' compensation.

Executive Board compensation for 2016 (audited)

This table has been updated to reflect the voluntary reduction in the 2016 STI award proposal for the Executive Board, which was approved by shareholders at the 2017 AGM.

in	STI awards (Non-deferred) [1]	STI awards (Deferred) [2]	**Total STI compen-sation** [3]	Base salaries and role-based allowances	Dividend equivalents [4]	Pension and similar benefits and other benefits [5]	**Total fixed compen-sation**	LTI awards 2016 fair value (Deferred) [6]	**Total compen-sation, including LTI awards** [7,8]
2016 (CHF million, except where indicated, does not include replacement awards)									
13 members [9]	12.81	4.20	**17.01**	26.99	0.60	2.00	**29.59**	26.46	**73.06**
% of total compensation, including LTI awards			**23%**				**41%**	36%	
of which joiners and leavers during 2016 (2 individuals)	2.35	1.88	**4.23**	2.60	0.00	0.01	**2.61**	3.51	**10.35**
% of total compensation, including LTI awards			**41%**				**25%**	34%	
of which CEO: Tidjane Thiam	2.08	0.42	**2.50**	3.00	0.47	0.21	**3.68**	4.05	**10.24**
% of total compensation, including LTI awards			**24%**				**36%**	40%	

1 STI non-deferred awards for 2016 comprised CHF 12.44 million cash, with a further CHF 0.37 million granted as blocked shares to Mr. Mathers, who was categorized as UK PRA Code Staff during 2016.
2 STI deferred awards for 2016 comprised CHF 3.23 million in deferred cash awards as well as CHF 0.97 million granted as share awards to Mr. Mathers, who was categorized as UK PRA Code Staff during 2016, and Mr. O'Hara, who ceased to be a member of the Executive Board during 2016.
3 STI awards included a variable compensation award of CHF 1.58 million comprising CHF 0.79 million cash and CHF 0.79 million deferred awards in respect of Mr. O'Hara relating to the period after he ceased to be a member of the Executive Board.
4 Dividend equivalents were paid in respect of replacement awards, as well as in respect of share awards granted prior to January 1, 2014, and were delivered in cash, consistent with dividends paid on actual shares.
5 Other benefits consist of housing allowances, expense allowances and relocation allowances.
6 The fair value of the LTI awards as of the date of grant has been determined using a Monte Carlo pricing model. The pricing is based on a valuation and estimate by an external provider. This has been further validated by internal valuation. The awards have a total maximum opportunity of CHF 49 million, which was the amount approved by shareholders at the 2016 AGM.
7 For Mr. Chin, who joined the Executive Board during 2016, only compensation relating to the period during which he was a member of the Executive Board is included in the table above.
8 For the total compensation awarded to the members of the Executive Board, the Group made payments of CHF 2.6 million in 2016 to cover the mandatory employer social security contributions as required under the social security laws applicable to the individual Executive Board members based on their domicile and employment status. These contributions do not form part of the Executive Board members' compensation.
9 Due to the departure of Mr. O'Hara and the appointment of Mr. Chin in his role, there were 12 active members of the Executive Board at any given point in time during 2016.

Assessment of performance against quantitative criteria (70% weighting)

The quantitative Group and divisional performance levels for the 2017 STI awards were pre-defined at the beginning of the year by the Compensation Committee, during the financial planning stage, and were based on certain assumptions regarding the Group's capital plan. Subsequently, due to an acceleration of the Group's capital strategy through a rights offering that was completed in June 2017, the Compensation Committee reviewed the validity of the pre-defined performance levels for the CET1 ratio metric and decided that the target performance level should be raised to 11.9% from 11.7% previously, to reflect the accelerated strengthening of the Group's capital position through the rights offering. No other performance criteria or performance target levels were modified during the year.

The quantitative criteria and corresponding 2017 outcomes are shown in the following tables for the CEO and functional heads (70% weighting on Group metrics only) and divisional heads (30% weighting on Group metrics and 40% weighting on divisional metrics), respectively. In terms of the Group metrics, the key financial highlights considered in the quantitative assessment can be summarized as follows:

- Adjusted income before taxes of CHF 2.8 billion was up 349% compared with the prior year, albeit below the target performance level;
- Look-through CET1 ratio of 12.8% at year-end and look-through CET1 leverage ratio of 3.8% were both above the target performance level, mainly driven by the rapid wind-down of risk-weighted assets within the Strategic Resolution Unit and a range of internal and external capital measures; and
- Adjusted operating expenses of CHF 17.8 billion (after excluding CHF 170 million for certain accounting changes in addition to the usual adjustment items) over-achieved the target performance level of CHF 18.0 billion.

▸ Adjusted results are non-GAAP financial measures that exclude goodwill impairment, real estate transactions, business sales, restructuring expenses and major litigation provisions. Refer to "Reconciliation of adjusted results" in II – Operating and financial review – Credit Suisse for further information.

STI awards: 2017 quantitative performance assessment

Performance criteria	Weighting	2017 target [1]	2017 result	Payout level
				Threshold (25%) Target (80%) Maximum (100%)
CEO and functional heads				
Group metrics				
Adjusted income before taxes (CHF million)	20%	3,450	2,762	
Look-through CET1 ratio	20%	11.9%	12.8%	
Look-through CET1 leverage ratio	20%	3.5%	3.8%	
Adjusted operating expenses (CHF million) [2]	10%	18,045	17,771	
Total	**70%**			
Divisional heads				
Group metrics				
Adjusted income before taxes (CHF million)	7.5%	3,450	2,762	
Look-through CET1 ratio	11.25%	11.9%	12.8%	
Look-through CET1 leverage ratio	11.25%	3.5%	3.8%	
Total	**30%**			
Swiss Universal Bank metrics				
Adjusted income before taxes (CHF million)	20%		1,873	
Private Banking net new assets (CHF billion) [3]	4%		2	
Risk-weighted assets (CHF billion)	8%		66	
Leverage exposure (CHF billion)	8%		257	
Total	**40%**			
International Wealth Management metrics				
Private Banking adjusted income before taxes (CHF million)	8%		1,116	
Asset Management adjusted income before taxes (CHF million)	8%		381	
Private Banking net new assets (CHF billion)	8%		16	
Risk-weighted assets (CHF billion)	8%		38	
Leverage exposure (CHF billion)	8%		99	
Total	**40%**			
Asia Pacific metrics				
Adjusted income before taxes (CHF million)	16%		792	
Private Banking net new assets (CHF billion)	8%		17	
Adjusted return on regulatory capital	16%		15.0%	
Total	**40%**			
Global Markets metrics				
Adjusted return on regulatory capital	16%		4.3%	
Risk-weighted assets (USD billion)	12%		60	
Adjusted operating expenses (USD million)	12%		5,010	
Total	**40%**			
Investment Banking & Capital Markets metrics				
Adjusted return on regulatory capital	16%		15.2%	
Risk-weighted assets (USD billion)	12%		21	
Leverage exposure (USD billion)	12%		45	
Total	**40%**			
Strategic Resolution Unit metrics				
Adjusted income/(loss) before taxes (CHF million)	12%		(1,847)	
Risk-weighted assets (CHF billion)	16%		34	
Leverage exposure (CHF billion)	12%		60	
Total	**40%**			

Adjusted results are non-GAAP financial measures. For a reconciliation of the adjusted results to the most directly comparable US GAAP measures, see "Reconciliation of adjusted results" tables in II – Operating and financial review – Credit Suisse.

1 Due to commercial sensitivity, only the target performance levels for the Group metrics are disclosed.

2 The target performance level of CHF 18,045 million was set prior to accounting changes where certain expenses previously recognized as contra revenue were reclassified as operating expenses. Therefore, an amount of CHF 170 million for such accounting changes was deducted from adjusted operating expenses of CHF 17,941 million to ensure consistency with the target definition.

3 The 2017 net new asset target was determined with reference to the legacy Private Banking business within Swiss Universal Bank prior to a reorganization effective January 1, 2017. Under the legacy Private Banking business, the external asset manager business was included at that time. Refer to I – Information on the Company – Divisions – Swiss Universal Bank – Business profile for further information. Private Banking net new assets for 2017 include net new assets from Private Clients of CHF 4.7 billion and net asset outflows of CHF 2.9 billion relating to the external asset manager business.

Assessment of performance against qualitative criteria (30% weighting)

The qualitative performance evaluation was based on criteria such as successful execution of business strategy, leadership initiatives, talent management, partnership and collaboration in strengthening the Group's client focus, and contribution to the enhancement of the Group's brand and reputation. The Compensation Committee noted that during 2017 the Executive Board continued to successfully implement the Group's strategy. In particular, the divisional heads guided their respective businesses towards profitable growth in terms of higher adjusted income before taxes while maintaining the focus on clients and supporting the reputation of the Group. The Compensation Committee also noted the strong leadership qualities of the divisional and functional heads, the strengthening of compliance and control measures within the business and corporate functions, as well as the promotion of diversity and retention of key talent. Overall, the Compensation Committee determined that each of the Executive Board members had achieved between the target and maximum performance levels with respect to their qualitative objectives for the year.

2017 LTI awards

The 2017 LTI awards approved by shareholders at the 2017 AGM have a total maximum opportunity of CHF 31.2 million, following the 40% voluntary reduction. This represents the maximum amount payable if all Executive Board members achieve the maximum performance levels under the financial measures (50% weighting for the CET1 ratio/CET1 leverage ratio, cost target, and, as applicable, divisional performance metrics), and the Group RTSR (50% weighting) is ranked within the top four of the peer group at the end of the three-year performance measurement period. Due to commercial sensitivity of the internal financial metrics, performance against the target performance levels will only be disclosed retrospectively after the end of the three-year performance period. The fair value of the 2017 LTI awards at the time of grant was CHF 15.55 million.

▸ Refer to "Compensation design at a glance" and the 2016 Annual Report for further information on the 2017 LTI awards.

Compensation of the CEO and highest paid Executive Board member

The compensation for the CEO and highest paid Executive Board member, Tidjane Thiam, comprised of CHF 3.00 million base salary, which remained unchanged compared with the prior year, a 2017 STI award of CHF 3.98 million representing 88% of the maximum opportunity and a 2017 LTI award with a maximum opportunity of CHF 4.5 million (following the 40% voluntary reduction) and a fair value of CHF 2.25 million at the time of grant. In terms of realized compensation for 2017, Mr. Thiam received a base salary of CHF 3.00 million, pension and other benefits of CHF 0.25 million, dividend equivalents of CHF 0.22 million, and a CHF 1.99 million 2017 STI award in non-deferred cash.

The assessment of Mr. Thiam's performance against the quantitative criteria is based on the same criteria and outcomes as described earlier for the Executive Board. In terms of the qualitative assessment, the Compensation Committee determined that Mr. Thiam had achieved the maximum performance level with respect to the qualitative measures. Some of the key highlights from Mr. Thiam's qualitative assessment are summarized in the table below.

STI awards: 2017 qualitative assessment for the CEO (30% weighting)

Strategy execution

- Mr. Thiam has continued to successfully lead the Group towards achieving profitable growth, reducing the operating cost base, and improving the Group's operating leverage by embedding a focus on fixed cost efficiency and effectiveness throughout the business
- He has overseen the prudent strengthening of the Group's capital position and the orderly wind-down of legacy assets

Leadership initiatives

- Mr. Thiam has displayed sound leadership and success in driving the Group towards a cohesive and profitable client-centric bank
- Mr. Thiam has supported the development of an intelligence-led compliance organization and an industry-leading risk and control framework for compensation
- He has instigated a change in culture which emphasizes rewarding performance and ethical conduct, and has been personally engaged in resolving significant legacy issues

Talent management

- Mr. Thiam has fostered a culture of internal mobility and the development of talent within the Group, including the promotion of diversity and inclusion across the Group

Partnership and collaboration

- Mr. Thiam has continued to steer an integrated approach between wealth management and investment banking, such as the establishment of the International Trading Solutions business, which has enhanced the Group's client offering and fostered collaboration and synergies across the Group

Brand and reputation

- Mr. Thiam continued to protect and build upon the Group's reputation and brand during 2017

UTILIZATION OF EXECUTIVE BOARD COMPENSATION APPROVED AT THE 2017 AGM

At the 2017 AGM, shareholders approved an aggregate amount of fixed compensation to be paid to members of the Executive Board for the period from the 2017 AGM to the 2018 AGM of no more than CHF 31 million. By the time of the 2018 AGM, a total of CHF 29.1 million will have been paid to Executive Board members with respect to fixed compensation. Fixed compensation includes base salaries, role-based allowances, dividend equivalents, pension and benefits.

At the 2017 AGM, shareholders also approved an aggregate maximum amount of LTI compensation to be granted to members of the Executive Board for the 2017 financial year of no more than CHF 31.2 million. The actual 2017 LTI compensation awarded to members of the Executive Board corresponds to this maximum amount. The amount of the 2017 LTI award realized by each of the Executive Board members can only be determined after the completion of the three-year performance period.

In line with the Compensation Ordinance and as specified in the AoA, if new members join the Executive Board or members of the Executive Board are promoted during a period for which compensation has already been approved by shareholders, a further 30% of the aggregate amounts already approved may be used for the compensation of such members. No such additional amount was required in 2017.

SUPPLEMENTARY INFORMATION

Cash settlement of share awards

The Executive Board members are permitted to elect, subject to minimum shareholding requirements, at a predefined date in advance of settlement, to receive their vested share-based awards in the form of shares, cash or 50% in the form of shares and 50% in cash, in each case based on the Group share price at the time of settlement. An election to receive cash is subject to reversal if at the time of settlement the Group share price is less than 75% of the share price at the time of election. The timing and pricing of settlement will be the same as under the previous award plan and as under the plans of the non-Executive Board population.

Contract lengths, termination and change in control provisions

All members of the Executive Board have employment contracts with the Group which are valid until terminated. The notice period for termination of employment by either the Group or the respective Executive Board member is six months. Executive Board members may be held to a non-compete period of up to one year and may be compensated for this period of time by mutual agreement. In the event of termination, there are no contractual provisions that allow for the payment of severance awards to Executive Board members beyond the regular compensation awarded during the notice period. Pre-defined conditions for all employees, including Executive Board members, apply for the payment of outstanding deferred compensation awards, depending on whether the termination of employment was voluntary, involuntary or the result of a change in control. There are no other contracts, agreements or arrangements with the members of the Executive Board that provide for other types of payments or benefits in connection with termination of employment that are not generally available to other employees of the Group.

In the case of a change in control, the treatment of outstanding awards for all employees, including Executive Board members, will be determined by the Board upon recommendation of the Compensation Committee with the aim of maximizing shareholder value, subject to circumstances and prevailing market conditions. There are no provisions in the employment contracts of Executive Board members or any other pre-determined arrangements that require the payment of any type of extraordinary benefits, including special severance awards or transaction premia, in the case of a change in control.

Former Executive Board members (audited)

During 2017 and 2016, former Executive Board members received total compensation for services they continued to perform after they stepped down from the Executive Board of CHF 1.4 million and CHF 8.0 million, respectively. In addition, a total of CHF 4.1 million was paid during 2017 to former Executive Board members pursuant to non-compete arrangements agreed upon in 2015. Some former members of the Group's most senior executive body who no longer provide services to the Group are still eligible to receive office infrastructure and secretarial support. These services are based on existing resources and are not used on a regular basis.

Other outstanding awards

As of December 31, 2017, the outstanding cash-based deferred compensation awards granted to certain Executive Board members in prior years comprised of the Capital Opportunity Fund (COF), CCA, LTI awards (from 2012 and 2013) and deferred cash awards. The cumulative value of such cash-based awards at their grant dates was CHF 21.57 million compared with CHF 21.19 million as of December 31, 2017. These amounts also include the cash value of dividend equivalents related to unvested share awards at their respective grant dates and at December 31, 2017.

Executive Board holdings and values of deferred share-based awards by individual

end of	Number of owned shares [1]	Number of unvested awards (at maximum opportunity) [2]	Number of owned shares and unvested awards	Value (CHF) of unvested awards at grant date (at maximum opportunity)	Value (CHF) of unvested awards at year end (at fair value) [3]
2017					
Tidjane Thiam	1,967	1,132,835	1,134,802	20,298,771	13,941,708
James L. Amine	382,106	1,098,488	1,480,594	18,110,327	11,694,777
Pierre-Olivier Bouée	38,204	439,832	478,036	7,200,011	5,345,214
Romeo Cerutti	199,630	410,871	610,501	6,945,908	4,389,711
Brian Chin	234,328	1,098,757	1,333,085	17,798,557	16,800,518
Peter Goerke	21,953	282,112	304,065	4,750,031	2,985,514
Thomas Gottstein	–	354,275	354,275	6,009,654	3,639,767
Iqbal Khan	25,135	379,846	404,981	6,412,346	4,016,413
David R. Mathers	52,672	704,359	757,031	11,723,886	7,726,820
Joachim Oechslin	–	386,390	386,390	6,627,551	4,027,112
Helman Sitohang	394,737	826,572	1,221,309	13,516,027	9,278,836
Lara Warner	2,036	325,449	327,485	5,501,327	3,445,577
Total	**1,352,768**	**7,439,786**	**8,792,554**	**124,894,396**	**87,291,967**
2016					
Tidjane Thiam	81,927	1,032,118	1,114,045	20,718,964	12,550,161
James L. Amine	262,706	1,025,658	1,288,364	18,884,166	11,868,592
Pierre-Olivier Bouée	3,614	372,907	376,521	7,096,724	4,436,540
Romeo Cerutti	286,688	323,908	610,596	6,013,140	3,593,974
Brian Chin	109,013	692,600	801,613	14,516,015	10,118,886
Peter Goerke	17,640	223,951	241,591	4,407,779	2,428,892
Thomas Gottstein	64,318	273,660	337,978	5,177,166	2,858,578
Iqbal Khan	40,282	295,044	335,326	5,516,095	3,182,133
David R. Mathers	70,573	555,791	626,364	10,122,747	6,251,319
Joachim Oechslin	32,345	277,331	309,676	5,359,233	2,949,735
Helman Sitohang	244,895	777,688	1,022,583	14,138,551	9,092,974
Lara Warner	92,043	302,939	394,982	5,752,577	3,368,217
Total	**1,306,044**	**6,153,595**	**7,459,639**	**117,703,157**	**72,700,001**

1 Includes shares that were initially granted as deferred compensation and have vested.
2 Includes unvested shares originating from LTI awards calculated on the basis of maximum opportunity for awards that have not reached the end of their three-year performance period, given that the actual achievement level and associated number of unvested shares cannot be determined until the end of the performance period. We believe this is a more appropriate approach than our prior practice of applying the target performance level (i.e., 80% of maximum opportunity) in calculating the number of unvested shares. As such, the table for 2016 has been updated.
3 Includes the value of unvested LTI awards, which was determined based on fair value.

Executive Board loans (audited)

The majority of loans outstanding to Executive Board members are mortgages or loans against securities. Such loans are made on the same terms available to employees under the Group's employee benefit plans. Pursuant to the AoA, each Executive Board member may be granted individual credit facilities or loans up to a maximum of CHF 20 million. As of December 31, 2017, 2016 and 2015, outstanding loans to Executive Board members amounted to CHF 26 million, CHF 25 million and CHF 26 million, respectively. The number of individuals with outstanding loans at the beginning and the end of 2017 was 8 and 8, respectively, and the highest loan outstanding was CHF 7 million to Mr. Gottstein.

All mortgage loans to Executive Board members are granted either with variable or fixed interest rates over a certain period. Typically, mortgages are granted for periods of up to ten years. Interest rates applied are based on refinancing costs plus a margin, and interest rates and other terms are consistent with those applicable to other employees. Loans against securities are granted at interest rates and on terms applicable to such loans granted to other employees. The same credit approval and risk assessment procedures apply to Executive Board members as for other employees. Unless otherwise noted, all loans to Executive Board members were made in the ordinary course of business and substantially on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and in consideration of the terms which apply to all Group employees. These loans did not involve more than the normal risk of collectability or present other unfavorable features.

‣ Refer to "Banking relationships with Board and Executive Board members and related party transactions" in IV – Corporate Governance – Additional information for further information.

Revised Executive Board compensation design for 2018

The overall compensation structure and design for the Executive Board in 2018 builds upon the existing framework. To reflect feedback after extensive consultation with shareholders and other external stakeholders, the Compensation Committee has proposed a number of changes to specific aspects of Executive Board compensation, effective from 2018, which are aligned with the Group's strategic plan. The key changes are summarized in the following table, and further details on the 2018 STI and 2018 LTI award design are provided below.

Element	Key changes	Rationale and outcome
Fixed compensation	■ No change to base salaries	■ Base salaries are at competitive levels, requiring no adjustment for 2018
STI awards	■ Introduction of STI award pool for Executive Board, with the total pool amount determined based on achievement of pre-determined Group financial (weighted as 67% of the maximum opportunity) and non-financial metrics (weighted as 33% of the maximum opportunity) ■ Allocation of pool amount to be based on CEO assessment and recommendation to the Compensation Committee, taking into account individualized balanced scorecard with financial and non-financial metrics ■ Revised metrics for assessing performance, including greater focus on Group-level financial metrics and removal of capital-based performance metrics ■ Reduced payout levels for achievement of target performance: 67% of the maximum opportunity (reduced from 80%)	■ Performance criteria simplified and use of Group only performance metrics enables greater transparency ■ Replacement of capital-based metrics, given the Group's stronger capital position, with criteria that focus on profitability and operating leverage
LTI awards	■ Revised metrics for assessing performance that focus on Group only metrics and removal of capital-based performance metrics ■ Introduction of RoTE[1] and TBVPS[1] as LTI performance metrics ■ Reduced payout levels for achievement of target performance: 67% of the maximum opportunity (reduced from 80%) ■ Weighting of RTSR component reduced to 33% (from 50%), with reduced payout for ranking below median and zero payout for bottom quartile ranking	■ Performance criteria simplified and use of Group only performance metrics enables greater transparency ■ Replacement of capital-based metrics, given the Group's stronger capital position, with criteria that focus on generating returns and cumulative earnings ■ Lower weighting for RTSR component to place more emphasis on metrics that are more directly influenced by management's performance ■ Revised payout levels for RTSR ranking below median in line with Swiss market practice
Shareholding requirements[2]	■ CEO minimum shareholding requirement at 500,000 shares (increased from 350,000 shares) ■ Executive Board member minimum shareholding requirement at 300,000 shares (increased from 150,000 shares)	■ Increased minimum shareholding requirements to be more aligned with global banking peers

1 Non-GAAP financial measure.
2 The thresholds include all Group shares held by or on behalf of the Executive Board members, including unvested share-based awards. Executive Board members are restricted from selling shares, or from receiving their share-based awards in the form of cash, until they fulfill the minimum shareholding requirements.

The performance target levels for the STI and LTI awards are set on the basis of the internal stretch targets, prior year performance, analyst expectations and publicly stated targets. For instance, the RoTE metric (a non-GAAP financial measure) is based on reported unadjusted results and will be measured as an average for the three performance years of 2018, 2019 and 2020. The threshold performance level was set at 5.0%, which exceeds the RoTE achieved for 2017 of 3.0% (before the impact of the CHF 2.3 billion non-cash tax charge primarily resulting from the US tax reform). The target performance level of 7.5% is significantly higher than the RoTE achieved for 2017, and is 50% higher than the threshold performance level of 5.0%. The maximum performance level of 11.0% was set taking into consideration our publicly stated ambitious objectives for 2019 (10-11%) and 2020 (11-12%), and the fact that 2018 is the final year of our three-year restructuring plan. As such, the 100% payout level will only be achieved if the average RoTE over the three years is at least 11%. The TBVPS metric (a non-GAAP financial measure) will also be measured as an average of the three performance years based on the values at the end of 2018, 2019 and 2020, respectively. The threshold performance level was set at a level which exceeds the TBVPS achieved at the end of 2017, and the target and maximum performance levels were set in consideration of internal stretch targets.

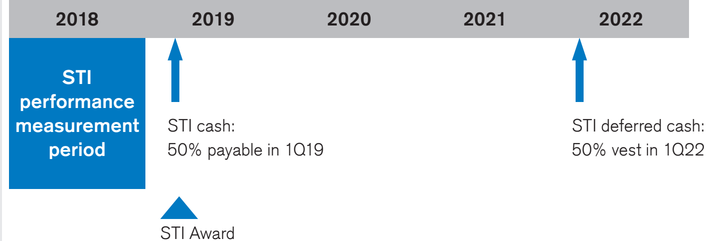
Overview of 2018 Short-Term Incentive awards and Long-Term Incentive awards

STI awards: key features

- Rewards achievement of annual objectives of the Group
- The maximum STI award pool equals the sum of all individual maximum opportunities of the Executive Board members. The award pool amount is determined based on achievement of pre-determined Group financial and non-financial metrics.
- The STI award amount for each Executive Board member is assessed by the CEO based on individualized balanced scorecards. Based on this assessment, the Compensation Committee makes proposals to the Board for the approval of final STI award amounts.
- Payout levels defined as % of total opportunity:[1]
  – Maximum performance: 100%
  – Target performance: 67%
  – Threshold performance: 25%
  – Below threshold: 0%
- Delivery as 50% immediate cash payment and 50% deferred cash vesting on third anniversary of grant date[2]

Performance criteria	Weighting	Performance targets
Adjusted income before taxes[3]	33⅓%	To be disclosed retrospectively due to commercial sensitivity
Cost target	33⅓%	
Non-financial criteria	33⅓%	

Vesting and delivery

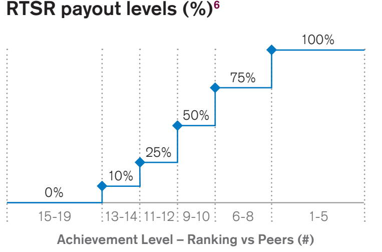


LTI awards: key features

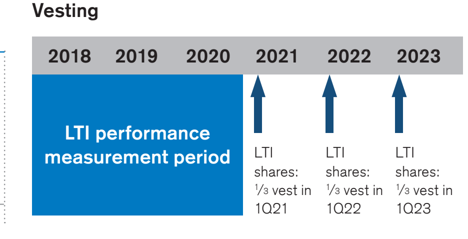
- Rewards achievement of long-term business plan and long-term returns for shareholders
- Maximum opportunity is expressed as a percentage of base salary taking into account role, market experience and geography
- Payout levels with respect to Group financial criteria are determined by average performance over three years:[1]
  – Maximum performance: 100%
  – Target performance: 67%
  – Threshold performance: 25%
  – Below threshold: 0%
- Payout levels with respect to RTSR ranking are shown in the chart "RTSR payout levels"
- Delivery in the form of shares with vesting in three equal tranches on the third, fourth and fifth anniversaries of the grant date

Performance criteria	Weighting	Performance targets Threshold	Target	Maximum
Three-year average reported RoTE[4]	33⅓%	5.0%	7.5%	11.0%
Three-year average TBVPS (CHF)[5]	33⅓%	15.00	16.00	18.00
RTSR	33⅓%	See "RTSR payout levels"		

RTSR payout levels (%)[6]



Vesting



[1] Payout levels between threshold, target and maximum performance levels are calculated as a linear percentage of the award opportunity.
[2] For UK PRA Code Staff, to comply with regulatory requirements, delivery comprises 20% immediate cash payment, 20% immediate Credit Suisse Group AG registered shares, subject to blocked period of 12 months, and 30% deferred cash and 30% deferred shares, vesting in five equal tranches on the third to seventh anniversaries of the grant date.
[3] Adjusted results are non-GAAP financial measures that exclude goodwill impairment, real estate transactions, business sales, restructuring expenses and major litigation provisions.
[4] RoTE is based on tangible shareholders' equity attributable to shareholders, a non-GAAP financial measure, which is calculated by deducting goodwill and other intangible assets from total shareholders' equity attributable to shareholders as presented in our balance sheet.
[5] TBVPS is a non-GAAP financial measure and excludes the impact of any dividends paid during the performance period, share buybacks, own credit movements and FX rate movements.
[6] To provide the benchmark for comparison of performance, a group of 18 peers has been chosen by the Compensation Committee based on size, geographic scope and business mix, and consists of companies with publicly traded shares where there is positive correlation to Credit Suisse in the relationship of share price movements and how they react to external market conditions. For the purposes of the RTSR ranking, the peer group list is unchanged since 2016 when the RTSR criteria was introduced, and consists of Banco Santander, Bank of America, Barclays, BBVA, BNP Paribas, Citigroup, Deutsche Bank, Goldman Sachs, ING Group, Intesa Sanpaolo, JPMorgan Chase, Julius Bär, Morgan Stanley, Nordea Bank, Royal Bank of Scotland, Société Générale, Standard Chartered and UBS.

Board of Directors compensation

COMPENSATION STRUCTURE

Board members receive fees which reflect their respective role, time commitment and scope of responsibility on the Board. The fee amounts are set at levels to attract and retain highly qualified and experienced individuals, taking into consideration levels at comparable leading Swiss companies. The base board and committee membership fees for the period from one AGM to the next are paid 50% in cash and 50% in Group shares in arrears in two equal installments, except for the Chairman and committee chairs as described below. The Group shares awarded are blocked and non-transferable for a period of four years. This ensures that the interests of Board members are closely aligned to the interests of shareholders. The fee amounts for the 2017 AGM to 2018 AGM Board period are shown in the table below, and are consistent with prior years, with the following changes:

- committee chairs continue to receive chair fees, but no longer receive the committee membership fees for serving on committees that they chair;
- revised Compensation Committee Chair fee to reflect the increased complexity and time commitment of this role and to further align with Swiss market practice (increased to CHF 300,000 compared with CHF 200,000 previously);
- Audit Committee Chair fee reduced to CHF 480,000 from CHF 560,000 previously; and
- Governance and Nominations Committee (formerly the Chairman's and Governance Committee) membership fee reduced to CHF 50,000 from CHF 100,000 previously.

Membership fees: 2017 AGM – 2018 AGM

Role	Base fees	Chair fees [1]	Committee fees
CHF			
Chairman	3,000,000	1,500,000	–
Board member [2]	250,000	–	–
Audit Committee (AC)	–	480,000	150,000
Governance and Nominations Committee (GNC)	–	No additional fee	50,000
Compensation Committee (CC)	–	300,000	100,000
Risk Committee (RC)	–	420,000	100,000

[1] Committee chairs do not receive committee fees in addition to their chair fees.
[2] The Vice-Chair and Lead Independent Director do not receive additional compensation for these roles.

Effective as of the 2018 AGM, the Risk Committee Chair fee will be reduced to CHF 400,000 from CHF 420,000 previously.

Compensation of the Chairman

The Chairman's role is a full-time appointment. He is paid an annual base board fee of CHF 3.0 million in cash (divided into 12 monthly payments) plus a chair fee of CHF 1.5 million in Group shares delivered in one installment at the end of the current board period. The Chairman may also receive benefits from and make contributions to the Group pension fund in line with local market practice for the Group. For the period from the 2017 AGM to the 2018 AGM, the Chairman proposed to voluntarily waive 30% of his chair fee of CHF 1.5 million, an amount equivalent to CHF 0.45 million, and this proposal was approved by the Board. Going forward, as the Group completes its restructuring plan, the Board expects that the Chairman's compensation will return to the previously approved level. The total compensation paid to the Chairman reflects his full-time status and active role in shaping the Group's strategy, governing the Group's affairs, engaging and maintaining a close working relationship with the CEO and senior management, and providing counsel and support, where appropriate. The Chairman coordinates the Board's activities, works with the committee chairs to coordinate the tasks of the committees and ensures that Board members are provided with sufficient information to perform their duties. The Chairman drives the Board agenda on key topics such as the strategic development of the Group, corporate culture, succession planning and the structure and organization of the Group. The Chairman also steers the agenda on compensation and compensation structure, including the performance evaluation and compensation of the CEO and the Executive Board. He chairs the Board, the Governance and Nominations Committee and the shareholder meetings and takes an active role in representing the Group to regulators and supervisors, key shareholders, investors, and other external stakeholders. Moreover, he is a member of several Swiss and international industry associations on behalf of the Group, including the Swiss Bankers Association, the Swiss Finance Council, the Institute of International Finance and the European Banking Group.

Compensation of the committee chairs

The committee chair fees are fixed in advance and are not linked to the Group's financial performance. The chair fees are paid 50% in cash and 50% in Group shares in one installment at the end of the current board period. In addition to the greater time commitment required to prepare and lead the committee work, the chair fees reflect the engagement of the three committee chairs throughout the year with regulators, shareholders, the business divisions and corporate functions and other stakeholders. Regulatory developments in the banking industry in recent years have put increasing demands on the Risk and Audit Committee Chairs, in particular, increasing the frequency of interaction with the Group's main regulators on internal control, risk, capital and other matters under the supervision of these committees. Similarly, the greater focus of shareholders and regulators on compensation has resulted in an increased number of engagements between the Compensation Committee Chair and key shareholders and shareholder proxy advisers, as well as with regulators. The Compensation Committee held 10 meetings and calls during 2017. The Audit Committee Chair fee also considers the greater number of meetings required of the Audit Committee for the review and approval of the

quarterly financial results and related filings and the Audit Committee Chair's supervisory role over the Internal Audit function. The Audit Committee held 16 meetings and calls during 2017. The Risk Committee Chair fee considers the regular interaction required between the Risk Committee Chair and the Group chief risk officer and other senior managers in the risk management function, as well as his oversight role over the Credit Risk Review function, which reports directly to him. The Risk Committee held 6 meetings during 2017, and in addition, the Risk Committee Chair held numerous meetings with regulators and other stakeholders.

▸ Refer to the table "Members of the Board and Board committees" in IV – Corporate Governance – Board of Directors for further information.

▸ Refer to "Credit risk governance" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management – Risk coverage and management – Credit risk for further information on the Credit Risk Review function.

UTILIZATION OF BOARD COMPENSATION APPROVED AT THE 2017 AGM

At the 2017 AGM, shareholders approved an aggregate amount of compensation to be paid to members of the Board for the period from the 2017 AGM to the 2018 AGM of CHF 12 million. Of this amount, a total of CHF 11.5 million will have been paid to Board members by the time of the 2018 AGM, of which CHF 9.8 million related to fees for Group Board membership and CHF 1.7 million related to fees paid to certain Board members for subsidiary board membership. Total Group Board compensation is 5% lower than for the prior period, and aggregate Board and subsidiary board compensation for Board members is 4% higher due to the increase in compensation related to subsidiary board fees, which were not incurred in the prior period during the start-up phase of Credit Suisse (Schweiz) AG.

Board compensation from the 2017 AGM to the 2018 AGM (audited)

										Group		Subsidiaries	
	GNC	AC	CC	RC	Base board fee	Committee fee	Chair fee	Pension and other benefits	**Total**	Of which awarded in Group shares [1]	Subsidiary board fee	Pension and other benefits	**Total including subsidiary boards** [2]
CHF													
Urs Rohner, Chairman [3]	C				3,000,000	–	1,050,000	216,823	**4,266,823**	1,050,000	–	–	**4,266,823**
Iris Bohnet			M		250,000	100,000	–	–	**350,000**	175,000	–	–	**350,000**
Alexander Gottschling				M	250,000	100,000	–	–	**350,000**	175,000	33,333	–	**383,333**
Alexander Gut		M			250,000	150,000	–	–	**400,000**	200,000	150,000	–	**550,000**
Andreas N. Koopmann			M	M	250,000	200,000	–	–	**450,000**	225,000	–	–	**450,000**
Seraina Macia		M			250,000	150,000	–	–	**400,000**	200,000	–	–	**400,000**
Kai S. Nargolwala	M		C		250,000	50,000	300,000	–	**600,000**	300,000	–	–	**600,000**
Joaquin J. Ribeiro		M			250,000	150,000	–	–	**400,000**	200,000	–	–	**400,000**
Severin Schwan	M			M	250,000	150,000	–	–	**400,000**	200,000	–	–	**400,000**
Richard E. Thornburgh	M	M		C	250,000	200,000	420,000	–	**870,000**	435,000	271,600	–	**1,141,600**
John Tiner	M	C		M	250,000	150,000	480,000	–	**880,000**	440,000	218,250	–	**1,098,250**
Alexandre Zeller	M		M		250,000	150,000	–	–	**400,000**	200,000	800,000	216,823 [4]	**1,416,823**
Total					**5,750,000**	**1,550,000**	**2,250,000**	**216,823**	**9,766,823**	**3,800,000**	**1,473,183**	**216,823**	**11,456,829**

GNC = Governance and Nominations Committee; AC = Audit Committee; CC = Compensation Committee; RC = Risk Committee; C = Chair; M = Member

[1] As of December 31, 2017, one-half of the Board member fees to be awarded in Group shares have been delivered to Board members. The applicable Group share price was CHF 16.11. The remaining shares will be delivered to Board members at or around the date of the 2018 AGM and the share price for this second share delivery will be determined at that time. Group shares are subject to a four-year blocking period.

[2] At the 2017 AGM, shareholders approved a maximum amount of total compensation to be awarded to Board members until the 2018 AGM of CHF 12 million. For the total compensation awarded to members of the Board, the Group will make payments of CHF 0.5 million for the 2017/2018 Board period to cover the mandatory employer social security contributions as required under the social security laws applicable to the individual Board members based on their domicile and employment status. These contributions do not form part of the Board members' compensation.

[3] The Chair fee of the Chairman is set at CHF 1.5 million to be awarded as 100% Group shares. For the period from the 2017 AGM to the 2018 AGM, the Chairman proposed to voluntarily waive 30% or CHF 0.45 million of his Chair fee and this proposal was approved by the Board. The total compensation of the Chairman includes benefits for the period from the 2017 AGM to the 2018 AGM of CHF 216,823, including pension and health insurance benefits.

[4] Mr Zeller is eligible for pension and health insurance benefits in connection with his role as board member and chairman of the board of directors of the subsidiary Credit Suisse (Schweiz) AG, but not for his role as a member of the Group Board.

Board compensation from the 2016 AGM to the 2017 AGM (audited)

										Group	Subsidiaries	
	GNC	AC	CC	RC	Base board fee	Committee fee	Chair fee	Pension and other benefits	**Total**	Of which awarded in Group shares [1]	Subsidiary board fee	**Total including subsidiary boards** [2]
CHF												
Urs Rohner, Chairman [3]	C				3,000,000	–	750,000	230,929	**3,980,929**	750,000	–	**3,980,929**
Jassim Bin Hamad J.J. Al Thani					250,000	–	–	–	**250,000**	125,000	–	**250,000**
Iris Bohnet			M		250,000	100,000	–	–	**350,000**	175,000	–	**350,000**
Noreen Doyle	M			M	250,000	200,000	–	–	**450,000**	225,000	252,000	**702,000**
Alexander Gut		M			250,000	150,000	–	–	**400,000**	200,000	–	**400,000**
Andreas N. Koopmann			M	M	250,000	200,000	–	–	**450,000**	225,000	–	**450,000**
Jean Lanier	M		C		250,000	200,000	200,000	–	**650,000**	325,000	–	**650,000**
Seraina Macia		M			250,000	150,000	–	–	**400,000**	200,000	–	**400,000**
Kai S. Nargolwala			M	M	250,000	200,000	–	–	**450,000**	225,000	–	**450,000**
Joaquin J. Ribeiro		M			250,000	150,000	–	–	**400,000**	200,000	–	**400,000**
Severin Schwan				M	250,000	100,000	–	–	**350,000**	175,000	–	**350,000**
Richard E. Thornburgh	M	M		C	250,000	350,000	420,000	–	**1,020,000**	510,000	274,510	**1,294,510**
John Tiner	M	C		M	250,000	350,000	560,000	–	**1,160,000**	580,000	137,255	**1,297,255**
Total					**6,000,000**	**2,150,000**	**1,930,000**	**230,929**	**10,310,929**	**3,915,000**	**663,765**	**10,974,694**

GNC = Governance and Nominations Committee; AC = Audit Committee; CC = Compensation Committee; RC = Risk Committee; C = Chair; M = Member

1 As of December 31, 2016, one-half of the Board member fees to be awarded in Group shares have been delivered to Board members. The applicable Group share price was CHF 14.39. The remaining shares will be delivered to Board members at or around the date of the 2017 AGM and the share price for this second share delivery will be determined at that time. Group shares are subject to a four-year blocking period.

2 At the 2016 AGM, shareholders approved a maximum amount of total compensation to be awarded to Board members until the 2017 AGM of CHF 12 million. For the total compensation awarded to members of the Board, the Group will make payments of CHF 0.5 million for the 2016/2017 Board period to cover the mandatory employer social security contributions as required under the social security laws applicable to the individual Board members based on their domicile and employment status. These contributions do not form part of the Board members' compensation.

3 The Chair fee of the Chairman is set at CHF 1.5 million to be awarded as 100% Group shares. For the period from the 2016 AGM to the 2017 AGM, the Chairman proposed to voluntarily waive 50% or CHF 0.75 million of his Chair fee and this proposal was approved by the Board. The total compensation of the Chairman includes benefits for the period from the 2016 AGM to the 2017 AGM of CHF 230,929, including pension and health insurance benefits and lump sum expenses.

COMPENSATION OF BOARD MEMBERS SERVING ON SUBSIDIARY BOARDS

A number of Board members also serve as members on the boards of Group subsidiary companies. This practice is consistent with the Group's legal entity governance principles, which aim to foster a close alignment of the Group's governance practices and those of its significant subsidiary companies.

‣ Refer to the "Governance of Group subsidiaries" and "Biographies of the Board members" in IV – Corporate Governance – Board of Directors for further information.

With the exception of the Chairman, Board members may receive separate fees for serving on subsidiary boards, in addition to their Board fees, which are paid in cash. These fees are approved by the respective subsidiary boards and are subject to ratification by the Board. All subsidiary board fees are included in the total amount of compensation of members of the Board proposed for approval by shareholders at the AGM. The Chairman does not receive separate fees for board memberships in other Group companies, as this is considered to be included as part of the Chairman's compensation.

Going forward, the Board members newly appointed to serve on subsidiary boards will receive a flat subsidiary board membership fee of CHF 100,000 (or higher amounts if a Board member serves as the chair of the subsidiary board or a committee). This amount is generally less than that received by other external subsidiary board members, given that Board members are already familiar with the Group's entities and activities. Serving on a subsidiary board is nevertheless a significant additional commitment for these Board members, reflected, for example, in the number of subsidiary board meetings held throughout the year as shown below.

Number of subsidiary board meetings

	Board	Committee	**Total**
Subsidiary			
Credit Suisse (Schweiz) AG	7	12	**19**
Credit Suisse International (CSI) / Credit Suisse Securities (Europe) Limited (CSSEL)	12	18	**30**
Credit Suisse Holdings (USA) Inc.	17	15	**32**

SUPPLEMENTARY INFORMATION

Board shareholdings

The table below discloses the shareholdings of the Board members, their immediate family and companies in which they have a controlling interest. As of December 31, 2017 and 2016, there were no Board members with outstanding options.

Board shareholdings by individual

end of	2017	2016
December 31 (shares) [1]		
Urs Rohner	189,956	197,861
Iris Bohnet	49,451	38,287
Andreas Gottschling	5,432	–
Alexander Gut	24,152	7,865
Andreas N. Koopmann	117,900	81,746
Seraina Macia	37,231	19,700
Kai S. Nargolwala	280,883	226,362
Joaquin J. Ribeiro	24,150	7,865
Severin Schwan	116,402	82,803
Richard E. Thornburgh	196,766	225,038
John Tiner	216,645	140,910
Alexandre Zeller	6,208	–
Total	**1,265,176**	**1,028,437** [2]

[1] Includes Group shares that are subject to a blocking period of up to four years; includes shareholdings of immediate family members.
[2] Excludes 35,809 shares held by Jassim Bin Hadam J.J. Al Thani, 70,883 shares held by Noreen Doyle and 96,318 shares held by Jean Lanier as of December 31, 2016, who did not stand for re-election to the Board as of April 28, 2017.

Board loans

The majority of loans outstanding to members of the Board are mortgages or loans against securities. Such loans are made to Board members on the same terms available to third-party clients. Pursuant to the AoA, each member of the Board may be granted individual credit facilities or loans up to a maximum of CHF 20 million at market conditions. As of December 31, 2017, 2016 and 2015, outstanding loans to Board members amounted to CHF 11 million, CHF 10 million, and CHF 8 million respectively.

Board members with loans, including the Chairman, do not benefit from employee conditions, but are subject to conditions applied to clients with a comparable credit standing. Unless otherwise noted, all loans to Board members are made in the ordinary course of business and substantially on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons. Such loans do not involve more than the normal risk of collectability or present other unfavorable features. In addition to the loans listed below, the Group or any of its banking subsidiaries may enter into financing and other banking agreements with companies in which current Board members have a significant influence as defined by the SEC. Examples include holding executive and/or board level roles in these companies. Unless otherwise noted, loans extended by the Group to such companies are also made in the ordinary course of business and at prevailing market conditions. As of December 31, 2017, 2016 and 2015, there was no loan exposure to such related party companies that was not made in the ordinary course of business and at prevailing market conditions.

▸ Refer to “Banking relationships with Board and Executive Board members and related party transactions” in IV – Corporate Governance – Additional information for further information.

Board loans by individual (audited)

end of	2017	2016
December 31 (CHF)		
Urs Rohner	4,745,000	4,830,000
Alexander Gut	30,000	30,000
Andreas N. Koopmann	5,197,600	4,195,000
Seraina Macia	968,000	976,000
Total	**10,940,600**	**10,031,000**

Includes loans to immediate family members and companies, in which the respective Board member has an ownership stake of 50% or higher.

Former members of the Board

Two former members of the Board are eligible to receive office infrastructure and secretarial support. These services are based on existing resources and are not used on a regular basis. No additional fees, severance payments or other forms of compensation were paid to former members of the Board or related parties during 2017 and 2016.

Group compensation

COMPENSATION FRAMEWORK

The key elements of our current Group employees' compensation framework and how they applied to various employee categories are shown below.

Base salaries

All employees are paid a base salary. Salary levels are based on the skills, qualifications and relevant experience of the individual, the responsibilities required by the role and external market factors.

Role-based allowances

Role-based allowances are a component of fixed compensation awarded to certain employees identified as PRA Code Staff under UK regulatory requirements or material risk-takers under other EU regulatory requirements. These role-based allowances are determined based on the role and organizational responsibility of the individuals. Role-based allowances are deemed to be fixed compensation for the purposes of calculating the cap of variable incentive compensation as required by the Capital Requirements Directive IV (CRD IV) and Capital Requirements Regulation (CRR). Role-based allowances for 2017 were paid entirely in cash on a non-deferred basis.

Variable incentive compensation

For 2017, variable incentive compensation was paid in cash unless the total compensation awarded to an employee for 2017 was greater than or equal to CHF 250,000 or the local currency equivalent or USD 250,000 for employees whose total compensation is denominated in US dollars. In these cases a portion was paid in cash and the balance was deferred, vesting at a later date.

Generally, employees receive the cash portion of their variable incentive compensation at a regular payroll settlement date close to the grant date. To comply with CRD IV requirements, employees who hold material risk-taker roles in respect of certain Group subsidiaries in the EU receive shares for 50% of the non-deferred portion of variable incentive compensation that would have been paid to them as cash. These shares are vested at the time of grant but remain blocked, that is, subject to transfer restrictions, for a period of 12 months.

To enable closer alignment with market practice and local variations, two deferral tables have been applied since 2015: one for the Americas and another for the rest of the world. For 2017, the deferral rates ranged from 17.5% to 60% of variable incentive compensation for employees located in the Americas, and 17.5% to 85% of variable incentive compensation for employees located elsewhere. The amount of variable incentive compensation paid in cash for 2017 was capped at CHF 2 million or the local currency equivalent (or USD 2 million for employees whose total compensation is denominated in US dollars) per employee.

Compensation components by employee category

	Total compensation				
	Fixed compensation	Variable compensation			
			Deferred compensation[1]		
Employee category	Base salary	Cash	Share awards	Performance share awards	Contingent Capital Awards
Managing directors and directors who are MRTC			30%	50%	20%
Other directors			80%		20%
Other MRTC			50%	50%	
Other employees with total compensation of CHF/USD 250,000 or higher			100%		
Employees with total compensation below CHF/USD 250,000					

[1] Deferred compensation is applicable to employees with total compensation of CHF/USD 250,000 or higher.

Deferred compensation: key features

Award	Delivery[1]	Vesting period[1]	Performance conditions
Share awards	■ One registered share per award ■ Dividend equivalents (payable upon delivery)	■ 3 years (ratable vesting) ■ 5 years (ratable vesting) for risk managers[2] ■ 7 years (ratable vesting over five years, starting on the third anniversary) for senior managers[3]	■ No additional performance conditions
Performance share awards	■ One registered share per award ■ Dividend equivalents (payable upon delivery)	■ 3 years (ratable vesting) ■ 5 years (ratable vesting) for risk managers[2] ■ 7 years (ratable vesting over five years, starting on the third anniversary) for senior managers[3]	■ Performance conditions apply to full balance of outstanding awards ■ Negative adjustment applies in event of divisional loss[4] by the division in which the employee worked as of December 31, 2017, or a negative return on equity (RoE) of the Group, whichever results in a larger adjustment ■ For employees in the corporate functions and the Strategic Resolution Unit, the negative adjustment only applies in the event of a negative RoE of the Group
Contingent Capital Awards (CCA)	■ At settlement, contingent capital instrument or cash payment based on the fair value of the CCA ■ Prior to settlement, conditional right to receive semi-annual cash payments of interest equivalents ■ Timing and form of distribution upon settlement is subject to approval by FINMA	■ 3 years (cliff vesting) ■ 5 years (cliff vesting) for risk managers[2] ■ 7 years (cliff vesting) for senior managers[3]	Prior to settlement, the principal amount would be written down to zero and forfeited if: ■ The Group's reported 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

[1] Individuals in certain jurisdictions may be subject to conditions other than those outlined here in order to comply with local legal or regulatory requirements.
[2] Risk managers are a subset of the UK PRA Code Staff population, defined as individuals identified as having responsibility for managing or supervising risk-taking or significant risk functions for the Group's UK entities.
[3] Senior managers are a subset of the UK PRA Code Staff population, defined as individuals who retain the greatest influence over the strategic direction of the Group's UK business, and who also perform one or more of the PRA and UK Financial Conduct Authority's designated senior management functions and "prescribed responsibilities" for the relevant UK entities.
[4] Refer to table "Potential downward adjustments of performance share awards".

Potential downward adjustments of performance share awards

As described in the above table, performance share awards may be subject to negative adjustments in the event of a divisional loss. The amount of potential negative adjustment is shown in the table below.

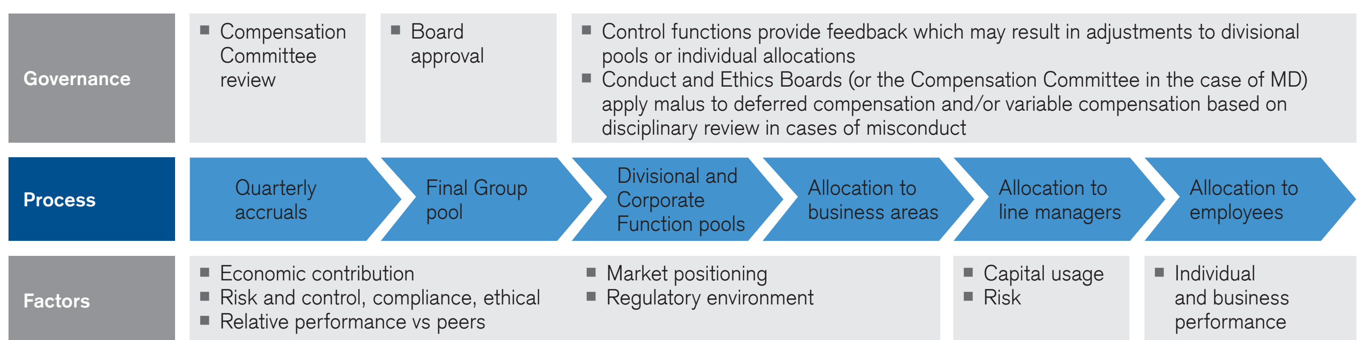
Downward adjustment if division incurs a loss

Division pre-tax loss (in CHF billion)	Adjustment on award balance (in %)
(1.00)	(15)
(2.00)	(30)
(3.00)	(45)
(4.00)	(60)
(5.00)	(75)
(6.00)	(90)
(6.67)	(100)

Determination of the variable incentive compensation pools

In determining the pools, the Compensation Committee aims to balance the distribution of the Group's profits between shareholders and employees. The primary driver of the pool amounts is the Group's financial performance in terms of economic contribution, measured as adjusted income before taxes excluding variable incentive compensation expenses, after deducting a capital usage charge. Non-financial factors are also considered in the determination of the pool amounts, including progress on the achievement of strategic objectives, market position and trend, risk-related issues, relative performance compared to peers, and any extraordinary events, such as, but not limited to, company reorganizations, major legacy settlements or any other exceptional circumstances. In this regard, the Compensation Committee can apply discretion to make adjustments (including negative adjustments) to the variable incentive compensation pools.

Determination of variable incentive compensation pools



For 2017, the Compensation Committee noted the 349% increase in Group adjusted income before taxes, from CHF 0.6 billion in 2016 to CHF 2.8 billion in 2017, and acknowledged that the Group had made strong progress in delivering against its strategic priorities of profitable growth and positive operative leverage through both higher revenues and lower operating expenses. Further, the wind-down of the Strategic Resolution Unit is on track for completion one year ahead of schedule by the end of 2018, which should, from 2019 onwards significantly reduce the drag on the Group's operating profits from legacy positions compared with prior years. The Compensation Committee also considered a range of other factors such as relative performance versus peers, market position and market trends, as well as control, risk and ethical considerations. In addition, the Compensation Committee took into account the impact of the reduction in DTAs due to the enactment of the US Tax Cuts and Jobs Act, which resulted in a non-cash tax charge of CHF 2.3 billion to net income in the fourth quarter of 2017, primarily related to our US DTAs. Although this event was outside of the control of management, and had minimal impact on capital, liquidity, our ability to pay dividends or the Group's underlying results, the Compensation Committee applied a downward adjustment of approximately CHF 100 million to the total Group variable incentive compensation pool to reflect the impact of the tax charge on net income. As such, after the downward adjustment, the Compensation Committee proposed an overall Group pool of CHF 3,190 million, 3% higher than 2016, which was approved by the Board.

▸ Adjusted results are non-GAAP financial measures that exclude goodwill impairment, real estate transactions, business sales, restructuring expenses and major litigation provisions. Refer to "Reconciliation of adjusted results" in II – Operating and financial review – Credit Suisse for further information.

Competitive benchmarking

The assessment of the economic and competitive environment is an important element of the compensation process as the Group strives for market-informed, competitive compensation levels. Internal expertise and the services of compensation consulting firms are used to benchmark compensation levels against relevant peers, taking into account geographical variations. The Compensation Committee is provided with regular reports from an independent compensation adviser on industry and market trends, including competitor performance and pay trends. The peers considered for the purposes of Group peer benchmarking are Bank of America, Barclays, Citigroup, Deutsche Bank, Goldman Sachs, JPMorgan Chase, Morgan Stanley and UBS. Specific benchmarking may include other peers, depending on the business area or geographic location, as appropriate.

FOCUS ON RISK AND CONTROL

Risk and control considerations are an integral part of the performance assessment and compensation processes. This ensures that the Group's approach to compensation includes a focus on risk and internal control matters and discourages excessive risk taking. Senior management from the Group's corporate functions, including Compliance and Regulatory Affairs, General Counsel, Human Resources, Internal Audit, Product Control and Risk Management, provide the Compensation Committee with comprehensive feedback on regulatory, audit, disciplinary and risk-related issues or trends across the Group, relevant to the assessment of the Group's risk and control culture. Divisions are assessed against risk and conduct measures for the year, and the consolidated findings are presented to the Compensation Committee and the CEO. Based on these assessments, the Compensation Committee may approve adjustments to the divisional pool levels as proposed by the CEO.

Aside from risk considerations, disciplinary events may also impact compensation decisions. Conduct and Ethics Boards (CEBs) review all disciplinary events and decide on disciplinary sanctions proposed by the recommendation teams, which include representatives from the control functions. CEBs have been established at the Group-wide level, as well as for each business division and the corporate functions overall. The Group CEB meets on a quarterly basis to ensure that sanctions applied are in line with the Group's risk appetite, market practice and regulatory requirements.

MALUS AND CLAWBACK PROVISIONS

All deferred compensation awards granted contain malus provisions that enable the Group to reduce or cancel the awards prior to settlement if the participant engages in certain detrimental conduct. Malus provisions were enforced during the course of 2017.

All variable incentive compensation granted to UK PRA Code Staff and employees regulated by the Bank of Italy are subject to clawback. Other EU-regulated employees are also subject to clawback provisions as required by applicable legal or regulatory requirements.

	Application	Scope/Criteria
Malus	■ Reduction or cancellation of outstanding deferred awards prior to settlement ■ Applies to all outstanding deferred awards granted	■ Impermissible disclosure or misuse of Group information, or willful engagement in conduct that is materially detrimental to an interest of the Group; ■ Conduct that evidences serious misbehavior or serious error; ■ Conduct that causes, could cause or could have caused the Group or any division or region to suffer a significant downturn in financial performance or regulatory capital base; ■ Significant failure of risk management; or ■ Conduct that is reviewed by the Group's disciplinary conduct, ethics or similar committee
Clawback	■ Claim back of deferred and non-deferred variable compensation after vesting and settlement ■ For UK PRA Code Staff, clawback may be applied up to seven years from grant date (or such longer period as may be required) ■ The Group will apply clawback provisions to the extent permitted under local laws, as required	For UK PRA Code Staff, clawback may be applied in certain situations, including: ■ Conduct which resulted in significant losses to the Group; ■ Failure to meet appropriate standards of fitness and propriety; ■ Reasonable evidence of misbehavior or material error; ■ The Group or relevant business unit suffers a material failure of risk management; ■ A regulator mandates a significant increase in regulatory capital for the Group or any division or region; or ■ The individual has contributed to any regulatory sanctions imposed on the Group or division or region Similar clawback provisions apply for employees regulated by the Bank of Italy and other EU-regulated employees who are subject to a clawback requirement.

Covered Employees (including Material Risk Takers and Controllers)

Covered employees are subject to a heightened level of scrutiny over the alignment of their compensation with performance and risk considerations.

Employee categories		Compensation process
Covered Employees	■ MRTC ■ US-based revenue producers in Global Markets and Investment Banking & Capital Markets divisions	**Focus on risk assessment** ■ Covered employees and their managers are required to define role-specific risk objectives and to incorporate risk considerations in their performance evaluations and when setting variable incentive compensation ■ Types of risks considered vary by role (e.g., reputational, credit, market, operational, liquidity, legal and compliance) ■ Both realized and potential risk outcomes are assessed
MRTC	■ Members of the Executive Board ■ Employees who report directly to a member of the Executive Board ■ Employees, individually or as part of a group, with the ability to put material amounts of the Group's capital at risk ■ Top 150 paid employees across the Group based on total compensation ■ Any employee identified as taking or controlling material risks on behalf of the Group, as prescribed by EU/UK regulators ■ Other individuals whose roles have been identified as having a potential impact on the market, reputational and operational risk of the Group	

COMPENSATION OUTCOMES FOR 2017

Of the total variable incentive compensation awarded across the Group for 2017, 45% was deferred, compared with 43% in 2016, and subject to certain conditions including future service, performance, market and malus criteria.

Total compensation awarded

For			2017			2016
	Unrestricted	Deferred	**Total**	Unrestricted	Deferred	**Total**
Fixed compensation (CHF million)						
Salaries	5,504	90	5,594	5,728	–	**5,728**
Social security	671	–	671	697	–	**697**
Other	600 [1]	–	600	710 [1]	–	**710**
Total fixed compensation	**6,775**	**90**	**6,865**	**7,135**	**–**	**7,135**
Variable incentive compensation (CHF million)						
Cash	1,708	–	1,708	1,706	–	**1,706**
Share awards	38	613	651	37	566	**603**
Performance share awards	–	478	478	–	451	**451**
Contingent Capital Awards	–	241	241	–	229	**229**
Other cash awards	–	112	112	–	95 [2]	**95** [2]
Total variable incentive compensation	**1,746**	**1,444**	**3,190**	**1,743**	**1,341**	**3,084**
Other variable compensation (CHF million)						
Severance awards	1	–	1	8	–	**8**
Cash-based commissions	–	–	–	20	–	**20**
Other [3]	26	244	270 [4]	47	350	**397** [5]
Total other variable compensation	**27**	**244**	**271**	**75**	**350**	**425**
Total compensation awarded (CHF million)						
Total compensation awarded	**8,548**	**1,778**	**10,326**	**8,953**	**1,691**	**10,644**
of which guaranteed bonuses	49	72	121	27	35	**62**

[1] Includes pension and other post-retirement expense of CHF 242 million and CHF 384 million in 2017 and 2016, respectively.
[2] Restated to reflect the revised 2016 STI award proposal of the Executive Board, which was approved by shareholders at the 2017 AGM.
[3] Includes replacement awards to compensate employees for the equivalent fair value of deferred awards cancelled by previous employers, as well as retention awards and sign-on payments.
[4] Includes CHF 65 million of cash retention awards in Asia Pacific.
[5] Includes CHF 249 million of deferred share and cash retention awards relating to the reorganization of the Global Markets and Investment Banking & Capital Markets businesses.

Number of employees awarded variable incentive and other compensation

			2017			2016
	MRTC [1]	Other employees	**Total**	MRTC [1]	Other employees	Total
Number of employees awarded variable incentive compensation						
Variable incentive compensation	**1,070**	**41,614**	**42,684**	939	42,473	43,412
of which cash	1,070	41,614	42,684	939	42,473	43,412
of which share awards	983	6,011	6,994	897	6,145	7,042
of which performance share awards	990	859	1,849	890	905	1,795
of which Contingent Capital Awards	963	4,833	5,796	869	4,910	5,779
of which other cash awards	41	240	281	49	176	225
Number of employees awarded other variable compensation						
Severance awards	2	181	183	1	195	196
Cash-based commissions	–	–	–	–	220	220
Guaranteed bonuses	16	162	178	11	151	162
Other [2]	44 [3]	821	865	148 [3]	690	838

[1] Excludes individuals who may have been classified as MRTC according to regulatory requirements of jurisdictions outside of Switzerland, particularly US-based revenue producers in Global Markets and Investment Banking & Capital Markets, who were classified as Covered Employees by the US Federal Reserve.
[2] Includes replacement awards to compensate employees for the equivalent fair value of deferred awards cancelled by previous employers, as well as retention awards and sign-on payments.
[3] For 2017 and 2016, sign-on payments were paid to 3 and 12 MRTC, respectively.

Compensation awarded to Material Risk Takers and Controllers

For			2017			2016
	Unrestricted	Deferred	**Total**	Unrestricted	Deferred	Total
Fixed compensation (CHF million)						
Total fixed compensation	**536**	**59**	**595**	**510**	**–**	**510**
Variable incentive compensation (CHF million)						
Cash	298	–	298	285	–	285
Share awards	38	177	215	36 [1]	163 [1]	199
Performance share awards	–	299	299	–	279	279
Contingent Capital Awards	–	116	116	–	108	108
Other cash awards	–	35	35	–	28	28
Total variable incentive compensation	**336**	**627**	**963**	**321**	**578**	**899**
Other variable compensation (CHF million)						
Severance awards	1	–	1	1	–	1
Other [2]	8 [3]	88	96	17 [3]	215	232
Total other variable compensation	**9**	**88**	**97**	**18**	**215**	**233**
Total compensation (CHF million)						
Total compensation	**881**	**774**	**1,655**	**849**	**793**	**1,642**
of which guaranteed bonuses	10	25	35	3	9	12

Excluding Executive Board members who were in office on December 31, 2017. Of the total compensation awarded to MRTC for 2017 and 2016, 47% and 48%, respectively, was deferred. Of the total variable incentive compensation awarded to MRTC for 2017 and 2016, 65% and 64%, respectively, was deferred.

1 Prior period has been corrected.

2 Includes replacement awards to compensate employees for the equivalent fair value of deferred awards cancelled by previous employers, as well as retention awards and sign-on payments.

3 For 2017 and 2016, sign-on payments paid to MRTC amounted to CHF 5 million and CHF 12 million, respectively.

Group compensation and benefits expense

Compensation and benefits expenses recognized in the current year income statement include salaries, role-based allowances, variable compensation, benefits and employer taxes on compensation. Variable compensation expense generally reflects the variable incentive cash compensation for the current year, amortization of deferred compensation awards granted in prior years, as well as severance payments, commission payments, replacement awards, retention awards, and sign-on payments. Deferred variable incentive compensation granted for the current year is expensed in future periods during which it is subject to future service, performance and malus criteria and other restrictive covenants.

Group compensation and benefits expense

in			2017			2016
	Current compen-sation	Deferred compen-sation	Total	Current compen-sation	Deferred compen-sation	Total
Fixed compensation expense (CHF million)						
Salaries	5,504	52 [1]	5,556	5,728	25	**5,753**
Social security [2]	671	–	671	697	–	**697**
Other [3]	600	–	600	710	–	**710**
Total fixed compensation expense	**6,775**	**52**	**6,827**	**7,135**	**25**	**7,160**
Variable incentive compensation expense (CHF million)						
Cash	1,708	–	1,708	1,706	–	**1,706**
Share awards	38	525 [4]	563	37	603 [4]	**640**
Performance share awards	–	348	348	–	370	**370**
Contingent Capital Awards	–	280	280	–	235	**235**
Contingent Capital share awards	–	18	18	–	30	**30**
Capital Opportunity Facility awards	–	14	14	–	13	**13**
Plus Bond awards	–	–	–	–	5	**5**
2008 Partner Asset Facility awards [5]	–	7	7	–	13	**13**
Other cash awards	–	392	392	–	335	**335**
Total variable incentive compensation expense	**1,746**	**1,584**	**3,330**	**1,743**	**1,604**	**3,347**
Other variable compensation expense (CHF million)						
Severance payments	1	–	1	8	–	**8**
Commissions	–	–	–	20	–	**20**
Other [6]	19	–	19	37	–	**37**
Total other variable compensation expense	**20**	**–**	**20**	**65**	**–**	**65**
Total compensation expense (CHF million)						
Total compensation expense	**8,541**	**1,636**	**10,177**	**8,943**	**1,629**	**10,572**

Restructuring expenses in connection with the strategic review of the Group are disclosed separately and are not part of the total compensation expenses. These restructuring expenses included cash severance expenses of CHF 192 million and CHF 218 million relating to 1,774 and 1,796 employees in 2017 and 2016, respectively.

1 Includes fixed deferred expense of CHF 4 million for share awards and CHF 48 million for other cash awards.
2 Represents the Group's portion of employees' mandatory social security.
3 Includes pension and other post-retirement expense of CHF 242 million and CHF 384 million in 2017 and 2016, respectively.
4 Includes CHF 34 million and CHF 46 million of compensation expense associated with replacement share awards granted in 2017 and 2016, respectively.
5 Includes the change in the underlying fair value of the indexed assets during the period.
6 Includes replacement awards to compensate employees for the equivalent fair value of deferred awards cancelled by previous employers, as well as retention awards and sign-on payments.

SUPPLEMENTARY INFORMATION

Group estimated unrecognized compensation expense

The following table shows the estimated compensation expense that has not yet been recognized through the income statement for deferred compensation awards granted for 2017 and prior years that were outstanding as of December 31, 2017, with comparative information for 2016. These estimates were based on the fair value of each award on the grant date, taking into account the current estimated outcome of relevant performance criteria and estimated future forfeitures. No estimate has been included for future mark-to-market adjustments.

Group estimated unrecognized compensation expense

end of	Deferred compensation		2017	Deferred compensation		2016
	For 2017	For prior-year awards	Total	For 2016	For prior-year awards	Total
Estimated unrecognized compensation expense (CHF million)						
Share awards	569	472 [1]	1,041	565	445 [1]	**1,010**
Performance share awards	445	158	603	446	119	**565**
Contingent Capital Awards	229	119	348	218	109	**327**
Contingent Capital share awards	–	3	3	–	24	**24**
Other cash awards	112	194	306	95 [2]	181	**276** [2]
Total estimated unrecognized compensation expense	**1,355**	**946**	**2,301**	**1,324**	**878**	**2,202**

1 Includes CHF 71 million and CHF 43 million of estimated unrecognized compensation expense associated with replacement share awards granted to new employees in 2017 and 2016, respectively, not related to prior years.
2 Restated to reflect the revised 2016 STI award proposal of the Executive Board, which was approved by shareholders at the 2017 AGM.

Limitations on share-based awards

The Group prohibits employees from entering into transactions to hedge the value of outstanding share-based awards but allows employees to hedge awards that have already vested. Employee pledging of unvested, or vested and undistributed share-based awards is also prohibited, except with the approval of the Compensation Committee. These provisions also apply to Executive Board members.

Impact of share-based compensation on shareholders' equity

In general, the income statement expense recognition of share-based awards on a pre-tax basis has a neutral impact on shareholders' equity because the reduction to shareholders' equity from the expense recognition is offset by the obligation to deliver shares, which is recognized as an increase to equity by a corresponding amount. Shareholders' equity includes, as additional paid-in capital, the tax benefits associated with the expensing and subsequent settlement of share-based awards.

In 2017, the Group's share delivery obligations were covered by shares purchased in the market. The Group intends to continue to cover its future share delivery obligations through market purchases.

Share-based awards outstanding

At the end of 2017, there were 147.5 million share-based awards outstanding, of which 84.9 million were share awards, 54.2 million were performance share awards and 8.4 million were CCA share awards.

▸ Refer to "Note 28 – Employee deferred compensation" in VI – Consolidated financial statements – Credit Suisse Group for further information.

Subsequent activity

In early 2018, the Group granted approximately 34.1 million new share awards and 26.5 million new performance share awards with respect to performance in 2017. Further, the Group awarded CHF 241 million of deferred variable incentive compensation in the form of CCA pursuant to the Group's compensation policy.

In the first half of 2018, the Group plans to settle 68.1 million deferred awards from prior years, including 40.2 million share awards and 25.3 million performance share awards. The Group plans to meet this delivery obligation through market purchases.

▸ Refer to "Capital management" in III – Treasury, Risk, Balance sheet and Off-balance sheet for more information.

Changes to the value of outstanding deferred awards

Employees experience changes to the value of their deferred compensation awards during the vesting period due to both implicit and explicit value changes. Implicit value changes primarily reflect market-driven effects, such as changes in the Group share price, changes in the value of the COF, CCA and FX rate movements. Explicit value changes reflect risk adjustments triggered by conditions related to negative performance in the performance share awards, forfeiture, or the malus provisions in all deferred awards. The final value of an award will only be determined at settlement.

▸ Refer to "Note 28 – Employee deferred compensation" in VI – Consolidated financial statements – Credit Suisse Group for further information on COF.

The following table provides a comparison of the outstanding deferred compensation awards at the end of 2016 and 2017, indicating the value of changes due to ex post implicit and ex post explicit adjustments. For 2017, the change in value for the outstanding deferred compensation awards was mainly due to implicit adjustments driven primarily by changes in the Group share price, FX rate movements and changes in the value of CCA.

Outstanding deferred compensation awards

in / end	Total outstanding end of 2016	Granted in 2017	Vested/ settled in 2017	Ex post explicit adjustments	Ex post implicit adjustments	**Total outstanding end of 2017**	% of which exposed to ex post explicit adjustments
Cash-based awards (CHF million)							
CCAs	806	224	(306)	(29)	50	**745**	100%
Other cash awards	461	199	(240)	(14)	(4)	**402**	100%
Share-based awards (CHF million)							
Share awards	1,069	789	(581)	(69)	269	**1,477**	100%
Performance share awards	707	458	(364)	(32)	174	**943**	100%
CCA share awards	197	–	(77)	(6)	32	**146**	100%
Total	**3,240**	**1,670**	**(1,568)**	**(150)**	**521**	**3,713**	

Report of the Statutory Auditor

To the General Meeting of Shareholders of Credit Suisse Group AG, Zurich

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We have audited the accompanying compensation report dated March 23, 2018 of Credit Suisse Group AG (the "Group") for the year ended December 31, 2017. The audit was limited to the information according to articles 14-16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (the "Ordinance") contained in the sections marked with (audited) on pages 230 to 241 of the compensation report.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

Auditor's Responsibility

Our responsibility is to express an opinion on the accompanying compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the compensation report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the compensation report for the year ended December 31, 2017 of the Group complies with Swiss law and articles 14 – 16 of the Ordinance.

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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VI

Consolidated financial statements – Credit Suisse Group

Report of the Statutory Auditor 253

Consolidated financial statements 255

Notes to the consolidated financial statements 262

Controls and procedures 397

Report of the Independent Registered Public Accounting Firm 398

Notes to the consolidated financial statements

1 Summary of significant accounting policies 262
2 Recently issued accounting standards 270
3 Business developments, significant shareholders and subsequent events 273
4 Segment information 275
5 Net interest income 277
6 Commissions and fees 277
7 Trading revenues 277
8 Other revenues 278
9 Provision for credit losses 278
10 Compensation and benefits 278
11 General and administrative expenses 278
12 Restructuring expenses 278
13 Earnings per share 279
14 Securities borrowed, lent and subject to repurchase agreements 280
15 Trading assets and liabilities 280
16 Investment securities 281
17 Other investments 282
18 Loans, allowance for loan losses and credit quality 283
19 Premises and equipment 291
20 Goodwill 292
21 Other intangible assets 293
22 Other assets and other liabilities 294
23 Deposits 294
24 Long-term debt 295
25 Accumulated other comprehensive income and additional share information 296
26 Offsetting of financial assets and financial liabilities 298
27 Tax 302
28 Employee deferred compensation 307
29 Related parties 312
30 Pension and other post-retirement benefits 314
31 Derivatives and hedging activities 324
32 Guarantees and commitments 330
33 Transfers of financial assets and variable interest entities 334
34 Financial instruments 344
35 Assets pledged and collateral 371
36 Capital adequacy 372
37 Assets under management 373
38 Litigation 374
39 Significant subsidiaries and equity method investments 383
40 Subsidiary guarantee information 385
41 Credit Suisse Group parent company 394
42 Significant valuation and income recognition differences between US GAAP and Swiss GAAP banking law (true and fair view) 394

Report of the Statutory Auditor

To the General Meeting of Credit Suisse Group AG, Zurich

Report of the Statutory Auditor on the Consolidated Financial Statements

Opinion

As statutory auditor, we have audited the accompanying consolidated financial statements of Credit Suisse Group AG and subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of operations, comprehensive income, changes in equity and cash flows for each of the years in the three-year period ended December 31, 2017, and the related notes. In our opinion, the consolidated financial statements give a true and fair view of the financial position as of December 31, 2017 and 2016, and the results of operations and the cash flows for each of the years in the three-year period ended December 31, 2017, in accordance with U.S. Generally Accepted Accounting Principles, and comply with Swiss law.

Board of Directors' Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm and are required to be independent with respect to the Group. We conducted our audits in accordance with Swiss law and Swiss Auditing Standards and the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement whether due to fraud or error.

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

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

Valuation of financial instruments reported at fair value

Goodwill

Valuation of deferred tax assets

Provisions for litigation and regulatory actions

Valuation of the allowance for loan losses

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

Valuation of financial instruments reported at fair value

Key Audit Matter

The Group reports financial assets reported at fair value of CHF 302.3 billion and financial liabilities reported at fair value of CHF 179.4 billion as of December 31, 2017. These financial assets represented 38% of total assets and these financial liabilities represented 24% of total liabilities as of December 31, 2017.

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

In addition, the Group holds financial instruments for which no prices are available and which have little or no observable inputs. For these financial instruments fair value is determined through the application of valuation techniques, which often involve the exercise of judgment by management including the use of assumptions and estimates. In particular for financial instruments which do not have directly observable market prices, judgment is often required to determine modelling assumptions that are used in the determination of fair value. The Group also has certain financial instruments that utilize significant, judgmental inputs with varying degrees of observability for purposes of determining fair value. Further, the Group 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 1 Summary of significant accounting policies, “Fair value measurement and option”, “Trading assets and liabilities”
— Note 15 Trading assets and liabilities
— Note 34 Financial instruments

Goodwill

Key Audit Matter

The Group reports goodwill totalling CHF 4.7 billion as of December 31, 2017. Goodwill is allocated to reporting units and the carrying value is primarily supported by the future cash flows of the underlying businesses. During 2017, as a result of the reorganization of reporting units, goodwill impairment testing related to certain business units was performed as of March 31, in addition to the annual impairment assessment as of December 31, 2017.

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

Our response

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

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

For further information on goodwill refer to the following:

— Note 1 Summary of significant accounting policies, “Goodwill and other intangible assets”
— Note 20 Goodwill

Valuation of deferred tax assets

Key Audit Matter

The Group reports net deferred tax assets totalling CHF 5.1 billion as of December 31, 2017.

Our response

We assessed and tested the design and operating effectiveness of the key controls over financial reporting with respect to the valuation of deferred tax assets. This included controls over the recognition and measurement

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

The re-assessment of deferred tax assets resulted in an associated tax charge of CHF 2.3 billion, primarily resulting from a reduction in the US federal corporate tax rate following the enactment of the Tax Cuts and Jobs Act in the US during the fourth quarter of 2017.

of deferred tax assets, the assessment and approval of assumptions used in projecting the future taxable profits in relevant jurisdictions / legal entities, the development and approval of the legal entity plans, and management's annual comparison of legal entity plans to past performance.

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

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

— Note 1 Summary of significant accounting policies, "Income taxes"

— Note 27 Tax

Provisions for litigation and regulatory actions

Key Audit Matter

The Group reports litigation provisions of CHF 749 million as of December 31, 2017. The Group's estimate of the aggregate range of reasonably possible losses that are not covered by existing provisions for which the Group believes an estimate is possible is zero to CHF 1.5 billion.

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

Our response

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

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

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

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

— Note 38 Litigation

Valuation of the allowance for loan losses

Key Audit Matter

The Group reports gross loans held at amortized cost of CHF 264.8 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 1 Summary of significant accounting policies, "Loans"
- Note 18 Loans, allowance for loan losses and credit quality

Report on Other Legal and Regulatory Requirements

We are a public accounting firm registered with the Swiss Federal Audit Oversight Authority (FAOA) and the PCAOB and we confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA). We are independent of the Group in accordance with Swiss law (article 728 CO and article 11 AOA) and U.S. federal securities laws as well as the applicable rules and regulations of the Swiss audit profession, the U.S. Securities and Exchange Commission and the PCAOB, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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

We also have audited, in accordance with the standards of the PCAOB, the Group's internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control – Integrated Framework 2013* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), and our report dated March 23, 2018 expressed an unqualified opinion on the effectiveness of the Group's internal control over financial reporting.

We have served as the auditor of Credit Suisse Group AG since 1989.

KPMG AG

Nicholas Edmonds Licensed Audit Expert Auditor in Charge	Anthony Anzevino Global Lead Partner

Zurich, Switzerland
March 23, 2018

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

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Consolidated financial statements

Consolidated statements of operations

	Reference to notes	2017	2016	in 2015
Consolidated statements of operations (CHF million)				
Interest and dividend income	5	17,057	17,374	19,341
Interest expense	5	(10,500)	(9,812)	(10,042)
Net interest income	5	6,557	7,562	9,299
Commissions and fees	6	11,817	11,092	12,044
Trading revenues	7	1,317	313	1,340
Other revenues	8	1,209	1,356	1,114
Net revenues		**20,900**	**20,323**	**23,797**
Provision for credit losses	9	**210**	**252**	**324**
Compensation and benefits	10	10,177	10,572	11,546
General and administrative expenses	11	6,835	9,770	8,574
Commission expenses		1,430	1,455	1,623
Goodwill impairment	20	0	0	3,797
Restructuring expenses	12	455	540	355
Total other operating expenses		8,720	11,765	14,349
Total operating expenses		**18,897**	**22,337**	**25,895**
Income/(loss) before taxes		**1,793**	**(2,266)**	**(2,422)**
Income tax expense	27	2,741	441	523
Net income/(loss)		**(948)**	**(2,707)**	**(2,945)**
Net income/(loss) attributable to noncontrolling interests		35	3	(1)
Net income/(loss) attributable to shareholders		**(983)**	**(2,710)**	**(2,944)**
Earnings/(loss) per share (CHF)				
Basic earnings/(loss) per share	13	(0.41)	(1.27)	(1.65)
Diluted earnings/(loss) per share	13	(0.41)	(1.27)	(1.65)

Consolidated statements of comprehensive income

in	2017	2016	2015
Comprehensive income/(loss) (CHF million)			
Net income/(loss)	(948)	(2,707)	(2,945)
Gains/(losses) on cash flow hedges	(27)	(20)	16
Foreign currency translation	(1,031)	515	(1,156)
Unrealized gains/(losses) on securities	(13)	1	(4)
Actuarial gains/(losses)	695	394	(661)
Net prior service credit/(cost)	(121)	36	155
Gains/(losses) on liabilities related to credit risk	(1,976)	(1,043)	–
Other comprehensive income/(loss), net of tax	(2,473)	(117)	(1,650)
Comprehensive income/(loss)	**(3,421)**	**(2,824)**	**(4,595)**
Comprehensive income/(loss) attributable to noncontrolling interests	28	(2)	(19)
Comprehensive income/(loss) attributable to shareholders	**(3,449)**	**(2,822)**	**(4,576)**

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

Consolidated balance sheets

	Reference to notes	end of 2017	2016
Assets (CHF million)			
Cash and due from banks		109,815	121,161
of which reported at fair value		212	200
of which reported from consolidated VIEs		232	369
Interest-bearing deposits with banks		726	772
of which reported at fair value		0	26
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	14	115,346	134,839
of which reported at fair value		77,498	87,331
Securities received as collateral, at fair value		38,074	32,564
of which encumbered		23,632	30,762
Trading assets, at fair value	15	156,334	165,150
of which encumbered		49,237	52,322
of which reported from consolidated VIEs		1,348	2,744
Investment securities	16	2,191	2,489
of which reported at fair value		2,191	2,489
of which reported from consolidated VIEs		381	511
Other investments	17	5,964	6,777
of which reported at fair value		3,506	4,096
of which reported from consolidated VIEs		1,833	2,006
Net loans	18	279,149	275,976
of which reported at fair value		15,307	19,528
of which encumbered		186	132
of which reported from consolidated VIEs		267	284
allowance for loan losses		(882)	(938)
Premises and equipment	19	4,686	4,711
of which reported from consolidated VIEs		151	199
Goodwill	20	4,742	4,913
Other intangible assets	21	223	213
of which reported at fair value		158	138
Brokerage receivables		46,968	33,431
Other assets	22	32,071	36,865
of which reported at fair value		9,018	9,383
of which encumbered		134	257
of which reported from consolidated VIEs		2,398	2,617
Total assets		**796,289**	**819,861**

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

Consolidated balance sheets (continued)

	Reference to notes	2017	end of 2016
Liabilities and equity (CHF million)			
Due to banks	23	15,413	22,800
of which reported at fair value		197	437
Customer deposits	23	361,162	355,833
of which reported at fair value		3,511	3,576
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	14	26,496	33,016
of which reported at fair value		15,262	19,634
Obligation to return securities received as collateral, at fair value		38,074	32,564
Trading liabilities, at fair value	15	39,119	44,930
of which reported from consolidated VIEs		3	18
Short-term borrowings		25,889	15,385
of which reported at fair value		11,019	4,061
of which reported from consolidated VIEs		0	1
Long-term debt	24	173,032	193,315
of which reported at fair value		63,628	72,868
of which reported from consolidated VIEs		863	1,759
Brokerage payables		43,303	39,852
Other liabilities	22	31,612	39,855
of which reported at fair value		8,624	9,493
of which reported from consolidated VIEs		204	244
Total liabilities		**754,100**	**777,550**
Common shares		102	84
Additional paid-in capital		35,668	32,131
Retained earnings		24,973	25,954
Treasury shares, at cost		(103)	0
Accumulated other comprehensive income/(loss)	25	(18,738)	(16,272)
Total shareholders' equity		**41,902**	**41,897**
Noncontrolling interests		287	414
Total equity		**42,189**	**42,311**
Total liabilities and equity		**796,289**	**819,861**

	Reference to notes	2017	end of 2016
Additional share information			
Par value (CHF)		0.04	0.04
Authorized shares [1]		3,271,129,950	2,797,379,244
Common shares issued	25	2,556,011,720	2,089,897,378
Treasury shares	25	(5,757,666)	0
Shares outstanding	25	2,550,254,054	2,089,897,378

[1] Includes issued shares and unissued shares (conditional, conversion and authorized capital).

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

Consolidated statements of changes in equity

	Attributable to shareholders							
	Common shares	Additional paid-in capital	Retained earnings	Treasury shares, at cost	Accumulated other comprehensive income/(loss)	**Total shareholders' equity**	Non-controlling interests	**Total equity**
2017 (CHF million)								
Balance at beginning of period	**84**	**32,131**	**25,954**	**0**	**(16,272)**	**41,897**	**414**	**42,311**
Purchase of subsidiary shares from non-controlling interests, not changing ownership [1, 2]	–	–	–	–	–	–	(163)	(163)
Sale of subsidiary shares to noncontrolling interests, not changing ownership [2]	–	–	–	–	–	–	65	65
Net income/(loss)	–	–	(983)	–	–	(983)	35	(948)
Cumulative effect of accounting changes, net of tax	–	–	2	–	–	2	–	2
Total other comprehensive income/(loss), net of tax	–	–	–	–	(2,466)	(2,466)	(7)	(2,473)
Issuance of common shares	18	5,195	–	–	–	5,213	–	5,213
Sale of treasury shares	–	1	–	12,033	–	12,034	–	12,034
Repurchase of treasury shares	–	–	–	(12,757)	–	(12,757)	–	(12,757)
Share-based compensation, net of tax	–	36	–	621	–	657	–	657
Financial instruments indexed to own shares [3]	–	19	–	–	–	19	–	19
Dividends paid	–	(1,546) [4]	–	–	–	(1,546)	(4)	(1,550)
Changes in scope of consolidation, net	–	–	–	–	–	–	(41)	(41)
Other	–	(168)	–	–	–	(168)	(12)	(180)
Balance at end of period	**102**	**35,668**	**24,973**	**(103)**	**(18,738)**	**41,902**	**287**	**42,189**
2016 (CHF million)								
Balance at beginning of period	**78**	**31,925**	**29,139**	**(125)**	**(16,635)**	**44,382**	**636**	**45,018**
Purchase of subsidiary shares from non-controlling interests, changing ownership	–	(13)	–	–	–	(13)	(6)	(19)
Purchase of subsidiary shares from non-controlling interests, not changing ownership	–	–	–	–	–	–	(103)	(103)
Sale of subsidiary shares to noncontrolling interests, not changing ownership	–	–	–	–	–	–	112	112
Net income/(loss)	–	–	(2,710)	–	–	(2,710)	3	(2,707)
Cumulative effect of accounting changes, net of tax	–	–	(475)	–	475	–	–	–
Total other comprehensive income/(loss), net of tax	–	–	–	–	(112)	(112)	(5)	(117)
Issuance of common shares	6	1,661	–	–	–	1,667	–	1,667
Sale of treasury shares	–	7	–	16,160	–	16,167	–	16,167
Repurchase of treasury shares	–	–	–	(16,197)	–	(16,197)	–	(16,197)
Share-based compensation, net of tax	–	178	–	162	–	340	–	340
Financial instruments indexed to own shares	–	(164)	–	–	–	(164)	–	(164)
Dividends paid	–	(1,435)	–	–	–	(1,435)	–	(1,435)
Changes in scope of consolidation, net	–	–	–	–	–	–	(194)	(194)
Other	–	(28)	–	–	–	(28)	(29)	(57)
Balance at end of period	**84**	**32,131**	**25,954**	**0**	**(16,272)**	**41,897**	**414**	**42,311**

[1] Distributions to owners in funds include the return of original capital invested and any related dividends.
[2] Transactions with and without ownership changes related to fund activity are all displayed under "not changing ownership".
[3] Includes certain call options the Group purchased on its own shares to economically hedge share-based compensation awards. In accordance with US GAAP, these call options were designated as equity instruments and, as such, were initially recognized in shareholders' equity at their fair values and not subsequently remeasured.
[4] Paid out of capital contribution reserves.

Consolidated statements of changes in equity (continued)

	Attributable to shareholders							
	Common shares	Additional paid-in capital	Retained earnings	Treasury shares, at cost	Accumulated other comprehensive income/ (loss)	**Total shareholders' equity**	Non-controlling interests	**Total equity**
2015 (CHF million)								
Balance at beginning of period	**64**	**27,007**	**32,083**	**(192)**	**(15,003)**	**43,959**	**1,042**	**45,001**
Purchase of subsidiary shares from non-controlling interests, not changing ownership	–	–	–	–	–	–	(381)	(381)
Sale of subsidiary shares to noncontrolling interests, not changing ownership	–	–	–	–	–	–	55	55
Net income/(loss)	–	–	(2,944)	–	–	(2,944)	(1)	(2,945)
Total other comprehensive income/(loss), net of tax	–	–	–	–	(1,632)	(1,632)	(18)	(1,650)
Issuance of common shares	14	6,731	–	–	–	6,745	–	6,745
Sale of treasury shares	–	(37)	–	18,789	–	18,752	–	18,752
Repurchase of treasury shares	–	–	–	(19,761)	–	(19,761)	–	(19,761)
Share-based compensation, net of tax	–	(321)	–	1,039	–	718	–	718
Financial instruments indexed to own shares	–	(106)	–	–	–	(106)	–	(106)
Dividends paid	–	(1,137)	–	–	–	(1,137)	–	(1,137)
Changes in scope of consolidation	–	–	–	–	–	–	(58)	(58)
Other	–	(212)	–	–	–	(212)	(3)	(215)
Balance at end of period	**78**	**31,925**	**29,139**	**(125)**	**(16,635)**	**44,382**	**636**	**45,018**

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

Consolidated statements of cash flows

in	2017	2016	2015
Operating activities of continuing operations (CHF million)			
Net income/(loss)	**(948)**	**(2,707)**	**(2,945)**
Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities of continuing operations (CHF million)			
Impairment, depreciation and amortization	894	937	4,889
Provision for credit losses	210	252	324
Deferred tax provision/(benefit)	2,238	(193)	32
Share of net income/(loss) from equity method investments	(153)	(65)	(134)
Trading assets and liabilities, net	4,652	21,100	26,245
(Increase)/decrease in other assets	(15,597)	9,611	11,395
Increase/(decrease) in other liabilities	(1,931)	(1,255)	(22,805)
Other, net	2,093	(905)	(1,933)
Total adjustments	(7,594)	29,482	18,013
Net cash provided by/(used in) operating activities of continuing operations	**(8,542)**	**26,775**	**15,068**
Investing activities of continuing operations (CHF million)			
(Increase)/decrease in interest-bearing deposits with banks	40	117	349
(Increase)/decrease in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	14,286	(7,056)	36,964
Purchase of investment securities	(86)	(88)	(376)
Proceeds from sale of investment securities	14	14	19
Maturities of investment securities	422	363	908
Investments in subsidiaries and other investments	(1,094)	(1,403)	(594)
Proceeds from sale of other investments	1,970	1,737	1,938
(Increase)/decrease in loans	(13,674)	(3,745)	(5,446)
Proceeds from sales of loans	9,938	2,468	1,579
Capital expenditures for premises and equipment and other intangible assets	(1,068)	(1,164)	(1,102)
Proceeds from sale of premises and equipment and other intangible assets	1	55	13
Other, net	65	749	409
Net cash provided by/(used in) investing activities of continuing operations	**10,814**	**(7,953)**	**34,661**

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

Consolidated statements of cash flows (continued)

in	2017	2016	2015
Financing activities of continuing operations (CHF million)			
Increase/(decrease) in due to banks and customer deposits	3,423	10,267	(29,149)
Increase/(decrease) in short-term borrowings	5,018	6,594	(18,148)
Increase/(decrease) in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	(5,251)	(14,525)	(22,149)
Issuances of long-term debt	43,556	52,984	77,858
Repayments of long-term debt	(62,554)	(47,132)	(49,365)
Issuances of common shares	4,253	725	6,035
Sale of treasury shares	12,034	16,167	18,752
Repurchase of treasury shares	(12,757)	(16,197)	(19,761)
Dividends paid	(590)	(493)	(427)
Other, net	77	377	186
Net cash provided by/(used in) financing activities of continuing operations	**(12,791)**	**8,767**	**(36,168)**
Effect of exchange rate changes on cash and due from banks (CHF million)			
Effect of exchange rate changes on cash and due from banks	**(827)**	**1,244**	**(582)**
Net increase/(decrease) in cash and due from banks (CHF million)			
Net increase/(decrease) in cash and due from banks	**(11,346)**	**28,833**	**12,979**
Cash and due from banks at beginning of period	121,161	92,328	79,349
Cash and due from banks at end of period	**109,815**	**121,161**	**92,328**

Supplemental cash flow information

in	2017	2016	2015
Cash paid for income taxes and interest (CHF million)			
Cash paid for income taxes	540	662	1,010
Cash paid for interest	9,961	9,136	10,208
Assets acquired and liabilities assumed in business acquisitions (CHF million)			
Fair value of assets acquired	0	0	3
Assets and liabilities sold in business divestitures (CHF million)			
Assets sold	1,777	425	35
Liabilities sold	1,658	383	7

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

Notes to the consolidated financial statements

1 Summary of significant accounting policies

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

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

Principles of consolidation

The consolidated financial statements include the financial statements of the Group and its subsidiaries. The Group's subsidiaries are entities in which it holds, directly or indirectly, more than 50% of the voting rights or where it exercises control. The Group consolidates limited partnerships in cases where it is the general partner and the limited partners do not have either substantive kick out rights and/or substantive participating rights or is a limited partner with substantive rights to kick out the general partner or dissolve the partnership and participate in significant decisions made in the ordinary course of business. The Group also consolidates VIEs if the Group is the primary beneficiary in accordance with Accounting Standards Codification (ASC) Topic 810 – Consolidation. The effects of material intercompany transactions and balances have been eliminated.

Where a Group subsidiary is a separate legal entity and determined to be an investment company as defined by ASC Topic 946 – Financial Services – Investment Companies, interests in other entities held by this Group subsidiary are not consolidated and are carried at fair value.

Group entities that qualify as broker-dealer entities as defined by ASC Topic 940 – Financial Services – Brokers and Dealers do not consolidate investments in voting interest entities that would otherwise qualify for consolidation when the investment is held on a temporary basis for trading purposes. In addition, subsidiaries that are strategic components of a broker-dealer's operations are consolidated regardless of holding intent.

Foreign currency translation

Transactions denominated in currencies other than the functional currency of the related entity are recorded by remeasuring them in the functional currency of the related entity using the foreign exchange rate on the date of the transaction. As of the dates of the consolidated balance sheets, monetary assets and liabilities, such as receivables and payables, are reported using the year-end spot foreign exchange rates. Foreign exchange rate differences are recorded in the consolidated statements of operations. Non-monetary assets and liabilities are recorded using the historic exchange rate.

For the purpose of consolidation, the assets and liabilities of Group companies with functional currencies other than the Swiss franc are translated into Swiss franc equivalents using year-end spot foreign exchange rates, whereas revenues and expenses are translated at weighted average foreign exchange rates for the period. Translation adjustments arising from consolidation are included in accumulated other comprehensive income/(loss) (AOCI) within total shareholders' equity. Cumulative translation adjustments are released from AOCI and recorded in the consolidated statements of operations when the Group disposes and loses control of a consolidated foreign subsidiary.

Fair value measurement and option

The fair value measurement guidance establishes a single authoritative definition of fair value and sets out a framework for measuring fair value. The fair value option creates an alternative measurement treatment for certain financial assets and financial liabilities. The fair value option can be elected at initial recognition of the eligible item or at the date when the Group enters into an agreement which gives rise to an eligible item (e.g., a firm commitment or a written loan commitment). If not elected at initial recognition, the fair value option can be applied to an item upon certain triggering events that give rise to a new basis of accounting for that item. The application of the fair value option to a financial asset or a financial liability does not change its classification on the face of the balance sheet and the election is irrevocable. Changes in fair value resulting from the election are recorded in trading revenues.

› Refer to "Fair value option" in Note 34 – Financial instruments for further information.

Cash and due from banks

Cash and due from banks consists of currency on hand, demand deposits with banks or other financial institutions and cash equivalents. Cash equivalents are defined as short-term, highly liquid instruments with original maturities of three months or less, which are held for cash management purposes.

Reverse repurchase and repurchase agreements

Purchases of securities under resale agreements (reverse repurchase agreements) and securities sold under agreements

to repurchase substantially identical securities (repurchase agreements) do not constitute economic sales and are therefore treated as collateralized financing transactions and are carried in the consolidated balance sheet at the amount of cash disbursed or received, respectively. Reverse repurchase agreements are recorded as collateralized assets while repurchase agreements are recorded as liabilities, with the underlying securities sold continuing to be recognized in trading assets or investment securities. The fair value of securities to be repurchased and resold is monitored on a daily basis, and additional collateral is obtained as needed to protect against credit exposure.

Assets and liabilities recorded under these agreements are accounted for on one of two bases, the accrual basis or the fair value basis. Under the accrual basis, interest earned on reverse repurchase agreements and interest incurred on repurchase agreements are reported in interest and dividend income and interest expense, respectively. The fair value basis of accounting may be elected pursuant to ASC Topic 825 – Financial Instruments, and any resulting change in fair value is reported in trading revenues. Accrued interest income and expense are recorded in the same manner as under the accrual method. The Group has elected the fair value basis of accounting on selected agreements.

Reverse repurchase and repurchase agreements are netted if they are with the same counterparty, have the same maturity date, settle through the same clearing institution and are subject to the same enforceable master netting agreement.

Securities lending and borrowing transactions

Securities borrowed and securities loaned that are cash-collateralized are included in the consolidated balance sheets at amounts equal to the cash advanced or received. If securities received in a securities lending and borrowing transaction as collateral may be sold or repledged, they are recorded as securities received as collateral in the consolidated balance sheet and a corresponding liability to return the security is recorded. Securities lending transactions against non-cash collateral in which the Group has the right to resell or repledge the collateral received are recorded at the fair value of the collateral initially received. For securities lending transactions, the Group receives cash or securities collateral in an amount generally in excess of the market value of securities lent. The Group monitors the fair value of securities borrowed and loaned on a daily basis with additional collateral obtained as necessary.

Fees and interest received or paid are recorded in interest and dividend income and interest expense, respectively, on an accrual basis. If the fair value basis of accounting is elected, any resulting change in fair value is reported in trading revenues. Accrued interest income and expense are recorded in the same manner as under the accrual method.

Transfers of financial assets

The Group transfers various financial assets, which may result in the sale of these assets to special purpose entities (SPEs), which in turn issue securities to investors. The Group values its beneficial interests at fair value using quoted market prices, if such positions are traded on an active exchange or financial models that incorporate observable and unobservable inputs.

‣ Refer to “Note 33 – Transfers of financial assets and variable interest entities” for further information on the Group’s transfer activities.

Trading assets and liabilities

Trading assets and liabilities include debt and equity securities, derivative instruments, certain loans held in broker-dealer entities, commodities and precious metals. Items included in the trading portfolio are carried at fair value and classified as held for trading purposes based on management’s intent. Regular-way security transactions are recorded on a trade-date basis. Unrealized and realized gains and losses on trading positions are recorded in trading revenues.

Derivatives

Freestanding derivative contracts are carried at fair value in the consolidated balance sheets regardless of whether these instruments are held for trading or risk management purposes. Commitments to originate mortgage loans that will be held for sale are considered derivatives for accounting purposes. When derivative features embedded in certain contracts that meet the definition of a derivative are not considered clearly and closely related to the host contract, either the embedded feature is accounted for separately at fair value or the entire contract, including the embedded feature, is accounted for at fair value. In both cases, changes in fair value are recorded in the consolidated statements of operations. If separated for measurement purposes, the derivative is recorded in the same line item in the consolidated balance sheets as the host contract.

Derivatives classified as trading assets and liabilities include those held for trading purposes and those used for risk management purposes that do not qualify for hedge accounting. Derivatives held for trading purposes arise from proprietary trading activity and from customer-based activity. Realized gains and losses, changes in unrealized gains and losses and interest flows are included in trading revenues. Derivative contracts designated and qualifying as fair value hedges, cash flow hedges or net investment hedges are reported as other assets or other liabilities.

The fair value of exchange-traded derivatives is typically derived from observable market prices and/or observable market parameters. Fair values for over-the-counter (OTC) derivatives are determined on the basis of proprietary models using various input parameters. Derivative contracts are recorded on a net basis per counterparty, where an enforceable master netting agreement exists. Where no such agreement exists, fair values are recorded on a gross basis.

Where hedge accounting is applied, the Group formally documents all relationships between hedging instruments and hedged items, including the risk management objectives and strategy for undertaking hedge transactions. At inception of a hedge and on an ongoing basis, the hedge relationship is formally assessed to determine whether the derivatives that are used in hedging

transactions are highly effective in offsetting changes in fair values or cash flows of hedged items attributable to the hedged risk. The Group discontinues hedge accounting prospectively in the following circumstances:
(i) the derivative is no longer effective in offsetting changes in the fair value or cash flows of a hedged item (including forecasted transactions);
(ii) the derivative expires or is sold, terminated or exercised;
(iii) the derivative is no longer designated as a hedging instrument because it is unlikely that the forecasted transaction will occur; or
(iv) the designation of the derivative as a hedging instrument is otherwise no longer appropriate.

For derivatives that are designated and qualify as fair value hedges, the carrying value of the underlying hedged items is adjusted to fair value for the risk being hedged. Changes in the fair value of these derivatives are recorded in the same line item of the consolidated statements of operations as the change in fair value of the risk being hedged for the hedged assets or liabilities to the extent the hedge is effective. The change in fair value representing hedge ineffectiveness is recorded separately in trading revenues.

When the Group discontinues fair value hedge accounting because it determines that the derivative no longer qualifies as an effective fair value hedge, the derivative will continue to be carried in the consolidated balance sheets at its fair value, and the hedged asset or liability will no longer be adjusted for changes in fair value attributable to the hedged risk. Interest-related fair value adjustments made to the underlying hedged items will be amortized to the consolidated statements of operations over the remaining life of the hedged item. Any unamortized interest-related fair value adjustment is recorded in the consolidated statements of operations upon sale or extinguishment of the hedged asset or liability, respectively. Any other fair value hedge adjustments remain part of the carrying amount of the hedged asset or liability and are recognized in the consolidated statements of operations upon disposition of the hedged item as part of the gain or loss on disposition.

For hedges of the variability of cash flows from forecasted transactions and floating rate assets or liabilities, the effective portion of the change in the fair value of a designated derivative is recorded in AOCI. These amounts are reclassified into the line item in the consolidated statements of operations in which the hedged item is recorded when the variable cash flow from the hedged item impacts earnings (for example, when periodic settlements on a variable rate asset or liability are recorded in the consolidated statements of operations or when the hedged item is disposed of). The change in fair value representing hedge ineffectiveness is recorded separately in trading revenues.

When hedge accounting is discontinued on a cash flow hedge, the net gain or loss will remain in AOCI and be reclassified into the consolidated statements of operations in the same period or periods during which the formerly hedged transaction is reported in the consolidated statements of operations. When the Group discontinues hedge accounting because it is probable that a forecasted transaction will not occur within the specified date or period plus two months, the derivative will continue to be carried in the consolidated balance sheets at its fair value, and gains and losses that were previously recorded in AOCI will be recognized immediately in the consolidated statements of operations.

For hedges of a net investment in a foreign operation, the change in the fair value of the hedging derivative is recorded in AOCI to the extent the hedge is effective. The change in fair value representing hedge ineffectiveness is recorded in trading revenues. The Group uses the forward method of determining effectiveness for net investment hedges, which results in the time value portion of a foreign currency forward being reported in AOCI to the extent the hedge is effective.

Investment securities

Investment securities include debt securities classified as held-to-maturity and debt and marketable equity securities classified as available-for-sale. Regular-way security transactions are recorded on a trade-date basis.

Debt securities where the Group has the positive intent and ability to hold such securities to maturity are classified as such and are carried at amortized cost, net of any unamortized premium or discount.

Debt and equity securities classified as available-for-sale are carried at fair value. Unrealized gains and losses, which represent the difference between fair value and amortized cost, are recorded in AOCI. Amounts reported in AOCI are net of income taxes.

Amortization of premiums or discounts is recorded in interest and dividend income using the effective yield method through the maturity date of the security.

Recognition of an impairment on debt securities is recorded in the consolidated statements of operations if a decline in fair value below amortized cost is considered other-than-temporary, that is, amounts due according to the contractual terms of the security are not considered collectible, typically due to deterioration in the creditworthiness of the issuer. No impairment is recorded in connection with declines resulting from changes in interest rates to the extent the Group does not intend to sell the investments, nor is it more likely than not that the Group will be required to sell the investments before the recovery of their amortized cost bases, which may be maturity.

Recognition of an impairment on equity securities is recorded in the consolidated statements of operations if a decline in fair value below the cost basis of an investment is considered other-than-temporary. The Group generally considers unrealized losses on equity securities to be other-than-temporary if the fair value has been below cost for more than six months or has decreased by more than 20% below cost.

Recognition of an impairment for debt or equity securities establishes a new cost basis, which is not adjusted for subsequent recoveries.

Unrealized losses on available-for-sale securities are recognized in the consolidated statements of operations when a decision has been made to sell a security.

Other investments

Other investments include equity method investments and non-marketable equity securities such as private equity, hedge funds, and restricted stock investments, certain investments in non-marketable mutual funds for which the Group has neither significant influence nor control over the investee, real estate held for investment and the life finance business.

Equity method investments are investments where the Group has the ability to significantly influence the operating and financial policies of an investee. Significant influence is typically characterized by ownership of 20% to 50% of the voting stock or in-substance common stock of a corporation or 5% or more of limited partnership interests. Equity method investments are accounted for under the equity method of accounting or the fair value option. Under the equity method of accounting, the Group's share of the profit or loss, and any impairment on the investee, if applicable, is reported in other revenues. Under the fair value option, changes in fair value are reported in other revenues. The Group has elected the fair value basis of accounting on some of its equity method investments.

The Group's other non-marketable equity securities are carried at cost less other-than-temporary impairment or at fair value if elected under the fair value option. Non-marketable equity securities held by the Group's subsidiaries that are determined to be investment companies as defined by ASC Topic 946 – Financial Services – Investment Companies are carried at fair value, with changes in fair value recorded in other revenues.

Equity method investments and non-marketable equity securities held by broker-dealer entities as defined by ASC Topic 940 – Financial Services – Brokers and Dealers are measured at fair value and reported in trading assets when the intent of the broker-dealer entity is to hold the asset temporarily for trading purposes. Changes in fair value are reported in trading revenues.

Real estate held for investment purposes is carried at cost less accumulated depreciation and is depreciated over its estimated useful life, generally 40 to 67 years. Land is carried at historical cost and is not depreciated. These assets are tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying amount may not be recoverable. Recognition of an impairment on such assets establishes a new cost base, which is not adjusted for subsequent recoveries in value.

In connection with the life finance business, the Group invests in single premium immediate annuities (SPIA), which are carried at fair value with the related fair value changes reported in trading revenues. The life finance business also invests in life settlement contracts.

Loans

Loans held-to-maturity

Loans, which the Group intends to hold until maturity, are carried at outstanding principal balances plus accrued interest, net of the following items: unamortized premiums, discounts on purchased loans, deferred loan origination fees and direct loan origination costs on originated loans. Interest income is accrued on the unpaid principal balance and net deferred premiums/discounts and fees/costs are amortized as an adjustment to the loan yield over the term of the related loans.

Lease financing transactions where the Group is the lessor are classified as loans. Unearned income is amortized to interest and dividend income over the lease term using the effective interest method.

In accordance with Group policies, impaired loans include non-performing loans, non-interest-earning loans, restructured loans and potential problem loans.

▸ Refer to "Note 18 – Loans, allowance for loan losses and credit quality" for further information.

Allowance for loan losses on loans held-to-maturity

The allowance for loan losses is composed of the following components: probable credit losses inherent in the portfolio and those losses specifically identified. Changes in the allowance for loan losses are recorded in the consolidated statements of operations in provision for credit losses and in interest income (for provisions on past due interest).

The Group evaluates many factors when estimating the allowance for loan losses, including the volatility of default probabilities, rating changes, the magnitude of potential loss, internal risk ratings, and geographic, industry and other economic factors. The component of the allowance representing probable losses inherent in the portfolio is for loans not specifically identified as impaired and that, on a portfolio basis, are considered to contain probable inherent loss. The estimate of this component of the allowance for the consumer loans portfolio involves applying historical and current default probabilities, historical recovery experience and related current assumptions to homogenous loans based on internal risk rating and product type. To estimate this component of the allowance for the corporate & institutional loans portfolio, the Group segregates loans by risk, industry or country rating. Excluded from this estimate process are consumer and corporate & institutional loans that have been specifically identified as impaired or are held at fair value. For lending-related commitments, a provision for losses is estimated based on historical loss and recovery experience and recorded in other liabilities. Changes in the estimate of losses for lending-related commitments are recorded in the consolidated statements of operations in provision for credit losses.

The estimate of the component of the allowance for specifically identified credit losses on impaired loans is based on a regular and detailed analysis of each loan in the portfolio considering collateral and counterparty risk. The Group considers a loan impaired when, based on current information and events, it is probable that the Group will be unable to collect the amounts due according to the contractual terms of the loan agreement. For non-collateral-dependent impaired loans, an impairment is measured using the present value of estimated future cash flows, except that as a practical expedient an impairment may be measured based on a loan's observable market price. For collateral-dependent impaired loans, an impairment is measured using the fair value of the collateral.

A loan is classified as non-performing no later than when the contractual payments of principal and/or interest are more than 90 days past due except for subprime residential loans which are classified as non-performing no later than when the contractual payments of principal and/or interest are more than 120 days past due. The additional 30 days ensure that these loans are not incorrectly assessed as non-performing during the time when servicing of them typically is being transferred. However, management may determine that a loan should be classified as non-performing notwithstanding that contractual payments of principal and/or interest are less than 90 days past due or, in the case of subprime residential loans, 120 days past due. For non-performing loans, a provision is recorded in an amount equal to any accrued but unpaid interest at the date the loan is classified as non-performing, resulting in a charge to the consolidated statements of operations. In addition, the Group continues to add accrued interest receivable to the loan's balance for collection purposes; however, a provision is recorded resulting in no interest income recognition. Thereafter, the outstanding principal balance is evaluated at least annually for collectability and a provision is established as necessary.

A loan can be further downgraded to non-interest-earning when the collection of interest is considered so doubtful that further accrual of interest is deemed inappropriate. At that time, and on at least a quarterly basis thereafter depending on various risk factors, the outstanding principal balance, net of provisions previously recorded, is evaluated for collectability and additional provisions are established as required.

Generally, non-performing loans and non-interest-earning loans may be restored to performing status only when delinquent principal and interest are brought up to date in accordance with the terms of the loan agreement and when certain performance criteria are met.

Interest collected on non-performing loans and non-interest-earning loans is accounted for using the cash basis or the cost recovery method or a combination of both.

Loans that were modified in a troubled debt restructuring are reported as restructured loans. Generally, a restructured loan would have been considered impaired and an associated allowance for loan losses would have been established prior to the restructuring. Loans modified in a troubled debt restructuring are reported as restructured loans to the end of the reporting year in which the loan was modified or for as long as an allowance for loan losses based on the terms specified by the restructuring agreement is associated with the restructured loan or an interest concession made at the time of the restructuring exists. In making the determination of whether an interest rate concession has been made, market interest rates for loans with comparable risk to borrowers of the same credit quality are considered. Loans that have been restructured in a troubled debt restructuring and are performing according to the new terms continue to accrue interest. Loan restructurings may include the receipt of assets in satisfaction of the loan, the modification of loan terms (e.g., reduction of interest rates, extension of maturity dates at a stated interest rate lower than the current market rate for new loans with similar risk, or reduction in principal amounts and/or accrued interest balances) or a combination of both.

Potential problem loans are impaired loans where contractual payments have been received according to schedule, but where doubt exists as to the collection of future contractual payments. Potential problem loans are evaluated for impairment on an individual basis and an allowance for loan losses is established as necessary. Potential problem loans continue to accrue interest.

The amortization of net loan fees or costs on impaired loans is generally discontinued during the periods in which matured and unpaid interest or principal is outstanding. On settlement of a loan, if the loan balance is not collected in full, an allowance is established for the uncollected amount, if necessary, and the loan is then written off, net of any deferred loan fees and costs.

Write-off of a loan occurs when it is considered certain that there is no possibility of recovering the outstanding principal. Recoveries of loans previously written off are recorded based on the cash or estimated fair value of other assets received.

‣ Refer to "Impaired loans" in Note 18 – Loans, allowance for loan losses and credit quality for further information on the write-off of a loan and related accounting policies.

Loans held-for-sale

Loans, which the Group intends to sell in the foreseeable future, are considered held-for-sale and are carried at the lower of amortized cost or market value determined on either an individual method basis, or in the aggregate for pools of similar loans if sold or securitized as a pool. Loans held-for-sale are included in other assets. Revaluation losses incurred at the transfer into the held-for-sale category are generally recorded as credit losses. Gains and losses on loans held-for-sale subsequent to the transfer into the held-for-sale category are recorded in other revenues.

Purchased impaired loans

Purchased loans for which it is probable at acquisition that all contractually required payments will not be received are recorded at their net purchase price and no allowances are carried over. The excess of the estimated cash flows to be collected over the amount paid is accreted into interest income over the estimated recovery period when reasonable estimates can be made about the timing and amount of recovery. The Group does not consider such loans to be impaired at the time of acquisition. Such loans are deemed impaired only if the Group's estimate of cash to be received decreases below the estimate at the time of acquisition. Increases in the estimated expected recovery are recorded as a reversal of allowances, if any, and then recognized as an adjustment of the effective yield of the loan.

Loans held at fair value under the fair value option

Loans and loan commitments for which the fair value option is elected are reported at fair value with changes in fair value reported in trading revenues. The application of the fair value

option does not change the loan's classification. Loan commitments carried at fair value are recorded in other assets or other liabilities, respectively.

Premises and equipment

Premises and equipment (including equipment under operating leases where the Group is the lessor), with the exception of land, are carried at cost less accumulated depreciation.

Buildings are depreciated on a straight-line basis over their estimated useful lives, generally 40 to 67 years, and building improvements are depreciated on a straight-line basis over their estimated useful lives, generally not exceeding five to ten years. Land is carried at historical cost and is not depreciated. Leasehold improvements, such as alterations and improvements to rented premises, are depreciated on a straight-line basis over the shorter of the lease term or estimated useful life, which generally does not exceed ten years. Equipment, such as computers, machinery, furnishings, vehicles and other tangible non-financial assets, is depreciated using the straight-line method over its estimated useful lives, generally three to ten years. Certain leasehold improvements and equipment, such as data center power generators, may have estimated useful lives greater than ten years.

The Group capitalizes costs relating to the acquisition, installation and development of software with a measurable economic benefit, but only if such costs are identifiable and can be reliably measured. The Group depreciates capitalized software costs on a straight-line basis over the estimated useful life of the software, generally not exceeding seven years, taking into consideration the effects of obsolescence, technology, competition and other economic factors.

The Group reflects finance leasing activities for which it is the lessee by recording an asset in premises and equipment and a corresponding liability in other liabilities at an amount equal to the smaller of the present value of the minimum lease payments or fair value, and the leased asset is depreciated over the shorter of the asset's estimated useful life or the lease term.

Goodwill and other intangible assets

Goodwill arises on the acquisition of subsidiaries and equity method investments. It is measured as the excess of the fair value of the consideration transferred, the fair value of any noncontrolling interest in the acquiree and the fair value of any previously held equity interest in the acquired subsidiary, over the net of the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed. Goodwill is not amortized; instead it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill may be impaired. Goodwill is allocated to the Group's reporting units for the purposes of the impairment test.

Other intangible assets may be acquired individually or as part of a group of assets assumed in a business combination. Other intangible assets include but are not limited to: patents, licenses, copyrights, trademarks, branch networks, mortgage servicing rights, customer base and deposit relationships. Acquired intangible assets are initially measured at the amount of cash disbursed or the fair value of other assets distributed. Other intangible assets that have a finite useful life are amortized over that period. Other intangible assets acquired after January 1, 2002 that are determined to have an indefinite useful life are not amortized; instead they are tested for impairment annually, or more frequently if events or changes in circumstances indicate that the indefinite intangible asset may be impaired. Mortgage servicing rights are included in non-amortizing other intangible assets and are carried at fair value, with changes in fair value recognized through earnings in the period in which they occur. Mortgage servicing rights represent the right to perform specified mortgage servicing activities on behalf of third parties. Mortgage servicing rights are either purchased from third parties or retained upon sale of acquired or originated loans.

Recognition of an impairment on non-financial assets

The Group evaluates premises and equipment and finite intangible assets for impairment at least annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where the carrying amount of an asset exceeds the recoverable amount, the asset is considered impaired and an impairment is recorded in general and administrative expenses. Recognition of an impairment on such assets establishes a new cost base, which is not adjusted for subsequent recoveries in value.

Income taxes

Deferred tax assets and liabilities are recorded for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities at the dates of the consolidated balance sheets and their respective tax bases. Deferred tax assets and liabilities are computed using currently enacted tax rates and are recorded in other assets and other liabilities, respectively. Income tax expense or benefit is recorded in income tax expense/(benefit), except to the extent the tax effect relates to transactions recorded directly in total shareholders' equity. Deferred tax assets are reduced by a valuation allowance, if necessary, to the amount that management believes will more likely than not be realized. Deferred tax assets and liabilities are adjusted for the effect of changes in tax laws and rates in the period in which changes are approved by the relevant authority. Deferred tax assets and liabilities are presented on a net basis for the same tax-paying component within the same tax jurisdiction.

The Group follows the guidance in ASC Topic 740 – Income Taxes, which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions. The Group determines whether it is more likely than not that an income tax position will be sustained upon examination based on the technical merits of the position. Sustainable income tax positions are then measured to determine the amount of benefit eligible for recognition in the consolidated financial statements. Each such sustainable income tax position is measured at the

largest amount of benefit that is more likely than not to be realized upon ultimate settlement.

Life settlement contracts

Life settlement contracts are initially recognized at the transaction price and subsequently carried at fair value unless the Group elects to apply the investment method. The contracts that are not accounted for under the investment method are carried at fair value and are recorded in trading assets.

Under the investment method, the contracts are initially recognized at the transaction price plus any directly related external costs and are recorded in other investments. Subsequently, all continuing premium payments made are capitalized unless the aggregated carrying value exceeds fair value, in which case an impairment allowance is established so that the carrying value does not exceed fair value.

Brokerage receivables and brokerage payables

The Group recognizes receivables and payables from transactions in financial instruments purchased from and sold to customers, banks and broker-dealers. The Group is exposed to risk of loss resulting from the inability of counterparties to pay for or deliver financial instruments purchased or sold, in which case the Group would have to sell or purchase, respectively, these financial instruments at prevailing market prices. To the extent an exchange or clearing organization acts as counterparty to a transaction, credit risk is generally considered to be limited. The Group establishes credit limits for each customer and requires them to maintain margin collateral in compliance with applicable regulatory and internal guidelines. In order to conduct trades with an exchange or a third-party bank, the Group is required to maintain a margin. This is usually in the form of cash and deposited in a separate margin account with the exchange or broker. If available information indicates that it is probable that a brokerage receivable is impaired, an allowance is established. Write-offs of brokerage receivables occur if the outstanding amounts are considered uncollectible.

Other assets

Derivative instruments used for hedging

Derivative instruments are carried at fair value. The fair values of derivative instruments held for hedging are included as other assets or other liabilities in the consolidated balance sheets. The accounting treatment used for changes in fair value of hedging derivatives depends on the designation of the derivative as either a fair value hedge, cash flow hedge or hedge of a net investment in a foreign operation. Changes in fair value representing hedge ineffectiveness are reported in trading revenues.

Customer deposits

Customer deposits represent funds held from customers (both retail and commercial) and banks and consist of interest-bearing demand deposits, savings deposits and time deposits. Interest is accrued based on the contractual provisions of the deposit contract.

Long-term debt

Total long-term debt is composed of debt issuances which do not contain derivative features (vanilla debt), as well as hybrid debt instruments with embedded derivatives, which are issued as part of the Group's structured product activities. Long-term debt includes both Swiss franc and foreign currency denominated fixed and variable rate bonds.

The Group actively manages interest rate risk and foreign currency risk on vanilla debt through the use of derivative contracts, primarily interest rate and currency swaps. In particular, fixed rate debt is hedged with receive-fixed, pay-floating interest rate swaps. The Group elected to fair value this fixed rate debt upon implementation of the fair value option on January 1, 2007, with changes in fair value recognized as a component of trading revenues, except for changes in fair value attributed to own credit risk, which, since 2016, are recorded in other comprehensive income, net of tax, and recycled to trading revenue when the debt is de-recognized. The Group did not elect to apply the fair value option to fixed-rate debt issued by the Group since January 1, 2008 and instead applies hedge accounting per the guidance of ASC Topic 815 – Derivatives and Hedging.

For capital management purposes, the Group issues hybrid capital instruments in the form of low- and high-trigger tier 1 and tier 2 capital notes, with a write-off or contingent share conversion feature. Typically, these instruments have an embedded derivative that is bifurcated for accounting purposes. The embedded derivative is measured separately and changes in fair value are recorded in trading revenue. The host contract is generally accounted for under the amortized cost method unless the fair value option has been elected and the entire instrument is carried at fair value.

The Group's long-term debt also includes various equity-linked and other indexed instruments with embedded derivative features, for which payments and redemption values are linked to commodities, stocks, indices, currencies or other assets. The Group elected to account for substantially all of these instruments at fair value. Changes in the fair value of these instruments are recognized as a component of trading revenues, except for changes in fair value attributed to own credit risk, which is recorded in other comprehensive income, net of tax, and recycled to trading revenue when the debt is de-recognized.

Other liabilities

Guarantees

In cases where the Group acts as a guarantor, the Group recognizes in other liabilities, at the inception of a guarantee, a liability for the fair value of the obligations undertaken in issuing such a guarantee, including its ongoing obligation to perform over the term of the guarantee in the event that certain events or conditions occur.

Pension and other post-retirement benefits

Credit Suisse sponsors a number of post-employment benefit plans for its employees worldwide, which include defined benefit

pension plans and other post-employment benefits. The major plans are located in Switzerland, the UK and the US.

The Group uses the projected unit credit actuarial method to determine the present value of its projected benefit obligations (PBO) and the current and past service costs or credits related to its defined benefit and other post-retirement benefit plans. The measurement date used to perform the actuarial valuation is December 31 and is performed by independent qualified actuaries.

Certain key assumptions are used in performing the actuarial valuations. These assumptions must be made concerning the future events that will determine the amount and timing of the benefit payments and thus require significant judgment and estimates by Group management. This includes making assumptions with regard to discount rates, salary increases, interest rate on savings balances, expected long-term rate of return on plan assets and mortality (future life expectancy).

The assumed discount rates reflect the rates at which the pension benefits could be effectively settled. These rates are determined based on yield curves, constructed from high-quality corporate bonds currently available and observable in the market and are expected to be available during the period to maturity of the pension benefits. In countries where there is no deep market in high-quality corporate bonds with longer durations, the best available market information, including governmental bond yields and risk premiums, is used to construct the yield curve.

Salary increases are determined by reviewing historical practice and external market data as well as considering internal projections.

The interest rate on savings balances is applicable only to the Credit Suisse Swiss pension plan (Swiss pension plan). The Board of Trustees of the Swiss pension plan sets the interest rate to be applied on the accumulated savings balance on an annual basis. Credit Suisse estimates the future interest rate on savings balances, taking into consideration actions and rates approved by the Board of Trustees of the Swiss pension plan and expected future changes in the interest rate environment based on the yield curve used for the discount rate.

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

Mortality assumptions are based on standard mortality tables and standard models and methodologies for projecting future improvements to mortality as developed and published by external independent actuarial societies and actuarial organizations.

Health care cost trend rates are determined by reviewing external data and the Group's own historical trends for health care costs.

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

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

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

Share-based compensation

For all share-based awards granted to employees, compensation expense is measured at grant date or modification date based on the fair value of the number of awards for which the requisite service is expected to be rendered and is recognized in the consolidated statements of operations over the required service period on a straight-line basis.

Windfall and shortfall tax benefits, representing the incremental tax effects of the difference between the compensation expense recorded in the US GAAP accounts and the tax deduction received, are recorded in the income statement at the point in time the deduction for tax purposes is recorded.

Compensation expense for share-based awards that vest in their entirety at the end of the vesting period (cliff vesting) and awards that vest in annual installments (graded vesting), which only contain a service condition that affects vesting, is recognized on a straight-line basis over the service period for the entire award. However, if awards with graded vesting contain a performance condition, then each installment is expensed as if it were a separate award ("front-loaded" expense recognition). Furthermore, recognition of compensation expense is accelerated to the date an employee becomes eligible for retirement.

Certain share-based awards also contain a performance condition. In the event of either a negative return on equity (ROE) of the Group or a divisional loss, any outstanding performance share awards will be subject to a reduction. The amount of compensation expense recorded includes an estimate of any expected reductions. For each reporting period after the grant date, the expected number of shares to be ultimately delivered upon vesting is reassessed and reflected as an adjustment to the cumulative compensation expense recorded in the income statement. 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.

Certain employees own non-substantive equity interests in the form of carried interests in private equity funds managed by the Group. Expenses recognized under these ownership interests are reflected in the consolidated statements of operations in compensation and benefits.

Own shares, own bonds and financial instruments on own shares

The Group may buy and sell own shares, own bonds and financial instruments on own shares within its normal trading and market-making activities. In addition, the Group may hold its own shares to satisfy commitments arising from employee share-based compensation awards. Own shares are recorded at cost and reported

as treasury shares, resulting in a reduction to total shareholders' equity. Financial instruments on own shares are recorded as assets or liabilities or as equity when the criteria for equity classification are met. Dividends received by subsidiaries on own shares and unrealized and realized gains and losses on own shares classified in total shareholders' equity are excluded from the consolidated statements of operations.

Any holdings of bonds issued by any Group entity are eliminated in the consolidated financial statements.

Net interest income

Interest income and interest expense arising from interest-bearing assets and liabilities other than those carried at fair value or the lower of cost or market are accrued, and any related net deferred premiums, discounts, origination fees or costs are amortized as an adjustment to the yield over the life of the related asset and liability. Interest from debt securities and dividends on equity securities carried as trading assets and trading liabilities are recorded in interest and dividend income.

‣ Refer to "Loans" for further information on interest on loans.

Commissions and fees

Fee revenue is recognized when all of the following criteria have been met: persuasive evidence of an arrangement exists, services have been rendered, the price is fixed or determinable and collectability is reasonably assured. Fee income can be divided into two broad categories: income earned from services that are provided over a certain period of time, for which customers are generally billed on an annual or semi-annual basis, and income earned from providing transaction-type services. Fees earned from services that are provided over a certain period of time are recognized ratably over the service period. Fees earned from providing transaction-type services are recognized when the service has been completed. Performance-linked fees or fee components are recognized at any contractual measurement date when the contractually agreed thresholds are met.

Revenues from underwriting and fees from mergers and acquisitions (M&A) and other corporate finance advisory services are recorded at the time the underlying transactions are substantially completed and there are no other contingencies associated with the fees.

Transaction-related expenses are deferred until the related revenue is recognized, assuming they are deemed direct and incremental; otherwise, they are expensed as incurred. Underwriting fees are reported net of related expenses. Expenses associated with financial advisory services are recorded in operating expenses unless reimbursed by the client.

In circumstances where the Group contracts to provide multiple products, services or rights to a counterparty, an evaluation is made as to whether separate revenue recognition events have occurred. This evaluation considers the stand-alone value of items already delivered and if there is a right of return or warranties on delivered items and services, and the probability of delivery of remaining undelivered items or services. This evaluation is made on a transaction-by-transaction basis.

If the criteria noted are met, the transaction is considered a multiple-deliverable arrangement where revenue recognition is determined separately for each deliverable. The consideration received on the total arrangement is allocated to the multiple deliverables based on the selling price of each deliverable. The selling price used for each deliverable will be based on vendor-specific objective evidence if available, third-party evidence if vendor-specific objective evidence is not available, or estimated selling price if neither vendor-specific objective evidence or third-party evidence is available.

Taxes collected from customers and remitted to governmental authorities are accounted for on a net basis.

2 Recently issued accounting standards

Recently adopted accounting standards

ASC Topic 350 – Intangibles – Goodwill and Other

In January 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2017-04, "Simplifying the Test for Goodwill Impairment" (ASU 2017-04), an update to Accounting Standards Codification (ASC) Topic 805 – Business Combinations. ASU 2017-04 simplified the subsequent measurement of goodwill by eliminating step two from the goodwill impairment test. ASU 2017-04 was effective for annual and any interim impairment tests performed for periods beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. ASU 2017-04 was to be applied on a prospective basis. The Group elected to early adopt ASU 2017-04 on January 1, 2017, which did not have a material impact on the Group's financial position, results of operations or cash flows.

ASC Topic 718 – Compensation – Stock Compensation

In March 2016, the FASB issued ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting" (ASU 2016-09), an update to ASC Topic 718 – Compensation—Stock Compensation. The amendments in ASU 2016-09 provided simplification updates for several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. The adoption of ASU 2016-09 on January 1, 2017 resulted in the recognition of previously unrecorded deferred tax asset net operating loss balances which arose due to prior tax windfalls that did not immediately result in cash tax savings. The adjustment resulted in an increase in retained earnings of CHF 85 million upon adoption.

ASC Topic 740 – Income Taxes

In October 2016, the FASB issued ASU 2016-16, "Intra-Entity Transfers of Assets Other Than Inventory" (ASU 2016-16), an update to ASC Topic 740 – Income Taxes. The amendments in ASU 2016-16 eliminated the exception for an intra-entity transfer of an asset other than inventory. ASU 2016-16 was required to be applied on a modified retrospective basis through a cumulative effect adjustment directly to retained earnings as of the beginning of the period of adoption. ASU 2016-16 was effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within those annual reporting periods. Early adoption was permitted. The Group elected to early adopt ASU 2016-16 on January 1, 2017, which resulted in a reclassification from other assets to deferred tax assets. The net impact upon adoption was a reduction in retained earnings of CHF 81 million.

ASC Topic 825 – Financial Instruments – Overall

In January 2016, the FASB issued ASU 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities" (ASU 2016-01), an update to ASC Topic 825 – Financial Instruments – Overall. The amendments in ASU 2016-01 addressed certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The amendments primarily affected the accounting for equity investments, financial liabilities under the fair value option and the presentation and disclosure requirements for financial instruments. Early adoption of the full standard was not permitted; however, certain sections of ASU 2016-01 relating to fair value option-elected financial liabilities could be early adopted in isolation. The amendments to ASU 2016-01 required the changes in fair value relating to instrument-specific credit risk of fair value option elected financial liabilities to be presented separately in AOCI. The Group early adopted these sections of the update on January 1, 2016. As a result of the adoption, the Group reclassified CHF 475 million, net of tax, from retained earnings to AOCI.

The adoption of the remaining amendments to ASU 2016-01 on January 1, 2018 resulted in a reclassification of unrealized gains and losses previously reported in AOCI for available-for-sale equity securities to retained earnings of CHF 21 million, net of tax. ASU 2016-01 also required that certain equity instruments without readily determinable fair value be measured at fair value, excluding instances in which measurement alternative is applied; however, this requirement did not have a material impact on the Group's financial position, results of operations or cash flows.

Standards to be adopted in future periods

ASC Topic 220 – Income Statements – Reporting Comprehensive Income

In January 2018, the FASB issued ASU 2018-02, "Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income" (ASU 2018-02), an update to ASC Topic 220 – Income Statement – Reporting Comprehensive Income. The amendments in ASU 2018-02 allow a reclassification from AOCI to retained earnings for the stranded tax effects resulting from the US Tax Cuts and Jobs Act.

ASU 2018-02 is effective for annual reporting periods and interim periods within those periods beginning after December 15, 2018. Early adoption is permitted in any period for which financial statements have not yet been issued. The Group may elect to apply the amendments to ASU 2018-02 to the beginning of the period (annual or interim) of adoption or retrospectively for each period in which the tax effects of the US Tax Cuts and Jobs Act related to items remaining in AOCI are recognized. The Group is currently evaluating the impact of the adoption of ASU 2018-02 on the Group's financial position, results of operations and cash flows.

ASC Topic 230 – Statement of Cash Flows

In November 2016, the FASB issued ASU 2016-18, "Restricted Cash (a consensus of the FASB Emerging Issues Task Force)" (ASU 2016-18), an update to ASC Topic 230 – Statement of Cash Flows. ASU 2016-18 required that cash amounts described as restricted cash and cash equivalents be included in cash and cash equivalents when reconciling total amounts in the statements of cash flows. ASU 2016-18 was required to be applied retrospectively to all periods presented beginning in the year of adoption. The adoption of ASU 2016-18 on January 1, 2018 did not have an impact on the Group's financial position, results of operations and cash flows.

In August 2016, the FASB issued ASU 2016-15, "Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force)" (ASU 2016-15), an update to ASC Topic 230 – Statement of Cash Flows. The amendments in ASU 2016-15 provided guidance regarding classification of certain cash receipts and payments where diversity in practice was observed. ASU 2016-15 was required to be applied retrospectively to all periods presented beginning in the year of adoption. The adoption of ASU 2016-15 on January 1, 2018 did not have an impact on the Group's financial position, results of operations and cash flows and, as such, prior periods were not restated.

ASC Topic 326 – Financial Instruments – Credit Losses

In June 2016, the FASB issued ASU 2016-13, "Measurement of Credit Losses on Financial Instruments" (ASU 2016-13), creating ASC Topic 326 – Financial Instruments – Credit Losses. ASU 2016-13 is intended to improve financial reporting by requiring timelier recording of credit losses on financial assets measured at amortized cost basis (including, but not limited to loans), net investments in leases recognized as lessor and off-balance sheet credit exposures. ASU 2016-13 eliminates the probable initial recognition threshold under the current incurred loss methodology for recognizing credit losses. Instead, ASU 2016-13 requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions and reasonable and supportable forecasts. The Group will incorporate forward-looking information and macroeconomic factors into its credit loss estimates. ASU 2016-13 requires enhanced disclosures

to help investors and other financial statement users to better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an organization's portfolio. As the Group is a US Securities and Exchange Commission (SEC) filer, ASU 2016-13 is effective for annual reporting periods beginning after December 15, 2019, including interim periods within those annual reporting periods. Early adoption will be permitted for annual reporting periods, including interim periods within those annual reporting periods, beginning after December 15, 2018; however, the Group does not intend to early adopt ASU 2016-13.

The Group has established a cross-functional implementation team and governance structure for the project. The Group has decided on a current expected credit loss (CECL) methodology while it is adjusting for key interpretive issues. Furthermore, the Group will continue to monitor the initial scope assessment, as a basis to determine the requirements and data sourcing of the CECL models, and to design, build and test the models until the effective date.

The Group expects that the new CECL methodology would generally result in increased and more volatile allowance for loan losses. The main impact drivers include:

- the remaining life of the loans measured at amortized cost and the off-balance sheet credit exposures at the adoption date and subsequent reporting dates because of the new requirement to measure lifetime expected credit losses;
- the point of time in the economic cycle at the adoption date and subsequent reporting dates because of the new requirement to incorporate reasonable and supportable forward looking information and macroeconomic factors; and
- the credit quality of the loans measured at amortized cost and the off-balance sheet credit exposures at the adoption date and subsequent reporting dates.

Upon adoption of the standard, the Group expects an adjustment to be posted to retained earnings for any changes in loan losses. As the implementation progresses, the Group will continue to evaluate the extent of the impact of the adoption of ASU 2016-13 on the Group's financial position, results of operations and cash flows.

ASC Topic 606 – Revenue from Contracts with Customers

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers" (ASU 2014-09), creating ASC Topic 606 – Revenue from Contracts with Customers and superseding ASC Topic 605 – Revenue Recognition. The core principle of the guidance was that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflected the consideration to which the entity expected to be entitled in exchange for those goods or services. ASU 2014-09 outlined key steps that an entity should follow to achieve the core principle. ASU 2014-09 also included disclosure requirements that enabled users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

ASU 2014-09 and its subsequent amendments were effective for the annual reporting period beginning after December 15, 2017, including interim reporting periods within that reporting period. Early adoption was permitted for annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period.

The Group established a cross-functional implementation team and governance structure for the project. The Group's implementation efforts included the identification of revenue and costs within the scope of the guidance, as well as the evaluation of revenue contracts under the new guidance and related accounting policies. The guidance did not apply to revenue associated with financial instruments, including loans and securities that are accounted for under other US GAAP guidance.

The Group adopted ASU 2014-09 on January 1, 2018 using the modified retrospective approach with a transition adjustment recognized in retained earnings without restating comparatives. As a result of adoption, there was a decrease in retained earnings, net of tax, of CHF 44 million due to a change in timing of the recognition of certain fees in investment banking and private banking.

Additionally, the new revenue recognition criteria required the Group to present underwriting revenue, reimbursed expenses in fund management and in investment banking advisory, gross of offsetting expenses in contrast to prior periods in which the financial statements presented these amounts net of offsetting expenses; this change in presentation from net to gross would have increased the revenues and expenses in 2017 by approximately CHF 0.2 billion, which was not included in the previously stated transition amount. Furthermore, with the adoption of ASU 2014-09, the brokerage, clearing and exchange expenses, which are incurred when acting as an agent on behalf of clients buying or selling exchange traded cash securities, exchange traded derivatives or centrally cleared OTC derivatives, are offset against the commission income. The change in presentation of brokerage, clearing and exchange expenses would have decreased the revenues and expenses in 2017 by approximately CHF 0.1 billion, which was not included in the previously stated transition amount.

ASC Topic 715 – Compensation – Retirement Benefits

In March 2017, the FASB issued ASU 2017-07, "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost" (ASU 2017-07), an update to ASC Topic 715 – Compensation – Retirement Benefits. The amendments in ASU 2017-07 required that the service cost component of the net periodic benefit cost be presented in the same income statement line item(s) as other employee compensation costs arising from services rendered during the period. Other components of the net periodic benefit cost should be reported separately from the line item(s) that included the service cost and outside of any subtotal of operating income. ASU 2017-07 was required to be applied retrospectively to all periods presented beginning in the year of adoption. The adoption of ASU 2017-07 on January 1, 2018 resulted in a restatement that, upon adoption, increased compensation and benefits and reduced general and administrative

expenses by CHF 153 million and CHF 37 million as of December 31, 2017 and 2016, respectively.

ASC Topic 815 – Derivatives and Hedging

In August 2017, the FASB issued ASU 2017-12, "Targeted Improvements to Accounting Hedging Activities" (ASU 2017-12), an update to ASC Topic 815 – Derivatives and Hedging. ASU 2017-12 makes changes to the hedge accounting model intended to facilitate financial reporting that more closely reflects an entity's risk management activities and to simplify application of hedge accounting. The amendments in ASU 2017-12 provide more hedging strategies that will be eligible for hedge accounting, ease the documentation and effectiveness assessment requirements and result in changes to the presentation and disclosure requirements of hedge accounting activities. ASU 2017-12 is effective for annual reporting periods beginning after December 15, 2018, and for the interim periods within those annual reporting periods. Early adoption, including adoption in an interim period, is permitted. The Group is currently evaluating the impact of the adoption of ASU 2017-12 on the Group's financial position, results of operations and cash flows.

ASC Topic 842 – Leases

In February 2016, the FASB issued ASU 2016-02, "Leases" (ASU 2016-02), creating ASC Topic 842 – Leases and superseding ASC Topic 840 – Leases. ASU 2016-02 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. ASU 2016-02 also includes disclosure requirements to provide more information about the amount, timing and uncertainty of cash flows arising from leases. Lessor accounting is substantially unchanged compared to the current accounting guidance. Under the current lessee accounting model the Group is required to distinguish between finance leases, which are recognized on the balance sheet, and operating leases, which are not. ASU 2016-02 will require lessees to present a right-of-use asset and a corresponding lease liability on the balance sheet for all leases with a lease term of greater than twelve months. ASU 2016-02, as amended by ASU 2018-01 "Land Easement Practical Expedient for Transition to Topic 842", is effective for annual reporting periods beginning after December 15, 2018, and for the interim periods within those annual reporting periods. Early adoption is permitted; however the Group does not intend to early adopt ASU 2016-02.

The Group has established a cross-functional implementation team and governance structure for the project. The Group is currently reviewing its existing contracts to determine the impact of the adoption of ASU 2016-02. The Group expects an increase in total assets and total liabilities as a result of recognizing right-of-use assets and lease liabilities for all leases under the new guidance. The Group does not expect a material change to the timing of expense recognition and is currently evaluating the impact of the adoption of ASU 2016-02 on the Group's financial position, results of operations and cash flows.

3 Business developments, significant shareholders and subsequent events

The Group's significant business developments for 2017 as well as the Group's significant shareholders are discussed below.

Business developments

Capital increase

On May 18, 2017, the Group held an Extraordinary General Meeting at which shareholders approved a capital increase by way of a rights offering. By the end of the rights exercise period on June 7, 2017, 99.2% of the rights had been exercised and 390,206,406 newly issued shares were subscribed. The remaining 3,026,166 newly issued shares that were not subscribed were sold in the market. The capital increase resulted in 393,232,572 newly issued shares and net proceeds for the Group of CHF 4.1 billion.

Legal entity 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 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 from the Group to Credit Suisse AG and immediately thereafter via a subsequent sale of those equity stakes from Credit Suisse AG 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. The transfer was completed on March 31, 2017.

Significant shareholders

Significant shareholders registered in the share register

The following table includes significant shareholders (including nominees) with holdings in Group shares of at least 5% of the voting rights, which were registered in the share register as of December 31, 2017 and 2016, respectively.

Significant shareholders registered in the share register

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 [1]						
Chase Nominees Ltd. [2]	329	13	12.88	335	13	16.03
Nortrust Nominees Ltd. [2]	140	6	5.49	113	5	5.39
The Bank of New York Mellon [2]	–	–	– [3]	107	4	5.14
Crescent Holding GmbH	–	–	– [3]	107	4	5.10

[1] As registered in the share register of the Group on December 31 of the reporting period; includes shareholders registered as nominees or ADS depositary bank.
[2] 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.
[3] Participation was lower than the disclosure threshold of 5%.

Information received from shareholders not registered in the share register

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

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

Subsequent events

There were no subsequent events.

4 Segment information

The Group is a global financial services company domiciled in Switzerland and serves its clients through three regionally focused divisions: Swiss Universal Bank, International Wealth Management and Asia Pacific. These regional businesses are supported by two other divisions specialized in investment banking capabilities: Global Markets and Investment Banking & Capital Markets. The Strategic Resolution Unit consolidates the remaining portfolios from the former non-strategic units plus additional businesses and positions that do not fit with the strategic direction.

The segment information reflects the Group's six reportable segments, which are managed and reported on a pre-tax basis, as follows:

- The **Swiss Universal Bank** division offers comprehensive advice and a wide range of financial solutions to private, corporate and institutional clients primarily domiciled in the Group's home market Switzerland. The Private Clients business has a leading franchise in the Group's home market and serves ultra-high-net-worth individuals (UHNWI), high-net-worth individuals, affluent and retail clients. The Corporate & Institutional Clients business serves large corporate clients, small and medium-sized enterprises, institutional clients, external asset managers and financial institutions.
- The **International Wealth Management** division through its Private Banking business offers comprehensive advisory services and tailored investment and financing solutions to wealthy private clients and external asset managers in Europe, the Middle East, Africa and Latin America. The Asset Management business offers investment solutions and services globally to a broad range of clients, including pension funds, governments, foundations and endowments, corporations and individuals.
- In the **Asia Pacific** division the wealth management, financing and underwriting and advisory teams work closely together to deliver integrated advisory services and solutions to target ultra-high-net-worth, entrepreneur and corporate clients. The Wealth Management & Connected business combines activities in wealth management with the financing, underwriting and advisory activities. The Markets business represents the Group's equities and fixed income trading business in Asia Pacific, which supports the wealth management activities, but also deals extensively with a broader range of institutional clients.
- The **Global Markets** division offers a broad range of financial products and services to client-driven businesses and also supports the Group's global wealth management businesses and their clients. The suite of products and services includes global securities sales, trading and execution, prime brokerage and comprehensive investment research. Clients include financial institutions, corporations, governments, institutional investors, such as pension funds and hedge funds, and private individuals around the world.
- The **Investment Banking & Capital Markets** division offers a broad range of investment banking services to corporations, financial institutions, financial sponsors and UHNWI and sovereign clients. The range of products and services includes advisory services related to mergers and acquisitions, divestitures, takeover defense mandates, business restructurings and spin-offs. The division also engages in debt and equity underwriting of public securities offerings and private placements.
- The **Strategic Resolution Unit** was created to facilitate the immediate right-sizing of the business divisions from a capital perspective and includes remaining portfolios from the former non-strategic units plus transfers of additional exposures from the business divisions. The Strategic Resolution Unit also includes noncontrolling interest-related revenues and expenses resulting from the consolidation of certain private equity funds and other entities in which the Group does not have a significant economic interest (SEI) in such revenues and expenses. The consolidation of these entities does not affect net income attributable to shareholders as the amounts recorded in net revenues and total operating expenses are offset by corresponding amounts reported as noncontrolling interests.

Corporate Center includes parent company operations such as Group financing, expenses for projects sponsored by the Group and certain expenses that have not been allocated to the segments. In addition, the Corporate Center includes consolidation and elimination adjustments required to eliminate intercompany revenues and expenses. For the operations discontinued in prior years, the revenues, expenses and gains from disposals were included in the results of the segments. The reclassification of these revenues and expenses from the segment results to discontinued operations for Group reporting was effected through the Corporate Center.

Revenue sharing and cost allocation

Responsibility for each product is allocated to a specific segment, which records all related revenues and expenses. Revenue-sharing and service level agreements govern the compensation received by one segment for generating revenue or providing services on behalf of another. These agreements are negotiated periodically by the relevant segments on a product-by-product basis. The aim of revenue-sharing and service level agreements is to reflect the pricing structure of unrelated third-party transactions.

Corporate services and business support in finance, operations, human resources, legal, compliance, risk management and IT are provided by corporate functions, and the related costs are allocated to the segments and Corporate Center based on their requirements and other relevant measures.

Funding

The Group centrally manages its funding activities. New securities for funding and capital purposes are issued primarily by Credit Suisse AG, the direct bank subsidiary of the Group (the Bank). The Bank lends funds to its operating subsidiaries and affiliates on both a senior and subordinated basis, as needed, the latter typically to meet capital requirements, or as desired by management to capitalize on opportunities. Capital is distributed to the segments considering factors such as regulatory capital requirements, utilized economic capital and the historic and future potential return on capital.

Transfer pricing, using market rates, is used to record net revenues and expenses in each of the segments for this capital and funding. The Group's funds transfer pricing system is designed to allocate funding costs to its businesses in a way that incentivizes their efficient use of funding. The Group's funds transfer pricing system is an essential tool that allocates to the businesses the short-term and long-term costs of funding their balance sheet usages and off-balance sheet contingencies. The funds transfer pricing framework ensures the full funding costs allocation under normal business conditions, but it is of even greater importance in a stressed capital markets environment where raising funds is more challenging and expensive. Under this framework, the Group's businesses are also credited to the extent they provide long-term stable funding.

Net revenues and income/(loss) before taxes

in	2017	2016	2015
Net revenues (CHF million)			
Swiss Universal Bank	5,396	5,759	5,721
International Wealth Management	5,111	4,698	4,552
Asia Pacific	3,504	3,597	3,839
Global Markets	5,551	5,497	6,826
Investment Banking & Capital Markets	2,139	1,972	1,787
Strategic Resolution Unit	(886)	(1,271)	511
Corporate Center	85	71	561
Net revenues	**20,900**	**20,323**	**23,797**
Income/(loss) before taxes (CHF million)			
Swiss Universal Bank	1,765	2,025	1,675
International Wealth Management	1,351	1,121	723
Asia Pacific	729	725	377
Global Markets	450	48	(1,931)
Investment Banking & Capital Markets	369	261	(314)
Strategic Resolution Unit	(2,135)	(5,759)	(2,652)
Corporate Center	(736)	(687)	(300)
Income/(loss) before taxes	**1,793**	**(2,266)**	**(2,422)**

Total assets

end of	2017	2016
Total assets (CHF million)		
Swiss Universal Bank	228,857	228,363
International Wealth Management	94,753	91,083
Asia Pacific	96,497	97,221
Global Markets	242,159	239,700
Investment Banking & Capital Markets	20,803	20,784
Strategic Resolution Unit	45,629	80,297
Corporate Center	67,591	62,413
Total assets	**796,289**	**819,861**

Net revenues and income/(loss) before taxes by geographic location

in	2017	2016	2015
Net revenues (CHF million)			
Switzerland	7,775	8,426	8,548
EMEA	1,231	2,064	3,846
Americas	8,928	7,217	8,470
Asia Pacific	2,966	2,616	2,933
Net revenues	**20,900**	**20,323**	**23,797**
Income/(loss) before taxes (CHF million)			
Switzerland	1,736	2,111	1,746
EMEA	(2,769)	(2,460)	(1,464)
Americas	2,746	(1,573)	(2,877)
Asia Pacific	80	(344)	173
Income/(loss) before taxes	**1,793**	**(2,266)**	**(2,422)**

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

Total assets by geographic location

end of	2017	2016
Total assets (CHF million)		
Switzerland	241,757	248,496
EMEA	154,023	156,494
Americas	318,405	333,185
Asia Pacific	82,104	81,686
Total assets	**796,289**	**819,861**

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

5 Net interest income

in	2017	2016	2015
Net interest income (CHF million)			
Loans	5,979	5,628	5,413
Investment securities	47	60	65
Trading assets	6,697	7,483	9,046
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	2,515	2,767	2,625
Other	1,819	1,436	2,192
Interest and dividend income	17,057	17,374	19,341
Deposits	(1,354)	(1,043)	(884)
Short-term borrowings	(166)	(84)	(105)
Trading liabilities	(3,542)	(3,602)	(3,854)
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	(1,284)	(1,387)	(1,264)
Long-term debt	(3,722)	(3,494)	(3,728)
Other	(432)	(202)	(207)
Interest expense	(10,500)	(9,812)	(10,042)
Net interest income	**6,557**	**7,562**	**9,299**

6 Commissions and fees

in	2017	2016	2015
Commissions and fees (CHF million)			
Lending business	1,839	1,818	1,578
Investment and portfolio management	3,494	3,209	3,436
Other securities business	46	46	65
Fiduciary business	3,540	3,255	3,501
Underwriting	1,806	1,364	1,644
Brokerage	3,004	3,028	3,648
Underwriting and brokerage	4,810	4,392	5,292
Other services	1,628	1,627	1,673
Commissions and fees	**11,817**	**11,092**	**12,044**

7 Trading revenues

in	2017	2016	2015
Trading revenues (CHF million)			
Interest rate products	3,228	6,231	2,965
Foreign exchange products	1,989	(2,529)	(1,121)
Equity/index-related products	(2,888)	(1,796)	(259)
Credit products	(1,096)	(2,124)	1
Commodity and energy products	86	177	(46)
Other products	(2)	354	(200)
Trading revenues	**1,317**	**313**	**1,340**

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

Trading revenues include revenues from trading financial assets and liabilities as follows:
- Equities;
- Commodities;
- Listed and OTC derivatives;
- Derivatives linked to funds of hedge funds and providing financing facilities to funds of hedge funds;
- Market making in the government bond and associated OTC derivative swap markets;
- Domestic, corporate and sovereign debt, convertible and non-convertible preferred stock and short-term securities such as floating rate notes and commercial paper (CP);
- Market making and positioning in foreign exchange products;
- Credit derivatives on investment grade and high yield credits;
- Trading and securitizing all forms of securities that are based on underlying pools of assets; and
- Life settlement contracts.

Trading revenues also include changes in the fair value of financial assets and liabilities elected to fair value under US GAAP. The main components include certain instruments from the following categories:
- Central bank funds purchased/sold;
- Securities purchased/sold under resale/repurchase agreements;
- Securities borrowing/lending transactions;
- Loans and loan commitments; and
- Customer deposits, short-term borrowings and long-term debt.

Managing the risks

As a result of the Group's broad involvement in financial products and markets, its trading strategies are correspondingly diverse and exposures are generally spread across a diversified range of risk factors and locations. The Group uses an economic capital limit structure to limit overall risk taking. The level of risk incurred by its divisions is further restricted by a variety of specific limits, including consolidated controls over trading exposures. Also, as part of its overall risk management, the Group holds a portfolio of economic hedges. Hedges are impacted by market movements, similar to trading securities, and may result in gains or losses on the hedges which offset losses or gains on the portfolios they were designed to economically hedge. The Group manages its trading risk with regard to both market and credit risk. For market risk, it uses tools capable of calculating comparable exposures across its

many activities, as well as focused tools that can specifically model unique characteristics of certain instruments or portfolios.

The principal measurement methodology for trading assets, as well as most instruments for which the fair value option was elected, is value-at-risk. The Group holds securities as collateral and enters into credit default swaps (CDS) to mitigate the credit risk on these products.

8 Other revenues

in	2017	2016	2015
Other revenues (CHF million)			
Noncontrolling interests without SEI	3	4	9
Loans held-for-sale	3	(51)	(19)
Long-lived assets held-for-sale	(18)	437	36
Equity method investments	233	208	243
Other investments	80	0	144
Other	908	758	701
Other revenues	**1,209**	**1,356**	**1,114**

9 Provision for credit losses

in	2017	2016	2015
Provision for credit losses (CHF million)			
Provision for loan losses	190	249	295
Provision for lending-related and other exposures	20	3	29
Provision for credit losses	**210**	**252**	**324**

10 Compensation and benefits

in	2017	2016	2015
Compensation and benefits (CHF million)			
Salaries and variable compensation	8,906	9,165	10,051
Social security	671	697	788
Other [1]	600	710	707
Compensation and benefits	**10,177**	**10,572**	**11,546**

[1] Includes pension and other post-retirement expense of CHF 242 million, CHF 384 million and CHF 359 million in 2017, 2016 and 2015, respectively.

11 General and administrative expenses

in	2017	2016	2015
General and administrative expenses (CHF million)			
Occupancy expenses	1,000	1,004	1,022
IT, machinery, etc.	1,156	1,166	1,268
Provisions and losses	698	3,009	1,158
Travel and entertainment	321	328	381
Professional services	2,446	2,984	3,241
Amortization and impairment of other intangible assets	9	8	19
Other	1,205	1,271	1,485
General and administrative expenses	**6,835**	**9,770**	**8,574**

12 Restructuring expenses

In connection with the ongoing implementation of the revised Group strategy, restructuring expenses of CHF 455 million, CHF 540 million and CHF 355 million were recognized in 2017, 2016 and 2015, respectively. Restructuring expenses primarily include termination costs, expenses in connection with the acceleration of certain deferred compensation awards and real estate contract termination costs.

Restructuring expenses by segment

in	2017	2016	2015
Restructuring expenses by segment (CHF million)			
Swiss Universal Bank	59	60	42
International Wealth Management	70	54	36
Asia Pacific	63	53	3
Global Markets	150	217	96
Investment Banking & Capital Markets	42	28	22
Strategic Resolution Unit	57	121	156
Corporate Center	14	7	0
Total restructuring expenses	**455**	**540**	**355**

Restructuring expenses by type

in	2017	2016	2015
Restructuring expenses by type (CHF million)			
Compensation and benefits-related expenses	343	385	309
of which severance expenses	192	218	191
of which accelerated deferred compensation	102	140	87
of which pension expenses	49	27	31
General and administrative-related expenses	112	155	46
Total restructuring expenses	**455**	**540**	**355**

Restructuring provision

in			2017			2016			2015
	Compen- sation and benefits	General and administrative expenses	Total	Compen- sation and benefits	General and administrative expenses	Total	Compen- sation and benefits	General and administrative expenses	Total
Restructuring provision (CHF million)									
Balance at beginning of period	**217**	**94**	**311**	**187**	**12**	**199**	**0**	**0**	**0**
Net additional charges [1]	192	88	280	218	137	355	191	46	237
Utilization	(213)	(72)	(285)	(188)	(55)	(243)	(4)	(34)	(38)
Balance at end of period	**196**	**110**	**306**	**217**	**94**	**311**	**187**	**12**	**199**

[1] The following items for which expense accretion was accelerated in 2017, 2016 and 2015 due to the restructuring of the Group are not included in the restructuring provision: unsettled share-based compensation of CHF 71 million, CHF 34 million and CHF 23 million, respectively; unsettled pension obligations of CHF 49 million, CHF 27 million and CHF 31 million, respectively, which remain classified as a component of total shareholders' equity; unsettled cash-based deferred compensation of CHF 31 million, CHF 106 million and CHF 64 million, respectively, which remain classified as compensation liabilities; and accelerated accumulated depreciation and impairment of CHF 24 million, CHF 18 million and CHF 0 million, respectively, which remain classified as premises and equipment. The settlement date for the unsettled share-based compensation remains unchanged at three years.

13 Earnings per share

in	2017	2016	2015
Basic net income/(loss) attributable to shareholders (CHF million)			
Net income/(loss) attributable to shareholders for basic earnings per share	**(983)**	**(2,710)**	**(2,944)**
Available for common shares	(983)	(2,713)	(2,958)
Available for unvested share-based payment awards	0	3	14
Diluted net income/(loss) attributable to shareholders (CHF million)			
Net income/(loss) attributable to shareholders for diluted earnings per share	**(983)**	**(2,710)**	**(2,944)**
Available for common shares	(983)	(2,713)	(2,958)
Available for unvested share-based payment awards	0	3	14
Weighted-average shares outstanding (million)			
Weighted-average shares outstanding for basic earnings per share available for common shares	**2,413.8**	**2,136.8**	**1,794.7**
Dilutive share options and warrants	0.0	0.0	0.0
Dilutive share awards	0.0	0.0	0.0
Weighted-average shares outstanding for diluted earnings per share available for common shares [1, 2]	**2,413.8**	**2,136.8**	**1,794.7**
Weighted-average shares outstanding for basic/diluted earnings per share available for unvested share-based payment awards	**0.1**	**3.0**	**25.7**
Basic earnings/(loss) per share available for common shares (CHF)			
Basic earnings/(loss) per share available for common shares	**(0.41)**	**(1.27)**	**(1.65)**
Diluted earnings/(loss) per share available for common shares	**(0.41)**	**(1.27)**	**(1.65)**

Prior periods have been adjusted to reflect the increase in the number of shares outstanding as a result of the discount element in the 2017 rights issue and scrip dividend, as required under US GAAP.

[1] Weighted-average potential common shares relating to instruments that were not dilutive for the respective periods (and therefore not included in the diluted earnings per share calculation above) but could potentially dilute earnings per share in the future were 9.8 million, 11.3 million and 7.6 million for 2017, 2016 and 2015, respectively.

[2] Due to the net losses in 2017, 2016 and 2015, 2.9 million, 3.2 million and 0.9 million, respectively, of weighted-average share options and warrants outstanding and 57.7 million, 54.6 million and 47.8 million, respectively, of weighted-average share awards outstanding were excluded from the diluted earnings per share calculation, as the effect would be antidilutive.

14 Securities borrowed, lent and subject to repurchase agreements

end of	2017	2016
Securities borrowed or purchased under agreements to resell (CHF million)		
Central bank funds sold and securities purchased under resale agreements	70,009	81,513
Deposits paid for securities borrowed	45,337	53,326
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	**115,346**	**134,839**
Securities lent or sold under agreements to repurchase (CHF million)		
Central bank funds purchased and securities sold under repurchase agreements	20,606	26,106
Deposits received for securities lent	5,890	6,910
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	**26,496**	**33,016**

Repurchase and reverse repurchase agreements represent collateralized financing transactions used to earn net interest income, increase liquidity or facilitate trading activity. These instruments are collateralized principally by government securities, money market instruments and corporate bonds and have terms ranging from overnight to a longer or unspecified period of time.

In the event of counterparty default, the reverse repurchase agreement or securities lending agreement provides the Group with the right to liquidate the collateral held. In the Group's normal course of business, a significant portion of the collateral received that may be sold or repledged has been sold or repledged as of December 31, 2017 and 2016.

15 Trading assets and liabilities

end of	2017	2016
Trading assets (CHF million)		
Debt securities	72,765	65,668
Equity securities	55,722	63,871
Derivative instruments [1]	19,621	26,782
Other	8,226	8,829
Trading assets	**156,334**	**165,150**
Trading liabilities (CHF million)		
Short positions	24,465	24,565
Derivative instruments [1]	14,654	20,365
Trading liabilities	**39,119**	**44,930**

[1] Amounts shown after counterparty and cash collateral netting.

Cash collateral on derivative instruments

end of	2017	2016
Cash collateral – netted (CHF million) [1]		
Cash collateral paid	23,288	33,429
Cash collateral received	14,996	22,948
Cash collateral – not netted (CHF million) [2]		
Cash collateral paid	5,141	5,705
Cash collateral received	8,644	11,497

[1] Recorded as cash collateral netting on derivative instruments in Note 26 – Offsetting of financial assets and financial liabilities.
[2] Recorded as cash collateral on derivative instruments in Note 22 – Other assets and other liabilities.

16 Investment securities

end of	2017	2016
Investment securities (CHF million)		
Securities available-for-sale	2,191	2,489
Total investment securities	**2,191**	**2,489**

Investment securities by type

end of				**2017**				2016
	Amortized cost	Gross unrealized gains	Gross unrealized losses	**Fair value**	Amortized cost	Gross unrealized gains	Gross unrealized losses	**Fair value**
Investment securities by type (CHF million)								
Debt securities issued by Swiss federal, cantonal or local governmental entities	199	13	0	212	241	18	0	259
Debt securities issued by foreign governments	1,215	21	0	1,236	1,309	34	0	1,343
Corporate debt securities	238	0	0	238	287	0	0	287
Residential mortgage-backed securities [1]	207	0	0	207	497	0	0	497
Commercial mortgage-backed securities	173	0	0	173	14	0	0	14
Debt securities available-for-sale	2,032	34	0	2,066	2,348	52	0	2,400
Banks, trust and insurance companies	95	30	0	125	66	23	0	89
Equity securities available-for-sale	95	30	0	125	66	23	0	89
Securities available-for-sale	**2,127**	**64**	**0**	**2,191**	**2,414**	**75**	**0**	**2,489**

[1] Relate to the consolidation of RMBS securitization VIEs where the assets are carried at fair value under the fair value option as are the VIEs' liabilities recorded in long-term debt.

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

in		**2017**		2016		2015
	Debt securities	Equity securities	Debt securities	Equity securities	Debt securities	Equity securities
Additional information (CHF million)						
Proceeds from sales	7	7	9	4	1	17
Realized gains	0	0	0	0	0	2

Amortized cost, fair value and average yield of debt securities

	Debt securities available-for-sale		
end of	Amortized cost	Fair value	Average yield (in %)
2017 (CHF million, except where indicated)			
Due within 1 year	728	731	0.91
Due from 1 to 5 years	838	861	0.89
Due from 5 to 10 years	252	259	0.52
Due after 10 years	214	215	4.28
Total debt securities	**2,032**	**2,066**	**1.21**

17 Other investments

end of	2017	2016
Other investments (CHF million)		
Equity method investments	3,066	3,121
Non-marketable equity securities [1]	1,292	1,731
Real estate held for investment [2]	232	268
Life finance instruments [3]	1,374	1,657
Total other investments	**5,964**	**6,777**

[1] Includes private equity, hedge funds and restricted stock investments as well as certain investments in non-marketable mutual funds for which the Group has neither significant influence nor control over the investee.
[2] As of December 31, 2017 and 2016, real estate held for investment included foreclosed or repossessed real estate of CHF 41 million and CHF 29 million, respectively, of which CHF 21 million and CHF 27 million, respectively were related to residential real estate.
[3] Includes life settlement contracts at investment method and SPIA contracts.

Non-marketable equity securities held by subsidiaries that are considered investment companies are held by separate legal entities that are within the scope of ASC Topic 946 – Financial Services – Investment Companies. In addition, non-marketable equity securities held by subsidiaries that are considered broker-dealer entities are held by separate legal entities that are within the scope of ASC Topic 940 – Financial Services – Brokers and Dealers. Non-marketable equity securities include investments in entities that regularly calculate net asset value (NAV) per share or its equivalent.

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

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

The Group performs a regular impairment analysis of real estate portfolios. The carrying values of the impaired properties were written down to their respective fair values, establishing a new cost base. For these properties, the fair values were measured based on either discounted cash flow analyses or external market appraisals. Impairments of CHF 16 million, CHF 31 million and CHF 21 million were recorded in 2017, 2016 and 2015, respectively.

The accumulated depreciation related to real estate held for investment amounted to CHF 389 million, CHF 386 million and CHF 365 million for 2017, 2016 and 2015, respectively.

18 Loans, allowance for loan losses and credit quality

Loans are divided in two portfolio segments, "consumer" and "corporate & institutional". Consumer loans are disaggregated into the classes of mortgages, loans collateralized by securities and consumer finance. Corporate and institutional loans are disaggregated into the classes of real estate, commercial and industrial loans, financial institutions, and governments and public institutions.

The determination of the loan classes is primarily driven by the customer segmentation in the private banking, corporate and institutional as well as investment banking businesses across the Group's core business divisions, all of which are engaged in lending activities.

The Group assigns both counterparty and transaction ratings to its credit exposures. The counterparty rating reflects the probability of default (PD) of the counterparty. For lombard loans, the PD is primarily based on the collateral. The transaction rating reflects the expected loss or the loss given default (LGD), considering collateral, on a given transaction if the counterparty defaults. Credit risk is assessed and monitored on the single obligor and single obligation level as well as on the credit portfolio level as represented by the classes of loans. Credit limits are used to manage counterparty credit risk.

Loans

end of	2017	2016
Loans (CHF million)		
Mortgages	106,039	104,335
Loans collateralized by securities	42,016	37,268
Consumer finance	4,242	3,490
Consumer	152,297	145,093
Real estate	26,599	26,016
Commercial and industrial loans	81,670	83,740
Financial institutions	15,697	17,921
Governments and public institutions	3,874	4,273
Corporate & institutional	127,840	131,950
Gross loans	**280,137**	**277,043**
of which held at amortized cost	264,830	257,515
of which held at fair value	15,307	19,528
Net (unearned income)/deferred expenses	(106)	(129)
Allowance for loan losses	(882)	(938)
Net loans	**279,149**	**275,976**
Gross loans by location (CHF million)		
Switzerland	157,696	158,766
Foreign	122,441	118,277
Gross loans	**280,137**	**277,043**
Impaired loan portfolio (CHF million)		
Non-performing loans	1,048	1,236
Non-interest-earning loans	223	265
Non-performing and non-interest-earning loans	1,271	1,501
Restructured loans	290	358
Potential problem loans	549	613
Other impaired loans	839	971
Gross impaired loans	**2,110**	**2,472**

Allowance for loan losses

	2017			2016			2015		
	Consumer	Corporate & institutional	Total	Consumer	Corporate & institutional	Total	Consumer	Corporate & institutional	Total
Allowance for loan losses (CHF million)									
Balance at beginning of period	**216**	**722**	**938**	**216**	**650**	**866**	**251**	**507**	**758**
Net movements recognized in statements of operations	54	136	190	63	186	249	66	229	295
Gross write-offs	(60)	(242)	(302)	(86)	(192)	(278)	(118)	(111)	(229)
Recoveries	12	41	53	13	53	66	12	16	28
Net write-offs	(48)	(201)	(249)	(73)	(139)	(212)	(106)	(95)	(201)
Provisions for interest	(1)	14	13	10	8	18	6	12	18
Foreign currency translation impact and other adjustments, net	(1)	(9)	(10)	0	17	17	(1)	(3)	(4)
Balance at end of period	**220**	**662**	**882**	**216**	**722**	**938**	**216**	**650**	**866**
of which individually evaluated for impairment	179	475	654	172	528	700	170	480	650
of which collectively evaluated for impairment	41	187	228	44	194	238	46	170	216
Gross loans held at amortized cost (CHF million)									
Balance at end of period	**152,277**	**112,553**	**264,830**	**145,070**	**112,445**	**257,515**	**144,855**	**108,331**	**253,186**
of which individually evaluated for impairment [1]	632	1,478	2,110	662	1,810	2,472	647	1,326	1,973
of which collectively evaluated for impairment	151,645	111,075	262,720	144,408	110,635	255,043	144,208	107,005	251,213

[1] Represents gross impaired loans both with and without a specific allowance.

Purchases, reclassifications and sales

in	2017			2016			2015		
	Consumer	Corporate & institutional	Total	Consumer	Corporate & institutional	Total	Consumer	Corporate & institutional	Total
Loans held at amortized cost (CHF million)									
Purchases [1]	0	3,381	**3,381**	30	3,405	**3,435**	389	4,294	**4,683**
Reclassifications from loans held-for-sale [2]	0	63	**63**	0	125	**125**	0	355	**355**
Reclassifications to loans held-for-sale [3]	0	7,407	**7,407**	1,632	2,768	**4,400**	1,641	735	**2,376**
Sales [3]	0	7,051	**7,051**	72	2,087	**2,159**	0	373	**373**

[1] Includes drawdowns under purchased loan commitments.
[2] Includes loans previously reclassified to held-for-sale that were not sold and were reclassified back to loans held-to-maturity.
[3] All loans held at amortized cost which are sold are reclassified to loans held-for-sale on or prior to the date of the sale.

Credit quality of loans held at amortized cost

Management monitors the credit quality of loans through its credit risk management processes, which are structured to assess, measure, monitor and manage risk on a consistent basis. This process 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.

Management evaluates many factors when assessing the credit quality of loans. These factors include the volatility of default probabilities, rating changes, the magnitude of potential loss, internal risk ratings, and geographic, industry and other economic factors. For the purpose of credit quality disclosures, the Group uses detailed internal risk ratings which are aggregated to the credit quality indicators investment grade and non-investment grade.

The Group employs a set of credit ratings for the purpose of internally rating counterparties. 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.

Internal ratings are assigned to all loans reflecting the Group's internal view of the credit quality of the counterparty. Internal ratings may differ from a counterparty's external ratings, if such ratings are 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 PD, LGD 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 Group's main regulators for application in the regulatory capital calculation in the A-IRB approach under the Basel framework. For the majority of clients and counterparties, internal ratings or PDs are calculated directly by proprietary statistical rating models. These models are based on internally compiled data comprising both quantitative factors (e.g., primarily balance sheet information for corporates and loan-to-value ratio and the borrower's income level for mortgage lending) and qualitative factors (e.g., credit histories from credit reporting bureaus) concentrating on economic trends and financial fundamentals. For statistical rating models calculating a PD, an equivalent rating based on the Standard & Poor's rating scale is assigned based on the PD band associated with each rating, which is used for disclosure purposes. For the remaining facilities where statistical rating models are not used, a PD is determined through an internal rating assigned on the basis of a structured expert approach. Credit officers make use of peer analyses, industry comparisons, external ratings and research as well as the judgment of credit experts for the purpose of their analysis. The PD for each internal rating is calibrated to historical default experience using internal data and external data from Standard & Poor's.

Reverse repurchase agreements are fully collateralized and in the event of counterparty default the reverse repurchase agreement provides the Group the right to liquidate the collateral held. Group risk management manages these instruments on the basis of the value of the underlying collateral, as opposed to loans, which are risk-managed on the ability of the counterparty to repay. Therefore the underlying collateral coverage is the most appropriate credit quality indicator for reverse repurchase agreements. As such, reverse repurchase agreements have not been included in the following tables.

The following tables present the Group's recorded investment in loans held at amortized cost by aggregated internal counterparty credit ratings investment grade and non-investment grade that are used as credit quality indicators for the purpose of this disclosure, and a related aging analysis.

Gross loans held at amortized cost by internal counterparty rating

	Investment grade	Non-investment grade		
end of	AAA to BBB	BB to C	D	**Total**
2017 (CHF million)				
Mortgages	94,553	11,214	272	106,039
Loans collateralized by securities	38,387	3,530	99	42,016
Consumer finance	1,801	2,241	180	4,222
Consumer	134,741	16,985	551	152,277
Real estate	20,278	5,640	85	26,003
Commercial and industrial loans	39,475	35,250	1,300	76,025
Financial institutions	7,258	2,022	46	9,326
Governments and public institutions	1,124	74	1	1,199
Corporate & institutional	68,135	42,986	1,432	112,553
Gross loans held at amortized cost	**202,876**	**59,971**	**1,983**	**264,830**
Value of collateral [1]	189,048	49,271	1,422	239,741
2016 (CHF million)				
Mortgages	92,533	11,613	189	104,335
Loans collateralized by securities	34,136	2,916	216	37,268
Consumer finance	1,164	2,119	184	3,467
Consumer	127,833	16,648	589	145,070
Real estate	19,594	5,878	84	25,556
Commercial and industrial loans	36,469	35,945	1,459	73,873
Financial institutions	9,695	1,887	107	11,689
Governments and public institutions	1,253	60	14	1,327
Corporate & institutional	67,011	43,770	1,664	112,445
Gross loans held at amortized cost	**194,844**	**60,418**	**2,253**	**257,515**
Value of collateral [1]	180,276	51,344	1,480	233,100

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

Value of collateral

In the Group's private banking, corporate and institutional businesses, all collateral values for loans are regularly reviewed according to the Group's risk management policies and directives, with maximum review periods determined by collateral type, market liquidity and market transparency. For example, traded securities are revalued on a daily basis and property values are appraised over a period of more than one year considering the characteristics of the property, current developments in the relevant real estate market and the current level of credit exposure to the borrower. 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 regularly revalued by Group credit risk management within the impairment review process.

In the Group's investment banking businesses, few loans are collateral dependent. The collateral values for these loans are appraised on at least an annual basis, or when a loan-relevant event occurs.

Gross loans held at amortized cost – aging analysis

	Current				Past due		
end of		Up to 30 days	31–60 days	61–90 days	More than 90 days	Total	**Total**
2017 (CHF million)							
Mortgages	105,689	102	27	14	207	350	106,039
Loans collateralized by securities	41,867	37	0	0	112	149	42,016
Consumer finance	3,701	297	39	40	145	521	4,222
Consumer	151,257	436	66	54	464	1,020	152,277
Real estate	25,871	37	12	15	68	132	26,003
Commercial and industrial loans	74,831	429	40	201	524	1,194	76,025
Financial institutions	8,947	333	1	2	43	379	9,326
Governments and public institutions	1,197	1	0	0	1	2	1,199
Corporate & institutional	110,846	800	53	218	636	1,707	112,553
Gross loans held at amortized cost	**262,103**	**1,236**	**119**	**272**	**1,100**	**2,727**	**264,830**
2016 (CHF million) [1]							
Mortgages	104,013	106	34	6	176	322	104,335
Loans collateralized by securities	36,953	93	1	1	220	315	37,268
Consumer finance	2,963	276	36	40	152	504	3,467
Consumer	143,929	475	71	47	548	1,141	145,070
Real estate	25,381	93	17	2	63	175	25,556
Commercial and industrial loans	72,234	618	131	131	759	1,639	73,873
Financial institutions	11,542	43	0	0	104	147	11,689
Governments and public institutions	1,269	44	0	0	14	58	1,327
Corporate & institutional	110,426	798	148	133	940	2,019	112,445
Gross loans held at amortized cost	**254,355**	**1,273**	**219**	**180**	**1,488**	**3,160**	**257,515**

[1] Prior period has been corrected.

Impaired loans

Categories of impaired loans

In accordance with Group policies, impaired loans include non-performing loans, non-interest-earning loans, restructured loans and potential problem loans.

▸ Refer to “Loans” in Note 1 – Summary of significant accounting policies for further information on categories of impaired loans.

As of December 31, 2017 and 2016, the Group did not have any material commitments to lend additional funds to debtors whose loan terms had been modified in troubled debt restructurings.

Gross impaired loans by category

	Non-performing and non-interest-earning loans			Other impaired loans			
end of	Non-performing	Non-interest-earning	Total	Re-structured	Potential problem	Total	**Total**
2017 (CHF million)							
Mortgages	236	17	253	13	66	79	332 [1]
Loans collateralized by securities	96	16	112	0	2	2	114
Consumer finance	176	9	185	0	1	1	186
Consumer	508	42	550	13	69	82	632
Real estate	73	4	77	0	19	19	96
Commercial and industrial loans	465	134	599	277	458	735	1,334
Financial institutions	1	43	44	0	3	3	47
Governments and public institutions	1	0	1	0	0	0	1
Corporate & institutional	540	181	721	277	480	757	1,478
Gross impaired loans	**1,048**	**223**	**1,271**	**290**	**549**	**839**	**2,110**
2016 (CHF million)							
Mortgages	190	11	201	13	40	53	254 [1]
Loans collateralized by securities	193	17	210	0	13	13	223
Consumer finance	180	4	184	0	1	1	185
Consumer	563	32	595	13	54	67	662
Real estate	62	5	67	0	19	19	86
Commercial and industrial loans	539	182	721	345	513	858	1,579
Financial institutions	58	46	104	0	27	27	131
Governments and public institutions	14	0	14	0	0	0	14
Corporate & institutional	673	233	906	345	559	904	1,810
Gross impaired loans	**1,236**	**265**	**1,501**	**358**	**613**	**971**	**2,472**

[1] As of December 31, 2017 and 2016, CHF 90 million and CHF 62 million, respectively, were related to consumer mortgages secured by residential real estate for which formal foreclosure proceedings according to local requirements of the applicable jurisdiction were in process.

Write-off and recovery of loans

Write-off of a loan occurs when it is considered certain that there is no possibility of recovering the entire outstanding principal. In the Group's investment banking businesses, a loan is written down to its net book value once the loan provision is greater than 80% of the loan notional amount, unless repayment of the loan is anticipated to occur within the next two quarters. In the Group's private banking, corporate and institutional businesses, write-offs are made, based on an individual counterparty assessment performed by Group credit risk management, if it is certain that parts of a loan or the entire loan will not be recoverable. For collateralized loans, the collateral is assessed and the unsecured exposure is written off. Write-offs on uncollateralized loans are based on the borrower's ability to pay back the outstanding loan out of free cash flow. The Group evaluates the recoverability of the loans granted, if a borrower is expected to default wholly or partly on its contractual payment obligations or to meet these only with third-party support. Adjustments are made to reflect the estimated realizable value of the loan or any collateral. Triggers to assess the creditworthiness of a borrower to absorb the adverse developments include i) a default on interest or principal payments by more than 90 days, ii) a waiver of interest or principal by the Group, iii) a downgrade of the loan to non-interest-earning, iv) the collection of the debt through seizure order, bankruptcy proceedings or realization of collateral, or v) the insolvency of the borrower. Based on such assessment, Group credit risk management evaluates the need for write-offs individually and on an ongoing basis.

Recoveries of loans previously written off are recorded based on the cash or estimated fair value of other assets received.

Gross impaired loan details

end of			2017			2016
	Recorded investment	Unpaid principal balance	Associated specific allowance	Recorded investment	Unpaid principal balance	Associated specific allowance
Gross impaired loan detail (CHF million)						
Mortgages	254	239	36	211	198	21
Loans collateralized by securities	111	97	49	209	193	54
Consumer finance	180	160	94	177	160	97
Consumer	545	496	179	597	551	172
Real estate	86	79	11	65	59	10
Commercial and industrial loans	997	959	427	1,283	1,250	472
Financial institutions	47	46	37	126	122	46
Governments and public institutions	1	1	0	14	14	0
Corporate & institutional	1,131	1,085	475	1,488	1,445	528
Gross impaired loans with a specific allowance	**1,676**	**1,581**	**654**	**2,085**	**1,996**	**700**
Mortgages	78	78	–	43	43	–
Loans collateralized by securities	3	3	–	14	14	–
Consumer finance	6	6	–	8	8	–
Consumer	87	87	–	65	65	–
Real estate	10	10	–	21	21	–
Commercial and industrial loans	337	337	–	296	296	–
Financial institutions	0	0	–	5	5	–
Corporate & institutional	347	347	–	322	322	–
Gross impaired loans without specific allowance	**434**	**434**	**–**	**387**	**387**	**–**
Gross impaired loans	**2,110**	**2,015**	**654**	**2,472**	**2,383**	**700**
of which consumer	632	583	179	662	616	172
of which corporate & institutional	1,478	1,432	475	1,810	1,767	528

Gross impaired loan details (continued)

in		2017			2016			2015	
	Average recorded investment	Interest income recognized	Interest income recognized (cash basis)	Average recorded investment	Interest income recognized	Interest income recognized (cash basis)	Average recorded investment	Interest income recognized	Interest income recognized (cash basis)
Gross impaired loan detail (CHF million)									
Mortgages	229	2	1	195	2	1	190	2	2
Loans collateralized by securities	116	1	1	153	1	1	82	0	0
Consumer finance	167	5	5	205	1	1	228	1	1
Consumer	512	8	7	553	4	3	500	3	3
Real estate	78	1	0	72	1	0	74	0	0
Commercial and industrial loans	1,163	17	5	1,039	10	4	626	7	3
Financial institutions	76	1	1	154	1	0	149	1	1
Governments and public institutions	5	0	0	5	0	0	0	0	0
Corporate & institutional	1,322	19	6	1,270	12	4	849	8	4
Gross impaired loans with a specific allowance	**1,834**	**27**	**13**	**1,823**	**16**	**7**	**1,349**	**11**	**7**
Mortgages	83	3	0	83	3	0	51	4	0
Loans collateralized by securities	7	0	0	24	0	0	33	0	0
Consumer finance	3	0	0	11	0	0	7	0	0
Consumer	93	3	0	118	3	0	91	4	0
Real estate	27	1	0	31	1	0	12	1	0
Commercial and industrial loans	271	11	1	307	7	1	98	3	1
Financial institutions	0	0	0	5	0	0	4	0	0
Governments and public institutions	0	0	0	5	0	0	0	0	0
Corporate & institutional	298	12	1	348	8	1	114	4	1
Gross impaired loans without specific allowance	**391**	**15**	**1**	**466**	**11**	**1**	**205**	**8**	**1**
Gross impaired loans	**2,225**	**42**	**14**	**2,289**	**27**	**8**	**1,554**	**19**	**8**
of which consumer	605	11	7	671	7	3	591	7	3
of which corporate & institutional	1,620	31	7	1,618	20	5	963	12	5

Allowance for specifically identified credit losses on impaired loans

The Group considers a loan impaired when, based on current information and events, it is probable that the Group will be unable to collect the amounts due according to the contractual terms of the loan agreement. The Group performs an in-depth review and analysis of impaired loans considering factors such as recovery and exit options as well as collateral and counterparty risk. In general, all impaired loans are individually assessed. The trigger to detect an impaired loan is non-payment of interest, principal amounts or other contractual payment obligations. In addition, loans to corporates and institutions managed on the Swiss platform are regularly reviewed depending on exposure type, client segment, collateral or event-driven developments. All other corporate and institutional loans are reviewed at least annually based on the borrower's financial statements and any indications of difficulties they may experience. Loans that are not impaired, but which are of special concern due to changes in covenants, downgrades, negative financial news and other adverse developments, are either transferred to recovery management or included on a watch list. All loans on the watch list are reviewed at least quarterly to determine whether they should be released, remain on the watch list or be moved to recovery management. For loans in recovery management from the Swiss platform, larger positions are reviewed on a quarterly basis for any event-driven changes. Otherwise, these loans are reviewed at least annually. All other loans in recovery management are reviewed on at least a quarterly basis. If an individual loan specifically identified for evaluation is considered impaired, the allowance is determined as a reasonable estimate of credit losses existing as of the end of the reporting period. Thereafter, the allowance is revalued by credit risk management at least annually or more frequently depending on the risk profile of the borrower or credit relevant events. For non-collateral-dependent impaired loans, an impairment is measured using the present value of estimated future cash flows, except that as a practical expedient an impairment may be measured based on a loan's observable market price. If the present value of estimated future cash flows is used, the impaired loan and related allowance are revalued to reflect the passage of time. For collateral-dependent impaired loans, an impairment is measured using the fair value of the collateral.

Restructured loans held at amortized cost

in	2017			2016			2015		
	Number of contracts	Recorded investment – pre-modification	Recorded investment – post-modification	Number of contracts	Recorded investment – pre-modification	Recorded investment – post-modification	Number of contracts	Recorded investment – pre-modification	Recorded investment – post-modification
Restructured loans (CHF million, except where indicated)									
Mortgages	0	0	0	0	0	0	1	13	13
Loans collateralized by securities	0	0	0	0	0	0	1	0	0
Commercial and industrial loans	15	123	119	16	201	201	13	207	210
Financial institutions	0	0	0	0	0	0	1	2	2
Total	**15**	**123**	**119**	**16**	**201**	**201**	**16**	**222**	**225**

In 2017, the loan modifications of the Group included extended loan repayment terms, including the suspension of quarterly and annual loan amortizations, modifications of covenants, a waiver of a loan termination and waivers of claims.

In 2017 and 2015, the Group reported the default of one loan within commercial and industrial loans with a recorded investment amount of CHF 48 million and CHF 65 million, respectively, which had been restructured within the previous 12 months. In 2016, the Group did not experience a default of such loans.

19 Premises and equipment

end of	2017	2016
Premises and equipment (CHF million)		
Buildings and improvements	2,163	2,197
Land	346	328
Leasehold improvements	2,102	2,164
Software	5,727	6,676
Equipment	2,149	2,119
Premises and equipment	**12,487**	**13,484**
Accumulated depreciation	(7,801)	(8,773)
Total premises and equipment, net	**4,686**	**4,711**

Depreciation and impairment

in	2017	2016	2015
CHF million			
Depreciation	826	887	1,012
Impairment	33	25	24

20 Goodwill

Goodwill

2017	Swiss Universal Bank	International Wealth Management	Asia Pacific	Global Markets	Investment Banking & Capital Markets	Strategic Resolution Unit	**Credit Suisse Group**
Gross amount of goodwill (CHF million)							
Balance at beginning of period	**623**	**1,612**	**2,318**	**3,195**	**1,044**	**12**	**8,804**
Foreign currency translation impact	(13)	(55)	(50)	(17)	(23)	0	**(158)**
Other	0	(13)	0	0	0	0	**(13)**
Balance at end of period	**610**	**1,544**	**2,268**	**3,178**	**1,021**	**12**	**8,633**
Accumulated impairment (CHF million)							
Balance at beginning of period	**0**	**0**	**772**	**2,719**	**388**	**12**	**3,891**
Balance at end of period	**0**	**0**	**772**	**2,719**	**388**	**12**	**3,891**
Net book value (CHF million)							
Net book value	**610**	**1,544**	**1,496**	**459**	**633**	**0**	**4,742**
2016							
Gross amount of goodwill (CHF million)							
Balance at beginning of period	**610**	**1,573**	**2,294**	**3,183**	**1,027**	**12**	**8,699**
Goodwill acquired during the year	5	0	0	0	0	0	**5**
Foreign currency translation impact	9	32	37	12	17	0	**107**
Other	(1)	7	(13)	0	0	0	**(7)**
Balance at end of period	**623**	**1,612**	**2,318**	**3,195**	**1,044**	**12**	**8,804**
Accumulated impairment (CHF million)							
Balance at beginning of period	**0**	**0**	**772**	**2,719**	**388**	**12**	**3,891**
Balance at end of period	**0**	**0**	**772**	**2,719**	**388**	**12**	**3,891**
Net book value (CHF million)							
Net book value	**623**	**1,612**	**1,546**	**476**	**656**	**0**	**4,913**

In accordance with US GAAP, the Group continually assesses whether or not there has been a triggering event requiring a review of goodwill. As of December 31, 2017 and 2016, the Group's market capitalization was below book value.

On December 7, 2016, and on February 14, 2017, the Group announced a reorganization and change to financial reporting affecting its Swiss Universal Bank and Asia Pacific segments. During the first quarter of 2017, these measures were implemented. The Group determined that these changes constituted triggering events. The Group's reporting units as a result of these measures are defined as follows: Swiss Universal Bank – Private Clients (formerly Private Banking), Swiss Universal Bank – Corporate & Institutional Clients (formerly Corporate & Institutional Banking), International Wealth Management – Private Banking, International Wealth Management – Asset Management, Asia Pacific – Wealth Management & Connected (formerly Private Banking), Asia Pacific – Markets (formerly Investment Banking), Global Markets, Investment Banking & Capital Markets and the Strategic Resolution Unit.

The carrying value of each reporting unit for the purpose of the goodwill impairment test is determined by considering the reporting units' risk-weighted assets usage, leverage ratio exposure, deferred tax assets, goodwill and intangible assets. Any residual equity, after considering the total of these elements, is allocated to the reporting units on a pro-rata basis.

In estimating the fair value of its reporting units, the Group applied a combination of the market approach and the income approach. Under the market approach, consideration was given to price to projected earnings multiples or price to book value multiples for similarly traded companies and prices paid in recent transactions that have occurred in its industry or in related industries. Under the income approach, a discount rate was applied that reflects the risk and uncertainty related to the reporting unit's projected cash flows, which were determined from the Group's financial plan.

In determining the estimated fair value, the Group relied upon its updated five-year strategic business plan which included significant management assumptions and estimates based on its view of current and future economic conditions and regulatory changes.

Goodwill is tested for impairment before and immediately after a reorganization or restructuring of reporting units. As a result, the goodwill impairment test was performed during the first quarter of 2017 under the old business structure and then again under the modified structure according to the measures implemented in connection with the announcements on December 7, 2016 and February 14, 2017. Based on its goodwill impairment analysis performed during the first quarter of 2017, the Group concluded that the estimated fair value for all of its reporting units with goodwill impacted by the measures implemented in connection with the

December 7, 2016 and February 14, 2017 announcements substantially exceeded their related carrying values and that no impairment was necessary.

Based on its goodwill impairment analysis performed as of December 31, 2017, the Group concluded that the estimated fair value for all of the reporting units with goodwill substantially exceeded their related carrying values and no impairment was necessary as of December 31, 2017.

The Group engaged the services of an independent valuation specialist to assist in the valuation of the Global Markets reporting unit and the Asia Pacific – Markets reporting unit as of December 31, 2017. The valuations were also performed using a combination of the market approach and income approach.

The results of the impairment evaluation of each reporting unit's goodwill would be significantly impacted by adverse changes in the underlying parameters used in the valuation process. If actual outcomes adversely differ by a significant margin from its best estimates of the key economic assumptions and associated cash flows applied in the valuation of the reporting unit, the Group could potentially incur material impairment charges in the future.

As a result of acquisitions, the Group has recorded goodwill as an asset in its consolidated balance sheets, the most significant component of which arose from the acquisition of Donaldson, Lufkin & Jenrette Inc. in 2000.

21 Other intangible assets

end of			**2017**			2016
	Gross carrying amount	Accumulated amortization	**Net carrying amount**	Gross carrying amount	Accumulated amortization	**Net carrying amount**
Other intangible assets (CHF million)						
Trade names/trademarks	27	(26)	1	28	(26)	2
Client relationships	47	(18)	29	50	(14)	36
Other	5	(3)	2	6	(3)	3
Total amortizing other intangible assets	**79**	**(47)**	**32**	**84**	**(43)**	**41**
Non-amortizing other intangible assets	191	–	191	172	–	172
of which mortgage servicing rights, at fair value	158	–	158	138	–	138
Total other intangible assets	**270**	**(47)**	**223**	**256**	**(43)**	**213**

Additional information

in	**2017**	2016	2015
Aggregate amortization and impairment (CHF million)			
Aggregate amortization	7	8	18
Impairment	2	0	16
of which related to restructuring expenses	0	0	15

Estimated amortization

Estimated amortization (CHF million)	
2018	8
2019	4
2020	3
2021	2
2022	2

22 Other assets and other liabilities

end of	2017	2016
Other assets (CHF million)		
Cash collateral on derivative instruments	5,141	5,705
Cash collateral on non-derivative transactions	490	1,237
Derivative instruments used for hedging	50	148
Assets held-for-sale	8,300	8,214
of which loans [1]	8,130	8,062
of which real estate [2]	141	122
of which long-lived assets	29	30
Assets held for separate accounts	190	431
Interest and fees receivable	4,669	4,787
Deferred tax assets [3]	5,522	5,828
Prepaid expenses	379	394
Failed purchases	1,327	2,423
Defined benefit pension and post-retirement plan assets	2,170	1,061
Other [3]	3,833	6,637
Other assets	**32,071**	**36,865**

[1] Included as of December 31, 2017 and 2016 were CHF 534 million and CHF 681 million, respectively, in restricted loans, which represented collateral on secured borrowings.
[2] As of December 31, 2017 and 2016, real estate held-for-sale included foreclosed or repossessed real estate of CHF 8 million and CHF 16 million, respectively, of which CHF 5 million and CHF 13 million, respectively were related to residential real estate.
[3] Includes a reclassification from other assets to deferred tax assets in the first quarter of 2017 as a result of the early adoption of ASU 2016-16. Refer to "Note 2 – Recently issued accounting standards" for further information.

end of	2017	2016
Other liabilities (CHF million)		
Cash collateral on derivative instruments	8,644	11,497
Cash collateral on non-derivative transactions	473	369
Derivative instruments used for hedging	99	2
Deposits held-for-sale	0	1,577
Provisions	1,007	4,077
of which off-balance sheet risk	106	88
Restructuring liabilities	306	311
Liabilities held for separate accounts	190	431
Interest and fees payable	5,591	6,039
Current tax liabilities	700	636
Deferred tax liabilities	394	129
Failed sales	720	737
Defined benefit pension and post-retirement plan liabilities	541	516
Other	12,947	13,534
Other liabilities	**31,612**	**39,855**

23 Deposits

end of			2017			2016
	Switzerland	Foreign	Total	Switzerland	Foreign	Total
Deposits (CHF million)						
Non-interest-bearing demand deposits	2,593	2,058	4,651	2,963	1,645	4,608
Interest-bearing demand deposits	125,323	32,732	158,055	122,053	33,440	155,493
Savings deposits	64,068	18	64,086	63,005	2	63,007
Time deposits	32,531	117,252	149,783 [1]	35,718	119,807	155,525 [1]
Total deposits	**224,515**	**152,060**	**376,575** [2]	**223,739**	**154,894**	**378,633** [2]
of which due to banks	–	–	15,413	–	–	22,800
of which customer deposits	–	–	361,162	–	–	355,833

The designation of deposits in Switzerland versus foreign deposits is based upon the location of the office where the deposit is recorded.
[1] Included CHF 149,659 million and CHF 155,458 million as of December 31, 2017 and 2016, respectively, of the Swiss franc equivalent of individual time deposits greater than USD 100,000 in Switzerland and foreign offices.
[2] Not included as of December 31, 2017 and 2016 were CHF 135 million and CHF 132 million, respectively, of overdrawn deposits reclassified as loans. Prior period has been corrected.

24 Long-term debt

end of	2017	2016
Long-term debt (CHF million)		
Senior	148,542	168,601
Subordinated	23,627	22,955
Non-recourse liabilities from consolidated VIEs	863	1,759
Long-term debt	**173,032**	**193,315**
of which reported at fair value	63,628	72,868
of which structured notes	51,465	59,544

Total long-term debt includes debt issuances managed by Treasury that do not contain derivative features (vanilla debt), as well as hybrid debt instruments with embedded derivatives, which are issued as part of the Group's structured product activities. Long-term debt includes both Swiss franc and foreign exchange denominated fixed and variable rate bonds.

The interest rate ranges presented in the table below are based on the contractual terms of the Group's vanilla debt. Interest rate ranges for future coupon payments on structured products for which fair value has been elected are not included in the table below as these coupons are dependent upon the embedded derivative and prevailing market conditions at the time each coupon is paid. In addition, the effects of derivatives used for hedging are not included in the interest rate ranges on the associated debt.

Structured notes by product

end of	2017	2016
Structured notes (CHF million)		
Equity	32,059	35,980
Fixed income	14,471	16,395
Credit	4,678	5,713
Other	257	1,456
Total structured notes	**51,465**	**59,544**

Long-term debt by maturities

end of	2018	2019	2020	2021	2022	Thereafter	Total
Group parent company (CHF million)							
Senior debt							
Fixed rate	0	0	0	0	0	7,587	7,587
Variable rate	0	2,700	0	0	970	979	4,649
Interest rate (range in %) [1]	–	0.2	–	–	1.9	0.6–4.3	–
Subordinated debt							
Fixed rate	290	0	0	0	1,576	5,255	7,121
Interest rates (range in %) [1]	6.0	–	–	–	7.1	3.9–7.5	–
Subtotal – Group parent company	**290**	**2,700**	**0**	**0**	**2,546**	**13,821**	**19,357**
Subsidiaries (CHF million)							
Senior debt							
Fixed rate	9,752	16,272	9,210	7,669	8,264	26,378	77,545
Variable rate	13,362	6,522	7,107	6,434	4,525	20,811	58,761
Interest rates (range in %) [1]	0.1–8.5	0.1–7.5	0.1–7.2	0.1–7.2	0.1–8.2	0.1–7.1	–
Subordinated debt							
Fixed rate	10,038	0	1,837	0	111	4,316	16,302
Variable rate	0	201	0	0	3	0	204
Interest rates (range in %) [1]	4.9–13.3	1.6	3.4–7.0	–	7.6	5.7–8.0	–
Non-recourse liabilities from consolidated VIEs							
Fixed rate	244	344	0	27	5	0	620
Variable rate	71	0	0	1	0	171	243
Interest rates (range in %) [1]	2.8	2.9–3.0	–	9.3–10.3	0.0	0.6–10.7	–
Subtotal – Subsidiaries	**33,467**	**23,339**	**18,154**	**14,131**	**12,908**	**51,676**	**153,675**
Total long-term debt	**33,757**	**26,039**	**18,154**	**14,131**	**15,454**	**65,497**	**173,032**
of which structured notes	9,992	7,339	6,385	3,863	3,956	19,930	51,465

The maturity of perpetual debt is based on the earliest callable date. The maturity of all other debt is based on contractual maturity and includes certain structured notes that have mandatory early redemption features based on stipulated movements in markets or the occurrence of a market event. Within this population there are approximately CHF 3.1 billion of such notes with a contractual maturity of greater than one year that have an observable likelihood of redemption occurring within one year based on a modelling assessment.

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

The Group and the Bank maintain a shelf registration statement with the SEC, which allows each entity to issue, from time to time, senior and subordinated debt securities, warrants and guarantees.

▸ Refer to "Note 40 – Subsidiary guarantee information" for further information on subsidiary guarantees.

The Group maintains a euro medium-term note program that allows the Bank to issue senior debt securities and that allows Credit Suisse Group AG to issue securities, which contain certain features that are designed to allow for statutory bail-in by the Swiss Financial Market Supervisory Authority FINMA (FINMA) under Swiss banking laws and regulations.

The Group maintains a senior debt program that allows the Group to issue senior debt securities with certain features that are designed to allow for statutory bail-in by FINMA.

The Bank maintains a JPY 500 billion Samurai shelf registration statement that allows it to issue, from time to time, senior and subordinated debt securities.

25 Accumulated other comprehensive income and additional share information

Accumulated other comprehensive income

	Gains/ (losses) on cash flow hedges	Cumulative translation adjustments	Unrealized gains/ (losses) on securities	Actuarial gains/ (losses)	Net prior service credit/ (cost)	Gains/ (losses) on liabilities relating to credit risk	**Accumulated other comprehensive income/ (loss)**
2017 (CHF million)							
Balance at beginning of period	**(35)**	**(12,095)**	**61**	**(4,278)**	**643**	**(568)**	**(16,272)**
Increase/(decrease)	(61)	(1,054)	(13)	337	0	(2,008)	(2,799)
Increase/(decrease) due to equity method investments	1	0	0	0	0	0	1
Reclassification adjustments, included in net income/(loss)	33	30	0	358	(121)	32	332
Total increase/(decrease)	(27)	(1,024)	(13)	695	(121)	(1,976)	(2,466)
Balance at end of period	**(62)**	**(13,119)**	**48**	**(3,583)**	**522**	**(2,544)**	**(18,738)**
2016 (CHF million)							
Balance at beginning of period	**(15)**	**(12,615)**	**60**	**(4,672)**	**607**	**–**	**(16,635)**
Increase/(decrease)	(6)	441	1	7	142	(1,043)	(458)
Increase/(decrease) due to equity method investments	(6)	0	0	0	0	0	(6)
Reclassification adjustments, included in net income/(loss)	(8)	79	0	387	(106)	0	352
Cumulative effect of accounting changes, net of tax	0	0	0	0	0	475	475
Total increase/(decrease)	(20)	520	1	394	36	(568)	363
Balance at end of period	**(35)**	**(12,095)**	**61**	**(4,278)**	**643**	**(568)**	**(16,272)**
2015 (CHF million)							
Balance at beginning of period	**(31)**	**(11,478)**	**64**	**(4,010)**	**452**	**–**	**(15,003)**
Increase/(decrease)	0	(1,142)	(3)	(1,031)	238	–	(1,938)
Increase/(decrease) due to equity method investments	(15)	(1)	0	0	0	–	(16)
Reclassification adjustments, included in net income/(loss)	31	6	(1)	369	(83)	–	322
Total increase/(decrease)	16	(1,137)	(4)	(662)	155	–	(1,632)
Balance at end of period	**(15)**	**(12,615)**	**60**	**(4,672)**	**607**	**–**	**(16,635)**

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

Details of significant reclassification adjustments

in	2017	2016	2015
Reclassification adjustments, included in net income/(loss) (CHF million)			
Cumulative translation adjustments			
Reclassification adjustments [1]	**30**	**79**	**6**
Actuarial gains/(losses)			
Amortization of recognized actuarial losses [2]	444	513	472
Tax expense/(benefit)	(86)	(126)	(103)
Net of tax	**358**	**387**	**369**
Net prior service credit/(cost)			
Amortization of recognized prior service credit/(cost) [2]	(153)	(134)	(110)
Tax expense/(benefit)	32	28	27
Net of tax	**(121)**	**(106)**	**(83)**

[1] Includes net releases of CHF 23 million on the sale of Credit Suisse (Monaco) S.A.M. in 2017 and net releases of CHF 59 million on the sale of Credit Suisse (Gibraltar) Limited in 2016. In addition, it includes net releases of CHF 17 million on the liquidation of Credit Suisse Principal Investments Limited and AJP Cayman Ltd. in 2016. These were reclassified from cumulative translation adjustments and included in net income in other revenues.

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

Additional share information

	2017	2016	2015
Common shares issued			
Balance at beginning of period	**2,089,897,378**	**1,957,379,244**	**1,607,168,947**
Issuance of common shares	466,114,342	132,518,134	350,210,297
of which share-based compensation	0	30,000,000	0
Balance at end of period	**2,556,011,720**	**2,089,897,378**	**1,957,379,244**
Treasury shares			
Balance at beginning of period	**0**	**(5,910,224)**	**(7,666,658)**
Sale of treasury shares	809,307,879	1,218,245,936	766,096,105
Repurchase of treasury shares	(857,049,873)	(1,224,501,214)	(808,768,832)
Share-based compensation	41,984,328	12,165,502	44,429,161
Balance at end of period	**(5,757,666)**	**0**	**(5,910,224)**
Common shares outstanding			
Balance at end of period	**2,550,254,054** [1]	**2,089,897,378** [2]	**1,951,469,020**

[1] At par value CHF 0.04 each, fully paid. In addition to the treasury shares, a maximum of 653,000,000 unissued shares (conditional, conversion and authorized capital) were available for issuance without further approval of the shareholders. 505,062,294 of these shares were reserved for capital instruments.

[2] At par value CHF 0.04 each, fully paid. In addition to the treasury shares, a maximum of 653,000,000 unissued shares (conditional, conversion and authorized capital) were available for issuance without further approval of the shareholders. 415,099,918 of these shares were reserved for capital instruments.

26 Offsetting of financial assets and financial liabilities

The disclosures set out in the tables below include derivatives, reverse repurchase and repurchase agreements, and securities lending and borrowing transactions that:

- are offset in the Group's consolidated balance sheets; or
- are subject to an enforceable master netting agreement or similar agreement (enforceable master netting agreements), irrespective of whether they are offset in the Group's consolidated balance sheets.

Similar agreements include derivative clearing agreements, global master repurchase agreements and global master securities lending agreements.

Derivatives

The Group transacts bilateral OTC derivatives (OTC derivatives) mainly under International Swaps and Derivatives Association (ISDA) Master Agreements and Swiss Master Agreements for OTC derivative instruments. These agreements provide for the net settlement of all transactions under the agreement through a single payment in the event of default or termination under the agreement. They allow the Group to offset balances from derivative assets and liabilities as well as the receivables and payables to related cash collateral transacted with the same counterparty. Collateral for OTC derivatives is received and provided in the form of cash and marketable securities. Such collateral may be subject to the standard industry terms of an ISDA Credit Support Annex. The terms of an ISDA Credit Support Annex provide that securities received or provided as collateral may be pledged or sold during the term of the transactions and must be returned upon maturity of the transaction. These terms also give each counterparty the right to terminate the related transactions upon the other counterparty's failure to post collateral. Financial collateral received or pledged for OTC derivatives may also be subject to collateral agreements which restrict the use of financial collateral.

For derivatives transacted with exchanges (exchange-traded derivatives) and central clearing counterparties (OTC-cleared derivatives), positive and negative replacement values (NRV) and related cash collateral may be offset if the terms of the rules and regulations governing these exchanges and central clearing counterparties permit such netting and offset.

Where no such agreements exist, fair values are recorded on a gross basis.

Exchange-traded derivatives or OTC-cleared derivatives, which are fully margined and for which the daily margin payments constitute settlement of the outstanding exposure, are not included in the offsetting disclosures because they are not subject to offsetting due to the daily settlement. The daily margin payments, which are not settled until the next settlement cycle is conducted, are presented in brokerage receivables or brokerage payables. The notional amount for these daily settled derivatives is included in the fair value of derivative instruments table in "Note 31 – Derivatives and hedging activities".

Under US GAAP, the Group elected to account for substantially all financial instruments with an embedded derivative that is not considered clearly and closely related to the host contract at fair value. There is an exception for certain bifurcatable hybrid debt instruments which the Group did not elect to account for at fair value. However, these bifurcated embedded derivatives are generally not subject to enforceable master netting agreements and are not recorded as derivative instruments under trading assets and liabilities or other assets and other liabilities. Information on bifurcated embedded derivatives has therefore not been included in the offsetting disclosures.

The following table presents the gross amount of derivatives subject to enforceable master netting agreements by contract and transaction type, the amount of offsetting, the amount of derivatives not subject to enforceable master netting agreements and the net amount presented in the consolidated balance sheets.

Offsetting of derivatives

end of		2017		2016
	Derivative assets	Derivative liabilities	Derivative assets	Derivative liabilities
Gross derivatives subject to enforceable master netting agreements (CHF billion)				
OTC-cleared	2.5	1.8	8.2	7.5
OTC	83.3	79.0	129.1	121.7
Exchange-traded	0.1	0.2	0.1	0.1
Interest rate products	**85.9**	**81.0**	**137.4**	**129.3**
OTC-cleared	0.2	0.2	0.0	0.0
OTC	29.1	34.6	59.3	69.2
Exchange-traded	0.0	0.0	0.0	0.1
Foreign exchange products	**29.3**	**34.8**	**59.3**	**69.3**
OTC	11.7	11.7	11.2	11.5
Exchange-traded	9.2	9.8	11.5	13.0
Equity/index-related products	**20.9**	**21.5**	**22.7**	**24.5**
OTC-cleared	3.6	3.8	2.1	2.3
OTC	3.9	4.7	5.8	6.2
Credit derivatives	**7.5**	**8.5**	**7.9**	**8.5**
OTC	1.4	0.9	2.2	1.1
Exchange-traded	0.0	0.0	0.0	0.1
Other products [1]	**1.4**	**0.9**	**2.2**	**1.2**
OTC-cleared	6.3	5.8	10.3	9.8
OTC	129.4	130.9	207.6	209.7
Exchange-traded	9.3	10.0	11.6	13.3
Total gross derivatives subject to enforceable master netting agreements	**145.0**	**146.7**	**229.5**	**232.8**
Offsetting (CHF billion)				
OTC-cleared	(5.7)	(5.4)	(8.5)	(7.8)
OTC	(114.5)	(122.1)	(188.6)	(199.1)
Exchange-traded	(8.6)	(9.6)	(11.1)	(11.9)
Offsetting	**(128.8)**	**(137.1)**	**(208.2)**	**(218.8)**
of which counterparty netting	(113.8)	(113.8)	(184.7)	(184.7)
of which cash collateral netting	(15.0)	(23.3)	(23.5)	(34.1)
Net derivatives presented in the consolidated balance sheets (CHF billion)				
OTC-cleared	0.6	0.4	1.8	2.0
OTC	14.9	8.8	19.0	10.6
Exchange-traded	0.7	0.4	0.5	1.4
Total net derivatives subject to enforceable master netting agreements	**16.2**	**9.6**	**21.3**	**14.0**
Total derivatives not subject to enforceable master netting agreements [2]	**3.4**	**5.2**	**5.6**	**6.4**
Total net derivatives presented in the consolidated balance sheets	**19.6**	**14.8**	**26.9**	**20.4**
of which recorded in trading assets and trading liabilities	19.6	14.7	26.8	20.4
of which recorded in other assets and other liabilities	0.0	0.1	0.1	0.0

1 Primarily precious metals, commodity and energy products.
2 Represents derivatives where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.

Reverse repurchase and repurchase agreements and securities lending and borrowing transactions

Reverse repurchase and repurchase agreements are generally covered by global master repurchase agreements. In certain situations, for example, in the event of default, all contracts under the agreements are terminated and are settled net in one single payment. Global master repurchase agreements also include payment or settlement netting provisions in the normal course of business that state that all amounts in the same currency payable by each party to the other under any transaction or otherwise under the global master repurchase agreement on the same date shall be set off.

Transactions under such agreements are netted in the consolidated balance sheets if they are with the same counterparty, have the same maturity date, settle through the same clearing institution and are subject to the same master netting agreement. The amounts offset are measured on the same basis as the underlying transaction (i.e., on an accrual basis or fair value basis).

Securities lending and borrowing transactions are generally executed under global master securities lending agreements with netting terms similar to ISDA Master Agreements. In certain situations, for example in the event of default, all contracts under the agreement are terminated and are settled net in one single payment. Transactions under these agreements are netted in the consolidated balance sheets if they meet the same right of offset criteria as for reverse repurchase and repurchase agreements. In general, most securities lending and borrowing transactions do not meet the criterion of having the same settlement date specified at inception of the transaction, and therefore they are not eligible for netting in the consolidated balance sheets. However, securities lending and borrowing transactions with explicit maturity dates may be eligible for netting in the consolidated balance sheets.

Reverse repurchase and repurchase agreements are collateralized principally by government securities, money market instruments and corporate bonds and have terms ranging from overnight to a longer or unspecified period of time. In the event of counterparty default, the reverse repurchase agreement or securities lending agreement provides the Group with the right to liquidate the collateral held. As is the case in the Group's normal course of business, a significant portion of the collateral received that may be sold or repledged was sold or repledged as of December 31, 2017 and December 31, 2016. In certain circumstances, financial collateral received may be restricted during the term of the agreement (e.g., in tri-party arrangements).

The following table presents the gross amount of securities purchased under resale agreements and securities borrowing transactions subject to enforceable master netting agreements, the amount of offsetting, the amount of securities purchased under resale agreements and securities borrowing transactions not subject to enforceable master netting agreements and the net amount presented in the consolidated balance sheets.

Offsetting of securities purchased under resale agreements and securities borrowing transactions

end of			**2017**			2016
	Gross	Offsetting	**Net book value**	Gross	Offsetting	**Net book value**
Securities purchased under resale agreements and securities borrowing transactions (CHF billion)						
Securities purchased under resale agreements	89.4	(28.8)	60.6	99.9	(26.9)	73.0
Securities borrowing transactions	18.7	(5.0)	13.7	24.0	(4.5)	19.5
Total subject to enforceable master netting agreements	**108.1**	**(33.8)**	**74.3**	**123.9**	**(31.4)**	**92.5**
Total not subject to enforceable master netting agreements [1]	**41.0**	**–**	**41.0**	**42.2**	**–**	**42.2**
Total	**149.1**	**(33.8)**	**115.3** [2]	**166.1**	**(31.4)**	**134.7** [2]

1 Represents securities purchased under resale agreements and securities borrowing transactions where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.
2 CHF 77,498 million and CHF 87,331 million of the total net amount as of the end of 2017 and 2016, respectively, are reported at fair value.

The following table presents the gross amount of securities sold under repurchase agreements and securities lending transactions subject to enforceable master netting agreements, the amount of offsetting, the amount of securities sold under repurchase agreements and securities lending transactions not subject to enforceable master netting agreements and the net amount presented in the consolidated balance sheets.

Offsetting of securities sold under repurchase agreements and securities lending transactions

end of	2017			2016		
	Gross	Offsetting	Net book value	Gross	Offsetting	Net book value
Securities sold under repurchase agreements and securities lending transactions (CHF billion)						
Securities sold under repurchase agreements	49.4	(31.5)	17.9	51.3	(29.0)	22.3
Securities lending transactions	7.1	(2.3)	4.8	8.3	(2.4)	5.9
Obligation to return securities received as collateral, at fair value	37.0	0.0	37.0	31.9	0.0	31.9
Total subject to enforceable master netting agreements	**93.5**	**(33.8)**	**59.7**	**91.5**	**(31.4)**	**60.1**
Total not subject to enforceable master netting agreements [1]	**4.9**	**–**	**4.9**	**5.5**	**–**	**5.5**
Total	**98.4**	**(33.8)**	**64.6**	**97.0**	**(31.4)**	**65.6**
of which securities sold under repurchase agreements and securities lending transactions	60.3	(33.8)	26.5 [2]	64.4	(31.4)	33.0 [2]
of which obligation to return securities received as collateral, at fair value	38.1	0.0	38.1	32.6	0.0	32.6

[1] Represents securities sold under repurchase agreements and securities lending transactions where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.
[2] CHF 15,262 million and CHF 19,634 million of the total net amount as of the end of 2017 and 2016, respectively, are reported at fair value.

The following table presents the net amount presented in the consolidated balance sheets of financial assets and liabilities subject to enforceable master netting agreements and the gross amount of financial instruments and cash collateral not offset in the consolidated balance sheets. The table excludes derivatives, reverse repurchase and repurchase agreements and securities lending and borrowing transactions not subject to enforceable master netting agreements where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place. Net exposure reflects risk mitigation in the form of collateral.

Amounts not offset in the consolidated balance sheets

end of	2017				2016			
	Net book value	Financial instruments [1]	Cash collateral received/ pledged [1]	Net exposure	Net book value	Financial instruments [1]	Cash collateral received/ pledged [1]	Net exposure
Financial assets subject to enforceable master netting agreements (CHF billion)								
Derivatives	16.2	5.2	0.0	11.0	21.3	6.3	0.0	15.0
Securities purchased under resale agreements	60.6	60.6	0.0	0.0	73.0	73.0	0.0	0.0
Securities borrowing transactions	13.7	13.2	0.0	0.5	19.5	18.6	0.0	0.9
Total financial assets subject to enforceable master netting agreements	**90.5**	**79.0**	**0.0**	**11.5**	**113.8**	**97.9**	**0.0**	**15.9**
Financial liabilities subject to enforceable master netting agreements (CHF billion)								
Derivatives	9.6	2.1	0.0	7.5	14.0	3.3	0.0	10.7
Securities sold under repurchase agreements	17.9	17.9	0.0	0.0	22.3	22.3	0.0	0.0
Securities lending transactions	4.8	4.4	0.0	0.4	5.9	5.7	0.0	0.2
Obligation to return securities received as collateral, at fair value	37.0	32.7	0.0	4.3	31.9	30.4	0.0	1.5
Total financial liabilities subject to enforceable master netting agreements	**69.3**	**57.1**	**0.0**	**12.2**	**74.1**	**61.7**	**0.0**	**12.4**

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

Net exposure is subject to further credit mitigation through the transfer of the exposure to other market counterparties by the use of CDS and credit insurance contracts. Therefore the net exposure presented in the table above is not representative of the Group's counterparty exposure.

27 Tax

Details of current and deferred taxes

in	2017	2016	2015
Current and deferred taxes (CHF million)			
Switzerland	82	133	28
Foreign	421	501	463
Current income tax expense	**503**	**634**	**491**
Switzerland	244	(125)	196
Foreign	1,994	(68)	(164)
Deferred income tax expense/(benefit)	**2,238**	**(193)**	**32**
Income tax expense	**2,741**	**441**	**523**
Income tax expense/(benefit) reported in shareholders' equity related to:			
Gains/(losses) on cash flow hedges	(24)	(6)	(4)
Cumulative translation adjustment	1	(4)	(14)
Unrealized gains/(losses) on securities	1	1	(2)
Actuarial gains/(losses)	172	136	(174)
Net prior service credit/(cost)	(32)	10	37
Share-based compensation and treasury shares	3	104	25

Reconciliation of taxes computed at the Swiss statutory rate

in	2017	2016	2015
Income/(loss) before taxes (CHF million)			
Switzerland	1,736	2,111	1,746
Foreign	57	(4,377)	(4,168)
Income/(loss) before taxes	**1,793**	**(2,266)**	**(2,422)**
Reconciliation of taxes computed at the Swiss statutory rate (CHF million)			
Income tax expense/(benefit) computed at the statutory tax rate of 22%	394	(499)	(533)
Increase/(decrease) in income taxes resulting from			
Foreign tax rate differential	(110)	(498)	(715)
Non-deductible amortization of other intangible assets and goodwill impairment	0	1	1,432
Other non-deductible expenses	354	1,540	391
Additional taxable income	0	87	16
Lower taxed income	(276)	(219)	(276)
(Income)/loss taxable to noncontrolling interests	7	(11)	6
Changes in tax law and rates	2,095	145	347
Changes in deferred tax valuation allowance	123	76	(103)
Change in recognition of outside basis difference	(19)	218	262
Tax deductible impairments of Swiss subsidiary investments	88	(68)	(258)
(Windfall tax benefits) /shortfall tax charges on share-based compensation [1]	91	–	–
Other	(6)	(331)	(46)
Income tax expense	**2,741**	**441**	**523**

[1] As a result of the adoption of ASU 2016-09 windfall tax benefits and shortfall tax charges on share-based compensation are now recognized in the consolidated statements of operations and no longer in shareholders' equity. Refer to "Note 2 – Recently issued accounting standards" for further information.

2017

Foreign tax rate differential of CHF 110 million reflected a foreign tax benefit mainly driven by losses made in higher tax jurisdictions, such as the US, partially offset by foreign tax rate differential related to losses incurred in lower tax jurisdictions, mainly in Guernsey. The foreign tax rate expense of CHF 2,415 million comprised not only the foreign tax benefit based on statutory tax rates but also the tax impacts related to additional reconciling items as explained below.

Other non-deductible expenses of CHF 354 million included the impact of CHF 217 million relating to non-deductible interest expenses (including a contingency accrual of CHF 155 million), CHF 57 million related to the non-deductible portion of the litigation provisions and settlement charges, CHF 27 million related to non-deductible bank levy costs and other non-deductible compensation expenses and management costs, CHF 10 million related to non-deductible foreign exchange losses, and other various smaller non-deductible expenses of CHF 43 million.

Lower taxed income of CHF 276 million included a tax benefit of CHF 86 million related to non-taxable life insurance income, CHF 78 million related to non-taxable dividend income, CHF 31 million in respect of income taxed at rates lower than the statutory tax rate, CHF 25 million related to exempt income, and various smaller items.

Changes in tax law and rates of CHF 2,095 million mainly reflected the impact of the US tax reform enacted on December 22, 2017 which resulted in a reduction of the federal corporate income tax rate from 35% to 21%, effective as of January 1, 2018. The US tax reform required a re-assessment of the deferred tax assets.

Changes in deferred tax valuation allowances of CHF 123 million included the net impact of the increase in valuation allowances on deferred tax assets of CHF 320 million, mainly in respect of two of the Group's operating entities in the UK. Also included was a tax benefit from the release of valuation allowances of CHF 197 million, mainly in respect of two of the Group's operating entities, one in the UK and one in Switzerland.

Other of CHF 6 million included CHF 105 million from own credit valuation gains, CHF 85 million relating to tax deductibility of previously taken litigation accruals and CHF 49 million from a favorable court decision, partially offset by CHF 248 million relating to the net re-assessment of deferred tax balances in respect of two of the Group's operating entities in Switzerland reflecting the establishment of Credit Suisse Asset Management & Investor Services (Schweiz) Holding AG, the impact of adverse earnings mix of the current year and changes in forecasted future profitability, CHF 17 million from prior year adjustments and CHF 16 million relating to the increase of tax contingency accruals. The remaining balance included various smaller items.

2016

Foreign tax rate differential of CHF 498 million reflected a foreign tax benefit mainly driven by losses made in higher tax jurisdictions, such as the US, partially offset by foreign tax rate differential related to profits earned in lower tax jurisdictions, mainly the Bahamas. The foreign tax rate expense of CHF 433 million was not only impacted by the foreign tax benefit based on statutory tax rates but also by tax impacts related to additional reconciling items as explained below.

Other non-deductible expenses of CHF 1,540 million included the impact of CHF 983 million related to the non-deductible portion of the litigation provisions and settlement charges, CHF 420 million relating to non-deductible interest expenses, CHF 52 million related to non-deductible bank levy costs and other non-deductible compensation expenses and management costs, CHF 31 million related to non-deductible foreign exchange losses, CHF 25 million related to onerous lease provisions, and other various smaller non-deductible expenses of CHF 29 million.

Lower taxed income of CHF 219 million included a tax benefit of CHF 71 million related to non-taxable life insurance income, CHF 58 million related to non-taxable dividend income, CHF 19 million in respect of income taxed at rates lower than the statutory tax rate, CHF 11 million related to exempt income, and various smaller items.

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

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

Change in recognition of outside basis difference of CHF 218 million reflected a tax expense related to the expected reversal of the outside basis differences relating to Swiss subsidiary investments.

Other of CHF 331 million included a tax benefit of CHF 392 million relating to the re-assessment of deferred tax balances in Switzerland reflecting changes in forecasted future profitability, CHF 37 million from own credit valuation gains and CHF 33 million from prior year adjustments, partially offset by CHF 89 million tax litigation expense and associated interest and penalties relating to two Italian income tax matters which have been resolved as part of an agreement with the Italian tax authorities, and CHF 22 million relating to the increase of tax contingency accruals. The remaining balance included various smaller items.

2015

Foreign tax rate differential of CHF 715 million reflected a foreign tax benefit mainly driven by losses made in higher tax jurisdictions, such as Brazil and the US, partially offset by foreign tax rate differential related to profits earned in lower tax jurisdictions, mainly Guernsey and the Bahamas. The foreign tax rate benefit in relation to total foreign tax expense of CHF 299 million was more than offset by tax impacts related to additional reconciling items as explained below.

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

Other non-deductible expenses of CHF 391 million included the impact of CHF 219 million relating to non-deductible interest expenses, CHF 69 million related to non-deductible bank levy costs and other non-deductible compensation expenses and management costs, CHF 50 million related to the non-deductible portion of the litigation provisions and settlement charges, and other various smaller non-deductible expenses of CHF 53 million.

Lower taxed income of CHF 276 million included a tax benefit of CHF 59 million related to non-taxable dividend income, CHF 58 million related to non-taxable life insurance income, CHF 50 million related to exempt income, CHF 49 million related to non-taxable foreign exchange gains, CHF 16 million in respect of income taxed at rates lower than the statutory tax rate, and various smaller items.

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

Changes in deferred tax valuation allowances of CHF 103 million included the net impact of the release of valuation allowances of CHF 109 million, mainly in respect of two of the Group's operating entities, one in the UK and one in Hong Kong, relating to current year earnings. Additionally, 2015 included a release of valuation allowances of CHF 88 million for previously recognized deferred tax assets in respect of one of the Group's operating entities in Hong Kong. The change in UK corporation tax rates and introduction of the bank corporation tax surcharge in 2015 caused a release of valuation allowances of CHF 162 million in respect of four of the Group's operating entities in the UK. Also included was a tax expense of CHF 256 million resulting from the increase in valuation allowances on deferred tax assets mainly from three of the Group's operating entities, two in the UK and one in Switzerland.

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

Other of CHF 46 million included a tax benefit of CHF 155 million relating to the re-assessment of deferred tax balances in Switzerland reflecting changes in forecasted future profitability, partially offset by a tax expense of CHF 48 million relating to the increase of tax contingency accruals and a tax expense of CHF 28 million from prior year adjustments. The remaining balance included various smaller items.

As of December 31, 2017, the Group had accumulated undistributed earnings from foreign subsidiaries of CHF 5.1 billion. No deferred tax liability was recorded in respect of those amounts as these earnings are considered indefinitely reinvested. It is not practicable to estimate the amount of unrecognized deferred tax liabilities for these undistributed foreign earnings.

Deferred tax assets and liabilities

end of	2017	2016
Deferred tax assets and liabilities (CHF million)		
Compensation and benefits	1,103	1,992
Loans	330	326
Investment securities	1,039	469
Provisions	441	1,341
Derivatives	97	105
Real estate	337	347
Net operating loss carry-forwards	6,829	6,548
Goodwill and intangible assets	696	44
Other	135	75
Gross deferred tax assets before valuation allowance	**11,007**	**11,247**
Less valuation allowance	(4,279)	(4,188)
Gross deferred tax assets net of valuation allowance	**6,728**	**7,059**
Compensation and benefits	(512)	(252)
Loans	(36)	(29)
Investment securities	(197)	(267)
Provisions	(520)	(360)
Business combinations	(1)	(1)
Derivatives	(154)	(238)
Leasing	0	(8)
Real estate	(54)	(51)
Other	(126)	(154)
Gross deferred tax liabilities	**(1,600)**	**(1,360)**
Net deferred tax assets	**5,128**	**5,699**
of which deferred tax assets	5,522	5,828
of which net operating losses	2,213	2,178
of which deductible temporary differences	3,309	3,650
of which deferred tax liabilities	(394)	(129)

The decrease in net deferred tax assets from 2016 to 2017 of CHF 571 million was primarily due to the impact of CHF 2,097 million in connection with the re-assessment of deferred tax assets following the US tax reform, CHF 330 million related to current year earnings, foreign exchange translation gains of CHF 221 million, which are included within the currency translation adjustments

recorded in AOCI, and the tax impacts directly recorded in equity and other comprehensive income, mainly related to the pension plan re-measurement and other tax recorded directly in equity of CHF 125 million. These decreases were partially offset by an increase of deferred tax assets of CHF 2,070 million from the adoption of new accounting standards relating to intra-entity asset transfers rules and share-based payment, and CHF 132 million from the re-measurement of deferred tax balances in the US relating to the tax deductibility on previously taken litigation accruals and in Switzerland.

‣ Refer to "Note 2 – Recently issued accounting standards" for further information on the early adoption of ASU 2016-16.

The most significant net deferred tax assets arise in the US and Switzerland and these decreased from CHF 5,105 million, net of a valuation allowance of CHF 829 million as of the end of 2016, to CHF 4,809 million, net of a valuation allowance of CHF 541 million as of the end of 2017.

Due to uncertainty concerning its ability to generate the necessary amount and mix of taxable income in future periods, the Group recorded a valuation allowance against deferred tax assets in the amount of CHF 4.3 billion as of December 31, 2017 compared to CHF 4.2 billion as of December 31, 2016.

Amounts and expiration dates of net operating loss carry-forwards

end of 2017	Total
Net operating loss carry-forwards (CHF million)	
Due to expire within 1 year	1,403
Due to expire within 2 to 5 years	4,714
Due to expire within 6 to 10 years	5,157
Due to expire within 11 to 20 years	8,659
Amount due to expire	**19,933**
Amount not due to expire	19,263
Total net operating loss carry-forwards	**39,196**

Movements in the valuation allowance

in	2017	2016	2015
Movements in the valuation allowance (CHF million)			
Balance at beginning of period	**4,188**	**3,905**	**4,107**
Net changes	91	283	(202)
Balance at end of period	**4,279**	**4,188**	**3,905**

As part of its normal practice, the Group has conducted a detailed evaluation of its expected future results. This evaluation is dependent on management estimates and assumptions in developing the expected future results, which are based on a strategic business planning process influenced by current economic conditions and assumptions of future economic conditions that are subject to change. This evaluation took into account both positive and negative evidence related to expected future taxable income and also considered stress scenarios. This evaluation has indicated the expected future results that are likely to be earned in jurisdictions where the Group has significant gross deferred tax assets, primarily in the US, Switzerland and UK. The Group then compared those expected future results with the applicable law governing utilization of deferred tax assets. US tax law allowed for a 20-year carry-forward period for existing net operating losses as of the end of 2017 and any new net operating losses will have an unlimited carry-forward period, Swiss tax law allows for a seven-year carry-forward period for net operating losses and UK tax law allows for an unlimited carry-forward period for net operating losses.

Tax benefits associated with share-based compensation

in	2017	2016	2015
Tax benefits associated with share-based compensation (CHF million)			
Tax benefits recorded in the consolidated statements of operations [1]	314	391	448
Windfall tax benefits/(shortfall tax charges) recorded in additional paid-in capital	– [2]	(110)	(28)

[1] Calculated at the statutory tax rate before valuation allowance considerations.
[2] As a result of the adoption of ASU 2016-09 windfall tax benefits and shortfall tax charges on share-based compensation are now recognized in the consolidated statements of operations and no longer in additional paid-in capital. Refer to "Note 2 – Recently issued accounting standards" for further information.

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

If, upon settlement of share-based compensation, the tax deduction exceeds the cumulative compensation cost that the Group had recognized in the consolidated financial statements, the utilized tax benefit associated with any excess deduction is considered a "windfall" and recognized in the consolidated statements of operations and reflected as an operating cash inflow in the consolidated statements of cash flows. If, upon settlement, the tax deduction is lower than the cumulative compensation cost that the Group had recognized in the consolidated financial statements, the tax charge associated with the lower deduction is considered a "shortfall". Tax charges arising on shortfalls are recognized in the consolidated statements of operations.

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

Uncertain tax positions

US GAAP requires a two-step process in evaluating uncertain income tax positions. In the first step, an enterprise determines whether it is more likely than not that an income tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Income tax positions meeting the more-likely-than-not recognition threshold are then measured to determine the amount of benefit eligible for recognition in the consolidated financial statements. Each income tax position is measured at the largest amount of tax benefit that is more likely than not to be realized upon ultimate settlement.

Reconciliation of the beginning and ending amount of gross unrecognized tax benefits

	2017	2016	2015
Movements in gross unrecognized tax benefits (CHF million)			
Balance at beginning of period	**410**	**369**	**389**
Increases in unrecognized tax benefits as a result of tax positions taken during a prior period	131	52	44
Decreases in unrecognized tax benefits as a result of tax positions taken during a prior period	(104)	(43)	(3)
Increases in unrecognized tax benefits as a result of tax positions taken during the current period	117	17	15
Decreases in unrecognized tax benefits relating to settlements with tax authorities	(73)	(2)	0
Reductions to unrecognized tax benefits as a result of a lapse of the applicable statute of limitations	(3)	(7)	(22)
Other (including foreign currency translation)	3	24	(54)
Balance at end of period	**481**	**410**	**369**
of which, if recognized, would affect the effective tax rate	481	410	369

Interest and penalties

in	**2017**	2016	2015
Interest and penalties (CHF million)			
Interest and penalties recognized in the consolidated statements of operations	29	2	13
Interest and penalties recognized in the consolidated balance sheets	115	86	86

Interest and penalties are reported as tax expense. The Group is currently subject to ongoing tax audits, inquiries and litigation with the tax authorities in a number of jurisdictions, including Brazil, the Netherlands, the US, the UK and Switzerland. Although the timing of completion is uncertain, it is reasonably possible that some of these will be resolved within 12 months of the reporting date.

It is reasonably possible that there will be a decrease of between zero and CHF 5 million in unrecognized tax benefits within 12 months of the reporting date.

The Group remains open to examination from federal, state, provincial or similar local jurisdictions from the following years onward in these major countries: Brazil – 2013; Switzerland – 2011; the US – 2010; the UK – 2009; and the Netherlands – 2006.

28 Employee deferred compensation

Payment of deferred compensation to employees is determined by the nature of the business, role, location and performance of the employee. Unless there is a contractual obligation, granting deferred compensation is solely at the discretion of senior management. Special deferred compensation granted as part of a contractual obligation is typically used to compensate new senior employees in a single year for forfeited awards from previous employers upon joining the Group. It is the Group's policy not to make multi-year guarantees.

Compensation expense recognized in the consolidated statement of operations for share-based and other awards that were granted as deferred compensation is recognized in accordance with the specific terms and conditions of each respective award and is primarily recognized over the future requisite service and vesting period, which is determined by the plan, retirement eligibility of employees, two-year moratorium periods on early retirement and certain other terms. All deferred compensation plans are subject to restrictive covenants, which generally include non-compete and non-solicit provisions. Compensation expense for share-based and other awards that were granted as deferred compensation also includes the current estimated outcome of applicable performance criteria, estimated future forfeitures and mark-to-market adjustments for certain cash awards that are still outstanding.

The following tables show the compensation expense for deferred compensation awards granted in 2017 and prior years that was recognized in the consolidated statements of operations during 2017, 2016 and 2015, the total shares delivered, the estimated unrecognized compensation expense for deferred compensation awards granted in 2017 and prior years outstanding as of December 31, 2017 and the remaining requisite service period over which the estimated unrecognized compensation expense will be recognized. The estimated unrecognized compensation expense was based on the fair value of each award on the grant date and included the current estimated outcome of relevant performance criteria and estimated future forfeitures but no estimate for future mark-to-market adjustments. The recognition of compensation expense for the deferred compensation awards granted in February 2018 began in 2018 and thus had no impact on the 2017 consolidated financial statements.

Deferred compensation awards for 2017

In February 2018, the Group granted share awards, performance share awards and Contingent Capital Awards (CCA) as deferred compensation. Deferred compensation was awarded to employees with total compensation of CHF/USD 250,000 or the local currency equivalent or higher.

Deferred compensation expense

in	2017	2016	2015
Deferred compensation expense (CHF million)			
Share awards	529	628	852
Performance share awards	348	370	563
Contingent Capital Awards	280	235	430
Contingent Capital share awards	18	30	–
Capital Opportunity Facility awards	14	13	16
Plus Bond awards [1]	–	5	22
2011 Partner Asset Facility awards [2]	–	–	2
Restricted Cash Awards	–	–	39
2008 Partner Asset Facility awards [3]	7	13	34
Other cash awards	440	335	414
Total deferred compensation expense	**1,636**	**1,629**	**2,372**
Total shares delivered (million)			
Total shares delivered	42.0	42.1	44.4

[1] Compensation expense primarily relates to mark-to-market changes of the underlying assets of the Plus Bonds and the amortization of the voluntary Plus Bonds elected in the first quarter of 2013 and expensed over a three-year period.
[2] Compensation expense mainly includes the change in the underlying fair value of the indexed assets prior to the Contingent Capital Awards conversion.
[3] Compensation expense mainly includes the change in the underlying fair value of the indexed assets during the period.

Estimated unrecognized deferred compensation

end of	2017
Estimated unrecognized compensation expense (CHF million)	
Share awards	472
Performance share awards	158
Contingent Capital Awards	119
Contingent Capital share awards	3
Other cash awards	194
Total	**946**
Aggregate remaining weighted-average requisite service period (years)	
Aggregate remaining weighted-average requisite service period	1.4

Does not include the estimated unrecognized compensation expense relating to grants made in 2018 for 2017.

Share awards

Share awards granted in February 2018 are similar to those granted in February 2017. 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.

The Group's share awards include other awards, such as blocked shares and special awards, which may be granted to new employees. Other share awards entitle the holder to receive one Group share and are generally subject to continued employment with the Group, contain restrictive covenants and cancellation provisions and generally vest between zero and five years.

On February 15, 2018, the Group granted 34.1 million share awards with a total value of CHF 613 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, 2018. The fair value of each share award was CHF 17.22, the Group share price on the grant date. The majority of share awards granted include the right to receive dividend equivalents on vested shares. The estimated unrecognized compensation expense of CHF 569 million was determined based on the fair value of the awards on the grant date, includes the current estimated future forfeitures and will be recognized over the vesting period, subject to early retirement rules.

Share awards granted for previous years

For compensation year	2017	2016	2015
Share awards granted for previous years			
Shares awarded (million)	34.1	37.8	28.8
Value of shares awarded (CHF million)	613	566	549
Fair value of each share awarded (CHF) [1]	17.22	15.42	18.62

[1] Based on the Group's share price on the grant date.

In order to comply with Capital Requirements Directive IV requirements, employees who hold key roles in respect of certain Group subsidiaries receive shares that are subject to transfer restrictions for 50% of the amount that would have been paid to them in cash. These shares are vested at the time of grant but remain blocked, that is, subject to transfer restrictions, for six months to three years from the date of grant, depending on the location.

On February 15, 2018, the Group granted 2.1 million blocked shares with a total value of CHF 38 million that vested immediately upon grant, have no future service requirements and were attributed to services performed in 2017.

Blocked share awards granted for previous years

For compensation year	2017	2016	2015
Blocked share awards granted for previous years			
Shares awarded (million)	2.1	2.5	0.6
Value of shares awarded (CHF million)	38	37	12

Share award activities

	2017		2016		2015	
	Number of share awards in million	Weighted-average grant-date fair value in CHF	Number of share awards in million	Weighted-average grant-date fair value in CHF	Number of share awards in million	Weighted-average grant-date fair value in CHF
Share awards						
Balance at beginning of period	**73.2**	**18.77**	**80.3**	**21.58**	**77.1**	**28.64**
Granted	54.3 [1]	14.53	39.7	17.47	47.5 [2]	16.67
Settled	(38.2)	19.74	(37.7)	22.64	(40.3)	29.00
Forfeited	(4.4)	16.47	(9.1)	21.87	(4.0)	24.29
Balance at end of period	**84.9**	**15.73**	**73.2**	**18.77**	**80.3**	**21.58**
of which vested	8.5	–	8.1	–	4.7	–
of which unvested	76.4	–	65.1	–	75.6	–

[1] Includes an adjustment for share awards granted in the second quarter of 2017 to compensate for the proportionate dilution of Group shares resulting from the rights offering approved on May 18, 2017. The number of deferred share-based awards held by each individual was increased by 3.64%. The terms and conditions of the adjusted shares were the same as the existing share-based awards, thereby ensuring that holders of the awards were neither advantaged nor disadvantaged by the additional shares granted.

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

Performance share awards

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 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, 2018, the Group granted 26.5 million performance share awards with a total value of CHF 478 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, 2018. The fair value of each performance share award was CHF 17.22, 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. The estimated unrecognized compensation expense of CHF 445 million was determined based on the fair value of the awards on the grant date, includes the current estimated outcome of the relevant performance criteria and estimated future forfeitures and will be recognized over the vesting period, subject to early retirement rules. There was no negative adjustment applied to performance share awards granted in 2017 or in previous years as the 2017 divisional adjusted results and the adjusted ROE of the Group were both positive.

Performance share awards granted for previous years

For compensation year	2017	2016	2015
Performance share awards granted for previous years			
Performance shares awarded (million)	26.5	29.7	21.3
Value of performance shares awarded (CHF million)	478	451	429
Fair value of each performance share awarded (CHF) [1]	17.22	15.42	18.62

[1] Based on the Group's share price on the grant date.

Performance share award activities

	2017		2016		2015	
	Number of performance share awards in million	Weighted-average grant-date fair value in CHF	Number of performance share awards in million	Weighted-average grant-date fair value in CHF	Number of performance share awards in million	Weighted-average grant-date fair value in CHF
Performance share awards						
Balance at beginning of period	**48.4**	**19.11**	**55.9**	**21.01**	**48.2**	**26.89**
Granted	31.8 [1]	14.41	21.4	18.62	32.5 [2]	16.11
Settled	(23.9)	20.41	(26.5)	22.67	(23.4)	26.24
Forfeited	(2.1)	16.38	(2.4)	19.64	(1.4)	21.75
Balance at end of period	**54.2**	**15.88**	**48.4**	**19.11**	**55.9**	**21.01**
of which vested	6.7	–	6.8	–	3.3	–
of which unvested	47.5	–	41.6	–	52.6	–

[1] Includes an adjustment for performance share awards granted in the second quarter of 2017 to compensate for the proportionate dilution of Group shares resulting from the rights offering approved on May 18, 2017. The number of deferred share-based awards held by each individual was increased by 3.64%. The terms and conditions of the adjusted shares were the same as the existing share-based awards, thereby ensuring that holders of the awards were neither advantaged nor disadvantaged by the additional performance shares granted.

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

Contingent Capital Awards

CCA were granted in February 2018, February 2017 and January 2016 to managing directors and directors as part of the 2017, 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 2018, 2017 and 2016 that are denominated in US dollars receive interest equivalents at a rate of 3.05%, 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 2018, 2017 and 2016 that are denominated in Swiss francs receive interest equivalents at a rate of 2.24%, 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 2018, 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, 2018, the Group awarded CHF 241 million of CCA that will be expensed over the vesting period. The estimated unrecognized compensation expense of CHF 229 million was determined based on the fair value of the awards on the grant date and includes the current estimated outcome of the relevant performance criteria, the estimated future forfeitures and the expected semi-annual cash payments of interest equivalents and will be recognized over the vesting period.

Contingent Capital Awards granted for previous years

For compensation year	**2017**	2016	2015
Contingent Capital Awards granted for previous years			
CCA awarded (CHF million)	241	229	226

Contingent Capital share awards

In March 2016, the Group executed a voluntary exchange offer, under which employees had the right to voluntarily convert all or a portion of their respective CCA into Contingent Capital share awards at a conversion price of CHF 14.57. CCA holders elected to convert CHF 226 million of their CCA into Contingent Capital share awards during the election period. This fair value represented an approximate conversion rate of 15%. Each Contingent Capital share award had a grant-date fair value of CHF 14.45 and contains the same contractual term, vesting period, performance criteria and other terms and conditions as the original CCA.

Contingent Capital share award activities

	2017	**2016**
Contingent Capital share awards (million)		
Balance at beginning of period	**13.5**	**–**
Granted	0.3 [1]	16.4
Settled	(5.0)	(2.6)
Forfeited	(0.4)	(0.3)
Balance at end of period	**8.4**	**13.5**
of which vested	1.3	1.0
of which unvested	7.1	12.5

[1] Includes an adjustment for Contingent Capital share awards granted in the second quarter of 2017 to compensate for the proportionate dilution of Group shares resulting from the rights offering approved on May 18, 2017. The number of deferred share-based awards held by each individual was increased by 3.64%. The terms and conditions of the adjusted shares were the same as the existing share-based awards, thereby ensuring that holders of the awards were neither advantaged nor disadvantaged by the additional Contingent Capital shares granted.

Other deferred compensation

During 2017, the Group granted deferred cash retention awards of CHF 65 million relating to the reorganization of the Asia Pacific business. These awards will be expensed over a two-year period from the grant date. Amortization of these awards totaled CHF 28 million in 2017 and was recognized in the Corporate Center. The Group granted deferred fixed cash awards of CHF 90 million to certain employees in the US. These awards will be expensed in the

Global Markets, Investment Banking & Capital Markets and International Wealth Management divisions over a three-year period from the grant date. Amortization of these awards totaled CHF 48 million in 2017.

In 2016, the Group granted deferred share and cash retention awards of CHF 249 million relating to the reorganization of the Global Markets and Investment Banking & Capital Markets businesses. These awards will be expensed over a period of up to seven years from the grant date. Amortization of these awards in 2016 of CHF 118 million was recognized in the Corporate Center.

Plus Bond awards

Managing directors and directors in the former Investment Banking division received a portion of 2012 deferred variable compensation in the form of Plus Bond awards. The Plus Bond award was essentially a fixed income instrument, denominated in US dollars, which provided a coupon payment that was commensurate with market-based pricing. Plus Bond award holders were entitled to receive semi-annual cash payments on their adjusted award amounts at the rate of LIBOR plus 7.875% per annum until settlement. The Plus Bond settled in July 2016 based on the amount of the initial award less any portfolio losses in excess of a first loss portion retained by the Group of USD 600 million. The value of the Plus Bond awards was based on the performance of a portfolio of unrated and sub-investment-grade asset-backed securities (ABS) that were held in inventory by various trading desks. The Plus Bond award plan contributed to a reduction of the Group's risk-weighted assets and constituted a risk transfer from the Group to the Plus Bond award holders. Final payout upon settlement of these awards was 100% of the amount awarded.

2011 Partner Asset Facility

As part of the 2011 annual compensation process, the Group awarded a portion of deferred variable compensation for senior employees in the form of 2011 Partner Asset Facility (PAF2) units. PAF2 units are essentially fixed income structured notes that are exposed to a portion of the credit risk that arises in the Group's derivative activities, including both current and possible future swaps and other derivative transactions. The value of the award (for both the interest accrual and the final redemption) will be reduced if the amount of realized credit losses from a specific reference portfolio exceeds a pre-defined threshold. The Group will bear the first USD 500 million of such losses and the PAF2 holders will bear any losses in excess of USD 500 million, up to the full amount of the deferred compensation awarded. As a result, the PAF2 plan is a transfer of risk from the Group to employees.

Employees at the managing director and director levels, including certain members of the Executive Board, received PAF2 awards. The PAF2 awards vested in the first quarter of 2012.

PAF2 awards were linked to a portfolio of the Group's credit exposures, providing risk offset and capital relief. Due to regulatory changes, this capital relief would no longer be available. As a result, the Group restructured the awards in March 2014, requiring PAF2 holders to reallocate the exposure of their awards from the pool of counterparty credit risks in the original PAF2 structure to one of the following options, or a combination thereof: i) Capital Opportunity Facility (COF): participants elected for their award to be referenced to a COF. The COF is a seven-year facility that is linked to the performance of a portfolio of risk-transfer and capital mitigation transactions to be entered into with the Group chosen by a COF management team. The value of the COF awards will be reduced if there are losses from the COF portfolio, up to the full amount of the award. Participants who elect the COF will receive semi-annual US dollar cash distributions of 6.5% per annum until settlement in cash in 2021, and such semi-annual distributions will reduce the cash settlement amount payable in 2021; and ii) CCA: participants elected to receive CCA, with similar terms to the instruments granted as part of the 2013 compensation awards.

Settlement of the PAF2 CCA occurred in the first half of 2016, following regulatory approvals. Final payout upon settlement of these awards was 94% of the amount awarded.

2008 Partner Asset Facility

As part of the 2008 annual compensation process, the Group granted employees in the former Investment Banking division with the corporate title of managing director or director the majority of the deferred compensation in the form of 2008 Partner Asset Facility (PAF) awards, denominated in US dollars. The PAF awards are indexed to, and represent a first-loss interest in, a specified pool of illiquid assets (Asset Pool) that originated in the former Investment Banking division.

The notional value of the Asset Pool was based on the fair market value of the assets within the Asset Pool on December 31, 2008, and those assets will remain static throughout the contractual term of the award or until liquidated. The PAF holders will participate in the potential gains on the Asset Pool if the assets within the pool are liquidated at prices above the initial fair market value. If the assets within the Asset Pool are liquidated at prices below the initial fair market value, the PAF holders will bear the first loss on the Asset Pool. As a result, a significant portion of risk positions associated with the Asset Pool has been transferred to the employees and removed from the Group's risk-weighted assets, resulting in a reduction in capital usage.

The PAF awards, which had a contractual term of eight years, are fully vested. Each PAF holder received a semi-annual cash interest payment of LIBOR plus 250 basis points applied to the notional value of the PAF award granted throughout the contractual term of the award. Beginning in the fifth year after the grant date, the PAF holders received an annual cash payment equal to 20% of the notional value of the PAF awards if the fair market value of the Asset Pool in that year has not declined below the initial fair market value of the Asset Pool. In the final year of the contractual term, the PAF holders received a final settlement in cash equal to the notional value, less all previous cash payments made to the PAF holder, plus any related gains or less any related losses on the liquidation of the Asset Pool. During 2017, the final settlement of the outstanding PAF awards of CHF 789 million was made.

Other cash awards

Other cash awards consist of voluntary deferred compensation plans and employee investment plans. The compensation expense related to these awards was primarily driven by mark to market and performance adjustments, as the majority of the awards are fully vested.

Delivered shares

In 2015, the Group delivered all of its shares through market purchases. In 2016, the Group's share delivery obligations were covered mainly through the issuance of shares from conditional capital, with a portion covered by shares purchased in the market. In 2017, the Group returned to fully cover its share delivery obligations through market purchases.

29 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions, or if another party controls both. The Group's related parties include key management personnel, close family members of key management personnel and entities that are controlled, significantly influenced, or for which significant voting power is held, by key management personnel or their close family members. Key management personnel are those individuals having authority and responsibility for planning, directing and controlling the activities of the Group, that is, members of the Executive Board and the Board of Directors.

Banking relationships

The Group is a global financial services provider. Many of the members of the Executive Board and the Board of Directors, their close family members or companies associated with them maintain banking relationships with the Group. The Group or any of its banking subsidiaries may from time to time enter into financing and other banking agreements with companies in which current members of the Executive Board or the Board of Directors have a significant influence as defined by the SEC, such as holding executive and/or board level roles in these companies. With the exception of the transactions described below, relationships with members of the Executive Board or the Board of Directors and such companies are in the ordinary course of business and are entered into on an arm's length basis. Also, unless otherwise noted, all loans to members of the Executive Board, members of the Board of Directors, their close family members or companies associated with them were made in the ordinary course of business, were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and did not involve more than the normal risk of collectability or present other unfavorable features. As of December 31, 2017, 2016 and 2015, there were no loan exposures to such related parties that were not made in the ordinary course of business and at prevailing market conditions.

Related party loans

Executive Board and Board of Directors loans

The majority of loans outstanding to members of the Executive Board and the Board of Directors are mortgages or loans against securities.

All mortgage loans to members of the Executive Board are granted either with variable or fixed interest rates over a certain period. Typically, mortgages are granted for periods of up to ten years. Interest rates applied are based on refinancing costs plus a margin, and interest rates and other terms are consistent with those applicable to other employees. Loans against securities are granted at interest rates and on terms applicable to such loans granted to other employees. The same credit approval and risk assessment procedures apply to members of the Executive Board as for other employees. Unless otherwise noted, all loans to members of the Executive Board were made in the ordinary course of business and substantially on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and in consideration of the terms which apply to all Group employees. These loans did not involve more than the normal risk of collectability or present other unfavorable features. The highest loan outstanding to an Executive Board member was CHF 7 million to Thomas Gottstein as of December 31, 2017.

Members of the Board of Directors with loans, including the Chairman of the Board of Directors, do not benefit from employee conditions, but are subject to conditions applied to clients with a comparable credit standing. Unless otherwise noted, all loans to members of the Board of Directors were made in the ordinary course of business and substantially on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons. Such loans did not involve more than the normal risk of collectability or present other unfavorable features.

Executive Board and Board of Directors loans

in	2017	2016	2015
Loans to members of the Executive Board (CHF million)			
Balance at beginning of period	**25** [1]	**26**	**5**
Additions	3	6	21
Reductions	(2)	(7)	0
Balance at end of period	**26** [1]	**25**	**26**
Loans to members of the Board of Directors (CHF million)			
Balance at beginning of period	**10** [2]	**8**	**16**
Additions	1	3	1
Reductions	0	(1)	(9)
Balance at end of period	**11** [2]	**10**	**8**

1 The number of individuals with outstanding loans at the beginning and the end of the year was eight.
2 The number of individuals with outstanding loans at the beginning and the end of the year was four.

Equity method investees loans

The Group or its subsidiaries grant loans to equity method investees in the normal course of business.

‣ Refer to "Note 39 – Significant subsidiaries and equity method investments" for a list of equity method investments.

Loans made by the Group or any subsidiaries to equity method investees

in	2017	2016	2015
Loans to equity method investees (CHF million)			
Balance at beginning of period	**173**	**135**	**13**
Net borrowings/(repayments)	0	38	122
Balance at end of period	**173**	**173**	**135**

Other related party transactions

Tier 1 capital instruments

Beginning in February 2011, the Group entered into agreements with entities affiliated with Qatar Investment Authority (QIA) and The Olayan Group, each of which has significant holdings of Group shares and other Group financial products. The agreements were amended in 2012 and 2013 and, as a result, QIA and The Olayan Group agreed to purchase new tier 1 high-trigger capital instruments (new Tier 1 Capital Notes) in exchange for their holdings of previously issued notes.

The following new Tier 1 Capital Notes were outstanding as of December 31, 2017:

- USD 1.725 billion 9.5%, held by an affiliate of The Olayan Group;
- USD 1.72 billion 9.5%, held by an affiliate of QIA; and
- CHF 2.5 billion 9.0%, held by an affiliate of QIA.

Under their terms, the new Tier 1 Capital Notes will be converted into Group ordinary shares if the Group's reported CET1 ratio, as determined under Basel Committee on Banking Supervision regulations as of the end of any calendar quarter, falls below 7% (or any lower applicable minimum threshold), unless FINMA, at the Group's request, has agreed on or prior to the publication of the Group's quarterly results that actions, circumstances or events have restored, or will imminently restore, the ratio to above the applicable threshold. The new Tier 1 Capital Notes will also be converted if FINMA determines that conversion is necessary, or that the Group requires public sector capital support, to prevent the Group from becoming insolvent, bankrupt or unable to pay a material amount of the Group's debts, or other similar circumstances. In addition, conversion of the new Tier 1 Capital Notes issued to the entities affiliated with The Olayan Group will be triggered if, in the event of a request by FINMA for an interim report prior to the end of any calendar quarter, the Group's reported CET1 ratio, as of the end of any such interim period, falls below 5%. The conversion price will be the higher of a given floor price per share (subject to customary adjustments) or the daily volume weighted average sales price of the Group's ordinary shares over a five-day period preceding the notice of conversion. The new Tier 1 Capital Notes are deeply subordinated, perpetual and callable by the Group no earlier than 2018 and in certain other circumstances with FINMA approval. Interest, which is payable on the USD 1.725 billion and the USD 1.72 billion new Tier 1 Capital Notes at a fixed rate of 9.5% and on the CHF 2.5 billion new Tier 1 Capital Notes at a fixed rate of 9.0%, will reset after the first call date. Interest payments will generally be discretionary (unless triggered), subject to suspension in certain circumstances and non-cumulative.

At the time of the original transaction, the Group determined that this was a material transaction and deemed QIA and The Olayan Group to be related parties of the Group's then Board of Directors members Jassim Bin Hamad J.J. Al Thani and Aziz R.D. Syriani for purposes of evaluating the terms and corporate governance of the original transaction. At that time, the Board of Directors (except for Mr. Bin Hamad J.J. Al Thani and Mr. Syriani, who abstained from participating in the determination process) determined that the terms of the original transaction, given its size, the nature of the contingent capital instrument, for which there was no established market, and the terms of the notes issued and held by QIA and The Olayan Group, were fair. As of April 26, 2013 and April 28, 2017, respectively, Mr. Syriani and Mr. Bin Hamad J.J. Al Thani retired from the Board of Directors and no other person affiliated with The Olayan Group or with QIA has been elected as a member of the Board of Directors.

Liabilities due to own pension plans

Liabilities due to the Group's own defined benefit pension plans as of December 31, 2017 and 2016 of CHF 336 million and CHF 521 million, respectively, were reflected in various liability accounts in the Group's consolidated balance sheets. Certain unconsolidated SPEs wholly owned by the Group had liabilities to the pension plans of the Group with a notional value of CHF 53 million as of December 31, 2016.

30 Pension and other post-retirement benefits

The Group sponsors defined contribution pension plans, defined benefit pension plans and other post-retirement defined benefit plans such as post-retirement health care.

DEFINED CONTRIBUTION PENSION PLANS

Defined contribution plans provide each participant with an individual account. The benefits to be provided to a participant are solely based on the contributions made to that employee's account and are affected by income, expenses and gains and losses allocated to the account. As such, there are no stipulations of a defined annuity benefit at retirement and the participants bear the full actuarial as well as investment risk.

The Group contributes to various defined contribution pension plans primarily in the US and the UK as well as other countries throughout the world. During 2017, 2016 and 2015, the Group contributed to these plans and recognized as expense CHF 165 million, CHF 161 million and CHF 157 million, respectively.

DEFINED BENEFIT PENSION AND OTHER POST-RETIREMENT BENEFIT PLANS

Defined benefit pension plans

Defined benefit pension plans are pension plans that define specific benefits for an employee upon that employee's retirement. These benefits are usually determined by taking into account the employee's salary, years of service and age of retirement. Retirees bear neither the actuarial risk (for example, the risk that the retirees of the plan live longer than expected), nor the investment risk (that is, that plan assets invested and associated returns will be insufficient to meet the expected benefits due to low or negative returns on contributions). The Group's funding policy for these plans is in accordance with local laws and tax requirements.

Swiss pension plan

The Group's most significant defined benefit pension plan, the Credit Suisse Swiss Pension Plan (Swiss pension plan), is located and covers its employees in Switzerland and is set up as a trust domiciled in Zurich. The Swiss pension plan provides benefits in the event of retirement, death and disability and meets or exceeds the minimum benefits required under the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG). Benefits in the Swiss pension plan are determined on the basis of the accumulated employer and employee contributions and accumulated interest credited. Although the Swiss pension plan is largely defined contribution in nature, it is treated as a defined benefit plan under US GAAP, mainly due to a guaranteed minimum return on contributions and guaranteed payment of lifetime pensions. As of December 31, 2017 and 2016, the Swiss pension plan comprised 73% and 73%, respectively, of all the Group's employees participating in defined benefit plans, 81% and 80%, respectively, of the fair value of plan assets, and 82% and 82%, respectively, of the pension benefit obligation of the Group's defined benefit plans.

Employee contributions in the savings section depend on their age and are determined as a percentage of the pensionable salary. The employees can select between three different levels of contributions which vary between 5% and 14% depending on their age. The Group's contribution varies between 7.5% and 25% of the pensionable salary depending on the employee's age.

The Swiss Federal council sets the minimum statutory interest rate on savings balances on an annual basis that applies to the BVG minimum pensionable salary (1.0% as of January 1, 2018 and 2017). The statutory interest rate on savings balances does not apply to extra mandatory benefits. The Board of Trustees of the Swiss pension fund sets the interest rate to be applied on the accumulated savings balance on an annual basis.

When employees retire, their savings balance is converted into an annuity and the conversion rate is the percentage used to convert the assets accrued in the Swiss pension plan to an annual lifetime retirement pension. The level of the conversion rate depends on the life expectancy of future retirees and on the long-term potential for returns in the capital markets. The Board of Trustees of the Swiss pension plan has the responsibility to set the conversion rates for the plan. In December 2016, the Board of Trustees of the Swiss pension plan decided in favor of further decreases in conversion rates. In the future, decisions on conversion rates will be set for a planning horizon of at least eight years.

International pension plans

Various defined benefit pension plans cover the Group's employees outside Switzerland. These plans provide benefits in the event of retirement, death, disability or termination of employment. Retirement benefits under the international pension plans depend on age, contributions and salary. The Group's principal defined benefit pension plans outside Switzerland are located in the US and in the UK. Both of these plans are funded, closed to new participants and have ceased accruing new benefits. Smaller defined benefit pension plans, both funded and unfunded, are operated in other locations.

Other post-retirement defined benefit plans

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

Components of net periodic benefit costs

	Defined benefit pension plans						Other post-retirement defined benefit plans		
	Switzerland			International			International		
in	**2017**	2016	2015	**2017**	2016	2015	**2017**	2016	2015
Net periodic benefit costs (CHF million)									
Service costs on benefit obligation	243	288	298	22	20	21	0	0	0
Interest costs on benefit obligation	57	141	189	91	124	129	6	8	7
Expected return on plan assets	(473)	(536)	(592)	(133)	(175)	(195)	0	0	0
Amortization of recognized prior service cost/(credit)	(131)	(116)	(85)	0	0	0	0	0	(23)
Amortization of recognized actuarial losses/(gains)	340	366	351	60	41	84	7	10	14
Settlement losses/(gains)	37	24	24	0	72	(1)	0	0	0
Curtailment losses/(gains)	(23)	(18)	(2)	(10)	0	0	0	0	0
Special termination benefits	19	22	9	0	0	0	0	0	0
Net periodic benefit costs/(credits)	**69**	**171**	**192**	**30**	**82**	**38**	**13**	**18**	**(2)**

Net periodic benefit costs of defined benefit plans

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

Net periodic benefit costs reflected in compensation and benefits – other for 2017, 2016 and 2015 were CHF 112 million, CHF 271 million and CHF 228 million, respectively.

Since the second quarter of 2011, as part of its strategic plan, the Group has launched a number of cost efficiency measures, including headcount reduction. This resulted in curtailment gains of CHF 23 million, CHF 18 million and CHF 2 million in 2017, 2016 and 2015, respectively, reflecting the immediate recognition of a credit relating to the years of service no longer expected to be rendered. Additional costs of CHF 37 million, CHF 24 million and CHF 24 million in 2017, 2016 and 2015, respectively, related to the settlement of the pension obligation for employees in Switzerland whose employment has effectively been terminated or who have left the Group due to a sale of their business. Special termination benefit costs of CHF 19 million, CHF 22 million and CHF 9 million have been recognized in 2017, 2016 and 2015, respectively, relating to early retirements in Switzerland in the context of the cost efficiency measures.

During the second half of 2016, lump-sum settlement offers were made to terminated vested members of the pension fund in the US. As a result of members accepting this offer, there was an additional cost of CHF 72 million relating to the settlement of pension obligations for these members.

Benefit obligation

The benefit obligation is expressed as either accumulated benefit obligation (ABO) or PBO. While the ABO refers to the actuarial present value based on employee services rendered prior to that date and takes into account current and past compensation levels, the PBO also applies an assumption as to future compensation levels.

The table “Obligations and funded status of the plans” shows the changes in the PBO, the ABO, the fair value of plan assets and the amounts recognized in the consolidated balance sheets for the defined benefit pension and other post-retirement defined benefit plans.

US GAAP requires an employer to recognize the funded status of the defined benefit pension and other post-retirement defined benefit plans on the balance sheet. The funded status of these plans is determined as the difference between the fair value of plan assets and the PBO. The funded status may vary from year to year due to changes in the fair value of plan assets and variations of the PBO following changes in the underlying assumptions and census data used to determine the PBO. In 2017 and 2016, the curtailments, settlements and special termination benefits in Switzerland, which impacted the PBO, related to the headcount reduction in the context of the cost efficiency measures.

In 2015, the Board of Trustees of the Swiss pension plan changed a number of retirement benefits, reflecting the plan’s ability to finance benefits on an ongoing long-term basis, which became effective as of January 1, 2017. These changes reflect the prospective higher costs of providing retirement benefits due to lower expected asset returns, lower interest rates and increased life expectancy. These considerations have resulted in incremental reductions of conversion rates, the introduction of the reference age 65 for all insured persons, changes to the bridging pension related to the Swiss Old-Age and Survivors Insurance, enhanced lump-sum withdrawal options on retirement and the reduction of the maximum retirement pension. Furthermore, the Board of Trustees of the Swiss pension plan also agreed to improve death and disability benefits and to introduce a cohabiting partner’s pension. In 2016, the Board of Trustees of the Swiss pension plan made additional amendments to plan conditions leading to further decreases in future conversion rates. These changes resulted in a CHF 179 million reduction in the PBO for the Swiss pension plan in December 2016.

Obligations and funded status of the plans

			Defined benefit pension plans		Other post-retirement defined benefit plans	
	Switzerland		International		International	
in / end of	**2017**	2016	**2017**	2016	**2017**	2016
PBO (CHF million) [1]						
Beginning of the measurement period	**15,885**	**16,088**	**3,337**	**3,366**	**184**	**180**
Plan participant contributions	205	202	0	0	0	0
Service cost	243	288	22	20	0	0
Interest cost	57	141	91	124	6	8
Plan amendments	0	(179)	0	0	0	0
Settlements	(144)	(70)	0	(278)	0	0
Curtailments	(22)	(4)	(11)	0	0	0
Special termination benefits	19	22	1	1	0	0
Actuarial losses/(gains)	471	134	171	476	2	1
Benefit payments	(829)	(737)	(287)	(150)	(11)	(11)
Exchange rate losses/(gains)	0	0	66	(222)	(8)	6
End of the measurement period	**15,885**	**15,885**	**3,390**	**3,337**	**173**	**184**
Fair value of plan assets (CHF million)						
Beginning of the measurement period	**15,951**	**15,602**	**4,000**	**3,712**	**0**	**0**
Actual return on plan assets	1,398	510	256	824	0	0
Employer contributions	415	444	22	232	11	11
Plan participant contributions	205	202	0	0	0	0
Settlements	(144)	(70)	0	(278)	0	0
Benefit payments	(829)	(737)	(287)	(150)	(11)	(11)
Exchange rate gains/(losses)	0	0	97	(340)	0	0
End of the measurement period	**16,996**	**15,951**	**4,088**	**4,000**	**0**	**0**
Funded status recognized (CHF million)						
Funded status of the plan – overfunded/(underfunded)	1,111	66	698	663	(173)	(184)
Funded status recognized in the consolidated balance sheet as of December 31	**1,111**	**66**	**698**	**663**	**(173)**	**(184)**
Total amount recognized (CHF million)						
Noncurrent assets	1,111	66	1,058	995	0	0
Current liabilities	0	0	(11)	(11)	(11)	(12)
Noncurrent liabilities	0	0	(349)	(321)	(162)	(172)
Net amount recognized in the consolidated balance sheet as of December 31	**1,111**	**66**	**698**	**663**	**(173)**	**(184)**
ABO (CHF million) [2]						
End of the measurement period	**14,841**	**14,962**	**3,351**	**3,281**	**173**	**184**

[1] Including estimated future salary increases.
[2] Excluding estimated future salary increases.

The net amount recognized in the consolidated balance sheets as of December 31, 2017 and 2016 for the defined benefit pension plans was an overfunding of CHF 1,809 million and CHF 729 million, respectively.

In 2018, the Group expects to contribute CHF 396 million to the Swiss and international defined benefit pension plans and CHF 11 million to other post-retirement defined benefit plans.

PBO or ABO in excess of plan assets

The following table shows the aggregate PBO and ABO, as well as the aggregate fair value of plan assets for those plans with PBO in excess of plan assets and those plans with ABO in excess of plan assets as of December 31, 2017 and 2016, respectively.

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

	PBO exceeds fair value of plan assets [1]				ABO exceeds fair value of plan assets [1]			
	Switzerland		International		Switzerland		International	
December 31	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
CHF million								
PBO	0	0	1,464	1,426	0	0	1,447	1,407
ABO	0	0	1,433	1,391	0	0	1,420	1,378
Fair value of plan assets	0	0	1,104	1,095	0	0	1,088	1,079

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

Amount recognized in AOCI and other comprehensive income

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

Amounts recognized in AOCI, net of tax

	Defined benefit pension plans		Other post-retirement defined benefit plans		**Total**	
end of	**2017**	2016	**2017**	2016	**2017**	2016
Amounts recognized in AOCI (CHF million)						
Actuarial gains/(losses)	(3,547)	(4,239)	(36)	(39)	(3,583)	(4,278)
Prior service credit/(cost)	519	640	3	3	522	643
Total	**(3,028)**	**(3,599)**	**(33)**	**(36)**	**(3,061)**	**(3,635)**

The following tables show the changes in other comprehensive income due to actuarial gains/(losses) and prior service credit/(cost) recognized in AOCI during 2017 and 2016 and the amortization of the aforementioned items as components of net periodic benefit costs for these periods as well as the amounts expected to be amortized in 2018.

Amounts recognized in other comprehensive income

	Defined benefit pension plans			Other post-retirement defined benefit plans			
in	Gross	Tax	Net	Gross	Tax	Net	**Total net**
2017 (CHF million)							
Actuarial gains/(losses)	406	(82)	324	(2)	1	(1)	323
Amortization of actuarial losses/(gains)	400	(76)	324	7	(3)	4	328
Amortization of prior service cost/(credit)	(131)	26	(105)	0	0	0	(105)
Immediate recognition due to curtailment/settlement	36	(8)	28	0	0	0	28
Total	**711**	**(140)**	**571**	**5**	**(2)**	**3**	**574**
2016 (CHF million)							
Actuarial gains/(losses)	13	(9)	4	(1)	0	(1)	3
Prior service credit/(cost)	180	(38)	142	0	0	0	142
Amortization of actuarial losses/(gains)	408	(91)	317	10	(4)	6	323
Amortization of prior service cost/(credit)	(116)	24	(92)	0	0	0	(92)
Immediate recognition due to curtailment/settlement	82	(28)	54	0	0	0	54
Total	**567**	**(142)**	**425**	**9**	**(4)**	**5**	**430**

Amounts in AOCI, net of tax, expected to be amortized in 2018

in 2018	Defined benefit pension plans	Other post-retirement defined benefit plans
CHF million		
Amortization of actuarial losses/(gains)	282	6
Amortization of prior service cost/(credit)	(100)	0
Total	**182**	**6**

Assumptions

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

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

	Defined benefit pension plans						Other post-retirement defined benefit plans		
	Switzerland			International			International		
December 31	**2017**	2016	2015	**2017**	2016	2015	**2017**	2016	2015
Net periodic benefit cost (%)									
Discount rate – service costs	1.01	0.90	1.25	2.92	4.05	3.82	4.03	4.50	4.20
Discount rate – interest costs	0.37	0.90	1.25	2.79	4.05	3.82	3.48	4.50	4.20
Salary increases	0.50	0.80	1.00	3.55	3.56	4.19	–	–	–
Interest rate on savings balances	0.85	1.25	1.25	–	–	–	–	–	–
Expected long-term rate of return on plan assets	3.00	3.50	4.00	3.88	5.07	6.00	–	–	–
Benefit obligation (%)									
Discount rate	0.86	0.85	0.90	2.83	3.10	4.05	3.70	4.21	4.50
Salary increases	0.50	0.50	0.80	2.97	3.55	3.56	–	–	–
Interest rate on savings balances	0.86	0.85	1.25	–	–	–	–	–	–

Net periodic benefit cost and benefit obligation assumptions

The assumptions used to determine the benefit obligation as of the measurement date are also used to calculate the net periodic benefit costs for the 12-month period following this date.

The discount rates are determined based on yield curves, constructed from high-quality corporate bonds currently available and observable in the market and are expected to be available during the period to maturity of the pension benefits. In countries where there is no deep market in high-quality corporate bonds with longer durations, the best available market information, including governmental bond yields and risk premiums, is used to construct the yield curve. Credit Suisse adopted the spot rate approach for the valuation as at December 31, 2016, whereby individual spot rates on the yield curve are applied to each year's cash flow in measuring the plan's benefit obligation as well as future service costs and interest costs.

The assumption pertaining to salary increases is used to calculate the PBO, which is measured using an assumption as to future compensation levels.

When Credit Suisse estimates the interest rate on savings balances, expected future changes in the interest rate environment are taken into consideration. Specifically, Credit Suisse uses the cash flow weighted average of the yield curve used for the discount rate as the best estimate for the interest rate on savings balances for these long term projections.

The expected long-term rate of return on plan assets assumption is applied to the market-related value of assets to calculate the expected return on plan assets as a component of the net periodic benefit costs. It reflects the average rate of returns expected on the funds invested or to be invested to provide for the benefits included in the PBO. In estimating that rate, appropriate consideration is given to the returns being earned by the plan assets and the rates of return expected to be available for reinvestment. The expected long-term rate of return on plan assets is based on total return forecasts, expected volatility and correlation estimates, reflecting interrelationships between and within asset classes held. Where possible, similar, if not related, approaches are followed to forecast returns for the various asset classes.

The expected long-term rate of return on debt securities reflects both accruing interest and price returns. The probable long-term relationship between the total return and certain exogenous variables is used, which links the total return forecasts on debt securities to forecasts of the macroeconomic environment.

The expected long-term rate of ROE securities is based on a two-stage dividend discount model which considers economic and market forecasts to compute a market-implied equity risk premium. Dividends are estimated using market consensus earnings

and the historical payout ratio. A subsequent scenario analysis is used to stress test the level of the return.

The expected long-term rate of return on real estate is based on economic models that reflect both the rental and the capital market side of the direct real estate market. This allows for a replicable and robust forecasting methodology for expected returns on real estate equity, fund and direct market indices.

The expected long-term rate of return on private equity and hedge funds is estimated by determining the key factors in their historical performance using private equity and hedge fund benchmarks and indices. To capture these factors, multiple linear regression models with lagged returns are used.

Mortality assumptions are based on standard mortality tables and standard models and methodologies for projecting future improvements to mortality as developed and published by external independent actuarial societies and actuarial organizations.

Mortality tables and life expectancies for major plans

		Life expectancy at age 65 for a male member currently				Life expectancy at age 65 for a female member currently			
		aged 65		aged 45		aged 65		aged 45	
December 31		**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Life expectancy (years)									
Switzerland	BVG 2015 tables [1]	21.6	21.2	23.1	22.4	23.5	23.0	25.1	24.4
UK	SAPS S2 light tables [2]	23.8	24.0	25.4	25.5	24.8	25.1	26.6	26.8
US	RP-2014 mortality tables [3]	21.5	21.4	22.7	22.6	23.3	23.3	24.4	24.4

1 The BVG 2015 tables were used, which included proposed CMI projections in 2016 and final CMI projections in 2017, with a long-term rate of improvement of 1.25% per annum.
2 95% of Self-Administered Pension Scheme (SAPS) S2 light tables were used, which included proposed CMI projections in 2016 and final CMI projections in 2017, with a long-term rate of improvement of 1.5% per annum.
3 The Retirement Projection 2014 (RP-2014) mortality tables were used, with projections based on the Social Security Administration's intermediate improvement scale.

Under US GAAP, the assumptions used to value the PBO should always represent the best estimate as of the measurement date. Credit Suisse regularly reviews the actuarial assumptions used to value and measure the defined benefit obligation on a periodic basis as required by US GAAP.

▸ Refer to "Critical accounting estimates" in II – Operating and financial review and "Note 1- Summary of significant accounting policies" for further information.

Review of assumptions

As part of its reviews in 2016 and 2017, Credit Suisse concluded that additional refinements to the assumptions for the Swiss pension plan were required in order to reflect the best estimate. As a result, Credit Suisse enhanced its methodology for determining the actuarial assumptions for the Swiss pension plan as follows:

- For estimating the discount rates used for discounting expected future cash flows when valuing the PBO, Credit Suisse introduced a more standardized approach for setting this assumption and improved the construction of the yield curve where the market for high-quality Swiss corporate bonds with long-term maturities was not sufficiently deep. The individual spot rates on the yield curve were applied for discounting each respective year's cash flow in measuring the Swiss pension plan's benefit obligation as of December 31, 2016. These improvements and refinements in estimates resulted in an incremental decrease to the PBO of approximately CHF 440 million.
- In Switzerland, the mortality tables used for the occupational pension fund are the BVG series, which are currently reviewed every five years. Prior to 2016, Credit Suisse used the periodic BVG 2015 tables with allowances for future improvements in life expectancy until 2020, which was based on the applicable current BVG generational table improvement scale. For 2016, Credit Suisse refined its methodology to incorporate future improvements in life expectancy on a continuous basis by applying future expected improvements to the periodic BVG 2015 tables using the Continuous Mortality Investigation (CMI) model with a long-term improvement rate of 1.25%. The move to the generational table resulted in an incremental increase to the PBO of CHF 175 million.
- In setting the assumption for the future interest rate on savings balances and future conversion rates, management took into consideration the expected level of future interest rates based on the yield curve used for the discount rate in addition to the legal minimum requirements, current rates approved by the Board of Trustees of the Swiss pension fund and historical trends.
- For discounting expected future cash flows, Credit Suisse adopted the "spot rate approach" for the valuation as of December 31, 2016, whereby individual spot rates on the yield curve are applied to each year's cash flow in measuring the plan's benefit obligation as well as future service costs and interest costs. Under the previous methodology, a single weighted-average discount rate derived from the yield curve was applied to each cash flow. Incorporating the "spot rate approach" reduced the 2017 net periodic benefit costs by CHF 87 million as compared to the prior methodology. There was no significant change in the PBO as a result of the change.

- As part of its review during 2017, Credit Suisse adopted the final version of the CMI model as published in early 2017 for the valuation of the Swiss pension plan. This resulted in an increase in the PBO of CHF 140 million.

Health care cost assumptions

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

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

Health care cost trend rates and sensitivity

in / end of	**2017**	2016	2015
Health care cost trend rate (%)			
Annual weighted-average health care cost trend rate [1]	8.3	8.3	8.0
Increase/(decrease) in post-retirement expenses (CHF million)			
One percentage point increase in health care cost trend rates	0.1	0.2	0.2
One percentage point decrease in health care cost trend rates	(0.1)	(0.2)	(0.2)
Increase/(decrease) in post-retirement benefit obligation (CHF million)			
One percentage point increase in health care cost trend rates	3	4	4
One percentage point decrease in health care cost trend rates	(3)	(4)	(4)

[1] The annual health care cost trend rate is assumed to decrease gradually to achieve the long-term health care cost trend rate of 5% by 2026.

The annual health care cost trend rate used to determine the net periodic benefit costs for 2018 is 8.2%.

Plan assets and investment strategy

Plan assets, which are assets that have been segregated and restricted to provide for plan benefits, are measured at their fair value as of the measurement date.

The Group's defined benefit pension plans employ a total return investment approach, whereby a diversified mix of debt and equity securities and alternative investments, specifically hedge funds and private equity, are used to maximize the long-term return of plan assets while incurring a prudent level of risk. The intent of this strategy is to meet or outperform plan liabilities over the long term. Risk tolerance is established through careful consideration of plan liabilities, plan funded status and corporate financial condition. Furthermore, equity securities are diversified across different geographic regions as well as across growth, value and small and large capitalization stocks. Real estate and alternative investments, such as private equity and hedge funds, are used to enhance long-term returns while improving portfolio diversification. Derivatives may be used to hedge or increase market exposure, but are not used to leverage the portfolio beyond the market value of the underlying investments. Investment risk is measured and monitored on an ongoing basis through periodic asset/liability studies and quarterly investment portfolio reviews. To limit investment risk, the Group pension plans follow defined strategic asset allocation guidelines. At times of major market uncertainties and stress, these guidelines may be further restricted.

As of December 31, 2016, the total fair value of Group debt securities included in plan assets of the Group's defined benefit pension plans was CHF 54 million. As of December 31, 2017 and 2016, the total fair value of Group equity securities and options was CHF 118 million and CHF 90 million, respectively.

Fair value hierarchy of plan assets

‣ Refer to "Fair value measurement" in Note 34 – Financial instruments for discussion of the fair value hierarchy.

Fair value of plan assets

The following tables present the plan assets measured at fair value on a recurring basis as of December 31, 2017 and 2016 for the Group's defined benefit pension plans.

Plan assets measured at fair value on a recurring basis

end of					2017					2016 [1]
	Level 1	Level 2	Level 3	Assets measured at net asset value per share	**Total**	Level 1	Level 2	Level 3	Assets measured at net asset value per share	**Total**
Plan assets at fair value (CHF million)										
Cash and cash equivalents	384	0	0	0	384	440	0	0	0	440
Debt securities	3,144	325	37	742	4,248	3,186	438	0	748	4,372
of which corporates	3,144	325	37	742	4,248	3,186	438	0	748	4,372
Equity securities	6,780	10	0	0	6,790	6,011	0	0	0	6,011
Real estate	727	0	1,257	0	1,984	729	0	1,204	0	1,933
of which direct	0	0	1,244	0	1,244	0	0	1,204	0	1,204
of which indirect	727	0	13	0	740	729	0	0	0	729
Alternative investments	513	14	0	3,063	3,590	329	(35)	0	2,901	3,195
of which private equity	0	0	0	1,313	1,313	0	0	0	1,107	1,107
of which hedge funds	153	0	0	1,292	1,445	0	0	0	1,293	1,293
of which other	360	14	0	458	832	329	(35)	0	501	795
Switzerland	**11,548**	**349**	**1,294**	**3,805**	**16,996**	**10,695**	**403**	**1,204**	**3,649**	**15,951**
Cash and cash equivalents	70	133	0	0	203	49	170	0	0	219
Debt securities	1,991	1,080	0	370	3,441	1,380	865	7	274	2,526
of which governments	1,622	9	0	0	1,631	1,009	7	0	0	1,016
of which corporates	369	1,071	0	370	1,810	371	858	7	274	1,510
Equity securities	55	14	0	147	216	240	143	0	226	609
Real estate – indirect	0	0	0	27	27	0	0	0	58	58
Alternative investments	0	33	0	76	109	0	321	0	177	498
of which hedge funds	0	0	0	76	76	0	0	0	177	177
of which other	0	33 [2]	0	0	33	0	321 [2]	0	0	321
Other investments	0	92	0	0	92	0	90	0	0	90
International	**2,116**	**1,352**	**0**	**620**	**4,088**	**1,669**	**1,589**	**7**	**735**	**4,000**
Total plan assets at fair value	**13,664**	**1,701**	**1,294**	**4,425**	**21,084**	**12,364**	**1,992**	**1,211**	**4,384**	**19,951**

The Swiss pension fund uses exchange-traded futures to manage the economic exposure of the portfolio. Under US GAAP, these futures are not carried at fair value as they are settled on a daily basis and are considered brokerage receivables and payables. Consequently, they are excluded from this table. These futures increased the economic exposure to cash and cash equivalents by CHF 1,405 million and CHF 194 million in 2017 and 2016, respectively, decreased the economic exposure to debt securities – corporate bonds by CHF 76 million in 2017 and decreased the economic exposure to equity securities by CHF 1,329 million and CHF 194 million in 2017 and 2016, respectively.

[1] Prior period has been corrected to reclassify the leveling of certain plan assets.

[2] Primarily related to derivative instruments.

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

				Actual return on plan assets				
	Balance at beginning of period	Transfers in	Transfers out	On assets still held at reporting date	On assets sold during the period	Purchases, sales, settlements	Foreign currency translation impact	**Balance at end of period**
2017 (CHF million)								
Debt securities – corporates	7	35	0	1	0	(6)	0	37
Real estate	1,204	13	0	42	1	(3)	0	1,257
of which direct	1,204	0	0	42	1	(3)	0	1,244
of which indirect	0	13	0	0	0	0	0	13
Total plan assets at fair value	**1,211**	**48**	**0**	**43**	**1**	**(9)**	**0**	**1,294**
of which Switzerland	1,204	48	0	43	1	(2)	0	1,294
of which International	7	0	0	0	0	(7)	0	0
2016 (CHF million) [1]								
Debt securities – corporates	1	6	0	0	0	0	0	7
Real estate	1,156	0	0	48	0	0	0	1,204
of which direct	1,156	0	0	48	0	0	0	1,204
Total plan assets at fair value	**1,157**	**6**	**0**	**48**	**0**	**0**	**0**	**1,211**
of which Switzerland	1,156	0	0	48	0	0	0	1,204
of which International	1	6	0	0	0	0	0	7

[1] Prior period has been corrected to reclassify the leveling of certain plan assets.

Qualitative disclosures of valuation techniques used to measure fair value

Cash and cash equivalents

Cash and cash equivalents includes money market instruments such as bankers' acceptances, certificates of deposit, CP, book claims, treasury bills, other rights and commingled funds. Valuations of money market instruments and commingled funds are generally based on observable inputs.

Debt securities

Debt securities include government and corporate bonds which are generally quoted in active markets or as units in mutual funds. Debt securities for which market prices are not available, are valued based on yields reflecting the perceived risk of the issuer and the maturity of the security, recent disposals in the market or other modeling techniques, which may involve judgment. Units in mutual funds which are not directly quoted on a public stock exchange and/or for which a fair value is not readily determinable are measured at fair value using NAV.

Equity securities

Equity securities held include common equity shares, convertible bonds and shares in investment companies and units in mutual funds. The common equity shares are generally traded on public stock exchanges for which quoted prices are regularly available. Convertible bonds are generally valued using observable pricing sources. Shares in investment companies and units in mutual funds, which are not directly quoted on a public stock exchange and/or for which a fair value is not readily determinable, are measured at fair value using NAV.

Real estate

Real estate includes direct real estate as well as investments in real estate investment companies, trusts or mutual funds. Direct real estate is initially measured at its transaction price, which is the best estimate of fair value. Thereafter, direct real estate is individually measured at fair value based on a number of factors that include any recent rounds of financing involving third-party investors, comparable company transactions, multiple analyses of cash flows or book values, or discounted cash flow analyses. The availability of information used in these modeling techniques is often limited and involves significant judgment in evaluating these different factors over time. Real estate investment companies, trusts and mutual funds, which are not directly quoted on a public stock exchange and/or for which a fair value is not readily determinable, are measured at fair value using NAV.

Alternative investments

Private equity includes direct investments, investments in partnerships that make private equity and related investments in various portfolio companies and funds and fund of funds partnerships. Private equity consists of both publicly traded securities and private securities. Publicly traded investments that are restricted or that are not quoted in active markets are valued based on publicly available quotes with appropriate adjustments for liquidity or trading restrictions. Private equity is valued taking into account a number of factors, such as the most recent round of financing involving unrelated new investors, earnings multiple analyses using comparable companies or discounted cash flow analyses. Private equity for which a fair value is not readily determinable is measured at fair value using NAV provided by the general partner.

Hedge funds that are not directly quoted on a public stock exchange, and/or for which a fair value is not readily determinable, are measured at fair value using NAV provided by the fund administrator.

Derivatives

Derivatives include both OTC and exchange-traded derivatives. The fair value of OTC derivatives is determined on the basis of inputs that include those characteristics of the derivative that have a bearing on the economics of the instrument. The determination of the fair value of many derivatives involves only a limited degree of subjectivity since the required inputs are generally observable in the marketplace. Other more complex derivatives may use unobservable inputs. Such inputs include long-dated volatility assumptions on OTC option transactions and recovery rate assumptions for credit derivative transactions. The fair value of exchange-traded derivatives is typically derived from the observable exchange prices and/or observable inputs.

Plan asset allocation

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

Weighted-average plan asset allocation

	Switzerland		International	
December 31	**2017**	2016	**2017**	2016
Weighted-average plan asset allocation (%)				
Cash and cash equivalents	2.3	2.8	5.0	5.5
Debt securities	25.0	27.4	84.0	63.2
Equity securities	39.9	37.7	5.3	15.3
Real estate	11.7	12.1	0.7	1.4
Alternative investments	21.1	20.0	2.7	12.4
Insurance	0.0	0.0	2.3	2.2
Total	**100.0**	**100.0**	**100.0**	**100.0**

The following table shows the target plan asset allocation for 2018 in accordance with the Group's investment strategy. The target plan asset allocation is used to determine the expected return on plan assets to be considered in the net periodic benefit costs for 2018.

Weighted-average target plan asset allocation for 2018

	Switzerland	International
2018 (%)		
Cash and cash equivalents	10.0	0.3
Debt securities	32.0	89.0
Equity securities	30.0	5.1
Real estate	10.0	0.6
Alternative investments	18.0	2.7
Insurance	0.0	2.3
Total	**100.0**	**100.0**

Estimated future benefit payments for defined benefit plans

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

Estimated future benefit payments for defined benefit plans

	Defined benefit pension plans	Other post-retirement defined benefit plans
Estimated future benefit payments (CHF million)		
2018	1,195	11
2019	931	11
2020	922	12
2021	926	12
2022	896	12
For five years thereafter	4,652	55

31 Derivatives and hedging activities

Derivatives are generally either privately negotiated OTC contracts or standard contracts transacted through regulated exchanges. The Group'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.

The Group also enters into contracts that are not considered derivatives in their entirety but include embedded derivative features. Such transactions primarily include issued and purchased structured debt instruments where the return may be calculated by reference to an equity security, index or third-party credit risk, or that have non-standard interest or foreign exchange terms.

On the date a derivative contract is entered into, the Group 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;
- a hedge of the variability of cash flows to be received or paid relating to a recognized asset or liability or a forecasted transaction; or
- a hedge of a net investment in a foreign operation.

Trading activities

The Group is active in most of the principal trading markets and transacts in many trading and hedging products. As noted above, this includes the use of swaps, futures, options and structured products, such as custom transactions using combinations of derivatives, in connection with its sales and trading activities. Trading activities include market making, positioning and arbitrage activities. The majority of the Group's derivatives were used for trading activities.

Economic hedges

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

- interest rate derivatives to manage net interest rate risk on certain core banking business assets and liabilities;
- foreign exchange derivatives to manage foreign exchange risk on certain core banking business revenue and expense items, as well as on core banking business assets and liabilities;
- credit derivatives to manage credit risk on certain loan portfolios;
- futures to manage risk on equity positions including convertible bonds; and
- equity derivatives to manage equity/index risks on certain structured products.

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

Hedge accounting

Fair value hedges

The Group 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 Group 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 Group 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 Group 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 Group elects to be exposed. This includes, but is not limited to, Swiss francs and US dollars. Further, the Group uses derivatives to hedge its cash flows associated with forecasted transactions. As of the end of 2017, the maximum length of time over which the Group 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.

Net investment hedges

The Group designates net investment hedges as part of its strategy to hedge selected net investments in foreign operations against adverse movements in foreign exchange rates, typically using forward foreign exchange contracts.

Hedge effectiveness assessment

The Group 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 Group 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 Group to determine whether or not the hedging relationship has actually been effective. If the Group 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.

Fair value of derivative instruments

The tables below present gross derivative replacement values by type of contract and whether the derivative is used for trading purposes or in a qualifying hedging relationship. Notional amounts have also been provided as an indication of the volume of derivative activity within the Group.

Information on bifurcated embedded derivatives has not been included in these tables. Under US GAAP, the Group elected to account for substantially all financial instruments with an embedded derivative that is not considered clearly and closely related to the host contract at fair value.

▸ Refer to "Note 34 – Financial instruments" for further information.

Fair value of derivative 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 instruments (CHF billion)						
Forwards and forward rate agreements	8,509.3	1.2	1.2	0.0	0.0	0.0
Swaps	13,047.8	60.4	56.6	46.8	0.2	0.2
Options bought and sold (OTC)	2,374.5	25.2	24.0	0.0	0.0	0.0
Futures	547.8	0.0	0.0	0.0	0.0	0.0
Options bought and sold (exchange-traded)	419.2	0.2	0.3	0.0	0.0	0.0
Interest rate products	**24,898.6**	**87.0**	**82.1**	**46.8**	**0.2**	**0.2**
Forwards	1,387.9	10.7	11.1	13.3	0.0	0.2
Swaps	581.1	15.2	19.9	0.0	0.0	0.0
Options bought and sold (OTC)	414.8	4.6	4.8	2.1	0.0	0.0
Futures	13.0	0.0	0.0	0.0	0.0	0.0
Options bought and sold (exchange-traded)	5.4	0.0	0.0	0.0	0.0	0.0
Foreign exchange products	**2,402.2**	**30.5**	**35.8**	**15.4**	**0.0**	**0.2**
Forwards	0.9	0.0	0.1	0.0	0.0	0.0
Swaps	198.7	3.8	4.9	0.0	0.0	0.0
Options bought and sold (OTC)	221.3	8.3	7.9	0.0	0.0	0.0
Futures	32.8	0.0	0.0	0.0	0.0	0.0
Options bought and sold (exchange-traded)	373.2	9.3	10.3	0.0	0.0	0.0
Equity/index-related products	**826.9**	**21.4**	**23.2**	**0.0**	**0.0**	**0.0**
Credit derivatives [2]	**524.9**	**7.7**	**8.9**	**0.0**	**0.0**	**0.0**
Forwards	7.0	0.0	0.1	0.0	0.0	0.0
Swaps	17.9	1.5	1.4	0.0	0.0	0.0
Options bought and sold (OTC)	10.1	0.1	0.0	0.0	0.0	0.0
Futures	15.6	0.0	0.0	0.0	0.0	0.0
Options bought and sold (exchange-traded)	2.1	0.0	0.0	0.0	0.0	0.0
Other products [3]	**52.7**	**1.6**	**1.5**	**0.0**	**0.0**	**0.0**
Total derivative instruments	**28,705.3**	**148.2**	**151.5**	**62.2**	**0.2**	**0.4**

The notional amount, PRV and NRV (trading and hedging) was CHF 28,767.5 billion, CHF 148.4 billion and CHF 151.9 billion, respectively, as of December 31, 2017.

1 Relates to derivative contracts that qualify for hedge accounting under US GAAP.

2 Primarily credit default swaps.

3 Primarily precious metals, commodity and energy products.

Fair value of derivative 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 instruments (CHF billion)						
Forwards and forward rate agreements	8,321.9	3.3	3.2	0.0	0.0	0.0
Swaps	13,190.0	91.0	85.5	47.5	1.0	1.0
Options bought and sold (OTC)	2,164.4	43.1	41.1	0.0	0.0	0.0
Futures	522.1	0.0	0.0	0.0	0.0	0.0
Options bought and sold (exchange-traded)	468.0	0.2	0.2	0.0	0.0	0.0
Interest rate products	**24,666.4**	**137.6**	**130.0**	**47.5**	**1.0**	**1.0**
Forwards	1,211.6	19.2	20.8	11.0	0.1	0.0
Swaps	819.4	34.5	42.0	0.0	0.0	0.0
Options bought and sold (OTC)	416.8	8.1	8.4	4.8	0.0	0.0
Futures	17.8	0.0	0.0	0.0	0.0	0.0
Options bought and sold (exchange-traded)	4.1	0.0	0.0	0.0	0.0	0.0
Foreign exchange products	**2,469.7**	**61.8**	**71.2**	**15.8**	**0.1**	**0.0**
Forwards	1.3	0.0	0.0	0.0	0.0	0.0
Swaps	191.0	4.7	5.3	0.0	0.0	0.0
Options bought and sold (OTC)	206.5	7.7	7.4	0.0	0.0	0.0
Futures	41.5	0.0	0.0	0.0	0.0	0.0
Options bought and sold (exchange-traded)	355.9	11.6	13.1	0.0	0.0	0.0
Equity/index-related products	**796.2**	**24.0**	**25.8**	**0.0**	**0.0**	**0.0**
Credit derivatives [2]	**558.7**	**8.1**	**9.2**	**0.0**	**0.0**	**0.0**
Forwards	7.2	0.1	0.2	0.0	0.0	0.0
Swaps	20.1	2.0	1.4	0.0	0.0	0.0
Options bought and sold (OTC)	20.2	0.4	0.3	0.0	0.0	0.0
Futures	14.3	0.0	0.0	0.0	0.0	0.0
Options bought and sold (exchange-traded)	3.4	0.0	0.1	0.0	0.0	0.0
Other products [3]	**65.2**	**2.5**	**2.0**	**0.0**	**0.0**	**0.0**
Total derivative instruments	**28,556.2**	**234.0**	**238.2**	**63.3**	**1.1**	**1.0**

The notional amount, PRV and NRV (trading and hedging) was CHF 28,619.5 billion, CHF 235.1 billion and CHF 239.2 billion, respectively, as of December 31, 2016.
[1] Relates to derivative contracts that qualify for hedge accounting under US GAAP.
[2] Primarily credit default swaps.
[3] Primarily precious metals, commodity and energy products.

Fair value hedges

in	**2017**	2016	2015
Gains/(losses) recognized in income on derivatives (CHF million)			
Interest rate products	(285)	(116)	(117)
Total	**(285)**	**(116)**	**(117)**
Gains/(losses) recognized in income on hedged items (CHF million)			
Interest rate products	290	111	101
Total	**290**	**111**	**101**
Details of fair value hedges (CHF million)			
Net gains/(losses) on the ineffective portion	5	(5)	(16)

Represents gains/(losses) recognized in trading revenues.

Cash flow hedges

in	2017	2016	2015
Gains/(losses) recognized in AOCI on derivatives (CHF million)			
Interest rate products	(56)	(5)	21
Foreign exchange products	(30)	(9)	(32)
Total	**(86)**	**(14)**	**(11)**
Gains/(losses) reclassified from AOCI into income (CHF million)			
Interest rate products [1]	(11)	29	37
Foreign exchange products	(24) [2,3]	(16) [2,3,4]	(61) [2,3,4]
Total	**(35)**	**13**	**(24)**
Details of cash flow hedges (CHF million)			
Net gains/(losses) on the ineffective portion [2]	(1)	(1)	(12)

Represents gains/(losses) on effective portion.
1 Included in interest and dividend income.
2 Included in trading revenues.
3 Included in other revenues.
4 Included in total other operating expenses.

The net loss associated with cash flow hedges expected to be reclassified from AOCI within the next 12 months was CHF 39 million.

Net investment hedges

in	2017	2016	2015
Gains/(losses) recognized in AOCI on derivatives (CHF million)			
Foreign exchange products	(475)	(536)	440
Total	**(475)**	**(536)**	**440**

Represents gains/(losses) on effective portion.

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

▸ Refer to "Note 7 – Trading revenues" for gains and losses on trading activities by product type.

Disclosures relating to contingent credit risk

Certain of the Group's derivative instruments contain provisions that require it to maintain a specified credit rating from each of the major credit rating agencies. If the ratings fall below the level specified in the contract, the counterparties to the agreements could request payment of additional collateral on those derivative instruments that are in a net liability position. Certain of the derivative contracts also provide for termination of the contract, generally upon a downgrade of either the Group or the counterparty. Such derivative contracts are reflected at close-out costs.

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

Contingent credit risk

end of				2017				2016
	Bilateral counterparties	Special purpose entities	Accelerated terminations	**Total**	Bilateral counterparties	Special purpose entities	Accelerated terminations	**Total**
Contingent credit risk (CHF billion)								
Current net exposure	5.4	0.1	1.2	**6.7**	10.5	0.2	1.1	**11.8**
Collateral posted	4.4	0.1	–	**4.5**	9.5	0.2	–	**9.7**
Impact of a one-notch downgrade event	0.2	0.1	0.1	**0.4**	0.3	0.2	0.0	**0.5**
Impact of a two-notch downgrade event	0.9	0.2	0.5	**1.6**	1.3	0.4	0.5	**2.2**
Impact of a three-notch downgrade event	1.0	0.4	0.7	**2.1**	1.5	0.7	0.7	**2.9**

The impact of a downgrade event reflects the amount of additional collateral required for bilateral counterparties and special purpose entities and the amount of additional termination expenses for accelerated terminations, respectively.

Credit derivatives

Credit derivatives are contractual agreements in which the buyer generally pays a fee in exchange for a contingent payment by the seller if there is a credit event on the underlying referenced entity or asset. They are generally privately negotiated OTC contracts, with numerous settlement and payment terms, and most are structured so that they specify the occurrence of an identifiable credit event, which can include bankruptcy, insolvency, receivership, material adverse restructuring of debt or failure to meet obligations when due.

The Group enters into credit derivative contracts in the normal course of business, buying and selling protection to facilitate client transactions and as a market maker. This includes providing structured credit products for its clients to enable them to hedge their credit risk. The referenced instruments of these structured credit products are both investment grade and non-investment grade and could include corporate bonds, sovereign debt, ABS and loans.

These instruments can be formed as single items (single-named instruments) or combined on a portfolio basis (multi-named instruments). The Group purchases protection to economically hedge various forms of credit exposure, for example, the economic hedging of loan portfolios or other cash positions. Finally, the Group also takes proprietary positions which can take the form of either purchased or sold protection.

The credit derivatives most commonly transacted by the Group are CDS and credit swaptions. CDSs are contractual agreements in which the buyer of the swap pays an upfront and/or a periodic fee in return for a contingent payment by the seller of the swap following a credit event of the referenced entity or asset. Credit swaptions are options with a specified maturity to buy or sell protection under a CDS on a specific referenced credit event.

In addition, to reduce its credit risk, the Group enters into legally enforceable netting agreements with its derivative counterparties. Collateral on these derivative contracts is usually posted on a net counterparty basis and cannot be allocated to a particular derivative contract.

▸ Refer to "Note 26 – Offsetting of financial assets and financial liabilities" for further information on netting.

Credit protection sold

Credit protection sold is the maximum potential payout, which is based on the notional value of derivatives and represents the amount of future payments that the Group would be required to make as a result of credit risk-related events. The Group believes that the maximum potential payout is not representative of the actual loss exposure based on historical experience. This amount has not been reduced by the Group's rights to the underlying assets and the related cash flows. In accordance with most credit derivative contracts, should a credit event (or settlement trigger) occur, the Group is usually liable for the difference between the credit protection sold and the recourse it holds in the value of the underlying assets. The maximum potential amount of future payments has not been reduced for any cash collateral paid to a given counterparty as such payments would be calculated after netting all derivative exposures, including any credit derivatives with that counterparty in accordance with a related master netting agreement. Due to such netting processes, determining the amount of collateral that corresponds to credit derivative exposures only is not possible.

To reflect the quality of the payment risk on credit protection sold, the Group assigns an internally generated rating to those instruments referenced in the contracts. Internal ratings are assigned by experienced credit analysts based on expert judgment that incorporates analysis and evaluation of both quantitative and qualitative factors. The specific factors analyzed, and their relative importance, are dependent on the type of counterparty. The analysis emphasizes a forward-looking approach, concentrating on economic trends and financial fundamentals, and making use of peer analysis, industry comparisons and other quantitative tools. External ratings and market information are also used in the analysis process where available.

Credit protection purchased

Credit protection purchased represents those instruments where the underlying reference instrument is identical to the reference instrument of the credit protection sold. The maximum potential payout amount of credit protection purchased for each individual identical underlying reference instrument may be greater or lower than the notional amount of protection sold.

The Group also considers estimated recoveries that it would receive if the specified credit event occurred, including both the anticipated value of the underlying referenced asset that would, in most instances, be transferred to the Group and the impact of any purchased protection with an identical reference instrument and product type.

Other protection purchased

In the normal course of business, the Group purchases protection to offset the risk of credit protection sold that may have similar, but not identical, reference instruments, and may use similar, but not identical, products, which reduces the total credit derivative exposure. Other protection purchased is based on the notional value of the instruments.

The Group purchases its protection from banks and broker dealers, other financial institutions and other counterparties.

Fair value of credit protection sold

The fair values of the credit protection sold give an indication of the amount of payment risk, as the negative fair values increase when the potential payment under the derivative contracts becomes more probable.

Credit protection sold/purchased

The following tables do not include all credit derivatives and differ from the credit derivatives in the "Fair value of derivative instruments" table. This is due to the exclusion of certain credit derivative instruments under US GAAP, which defines a credit derivative as a derivative instrument (a) in which one or more of its underlyings are related to the credit risk of a specified entity (or a group of entities) or an index based on the credit risk of a group of entities and (b) that exposes the seller to potential loss from credit risk-related events specified in the contract.

▷ Total return swaps (TRS) of CHF 6.7 billion and CHF 7.8 billion as of December 31, 2017 and 2016, respectively, were also excluded because a TRS does not expose the seller to potential loss from credit risk-related events specified in the contract. A TRS only provides protection against a loss in asset value and not against additional amounts as a result of specific credit events.

Credit protection sold/purchased

end of					2017					2016
	Credit protection sold	Credit protection purchased [1]	**Net credit protection (sold)/ purchased**	Other protection purchased	Fair value of credit protection sold	Credit protection sold	Credit protection purchased [1]	**Net credit protection (sold)/ purchased**	Other protection purchased	Fair value of credit protection sold
Single-name instruments (CHF billion)										
Investment grade [2]	(57.6)	53.8	(3.8)	15.3	0.9	(72.4)	67.4	(5.0)	14.3	0.7
Non-investment grade	(28.2)	25.5	(2.7)	14.3	0.5	(30.3)	28.1	(2.2)	18.1	(1.0)
Total single-name instruments	**(85.8)**	**79.3**	**(6.5)**	**29.6**	**1.4**	**(102.7)**	**95.5**	**(7.2)**	**32.4**	**(0.3)**
of which sovereign	(21.0)	19.2	(1.8)	6.2	0.2	(27.7)	25.6	(2.1)	6.5	(0.9)
of which non-sovereign	(64.8)	60.1	(4.7)	23.4	1.2	(75.0)	69.9	(5.1)	25.9	0.6
Multi-name instruments (CHF billion)										
Investment grade [2]	(107.1)	104.7	(2.4)	59.3	0.7	(115.0)	113.9	(1.1)	41.2	0.0
Non-investment grade	(21.0)	19.6	(1.4)	12.0 [3]	0.9	(20.9)	19.5	(1.4)	9.8 [3]	0.3
Total multi-name instruments	**(128.1)**	**124.3**	**(3.8)**	**71.3**	**1.6**	**(135.9)**	**133.4**	**(2.5)**	**51.0**	**0.3**
of which sovereign	(0.3)	0.3	0.0	0.3	0.0	(0.3)	0.2	(0.1)	0.7	0.1
of which non-sovereign	(127.8)	124.0	(3.8)	71.0	1.6	(135.6)	133.2	(2.4)	50.3	0.2
Total instruments (CHF billion)										
Investment grade [2]	(164.7)	158.5	(6.2)	74.6	1.6	(187.4)	181.3	(6.1)	55.5	0.7
Non-investment grade	(49.2)	45.1	(4.1)	26.3	1.4	(51.2)	47.6	(3.6)	27.9	(0.7)
Total instruments	**(213.9)**	**203.6**	**(10.3)**	**100.9**	**3.0**	**(238.6)**	**228.9**	**(9.7)**	**83.4**	**0.0**
of which sovereign	(21.3)	19.5	(1.8)	6.5	0.2	(28.0)	25.8	(2.2)	7.2	(0.8)
of which non-sovereign	(192.6)	184.1	(8.5)	94.4	2.8	(210.6)	203.1	(7.5)	76.2	0.8

1 Represents credit protection purchased with identical underlyings and recoveries.
2 Based on internal ratings of BBB and above.
3 Includes synthetic securitized loan portfolios.

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

The segregation of the future payments by maturity range and underlying risk gives an indication of the current status of the potential for performance under the derivative contracts.

Credit derivatives

end of	**2017**	2016
Credit derivatives (CHF billion)		
Credit protection sold	213.9	238.6
Credit protection purchased	203.6	228.9
Other protection purchased	100.9	83.4
Other instruments [1]	6.5	7.8
Total credit derivatives	**524.9**	**558.7**

1 Consists of total return swaps and other derivative instruments.

Maturity of credit protection sold

end of	Maturity less than 1 year	Maturity between 1 to 5 years	Maturity greater than 5 years	**Total**
2017 (CHF billion)				
Single-name instruments	21.6	59.4	4.8	85.8
Multi-name instruments	31.2	79.9	17.0	128.1
Total instruments	**52.8**	**139.3**	**21.8**	**213.9**
2016 (CHF billion)				
Single-name instruments	24.2	72.7	5.8	102.7
Multi-name instruments	27.5	84.7	23.7	135.9
Total instruments	**51.7**	**157.4**	**29.5**	**238.6**

32 Guarantees and commitments

Guarantees

In the ordinary course of business, guarantees are provided that contingently obligate the Group to make payments to third parties if the counterparty fails to fulfill its obligation under a borrowing or other contractual arrangement. The total gross amount disclosed within the Guarantees table reflects the maximum potential payment under the guarantees. The carrying value represents the higher of the initial fair value (generally the related fee received or receivable) less cumulative amortization and the Group's current best estimate of payments that will be required under existing guarantee arrangements.

Guarantees provided by the Group are classified as follows: credit guarantees and similar instruments, performance guarantees and similar instruments, derivatives and other guarantees. The Group no longer provides guarantees for securities lending indemnifications.

Guarantees

end of	Maturity less than 1 year	Maturity between 1 to 3 years	Maturity between 3 to 5 years	Maturity greater than 5 years	**Total gross amount**	Total net amount [1]	Carrying value	Collateral received
2017 (CHF million)								
Credit guarantees and similar instruments	1,817	520	314	435	3,086	2,837	12	1,603
Performance guarantees and similar instruments	4,931	1,639	373	200	7,143	6,216	44	3,012
Derivatives [2]	15,520	6,860	1,397	727	24,504	24,504	403	– [3]
Other guarantees	4,461	1,006	708	503	6,678	6,673	47	3,833
Total guarantees	**26,729**	**10,025**	**2,792**	**1,865**	**41,411**	**40,230**	**506**	**8,448**
2016 (CHF million)								
Credit guarantees and similar instruments	1,962	500	262	409	3,133	2,913	13	2,043
Performance guarantees and similar instruments	5,109	1,571	194	240	7,114	6,124	76	3,090
Derivatives [2]	15,864	3,377	3,590	976	23,807	23,807	684	– [3]
Other guarantees	3,460	888	531	581	5,460	5,456	44	3,668
Total guarantees	**26,395**	**6,336**	**4,577**	**2,206**	**39,514**	**38,300**	**817**	**8,801**

[1] Total net amount is computed as the gross amount less any participations.
[2] Excludes derivative contracts with certain active commercial and investment banks and certain other counterparties, as such contracts can be cash settled and the Group had no basis to conclude it was probable that the counterparties held, at inception, the underlying instruments.
[3] Collateral for derivatives accounted for as guarantees is not significant.

Credit guarantees and similar instruments

Credit guarantees and similar instruments are contracts that require the Group to make payments should a third party fail to do so under a specified existing credit obligation. The position includes standby letters of credit, commercial and residential mortgage guarantees and other guarantees associated with VIEs.

Standby letters of credit are made in connection with the corporate lending business and other corporate activities, where the Group provides guarantees to counterparties in the form of standby letters of credit, which represent obligations to make payments to third parties if the counterparties fail to fulfill their obligations under a borrowing arrangement or other contractual obligation.

Commercial and residential mortgage guarantees are made in connection with the Group's commercial mortgage activities in the US, where the Group sells certain commercial and residential mortgages to Fannie Mae and agrees to bear a percentage of the losses triggered by the borrowers failing to perform on the mortgage. The Group also issues guarantees that require it to reimburse Fannie Mae for losses on certain whole loans underlying mortgage-backed securities issued by Fannie Mae, which are triggered by borrowers failing to perform on the underlying mortgages.

The Group also provides guarantees to VIEs and other counterparties under which it may be required to buy assets from such entities upon the occurrence of certain triggering events such as rating downgrades and/or substantial decreases in the fair value of those assets.

Performance guarantees and similar instruments

Performance guarantees and similar instruments are arrangements that require contingent payments to be made when certain performance-related targets or covenants are not met. Such covenants may include a customer's obligation to deliver certain products and services or to perform under a construction contract. Performance guarantees are frequently executed as part of project finance transactions. The position includes private equity fund guarantees and guarantees related to residential mortgage securitization activities.

For private equity fund guarantees, the Group has provided investors in private equity funds sponsored by a Group entity

guarantees on potential obligations of certain general partners to return amounts previously paid as carried interest to those general partners if the performance of the remaining investments declines. To manage its exposure, the Group generally withholds a portion of carried interest distributions to cover any repayment obligations. In addition, pursuant to certain contractual arrangements, the Group is obligated to make cash payments to certain investors in certain private equity funds if specified performance thresholds are not met.

Further, as part of the Group's residential mortgage securitization activities in the US, the Group may guarantee the collection by the servicer and remittance to the securitization trust of prepayment penalties. The Group will have to perform under these guarantees in the event the servicer fails to remit the prepayment penalties.

Derivatives

Derivatives are issued in the ordinary course of business, generally in the form of written put options. Disclosures about derivative contracts are not required under US GAAP if such contracts may be cash settled and the Group has no basis to conclude it is probable that the counterparties held, at inception, the underlying instruments related to the derivative contracts. The Group has concluded that these conditions were met for certain active commercial and investment banks and certain other counterparties, and accordingly, the Group has not included such contracts as guarantees.

The Group manages its exposure to these derivatives by engaging in various hedging strategies to reduce its exposure. For some contracts, such as written interest rate caps or foreign exchange options, the maximum payout is not determinable as interest rates or exchange rates could theoretically rise without limit. For these contracts, notional amounts were disclosed in the table above in order to provide an indication of the underlying exposure. In addition, the Group carries all derivatives at fair value in the consolidated balance sheets and has considered the performance triggers and probabilities of payment when determining those fair values. It is more likely than not that written put options that are in-the-money to the counterparty will be exercised, for which the Group's exposure was limited to the carrying value reflected in the table.

Other guarantees

Other guarantees include bankers' acceptances, residual value guarantees, deposit insurance, contingent considerations in business combinations, the minimum value of an investment in mutual funds or private equity funds and all other guarantees that were not allocated to one of the categories above.

Deposit-taking banks and securities dealers in Switzerland and certain other European countries are required to ensure the payout of privileged deposits in case of specified restrictions or compulsory liquidation of a deposit-taking bank. In Switzerland, deposit-taking banks and securities dealers jointly guarantee an amount of up to CHF 6 billion. Upon occurrence of a payout event triggered by a specified restriction of business imposed by FINMA or by the compulsory liquidation of another deposit-taking bank, the Group'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 Group's banking subsidiaries in Switzerland, the Group's share in the deposit insurance guarantee program for the period July 1, 2017 to June 30, 2018 is CHF 0.5 billion. These deposit insurance guarantees were reflected in other guarantees.

Representations and warranties on residential mortgage loans sold

In connection with the former Investment Banking division's sale of US residential mortgage loans, the Group has provided certain representations and warranties relating to the loans sold. The Group has provided these representations and warranties relating to sales of loans to: the US government-sponsored enterprises Fannie Mae and Freddie Mac; institutional investors, primarily banks; and non-agency, or private label, securitizations. The loans sold are primarily loans that the Group has purchased from other parties. The scope of representations and warranties, if any, depends on the transaction, but can include: ownership of the mortgage loans and legal capacity to sell the loans; loan-to-value ratios and other characteristics of the property, the borrower and the loan; validity of the liens securing the loans and absence of delinquent taxes or related liens; conformity to underwriting standards and completeness of documentation; and origination in compliance with law. If it is determined that representations and warranties were breached, the Group may be required to repurchase the related loans or indemnify the investors to make them whole for losses. Whether the Group will incur a loss in connection with repurchases and make whole payments depends on: the extent to which claims are made; the validity of such claims made within the statute of limitations (including the likelihood and ability to enforce claims); whether the Group can successfully claim against parties that sold loans to the Group and made representations and warranties to the Group; the residential real estate market, including the number of defaults; and whether the obligations of the securitization vehicles were guaranteed or insured by third parties.

During 2017, the Group received repurchase claims for residential mortgage loans that were not significant, and loans repurchased during this period and related losses were not material. The balance of outstanding repurchase claims as of the end of 2017 was not significant.

Repurchase claims on residential mortgage loans sold that are subject to arbitration or litigation proceedings, or become so during the reporting period, are not included in this Guarantees and commitments disclosure but are addressed in litigation and related loss contingencies and provisions. The Group is involved in litigation relating to representations and warranties on residential mortgages sold.

‣ Refer to "Note 38 – Litigation" for further information.

Disposal-related contingencies and other indemnifications

The Group has certain guarantees for which its maximum contingent liability cannot be quantified. These guarantees are not reflected in the "Guarantees" table and are discussed below.

Disposal-related contingencies

In connection with the sale of assets or businesses, the Group sometimes provides the acquirer with certain indemnification provisions. These indemnification provisions vary by counterparty in scope and duration and depend upon the type of assets or businesses sold. They are designed to transfer the potential risk of certain unquantifiable and unknowable loss contingencies, such as litigation, tax and intellectual property matters, from the acquirer to the seller. The Group closely monitors all such contractual agreements in order to ensure that indemnification provisions are adequately provided for in the Group's consolidated financial statements.

Other indemnifications

The Group provides indemnifications to certain counterparties in connection with its normal operating activities for which it is not possible to estimate the maximum amount that it could be obligated to pay. As a normal part of issuing its own securities, the Group typically agrees to reimburse holders for additional tax withholding charges or assessments resulting from changes in applicable tax laws or the interpretation of those laws. Securities that include these agreements to pay additional amounts generally also include a related redemption or call provision if the obligation to pay the additional amounts results from a change in law or its interpretation and the obligation cannot be avoided by the issuer taking reasonable steps to avoid the payment of additional amounts. Since such potential obligations are dependent on future changes in tax laws, the related liabilities the Group may incur as a result of such changes cannot be reasonably estimated. In light of the related call provisions typically included, the Group does not expect any potential liabilities in respect of tax gross-ups to be material.

The Group is a member of numerous securities exchanges and clearing houses and may, as a result of its membership arrangements, be required to perform if another member defaults and available amounts as defined in the relevant exchange's or clearing house's default waterfalls are not sufficient to cover losses of another member's default. The exchange's or clearing house's default management procedures may provide for cash calls to non-defaulting members which may be limited to the amount (or a multiple of the amount) of the Group's contribution to the guarantee fund. However, if these cash calls are not sufficient to cover losses, the default waterfall and default management procedures may foresee further loss allocation. Furthermore, some clearing house arrangements require members to assume a proportionate share of non-default losses, if such losses exceed the specified resources allocated for such purpose by the clearing house. Non-default losses result from the clearing house's investment of guarantee fund contributions and initial margin or are other losses unrelated to the default of a clearing member. The Group has determined that it is not possible to reasonably estimate the maximum potential amount of future payments due under the membership arrangements. In addition, the Group believes that any potential requirement to make payments under these membership arrangements is remote.

Lease commitments

Lease commitments (CHF million)	
2018	570
2019	541
2020	498
2021	388
2022	353
Thereafter	2,884
Future operating lease commitments	**5,234**
Less minimum non-cancellable sublease rentals	216
Total net future minimum lease commitments	**5,018**

Rental expense for operating leases

in	**2017**	2016	2015
Rental expense for operating leases (CHF million)			
Minimum rental expense	575	550	558
Sublease rental income	(65)	(89)	(92)
Total net expenses for operating leases	**510**	**461**	**466**

Operating lease commitments

The Group has contractual commitments under operating lease arrangements for certain premises and equipment. Under operating leases, the leased property is not reported on the balance sheet of the lessee. Lease payments required by the contract are generally expensed on a straight-line basis over the term of the lease. The related commitments for future rental expenses under operating leases are included in the table "Lease commitments".

From time to time, the Group may enter into sale-leaseback transactions, in which an asset is sold and immediately leased back. If specific criteria are met, such asset is derecognized from the balance sheet and an operating lease is recognized. If the present value of the lease payments is equal to or higher than 10% of the fair value of the property sold, any resulting gains up to an amount equal to the present value of the lease payments are deferred and recognized in the statement of operations over the term of the lease as a reduction of rental expense. Gains on sale-leaseback transactions for which the lease payments are lower than 10% of the fair value of the property sold or gains in excess of the present value of the lease payments are recognized in the statements of operations upon completion of the sale.

Sale-leaseback transactions

During 2017, we did not enter into any sale-leaseback transactions. In 2016 and 2015, the Group entered into several smaller sale-leaseback transactions in respect of own property, which

were all recognized as operating lease arrangements with lease terms of between one and five years and between two and eighteen years, respectively. The total contractual rental expenses were CHF 30 million for the 2016 sale-leaseback transactions and CHF 80 million for the 2015 sale-leaseback transactions.

Other commitments

end of	Maturity less than 1 year	Maturity between 1 to 3 years	Maturity between 3 to 5 years	Maturity greater than 5 years	**Total gross amount**	Total net amount [1]	Collateral received
2017 (CHF million)							
Irrevocable commitments under documentary credits	4,976	113	1	1	5,091	5,000	3,218
Irrevocable loan commitments [2]	24,296	33,649	40,425	8,031	106,401	101,270	42,307
Forward reverse repurchase agreements	12	0	0	0	12	12	12
Other commitments	219	13	11	104	347	347	0
Total other commitments	**29,503**	**33,775**	**40,437**	**8,136**	**111,851**	**106,629**	**45,537**
2016 (CHF million)							
Irrevocable commitments under documentary credits	4,356	0	0	0	4,356	4,281	2,748
Irrevocable loan commitments [2]	30,382	34,464	44,523	7,606	116,975	113,016	46,068
Forward reverse repurchase agreements	84	0	0	0	84	84	84
Other commitments	487	24	75	51	637	637	0
Total other commitments	**35,309**	**34,488**	**44,598**	**7,657**	**122,052**	**118,018**	**48,900**

[1] Total net amount is computed as the gross amount less any participations.
[2] Irrevocable loan commitments do not include a total gross amount of CHF 108,663 million and CHF 95,743 million of unused credit limits as of December 31, 2017 and 2016, respectively, which were revocable at the Group's sole discretion upon notice to the client.

Other commitments

Irrevocable commitments under documentary credits

Irrevocable commitments under documentary credits include exposures from trade finance related to commercial letters of credit under which the Group guarantees payments to exporters against presentation of shipping and other documents.

Irrevocable loan commitments

Irrevocable loan commitments are irrevocable credit facilities extended to clients and include fully or partially undrawn commitments that are legally binding and cannot be unconditionally cancelled by the Group. Commitments to originate mortgage loans that will be held for sale are considered derivatives for accounting purposes and are not included in this disclosure. Such commitments are reflected as derivatives in the consolidated balance sheets.

Forward reverse repurchase agreements

Forward reverse repurchase agreements represent transactions in which the initial cash exchange of the reverse repurchase transactions takes place on specified future dates. The Group enters into forward reverse repurchase agreements with counterparties that may have existing funded reverse repurchase agreements. Depending on the details of the counterparty contract with Credit Suisse, both a counterparty's existing funded reverse repurchase agreement and any forward reverse repurchase agreements under contract with the same counterparty are considered.

Other commitments

Other commitments include private equity commitments, firm commitments in underwriting securities, commitments arising from deferred payment letters of credit and from acceptances in circulation and liabilities for call and put options on shares and other equity instruments.

33 Transfers of financial assets and variable interest entities

In the normal course of business, the Group enters into transactions with, and makes use of, SPEs. An SPE is an entity in the form of a trust or other legal structure designed to fulfill a specific limited need of the company that organized it and is generally structured to isolate the SPE's assets from creditors of other entities, including the Group. The principal uses of SPEs are to assist the Group and its clients in securitizing financial assets and creating investment products. The Group also uses SPEs for other client-driven activity, such as to facilitate financings, and for Group tax or regulatory purposes.

TRANSFERS OF FINANCIAL ASSETS

Securitizations

The majority of the Group's securitization activities involve mortgages and mortgage-related securities and are predominantly transacted using SPEs. In a typical securitization, the SPE purchases assets financed by proceeds received from the SPE's issuance of debt and equity instruments, certificates, CP and other notes of indebtedness. These assets and liabilities are recorded on the balance sheet of the SPE and not reflected on the Group's consolidated balance sheet, unless either the Group sold the assets to the entity and the accounting requirements for sale were not met or the Group consolidates the SPE.

The Group purchases commercial and residential mortgages for the purpose of securitization and sells these mortgage loans to SPEs. These SPEs issue commercial mortgage-backed securities (CMBS), residential mortgage-backed securities (RMBS) and ABS that are collateralized by the assets transferred to the SPE and that pay a return based on the returns on those assets. Investors in these mortgage-backed securities or ABS typically have recourse to the assets in the SPEs, unless a third-party guarantee has been received to further enhance the creditworthiness of the assets. The investors and the SPEs have no recourse to the Group's assets. The Group is typically an underwriter of, and makes a market in, these securities.

The Group also transacts in re-securitizations of previously issued RMBS securities. Typically, certificates issued out of an existing securitization vehicle are sold into a newly created and separate securitization vehicle. Often, these re-securitizations are initiated in order to repackage an existing security to give the investor a higher rated tranche.

The Group also uses SPEs for other asset-backed financings relating to client-driven activity and for Group tax or regulatory purposes. Types of structures included in this category include managed collateralized loan obligations (CLOs), CLOs, leveraged finance, repack and other types of transactions, including life insurance structures, emerging market structures set up for financing, loan participation or loan origination purposes, and other alternative structures created for the purpose of investing in venture capital-like investments. CLOs are collateralized by loans transferred to the CLO vehicle and pay a return based on the returns on the loans. Leveraged finance structures are used to assist in the syndication of certain loans held by the Group, while repack structures are designed to give a client collateralized exposure to specific cash flows or credit risk backed by collateral purchased from the Group. In these asset-backed financing structures, investors typically only have recourse to the collateral of the SPE and do not have recourse to the Group's assets.

When the Group transfers assets into an SPE, it must assess whether that transfer is accounted for as a sale of the assets. Transfers of assets may not meet sale requirements if the assets have not been legally isolated from the Group and/or if the Group's continuing involvement is deemed to give it effective control over the assets. If the transfer is not deemed a sale, it is instead accounted for as a secured borrowing, with the transferred assets as collateral.

Gains and losses on securitization transactions depend, in part, on the carrying values of mortgages and loans involved in the transfer and are allocated between the assets sold and any beneficial interests retained according to the relative fair values at the date of sale.

The Group does not retain material servicing responsibilities from securitization activities.

The following table provides the gains or losses and proceeds from the transfer of assets relating to 2017, 2016 and 2015 securitizations of financial assets that qualify for sale accounting and subsequent derecognition, along with the cash flows between the Group and the SPEs used in any securitizations in which the Group still has continuing involvement, regardless of when the securitization occurred.

Securitizations

in	2017	2016	2015
Gains and cash flows (CHF million)			
CMBS			
Net gain/(loss) [1]	37	(2)	1
Proceeds from transfer of assets	6,604	3,954	9,813
Cash received on interests that continue to be held	28	69	148
RMBS			
Net gain/(loss) [1]	0	(4)	5
Proceeds from transfer of assets	14,817	9,866	20,062
Purchases of previously transferred financial assets or its underlying collateral	(2)	0	(1)
Servicing fees	3	2	3
Cash received on interests that continue to be held	368	529	457
Other asset-backed financings			
Net gain [1]	31	26	24
Proceeds from transfer of assets	7,664	2,813	1,740
Fees [2]	135	137	0
Cash received on interests that continue to be held	4	2	3

1 Includes underwriting revenues, deferred origination fees, gains or losses on the sale of collateral to the SPE and gains or losses on the sale of newly issued securities to third parties, but excludes net interest income on assets prior to the securitization. The gains or losses on the sale of the collateral is the difference between the fair value on the day prior to the securitization pricing date and the sale price of the loans.
2 Represents management fees and performance fees earned for investment management services provided to managed CLOs.

Continuing involvement in transferred financial assets

The Group may have continuing involvement in the financial assets that are transferred to an SPE, which may take several forms, including, but not limited to, servicing, recourse and guarantee arrangements, agreements to purchase or redeem transferred assets, derivative instruments, pledges of collateral and beneficial interests in the transferred assets. Beneficial interests, which are valued at fair value, include rights to receive all or portions of specified cash inflows received by an SPE, including, but not limited to, senior and subordinated shares of interest, principal, or other cash inflows to be "passed through" or "paid through", premiums due to guarantors, CP obligations, and residual interests, whether in the form of debt or equity.

The Group's exposure resulting from continuing involvement in transferred financial assets is generally limited to beneficial interests typically held by the Group in the form of instruments issued by SPEs that are senior, subordinated or residual tranches. These instruments are held by the Group typically in connection with underwriting or market-making activities and are included in trading assets in the consolidated balance sheets. Any changes in the fair value of these beneficial interests are recognized in the consolidated statements of operations.

Investors usually have recourse to the assets in the SPE and often benefit from other credit enhancements, such as collateral accounts, or from liquidity facilities, such as lines of credit or liquidity put option of asset purchase agreements. The SPE may also enter into a derivative contract in order to convert the yield or currency of the underlying assets to match the needs of the SPE investors, or to limit or change the credit risk of the SPE. The Group may be the provider of certain credit enhancements as well as the counterparty to any related derivative contract.

The following table provides the outstanding principal balance of assets to which the Group continued to be exposed after the transfer of the financial assets to any SPE and the total assets of the SPE as of December 31, 2017 and 2016, regardless of when the transfer of assets occurred.

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

end of	2017	2016
CHF million		
CMBS		
Principal amount outstanding	19,918	28,779
Total assets of SPE	31,586	40,234
RMBS		
Principal amount outstanding	35,645	38,319
Total assets of SPE	36,770	39,680
Other asset-backed financings		
Principal amount outstanding	20,916	19,777
Total assets of SPE	39,330	36,049

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

Fair value of beneficial interests

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

Key economic assumptions at the time of transfer

▸ Refer to "Fair value measurement" in Note 34 – Financial instruments for further information on the fair value hierarchy.

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

at time of transfer, in		2017		2016		2015
	CMBS	RMBS	CMBS	RMBS	CMBS	RMBS
CHF million, except where indicated						
Fair value of beneficial interests	445	2,400	69	2,068	1,512	2,110
of which level 2	444	2,221	69	1,827	1,442	1,695
of which level 3	1	179	0	241	70	415
Weighted-average life, in years	10.0	6.0	8.4	7.2	8.2	9.0
Prepayment speed assumption (rate per annum), in % [1]	– [2]	1.0–22.9	– [2]	5.0–33.0	– [2]	1.1–30.1
Cash flow discount rate (rate per annum), in % [3]	2.4–9.0	2.0–29.5	2.4–4.9	1.2–24.4	1.7–7.2	1.7–33.7
Expected credit losses (rate per annum), in %	0.6–3.4	0.8–6.3	0.0–0.0	2.5–11.2	0.7–5.9	0.5–15.9

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

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

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

3 The rate was based on the weighted-average yield on the beneficial interests.

Key economic assumptions as of the reporting date

The following table provides the sensitivity analysis of key economic assumptions used in measuring the fair value of beneficial interests held in SPEs as of December 31, 2017 and 2016.

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

end of			2017			2016
	CMBS [1]	RMBS	Other asset-backed financing activities [2]	CMBS [1]	RMBS	Other asset-backed financing activities [2]
CHF million, except where indicated						
Fair value of beneficial interests	579	1,985	665	258	1,851	443
of which non-investment grade	100	508	50	70	523	32
Weighted-average life, in years	4.7	8.1	6.4	7.2	8.1	5.6
Prepayment speed assumption (rate per annum), in % [3]	–	1.0–25.0	–	–	2.0–26.9	–
Impact on fair value from 10% adverse change	–	(35.0)	–	–	(28.7)	–
Impact on fair value from 20% adverse change	–	(68.1)	–	–	(55.9)	–
Cash flow discount rate (rate per annum), in % [4]	2.7–12.3	1.9–30.6	1.0–11.7	2.3–28.8	1.7–47.2	0.8–21.2
Impact on fair value from 10% adverse change	(8.8)	(49.2)	(12.4)	(6.0)	(48.1)	(8.3)
Impact on fair value from 20% adverse change	(17.0)	(95.3)	(24.5)	(11.7)	(93.5)	(16.4)
Expected credit losses (rate per annum), in %	0.6–6.3	0.5–28.2	0.7–10.2	0.7–28.0	0.9–44.9	0.9–21.2
Impact on fair value from 10% adverse change	(3.9)	(23.6)	(6.6)	(3.5)	(27.3)	(5.1)
Impact on fair value from 20% adverse change	(7.8)	(46.1)	(12.9)	(6.9)	(53.3)	(10.0)

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

2 CDOs and CLOs within this category are generally structured to be protected from prepayment risk.

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

4 The rate was based on the weighted-average yield on the beneficial interests.

These sensitivities are hypothetical and do not reflect economic hedging activities. Changes in fair value based on a 10% or 20% variation in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, the effect of a variation in a particular assumption on the fair value of the beneficial interests is calculated without changing any other assumption. In practice, changes in one assumption may result in changes in other assumptions (for example, increases in market interest rates may result in lower prepayments and increased credit losses), which might magnify or counteract the sensitivities.

Transfers of financial assets where sale treatment was not achieved

The following table provides the carrying amounts of transferred financial assets and the related liabilities where sale treatment was not achieved as of December 31, 2017 and 2016.

▸ Refer to "Note 35 – Assets pledged and collateral" for further information.

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

end of	**2017**	2016
CHF million		
Other asset-backed financings		
Trading assets	347	240
Other assets	48	12
Liability to SPE, included in other liabilities	(395)	(252)

Transfers of financial assets accounted for as a sale retaining substantially all of the exposure to economic return

US GAAP requires the disclosure of a transaction accounted for as a sale that comprises both of the following: a transfer of financial assets to a transferee and an agreement entered into in contemplation of the initial transfer with the transferee that results in the transferor retaining substantially all of the exposure to the economic return on the transferred financial asset throughout the term of the transaction. In the ordinary course of business, the Group transfers a financial asset accounted for as a sale and, in some instances, enters into an agreement in contemplation of that initial transfer with the same counterparty to retain substantially all of the economics of that transferred financial asset. As of December 31, 2016, the Group had an agreement in the form of a longevity swap on life insurance policies; this longevity swap was terminated in the fourth quarter of 2017.

The following table presents information about the transfers of financial assets accounted for as sales with agreements that result in the Group retaining substantially all of the exposure to the economic return on the transferred assets at the date of sale and remained outstanding as of December 31, 2016, gross cash proceeds received for assets derecognized at the date of sale and the fair values of transferred assets and the aforementioned agreements as of December 31, 2016. There were no such transactions outstanding as of December 31, 2017.

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

	at date of derecognition		end of		
	Carrying amount derecognized	Gross cash proceeds received for assets derecognized	Fair value of transferred assets	Gross derivative assets recorded [1]	Gross derivative liabilities recorded [1]
2016 (CHF million)					
Sales with longevity swaps	277	340	374	556	–
Total transactions outstanding	**277**	**340**	**374**	**556** [2]	**–**

[1] Balances presented on a gross basis, before application of counterparty and cash collateral netting.
[2] As of December 31, 2016, gross derivative assets of CHF 556 million were included in other products, as disclosed in Note 31 – Derivatives and hedging activities.

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

For securities sold under repurchase agreements and securities lending transactions accounted for as secured borrowings, US GAAP requires the disclosure of the collateral pledged and the associated risks to which a transferor continues to be exposed after the transfer. This provides an understanding of the nature and risks of short-term collateralized financing obtained through these types of transactions.

Securities sold under repurchase agreements and securities lending transactions represent collateralized financing transactions used to earn net interest income, increase liquidity or facilitate trading activities. These transactions are collateralized principally by government debt securities, corporate debt securities, asset-backed securities, equity securities and other collateral and have terms ranging from on demand to a longer period of time.

In the event of the Group's default or a decline in fair value of collateral pledged, the repurchase agreement provides the counterparty with the right to liquidate the collateral held or request

additional collateral. Similarly, in the event of the Group's default, the securities lending transaction provides the counterparty the right to liquidate the securities borrowed.

The following tables provide the gross obligation relating to securities sold under repurchase agreements, securities lending transactions and obligation to return securities received as collateral by the class of collateral pledged and by remaining contractual maturity as of December 31, 2017 and 2016.

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

end of	2017	2016
CHF billion		
Government debt securities	31.4	29.4
Corporate debt securities	15.1	13.9
Asset-backed securities	5.0	10.3
Equity securities	0.0	1.1
Other	0.6	0.3
Securities sold under repurchase agreements	**52.1**	**55.0**
Government debt securities	2.7	2.5
Corporate debt securities	0.4	0.5
Equity securities	4.8	6.0
Other	0.3	0.4
Securities lending transactions	**8.2**	**9.4**
Government debt securities	1.8	0.7
Corporate debt securities	0.6	0.4
Equity securities	35.6	31.5
Other	0.1	0.0
Obligation to return securities received as collateral, at fair value	**38.1**	**32.6**
Total	**98.4**	**97.0**

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

		Remaining contractual maturities			
end of	On demand [1]	Up to 30 days [2]	31–90 days	More than 90 days	Total
2017 (CHF billion)					
Securities sold under repurchase agreements	7.2	32.5	5.2	7.2	52.1
Securities lending transactions	5.7	2.2	0.0	0.3	8.2
Obligation to return securities received as collateral, at fair value	37.9	0.0	0.0	0.2	38.1
Total	**50.8**	**34.7**	**5.2**	**7.7**	**98.4**
2016 (CHF billion)					
Securities sold under repurchase agreements	6.8	31.9	8.4	7.9	55.0
Securities lending transactions	6.7	2.4	0.0	0.3	9.4
Obligation to return securities received as collateral, at fair value	32.2	0.4	0.0	0.0	32.6
Total	**45.7**	**34.7**	**8.4**	**8.2**	**97.0**

[1] Includes contracts with no contractual maturity that may contain termination arrangements subject to a notice period.
[2] Includes overnight transactions.

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

VARIABLE INTEREST ENTITIES

As a normal part of its business, the Group engages in various transactions that include entities that are considered VIEs and are grouped into three primary categories: collateralized debt obligations (CDOs)/ CLOs, CP conduits and financial intermediation. VIEs are SPEs that typically either lack sufficient equity to finance their activities without additional subordinated financial support or are structured such that the holders of the voting rights do not substantively participate in the gains and losses of the entity. VIEs may be sponsored by the Group or third parties. Such entities are required to be assessed for consolidation, compelling the primary beneficiary to consolidate the VIE. The consolidation assessment requires an entity to determine whether it has the power to direct the activities that most significantly affect the economics of the VIE as well as whether the reporting entity has potentially significant benefits or losses in the VIE. The primary beneficiary assessment must be re-evaluated on an ongoing basis.

Application of the requirements for consolidation of VIEs may require the exercise of significant management judgment. In the event consolidation of a VIE is required, the exposure to the Group is limited to that portion of the VIE's assets attributable to any variable interest held by the Group prior to any risk management activities to hedge the Group's net exposure. Any interests held in the VIE by third parties, even though consolidated by the Group, will not typically impact its results of operations.

Transactions with VIEs are generally executed to facilitate securitization activities or to meet specific client needs, such as providing liquidity or investing opportunities, and, as part of these activities, the Group may hold interests in the VIEs. Securitization-related transactions with VIEs involve selling or purchasing assets as well as possibly entering into related derivatives with those VIEs, providing liquidity, credit or other support. Other transactions with VIEs include derivative transactions in the Group's capacity as the prime broker. The Group also enters into lending arrangements with VIEs for the purpose of financing projects or the acquisition of assets. Typically, the VIE's assets are restricted in nature in that they are held primarily to satisfy the obligations of the entity. Further, the Group is involved with VIEs which were formed for the purpose of offering alternative investment solutions to clients. Such VIEs relate primarily to private equity investments, fund-linked vehicles or funds of funds, where the Group acts as structurer, manager, distributor, broker, market maker or liquidity provider.

As a consequence of these activities, the Group holds variable interests in VIEs. Such variable interests consist of financial instruments issued by VIEs and which are held by the Group, certain derivatives with VIEs or loans to VIEs. Guarantees issued by the Group to or on behalf of VIEs may also qualify as variable interests. For such guarantees, including derivatives that act as guarantees, the notional amount of the respective guarantees is presented to represent the exposure. In general, investors in consolidated VIEs do not have recourse to the Group in the event of a default, except where a guarantee was provided to the investors or where the Group is the counterparty to a derivative transaction involving VIEs.

Total assets of consolidated and non-consolidated VIEs for which the Group has involvement represent the total assets of the VIEs even though the Group's involvement may be significantly less due to interests held by third-party investors. The asset balances for non-consolidated VIEs where the Group has significant involvement represent the most current information available to the Group regarding the remaining principal balance of assets owned. In most cases, the asset balances represent an amortized cost basis without regards to impairments in fair value, unless fair value information is readily available.

The Group's maximum exposure to loss is different from the carrying value of the assets of the VIE. This maximum exposure to loss consists of the carrying value of the Group variable interests held as trading assets, derivatives and loans and the notional amount of guarantees to VIEs, rather than the amount of total assets of the VIEs. The maximum exposure to loss does not reflect the Group's risk management activities, including effects from financial instruments that the Group may utilize to economically hedge the risks inherent in these VIEs. The economic risks associated with VIE exposures held by the Group, together with all relevant risk mitigation initiatives, are included in the Group's risk management framework.

The Group has not provided financial or other support to consolidated or non-consolidated VIEs that it was not contractually required to provide.

Collateralized debt and loan obligations

The Group engages in CDO/CLO transactions to meet client and investor needs, earn fees and sell financial assets and, for CLOs, loans. The Group may act as underwriter, placement agent or asset manager and may warehouse assets prior to the closing of a transaction. As part of its structured finance business, the Group purchases loans and other debt obligations from and on behalf of clients for the purpose of securitization. The loans and other debt obligations are sold to VIEs, which in turn issue CDO/CLOs to fund the purchase of assets such as investment grade and high yield corporate debt instruments.

Typically, the collateral manager in a managed CDO/CLO is deemed to be the entity that has the power to direct the activities that most affect the economics of the entity. In a static CDO/CLO this "power" role is more difficult to analyze and may be the sponsor of the entity or the CDS counterparty.

CDO/CLOs provide credit risk exposure to a portfolio of ABS or loans (cash CDO/CLOs) or a reference portfolio of securities or loans (synthetic CDO/CLOs). Cash CDO/CLO transactions hold actual securities or loans whereas synthetic CDO/CLO transactions use CDS to exchange the underlying credit risk instead of using cash assets. The Group may also act as a derivative counterparty to the VIEs, which are typically not variable interests, and may invest in portions of the notes or equity issued by the VIEs.

The CDO/CLO entities may have actively managed portfolios or static portfolios.

The securities issued by these VIEs are payable solely from the cash flows of the related collateral, and third-party creditors of these VIEs do not have recourse to the Group in the event of default.

The Group's exposure in CDO/CLO transactions is typically limited to interests retained in connection with its underwriting or market-making activities. Unless the Group has been deemed to have "power" over the entity and these interests are potentially significant, the Group is not the primary beneficiary of the vehicle and does not consolidate the entity. The Group's maximum exposure to loss does not include any effects from financial instruments used to economically hedge the risks of the VIEs.

Commercial paper conduit

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

The overall average maturity of the conduit's outstanding CP was approximately 148 days as of December 31, 2017. Alpine was rated A-1(sf) by Standard & Poor's and P-1(sf) by Moody's and had exposures in a reverse repurchase agreement, credit card receivables, car loans, commercial paper, student loans and advance financing receivables.

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

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

Financial intermediation

The Group has significant involvement with VIEs in its role as a financial intermediary on behalf of clients.

The Group considers the likelihood of incurring a loss equal to the maximum exposure to be remote because of the Group's risk mitigation efforts, including, but not limited to, economic hedging strategies and collateral arrangements. The Group's economic risks associated with consolidated and non-consolidated VIE exposures arising from financial intermediation, together with all relevant risk mitigation initiatives, are included in the Group's risk management framework.

Financial intermediation consists of securitizations, funds, loans, and other vehicles.

Securitizations

Securitizations are primarily CMBS, RMBS and ABS vehicles. The Group acts as an underwriter, market maker, liquidity provider, derivative counterparty and/or provider of credit enhancements to VIEs related to certain securitization transactions.

The maximum exposure to loss is the carrying value of the loan securities and derivative positions that are variable interests, if any, plus the exposure arising from any credit enhancements the Group provided. The Group's maximum exposure to loss does not include any effects from financial instruments used to economically hedge the risks of the VIEs.

The activities that have the most significant impact on the securitization vehicle are the decisions relating to defaulted loans, which are controlled by the servicer. The party that controls the servicing has the ability to make decisions that significantly affect the result of the activities of the securitization vehicle. If a securitization vehicle has multiple parties that control servicing over specific assets, the Group determines it has power when it has control over the servicing of greater than 50% of the assets in the securitization vehicle. When a servicer or its related party also has an economic interest that has the potential to absorb a significant portion of the gains and/or losses, it will be deemed the primary beneficiary and consolidate the vehicle. If the Group determines that it controls the relevant servicing, it then determines if it has the obligation to absorb losses from, or the right to receive benefits of, the securitization vehicle that could potentially be significant to the vehicle, primarily by evaluating the amount and nature of securities issued by the vehicle that it holds. Factors considered in this analysis include the level of subordination of the securities held as well as the size of the position, based on the percentage of the class of securities and the total deal classes of securities issued. The more subordinated the level of securities held, the more likely it is that the Group will be the primary beneficiary. This consolidation analysis is performed each reporting period based on changes in inventory and the levels of assets remaining in the securitization. The Group typically consolidates securitization vehicles when it is

the servicer and has holdings stemming from its role as underwriter. Short-term market making holdings in vehicles are not typically considered to be potentially significant for the purposes of this assessment.

In the case of re-securitizations of previously issued RMBS securities, the re-securitization vehicles are passive in nature and do not have any significant ongoing activities that require management, and decisions relating to the design of the securitization transaction at its inception are the key power relating to the vehicle. Activities at inception include selecting the assets and determining the capital structure. The power over a re-securitization vehicle is typically shared between the Group and the investor(s) involved in the design and creation of the vehicle. The Group concludes that it is the primary beneficiary of a re-securitization vehicle when it owns substantially all of the bonds issued from the vehicle.

Funds

Funds include investment structures such as mutual funds, funds of funds, private equity funds and fund-linked products where the investors' interest is typically in the form of debt rather than equity, thereby making them VIEs. The Group may have various relationships with such VIEs in the form of structurer, investment advisor, investment manager, administrator, custodian, underwriter, placement agent, market maker and/or as prime broker. These activities include the use of VIEs in structuring fund-linked products, hedge funds of funds or private equity investments to provide clients with investment opportunities in alternative investments. In such transactions, a VIE holds underlying investments and issues securities that provide the investors with a return based on the performance of those investments.

The maximum exposure to loss consists of the fair value of instruments issued by such structures that are held by the Group as a result of underwriting or market-making activities, financing provided to the vehicles and the Group's exposure resulting from principal protection and redemptions features. The investors typically retain the risk of loss on such transactions, but for certain fund types, the Group may provide principal protection on the securities to limit the investors' exposure to downside market risk. The Group's maximum exposure to loss does not include any effects from financial instruments used to economically hedge the risk of the VIEs.

Another model is used to assess funds for consolidation under US GAAP. Rather than the consolidation model which incorporates power and the potential to absorb significant risk and rewards, a previous consolidation model is used which results in the Group being the primary beneficiary and consolidating the funds if it holds more than 50% of their outstanding issuances.

Loans

Loans are single-financing vehicles where the Group provides financing for specified assets or business ventures and the respective owner of the assets or manager of the businesses provides the equity in the vehicle. These tailored lending arrangements are established to purchase, lease or otherwise finance and manage clients' assets.

The maximum exposure to loss is the carrying value of the Group's loan exposure, which is subject to the same credit risk management procedures as loans issued directly to clients. The clients' creditworthiness is carefully reviewed, loan-to-value ratios are strictly set and, in addition, clients provide equity, additional collateral or guarantees, all of which significantly reduce the Group's exposure. The Group considers the likelihood of incurring a loss equal to the maximum exposure to be remote because of the Group's risk mitigation efforts, which includes over-collateralization and effective monitoring to ensure that a sufficient loan-to-value ratio is maintained.

The third-party sponsor of the VIE will typically have control over the assets during the life of the structure and have the potential to absorb significant gains and losses; the Group is typically not the primary beneficiary of these structures and will not have to consolidate them. However, a change in the structure, such as a default of the sponsor, may result in the Group gaining control over the assets. If the Group's lending is significant, it may then be required to consolidate the entity.

Other

Other includes additional vehicles where the Group provides financing and trust preferred issuance vehicles. Trust preferred issuance vehicles are utilized to assist the Group in raising capital-efficient financing. The VIE issues preference shares which are guaranteed by the Group and uses the proceeds to purchase the debt of the Group. The Group's guarantee of its own debt is not considered a variable interest and, as it has no holdings in these vehicles, the Group has no maximum exposure to loss. Non-consolidated VIEs include only the total assets of trust preferred issuance vehicles, as the Group has no variable interests with these entities.

Consolidated VIEs

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

The consolidated VIEs table provides the carrying amounts and classifications of the assets and liabilities of consolidated VIEs as of December 31, 2017 and 2016.

Consolidated VIEs in which the Group was the primary beneficiary

			Financial intermediation				
end of	CDO/ CLO	CP Conduit	Securi- tizations	Funds	Loans	Other	**Total**
2017 (CHF million)							
Cash and due from banks	22	0	96	32	70	12	232
Trading assets	17	0	10	179	1,122	20	1,348
Investment securities	0	0	381	0	0	0	381
Other investments	0	0	0	350	1,197	286	1,833
Net loans	0	0	0	3	21	243	267
Premises and equipment	0	0	0	0	151	0	151
Other assets	83	4	1,070	21	32	1,188	2,398
of which loans held-for-sale	83	0	152	0	3	0	238
Total assets of consolidated VIEs	**122**	**4**	**1,557**	**585**	**2,593**	**1,749**	**6,610**
Trading liabilities	0	0	0	0	3	0	3
Long-term debt	51	0	752	0	26	34	863
Other liabilities	0	0	1	26	111	66	204
Total liabilities of consolidated VIEs	**51**	**0**	**753**	**26**	**140**	**100**	**1,070**
2016 (CHF million)							
Cash and due from banks	43	1	41	52	50	182	369
Trading assets	0	0	0	478	933	1,333	2,744
Investment securities	0	0	511	0	0	0	511
Other investments	0	0	0	228	1,446	332	2,006
Net loans	0	0	0	0	30	254	284
Premises and equipment	0	0	0	0	199	0	199
Other assets	0	1	1,483	48	51	1,034	2,617
of which loans held-for-sale	0	0	415	0	7	0	422
Total assets of consolidated VIEs	**43**	**2**	**2,035**	**806**	**2,709**	**3,135**	**8,730**
Trading liabilities	0	0	0	0	18	0	18
Short-term borrowings	0	0	0	1	0	0	1
Long-term debt	54	0	1,639	7	57	2	1,759
Other liabilities	0	0	1	15	124	104	244
Total liabilities of consolidated VIEs	**54**	**0**	**1,640**	**23**	**199**	**106**	**2,022**

Non-consolidated VIEs

The non-consolidated VIEs table provides the carrying amounts and classification of the assets of variable interests recorded in the Group's consolidated balance sheets, maximum exposure to loss and total assets of the non-consolidated VIEs.

Total variable interest assets for which the company has involvement represent the carrying value of the variable interests in non-consolidated VIEs that are recorded in the consolidated balance sheet of the Group (for example, direct holdings in investment funds, loans and other receivables).

Maximum exposure to loss represents the carrying value of total variable interest assets in non-consolidated VIEs of the Group and the notional amounts of guarantees and off-balance sheet commitments which are variable interests that have been extended to non-consolidated VIEs. Such amounts, particularly notional amounts of derivatives and guarantees, do not represent the anticipated losses in connection with these transactions as they do not take into consideration the effect of collateral, recoveries or the probability of loss. In addition, they exclude the effect of offsetting financial instruments that are held to mitigate these risks and have not been reduced by unrealized losses previously recorded by the Group in connection with guarantees or derivatives.

Total assets of non-consolidated VIEs are the assets of the non-consolidated VIEs themselves and are typically unrelated to the exposures the Group has with these entities due to variable interests held by third-party investors. Accordingly, these amounts are not considered for risk management purposes.

Certain VIEs have not been included in the following table, including VIEs structured by third parties in which the Group's interest is in the form of securities held in the Group's inventory, certain repurchase financings to funds and single-asset financing vehicles not sponsored by the Group to which the Group provides financing but has very little risk of loss due to over-collateralization and guarantees, failed sales where the Group does not have any other holdings and other entities out of scope.

Non-consolidated VIEs

		Financial intermediation				
end of	CDO/ CLO	Securi- tizations	Funds	Loans	Other	Total
2017 (CHF million)						
Trading assets	746	4,573	1,014	224	2,388	8,945
Net loans	620	1,563	2,438	4,591	328	9,540
Other assets	9	11	67	1	437	525
Total variable interest assets	**1,375**	**6,147**	**3,519**	**4,816**	**3,153**	**19,010**
Maximum exposure to loss	**1,375**	**7,617**	**3,526**	**7,061**	**4,079**	**23,658**
Total assets of non-consolidated VIEs	**15,874**	**64,839**	**66,703**	**16,270**	**35,198**	**198,884**
2016 (CHF million)						
Trading assets	440	3,881	1,526	528	191	6,566
Net loans	4	105	2,007	6,588 [1]	608	9,312
Other assets	5	14	20	4	520	563
Total variable interest assets	**449**	**4,000**	**3,553**	**7,120** [1]	**1,319**	**16,441**
Maximum exposure to loss	**449**	**7,171**	**3,553**	**11,169** [1]	**1,821**	**24,163**
Total assets of non-consolidated VIEs	**9,774**	**65,820**	**68,546**	**34,216** [1]	**37,087**	**215,443**

[1] Prior period has been corrected.

34 Financial instruments

The disclosure of the Group's financial instruments below includes the following sections:
- Concentration of credit risk;
- Fair value measurement (including fair value hierarchy, transfers between levels; level 3 reconciliation; qualitative and quantitative disclosures of valuation techniques and nonrecurring fair value changes);
- Fair value option; and
- Disclosures about fair value of financial instruments not carried at fair value.

CONCENTRATIONS OF CREDIT RISK

Credit risk concentrations arise when a number of counterparties are engaged in similar business activities, are located in the same geographic region or when there are similar economic features that would cause their ability to meet contractual obligations to be similarly impacted by changes in economic conditions.

The Group regularly monitors the credit risk portfolio by counterparty, industry, country and product to ensure that such potential concentrations are identified, using a comprehensive range of quantitative tools and metrics. Credit limits relating to counterparties and products are managed through counterparty limits which set the maximum credit exposures the Group is willing to assume to specific counterparties over specified periods. Country limits are established to avoid any undue country risk concentration.

From an industry point of view, the combined credit exposure of the Group is diversified. A large portion of the credit exposure is with individual clients, particularly through residential mortgages in Switzerland, or relates to transactions with financial institutions. In both cases, the customer base is extensive and the number and variety of transactions are broad. For transactions with financial institutions, the business is also geographically diverse, with operations focused in the Americas, Europe and, to a lesser extent, Asia Pacific.

FAIR VALUE MEASUREMENT

A significant portion of the Group's financial instruments is carried at fair value. Deterioration of financial markets could significantly impact the fair value of these financial instruments and the results of operations.

The fair value of the majority of the Group's financial instruments is based on quoted prices in active markets or observable inputs. These instruments include government and agency securities, certain CP, most investment grade corporate debt, certain high yield debt securities, exchange-traded and certain OTC derivative instruments and most listed equity securities.

In addition, the Group holds financial instruments for which no prices are available and which have little or no observable inputs. For these instruments, the determination of fair value requires subjective assessment and judgment, depending on liquidity, pricing assumptions, the current economic and competitive environment and the risks affecting the specific instrument. In such circumstances, valuation is determined based on management's own judgments about the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. These instruments include certain OTC derivatives, including equity and credit derivatives, certain corporate equity-linked securities, mortgage-related and CDO securities, private equity investments, certain loans and credit products, including leveraged finance, certain syndicated loans and certain high yield bonds, and life finance instruments. The fair value measurement disclosures exclude derivative transactions that are daily settled.

The fair value of financial assets and liabilities is impacted by factors such as benchmark interest rates, prices of financial instruments issued by third parties, commodity prices, foreign exchange rates and index prices or rates. In addition, valuation adjustments are an integral part of the valuation process when market prices are not indicative of the credit quality of a counterparty, and are applied to both OTC derivatives and debt instruments. The impact of changes in a counterparty's credit spreads (known as credit valuation adjustments) is considered when measuring the fair value of assets, and the impact of changes in the Group's own credit spreads (known as debit valuation adjustments) is considered when measuring the fair value of its liabilities. For OTC derivatives, the impact of changes in both the Group's and the counterparty's credit standing is considered when measuring their fair value, based on current CDS prices. The adjustments also take into account contractual factors designed to reduce the Group's credit exposure to a counterparty, such as collateral held and master netting agreements. For hybrid debt instruments with embedded derivative features, the impact of changes in the Group's credit standing is considered when measuring their fair value, based on current funded debt spreads.

US GAAP permits a reporting entity to measure the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position or paid to transfer a net short position for a particular risk exposure in an orderly transaction between market participants at the measurement date. As such, the Group continues to apply bid and offer adjustments to net portfolios of cash securities and/or derivative instruments to adjust the value of the net position from a mid-market price to the appropriate bid or offer level that would be realized under normal market conditions for the net long or net short position for a specific market risk. In addition, the Group reflects the net exposure to credit risk for its derivative instruments where the Group has legally enforceable agreements with its counterparties that mitigate credit risk exposure in the event of default. Valuation adjustments are recorded in a reasonable and consistent manner that results in an allocation to the relevant disclosures in the notes to the financial statements as if the valuation adjustment had been allocated to the individual unit of account.

Fair value hierarchy

The levels of the fair value hierarchy are defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group has the ability to access. This level of the fair value hierarchy provides the most reliable evidence of fair value and is used to measure fair value whenever available.
- Level 2*:* Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. These inputs include: (i) quoted prices for similar assets or liabilities in active markets; (ii) quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current or price quotations vary substantially either over time or among market makers, or in which little information is publicly available; (iii) inputs other than quoted prices that are observable for the asset or liability; or (iv) inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3: Inputs that are unobservable for the asset or liability. These inputs reflect the Group's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available in the circumstances, which include the Group's own data. The Group's own data used to develop unobservable inputs is adjusted if information indicates that market participants would use different assumptions.

The Group records net open positions at bid prices if long, or at ask prices if short, unless the Group is a market maker in such positions, in which case mid-pricing is utilized. Fair value measurements are not adjusted for transaction costs.

Assets and liabilities measured at fair value on a recurring basis

end of 2017	Level 1	Level 2	Level 3	Netting impact [1]	Assets measured at net asset value per share [2]	Total
Assets (CHF million)						
Cash and due from banks	0	212	0	–	–	212
Interest-bearing deposits with banks	0	0	0	–	–	0
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	0	77,498	0	–	–	77,498
Debt	576	802	0	–	–	1,378
of which corporates	0	726	0	–	–	726
Equity	36,121	529	46	–	–	36,696
Securities received as collateral	36,697	1,331	46	–	–	38,074
Debt	29,828	40,645	2,292	–	–	72,765
of which foreign governments	29,561	4,256	270	–	–	34,087
of which corporates	179	10,231	1,412	–	–	11,822
of which RMBS	0	21,399	320	–	–	21,719
of which CMBS	0	2,501	16	–	–	2,517
of which CDO	0	2,255	126	–	–	2,381
Equity	51,025	3,481	163	–	1,053	55,722
Derivatives	3,577	141,347	3,289	(128,592)	–	19,621
of which interest rate products	1,219	84,932	801	–	–	–
of which foreign exchange products	19	30,302	188	–	–	–
of which equity/index-related products	2,338	18,251	833	–	–	–
of which credit derivatives	0	7,107	634	–	–	–
Other	2,922	2,294	3,010	–	–	8,226
Trading assets	87,352	187,767	8,754	(128,592)	1,053	156,334
Debt	244	1,780	42	–	–	2,066
of which foreign governments	97	1,139	0	–	–	1,236
of which corporates	0	238	0	–	–	238
of which RMBS	0	167	40	–	–	207
of which CMBS	0	171	2	–	–	173
Equity	6	119	0	–	–	125
Investment securities	250	1,899	42	–	–	2,191
Private equity	0	0	29	–	351	380
of which equity funds	0	0	22	–	141	163
Hedge funds	0	0	0	–	391	391
of which debt funds	0	0	0	–	239	239
Other equity investments	25	9	271	–	1,122	1,427
of which private	18	9	271	–	1,122	1,420
Life finance instruments	0	7	1,301	–	–	1,308
Other investments	25	16	1,601	–	1,864	3,506
Loans	0	10,777	4,530	–	–	15,307
of which commercial and industrial loans	0	3,437	2,207	–	–	5,644
of which financial institutions	0	4,890	1,480	–	–	6,370
Other intangible assets (mortgage servicing rights)	0	0	158	–	–	158
Other assets	101	7,570	1,511	(164)	–	9,018
of which loans held-for-sale	0	5,800	1,350	–	–	7,150
Total assets at fair value	**124,425**	**287,070**	**16,642**	**(128,756)**	**2,917**	**302,298**

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

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

end of 2017	Level 1	Level 2	Level 3	Netting impact [1]	Liabilities measured at net asset value per share [2]	Total
Liabilities (CHF million)						
Due to banks	0	197	0	–	–	197
Customer deposits	0	3,056	455	–	–	3,511
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	0	15,262	0	–	–	15,262
Debt	576	802	0	–	–	1,378
of which corporates	0	726	0	–	–	726
Equity	36,121	529	46	–	–	36,696
Obligation to return securities received as collateral	36,697	1,331	46	–	–	38,074
Debt	5,160	4,139	2	–	–	9,301
of which foreign governments	5,108	746	0	–	–	5,854
of which corporates	12	3,334	2	–	–	3,348
Equity	14,217	883	55	–	9	15,164
Derivatives	3,731	144,615	3,169	(136,861)	–	14,654
of which interest rate products	1,254	80,534	317	–	–	–
of which foreign exchange products	8	35,707	100	–	–	–
of which equity/index-related products	2,468	19,459	1,301	–	–	–
of which credit derivatives	0	7,982	898	–	–	–
Trading liabilities	23,108	149,637	3,226	(136,861)	9	39,119
Short-term borrowings	0	10,174	845	–	–	11,019
Long-term debt	0	51,127	12,501	–	–	63,628
of which treasury debt over two years	0	936	0	–	–	936
of which structured notes over one year and up to two years	0	6,216	149	–	–	6,365
of which structured notes over two years	0	32,782	12,259	–	–	45,041
of which other debt instruments over two years	0	2,221	61	–	–	2,282
of which other subordinated bonds	0	5,567	0	–	–	5,567
of which non-recourse liabilities	0	833	30	–	–	863
Other liabilities	0	7,379	1,478	(233)	–	8,624
of which failed sales	0	439	223	–	–	662
Total liabilities at fair value	**59,805**	**238,163**	**18,551**	**(137,094)**	**9**	**179,434**

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

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

end of 2016	Level 1	Level 2	Level 3	Netting impact [1]	Assets measured at net asset value per share [2]	Total
Assets (CHF million)						
Cash and due from banks	0	200	0	–	–	200
Interest-bearing deposits with banks	0	25	1	–	–	26
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	0	87,157	174	–	–	87,331
Debt	619	419	1	–	–	1,039
of which corporates	1	375	1	–	–	377
Equity	30,706	750	69	–	–	31,525
Securities received as collateral	31,325	1,169	70	–	–	32,564
Debt	29,498	32,193	3,977	–	–	65,668
of which foreign governments	29,226	2,408	292	–	–	31,926
of which corporates	180	12,326	1,674	–	–	14,180
of which RMBS	0	14,153	605	–	–	14,758
of which CMBS	0	2,227	65	–	–	2,292
of which CDO	0	1,074	1,165	–	–	2,239
Equity	58,490	3,795	240	–	1,346	63,871
Derivatives	5,631	224,142	4,305	(207,296)	–	26,782
of which interest rate products	3,074	133,834	748	–	–	–
of which foreign exchange products	18	61,448	355	–	–	–
of which equity/index-related products	2,538	20,519	914	–	–	–
of which credit derivatives	0	7,388	688	–	–	–
Other	2,267	2,319	4,243	–	–	8,829
Trading assets	95,886	262,449	12,765	(207,296)	1,346	165,150
Debt	294	2,034	72	–	–	2,400
of which foreign governments	103	1,240	0	–	–	1,343
of which corporates	0	287	0	–	–	287
of which RMBS	0	425	72	–	–	497
of which CMBS	0	14	0	–	–	14
Equity	3	86	0	–	–	89
Investment securities	297	2,120	72	–	–	2,489
Private equity	0	0	8	–	574	582
of which equity funds	0	0	0	–	240	240
Hedge funds	0	0	0	–	546	546
of which debt funds	0	0	0	–	292	292
Other equity investments	22	64	310	–	984	1,380
of which private	15	64	310	–	984	1,373
Life finance instruments	0	0	1,588	–	–	1,588
Other investments	22	64	1,906	–	2,104	4,096
Loans	0	12,943	6,585	–	–	19,528
of which commercial and industrial loans	0	6,051	3,816	–	–	9,867
of which financial institutions	0	4,403	1,829	–	–	6,232
Other intangible assets (mortgage servicing rights)	0	0	138	–	–	138
Other assets	260	8,359	1,679	(915)	–	9,383
of which loans held-for-sale	0	4,640	1,316	–	–	5,956
Total assets at fair value	**127,790**	**374,486**	**23,390**	**(208,211)**	**3,450**	**320,905**

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.

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

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

end of 2016	Level 1	Level 2	Level 3	Netting impact [1]	Liabilities measured at net asset value per share [2]	Total
Liabilities (CHF million)						
Due to banks	0	437	0	–	–	437
Customer deposits	0	3,166	410	–	–	3,576
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	0	19,634	0	–	–	19,634
Debt	619	419	1	–	–	1,039
of which corporates	1	375	1	–	–	377
Equity	30,706	750	69	–	–	31,525
Obligation to return securities received as collateral	31,325	1,169	70	–	–	32,564
Debt	4,376	3,564	23	–	–	7,963
of which foreign governments	4,374	547	0	–	–	4,921
of which corporates	0	2,760	23	–	–	2,783
Equity	16,365	191	41	–	1	16,598
Derivatives	5,407	229,051	3,673	(217,762)	–	20,369
of which interest rate products	2,946	126,422	538	–	–	–
of which foreign exchange products	18	71,006	150	–	–	–
of which equity/index-related products	2,442	22,219	1,181	–	–	–
of which credit derivatives	0	8,350	851	–	–	–
Trading liabilities	26,148	232,806	3,737	(217,762)	1	44,930
Short-term borrowings	0	3,545	516	–	–	4,061
Long-term debt	0	59,453	13,415	–	–	72,868
of which treasury debt over two years	0	3,217	0	–	–	3,217
of which structured notes over one year and up to two years	0	6,852	326	–	–	7,178
of which structured notes over two years	0	39,824	12,434	–	–	52,258
of which other debt instruments over two years	0	2,311	634	–	–	2,945
of which other subordinated bonds	0	5,482	1	–	–	5,483
of which non-recourse liabilities	0	1,742	17	–	–	1,759
Other liabilities	0	8,823	1,684	(1,014)	–	9,493
of which failed sales	0	507	219	–	–	726
Total liabilities at fair value	**57,473**	**329,033**	**19,832**	**(218,776)**	**1**	**187,563**

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

Transfers between level 1 and level 2

All transfers between level 1 and level 2 are reported through the last day of the reporting period.

In 2017, transfers to level 1 out of level 2 were from trading assets and trading liabilities. The transfers from trading assets were primarily in exchange-traded derivatives and equity securities as prices became observable. The transfers from trading liabilities were primarily in exchange traded derivatives as prices became observable.

In 2017, transfers out of level 1 to level 2 were primarily from trading assets and trading liabilities. The transfers from trading assets were primarily in equity and debt securities for which suitable closing prices were unobtainable as of the end of 2017. The transfers from trading liabilities were primarily in equity securities and exchange-traded derivatives for which suitable closing prices were unobtainable as of the end of 2017.

Transfers between level 1 and level 2

in	**2017**		2016	
	Transfers to level 1 out of level 2	Transfers out of level 1 to level 2	Transfers to level 1 out of level 2	Transfers out of level 1 to level 2
Assets (CHF million)				
Securities received as collateral	**0**	**136**	**0**	**0**
Debt	16	237	2,012	1,698
Equity	924	412	723	1,074
Derivatives	3,202	13	3,404	0
Trading assets	**4,142**	**662**	**6,139**	**2,772**
Investment securities	**0**	**0**	**0**	**1,229**
Liabilities (CHF million)				
Obligations to return securities received as collateral	**0**	**136**	**0**	**0**
Debt	3	44	2	46
Equity	102	165	108	166
Derivatives	3,814	91	4,047	29
Trading liabilities	**3,919**	**300**	**4,157**	**241**

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

2017	Balance at beginning of period	Transfers in	Transfers out	Purchases	Sales	Issuances
Assets (CHF million)						
Interest-bearing deposits with banks	1	40	0	0	(41)	0
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	174	0	0	0	0	26
Securities received as collateral	70	3	(1)	65	(86)	0
Debt	3,977	608	(1,074)	2,747	(3,705)	0
of which corporates	1,674	276	(654)	2,203	(2,005)	0
of which RMBS	605	280	(229)	85	(305)	0
of which CMBS	65	6	(17)	2	(13)	0
of which CDO	1,165	39	(157)	174	(1,047)	0
Equity	240	49	(35)	146	(260)	0
Derivatives	4,305	416	(839)	0	0	1,317
of which interest rate products	748	56	(53)	0	0	118
of which equity/index-related products	914	142	(98)	0	0	443
of which credit derivatives	688	216	(252)	0	0	381
Other	4,243	86	(98)	12,917	(14,067)	0
Trading assets	12,765	1,159	(2,046)	15,810	(18,032)	1,317
Investment securities	72	0	(17)	100	(113)	0
Equity	318	23	(22)	165	(171)	0
Life finance instruments	1,588	0	0	185	(418)	0
Other investments	1,906	23	(22)	350	(589)	0
Loans	6,585	1,130	(947)	106	(580)	1,151
of which commercial and industrial loans	3,816	448	(482)	71	(395)	590
of which financial institutions	1,829	352	(126)	33	(176)	444
Other intangible assets (mortgage servicing rights)	138	0	0	23	(1)	0
Other assets	1,679	347	(132)	759	(1,056)	1,054
of which loans held-for-sale [2]	1,316	286	(113)	667	(904)	1,053
Total assets at fair value	**23,390**	**2,702**	**(3,165)**	**17,213**	**(20,498)**	**3,548**
Liabilities (CHF million)						
Customer deposits	410	0	0	0	0	35
Obligation to return securities received as collateral	70	3	(1)	65	(86)	0
Trading liabilities	3,737	566	(1,049)	113	(134)	1,193
of which interest rate derivatives	538	57	(36)	0	0	45
of which foreign exchange derivatives	150	11	(1)	0	0	9
of which equity/index-related derivatives	1,181	54	(188)	0	0	543
of which credit derivatives	851	377	(392)	0	0	350
Short-term borrowings	516	95	(172)	0	0	865
Long-term debt	13,415	1,172	(3,004)	0	0	4,540
of which structured notes over two years	12,434	995	(2,886)	0	0	3,913
Other liabilities	1,684	150	(102)	211	(304)	9
of which failed sales	219	80	(70)	189	(218)	0
Total liabilities at fair value	**19,832**	**1,986**	**(4,328)**	**389**	**(524)**	**6,642**
Net assets/(liabilities) at fair value	**3,558**	**716**	**1,163**	**16,824**	**(19,974)**	**(3,094)**

[1] For all transfers to level 3 or out of level 3, the Group determines and discloses as level 3 events only gains or losses through the last day of the reporting period.
[2] Includes unrealized losses recorded in trading revenues of CHF (39) million primarily related to subprime exposures in securitized products business and market movements across the wider loans held-for-sale portfolio.

	Trading revenues		Other revenues		Accumulated other comprehensive income			
Settlements	On transfers in / out [1]	On all other	On transfers in / out [1]	On all other	On transfers in / out [1]	On all other	Foreign currency translation impact	**Balance at end of period**
0	0	0	0	0	0	0	0	0
(193)	0	0	0	0	0	0	(7)	0
0	0	0	0	0	0	0	(5)	46
0	(4)	(80)	6	1	0	0	(184)	2,292
0	(4)	14	6	0	0	0	(98)	1,412
0	3	(95)	0	0	0	0	(24)	320
0	(3)	(21)	0	0	0	0	(3)	16
0	0	(16)	0	0	0	0	(32)	126
0	0	33	0	0	0	0	(10)	163
(1,817)	123	(63)	0	0	0	0	(153)	3,289
(183)	6	104	0	0	0	0	5	801
(597)	14	58	0	0	0	0	(43)	833
(297)	38	(110)	0	0	0	0	(30)	634
(251)	2	362	0	0	0	0	(184)	3,010
(2,068)	121	252	6	1	0	0	(531)	8,754
(90)	(1)	95	0	0	0	0	(4)	42
0	0	(7)	0	9	0	0	(15)	300
0	0	16	0	0	0	0	(70)	1,301
0	0	9	0	9	0	0	(85)	1,601
(2,743)	15	85	0	0	0	0	(272)	4,530
(1,705)	(2)	21	0	0	0	0	(155)	2,207
(821)	28	(6)	0	0	0	0	(77)	1,480
0	0	0	0	4	0	0	(6)	158
(885)	(1)	(172)	0	(4)	0	0	(78)	1,511
(885)	(2)	0	0	(4)	0	0	(64)	1,350
(5,979)	**134**	**269**	**6**	**10**	**0**	**0**	**(988)**	**16,642**
(3)	0	(61)	0	0	0	42	32	455
0	0	0	0	0	0	0	(5)	46
(1,625)	140	461	0	(9)	0	0	(167)	3,226
(258)	6	(14)	0	0	0	0	(21)	317
(12)	0	(52)	0	0	0	0	(5)	100
(692)	17	441	0	0	0	0	(55)	1,301
(376)	61	66	0	0	0	0	(39)	898
(472)	(2)	19	4	10	0	6	(24)	845
(4,479)	(12)	1,400	0	0	88	21	(640)	12,501
(3,079)	(14)	1,390	0	0	87	17	(598)	12,259
(403)	(25)	(6)	0	330	0	0	(66)	1,478
0	(7)	40	0	0	0	0	(10)	223
(6,982)	**101**	**1,813**	**4**	**331**	**88**	**69**	**(870)**	**18,551**
1,003	**33**	**(1,544)**	**2**	**(321)**	**(88)**	**(69)**	**(118)**	**(1,909)**

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

2016	Balance at beginning of period	Transfers in	Transfers out	Purchases	Sales	Issuances
Assets (CHF million)						
Interest-bearing deposits with banks	0	0	0	49	(49)	0
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	158	0	0	0	0	279
Securities received as collateral	0	0	0	100	(33)	0
Debt	4,563	1,574	(1,487)	3,753	(4,514)	0
of which corporates	1,745	836	(677)	2,642	(2,945)	0
of which RMBS	814	587	(573)	525	(668)	0
of which CMBS	215	26	(12)	51	(169)	0
of which CDO	1,298	82	(166)	488	(578)	0
Equity	871	111	(136)	527	(1,057)	0
Derivatives	4,831	1,683	(1,017)	0	0	1,484
of which interest rate products	791	48	(60)	0	0	130
of which equity/index-related products	936	282	(328)	0	0	428
of which credit derivatives	1,568	961	(617)	0	0	543
Other	4,266	858	(1,221)	3,848	(3,644)	0
Trading assets	14,531	4,226	(3,861)	8,128	(9,215)	1,484
Investment securities	148	18	(38)	95	(121)	0
Equity	366	7	(2)	146	(281)	0
Life finance instruments	1,669	0	0	186	(353)	0
Other investments	2,035	7	(2)	332	(634)	0
Loans	8,950	969	(1,942)	524	(1,443)	3,574
of which commercial and industrial loans	5,735	486	(583)	97	(1,007)	1,994
of which financial institutions	1,729	77	(348)	335	(348)	974
Other intangible assets (mortgage servicing rights)	112	0	0	16	(1)	0
Other assets	7,087	572	(1,497)	2,464	(6,801)	898
of which loans held-for-sale	6,768	355	(1,251)	2,192	(6,696)	898
Total assets at fair value	**33,021**	**5,792**	**(7,340)**	**11,708**	**(18,297)**	**6,235**
Liabilities (CHF million)						
Customer deposits	254	0	(41)	0	0	240
Obligation to return securities received as collateral	0	0	0	100	(33)	0
Trading liabilities	4,615	1,588	(1,026)	51	(52)	1,259
of which interest rate derivatives	578	87	(28)	0	0	141
of which foreign exchange derivatives	329	55	(5)	0	0	14
of which equity/index-related derivatives	1,347	130	(293)	0	0	423
of which credit derivatives	1,757	940	(689)	0	0	421
Short-term borrowings	72	45	(30)	0	0	598
Long-term debt	14,123	3,865	(2,393)	0	0	4,510
of which structured notes over two years	9,924	3,484	(2,166)	0	0	4,044
Other liabilities	2,491	208	(226)	219	(376)	17
of which failed sales	454	44	(121)	142	(308)	0
Total liabilities at fair value	**21,555**	**5,706**	**(3,716)**	**370**	**(461)**	**6,624**
Net assets/(liabilities) at fair value	**11,466**	**86**	**(3,624)**	**11,338**	**(17,836)**	**(389)**

[1] For all transfers to level 3 or out of level 3, the Group determines and discloses as level 3 events only gains or losses through the last day of the reporting period.

	Trading revenues		Other revenues		Accumulated other comprehensive income			
Settlements	On transfers in / out [1]	On all other	On transfers in / out [1]	On all other	On transfers in / out [1]	On all other	Foreign currency translation impact	**Balance at end of period**
0	0	1	0	0	0	0	0	1
(270)	0	1	0	0	0	0	6	174
0	0	0	0	0	0	0	3	70
0	(1)	(134)	0	10	0	0	213	3,977
0	0	(42)	0	8	0	0	107	1,674
0	(6)	(91)	0	0	0	0	17	605
0	(1)	(45)	0	0	0	0	0	65
0	2	2	0	2	0	0	35	1,165
0	(45)	(38)	0	0	0	0	7	240
(2,972)	7	173	0	(22)	0	0	138	4,305
(293)	0	117	0	0	0	0	15	748
(473)	9	32	0	(22)	0	0	50	914
(1,710)	1	(64)	0	0	0	0	6	688
(314)	7	290	0	0	0	0	153	4,243
(3,286)	(32)	291	0	(12)	0	0	511	12,765
(124)	(10)	100	0	0	0	0	4	72
0	0	31	0	22	0	0	29	318
0	0	33	0	0	0	0	53	1,588
0	0	64	0	22	0	0	82	1,906
(4,281)	(43)	(11)	0	0	0	0	288	6,585
(2,987)	(14)	(74)	0	0	0	0	169	3,816
(701)	1	41	0	0	0	0	69	1,829
0	0	0	0	6	0	0	5	138
(975)	(46)	(208)	0	(9)	0	0	194	1,679
(975)	(59)	(88)	0	(8)	0	0	180	1,316
(8,936)	**(131)**	**238**	**0**	**7**	**0**	**0**	**1,093**	**23,390**
(20)	0	(64)	0	0	0	41	0	410
0	0	0	0	0	0	0	3	70
(3,494)	100	589	0	(12)	0	0	119	3,737
(244)	14	(25)	0	0	0	0	15	538
(408)	2	160	0	0	0	0	3	150
(748)	32	227	0	0	0	0	63	1,181
(1,806)	50	162	0	0	0	0	16	851
(205)	1	17	(3)	3	0	0	18	516
(7,149)	(64)	(124)	0	0	1	240	406	13,415
(3,004)	(78)	(403)	0	0	1	240	392	12,434
(612)	(72)	(160)	(1)	139	0	0	57	1,684
0	(3)	3	0	0	0	0	8	219
(11,480)	**(35)**	**258**	**(4)**	**130**	**1**	**281**	**603**	**19,832**
2,544	**(96)**	**(20)**	**4**	**(123)**	**(1)**	**(281)**	**490**	**3,558**

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

in			2017			2016
	Trading revenues	Other revenues	**Total revenues**	Trading revenues	Other revenues	**Total revenues**
Gains and losses on assets and liabilities (CHF million)						
Net realized/unrealized gains/(losses) included in net revenues	(1,511)	(319)	**(1,830)** [1]	(116)	(119)	**(235)** [1]
Whereof:						
Unrealized gains/(losses) relating to assets and liabilities still held as of the reporting date	(2,088)	22	**(2,066)**	125	26	**151**

[1] Excludes net realized/unrealized gains/(losses) attributable to foreign currency translation impact.

Both observable and unobservable inputs may be used to determine the fair value of positions that have been classified within level 3. As a result, the unrealized gains and losses for assets and liabilities within level 3 presented in the table above may include changes in fair value that were attributable to both observable and unobservable inputs.

The Group employs various economic hedging techniques in order to manage risks, including risks in level 3 positions. Such techniques may include the purchase or sale of financial instruments that are classified in levels 1 and/or 2. The realized and unrealized gains and losses for assets and liabilities in level 3 presented in the table above do not reflect the related realized or unrealized gains and losses arising on economic hedging instruments classified in levels 1 and/or 2.

Transfers in and out of level 3

Transfers into level 3 assets during 2017 were CHF 2,702 million, primarily from trading assets and loans. The transfers were primarily in the credit, financing and fixed income businesses due to limited observability of pricing data and reduced pricing information from external providers. Transfers out of level 3 assets during 2017 were CHF 3,165 million, primarily in trading assets and loans. The transfers out of level 3 assets were primarily in the Strategic Resolution Unit and financing businesses due to improved observability of pricing data and increased availability of pricing information from external providers.

Transfers into level 3 assets during 2016 were CHF 5,792 million, primarily from trading assets and loans. The transfers were primarily in the corporate credit, emerging market and fixed income businesses due to limited observability of pricing data and reduced pricing information from external providers. Transfers out of level 3 assets during 2016 were CHF 7,340 million, primarily in trading assets, loans and loans held-for-sale. The transfers out of level 3 assets were primarily in the corporate credit and emerging market businesses due to improved observability of pricing data, increased availability of pricing information from external providers and due to a more granular assessment of the leveling process.

Qualitative disclosures of valuation techniques

Overview

The Group has implemented and maintains a valuation control framework, which is supported by policies and procedures that define the principles for controlling the valuation of the Group's financial instruments. Product Control and Risk Management create, review and approve significant valuation policies and procedures. The framework includes three main internal processes: (i) valuation governance; (ii) independent price verification and significant unobservable inputs review; and (iii) a cross-functional pricing model review. Through this framework, the Group determines the reasonableness of the fair value of its financial instruments.

On a monthly basis, meetings are held for each business line with senior representatives of the Front Office and Product Control to discuss independent price verification results, valuation adjustments, and other significant valuation issues. On a quarterly basis, a review of significant changes in the fair value of financial instruments is undertaken by Product Control and conclusions are reached regarding the reasonableness of those changes. Additionally, on a quarterly basis, meetings are held for each business line with senior representatives of the Front Office, Product Control, Risk Management, and Financial Accounting to discuss independent price verification results, valuation issues, business and market updates, as well as a review of significant changes in fair value from the prior quarter, significant unobservable inputs and prices used in valuation techniques, and valuation adjustments.

The results of these meetings are aggregated for presentation to the Valuation Risk Management Committee (VARMC) and the Audit Committee. The VARMC, which is comprised of Executive Board members and the heads of the business and control functions, meets to review and ratify valuation review conclusions, and to resolve significant valuation issues for the Group. Oversight of the valuation control framework is through specific and regular reporting on valuation directly to the Group's Executive Board through the VARMC.

One of the key components of the governance process is the segregation of duties between the Front Office and Product Control. The Front Office is responsible for measuring inventory at fair value on a daily basis, while Product Control is responsible for independently reviewing and validating those valuations on a periodic basis. The Front Office values the inventory using, wherever possible, observable market data which may include executed transactions, dealer quotes or broker quotes for the same or similar instruments. Product Control validates this inventory using independently sourced data that also includes executed transactions, dealer quotes, and broker quotes.

Product Control utilizes independent pricing service data as part of its review process. Independent pricing service data is analyzed to ensure that it is representative of fair value, including confirming that the data corresponds to executed transactions or executable broker quotes, review and assessment of contributors to ensure they are active market participants, review of statistical data and utilization of pricing challenges. The analysis also includes understanding the sources of the pricing service data and any models or assumptions used in determining the results. The purpose of the review is to judge the quality and reliability of the data for fair value measurement purposes and its appropriate level of usage within the Product Control independent valuation review.

For certain financial instruments the fair value is estimated in full or in part using valuation techniques based on assumptions that are not supported by market observable prices, rates or other inputs. In addition, there may be uncertainty about a valuation resulting from the choice of valuation technique or model used, the assumptions embedded in those models, the extent to which inputs are not market observable, or as a consequence of other elements affecting the valuation technique or model. Model calibration is performed when significant new market information becomes available or at a minimum on a quarterly basis as part of the business review of significant unobservable inputs for level 3 instruments. For models that have been deemed to be significant to the overall fair value of the financial instrument, model validation is performed as part of the periodic review of the related model.

The Group performs a sensitivity analysis of its significant level 3 financial instruments. This sensitivity analysis estimates a fair value range by changing the related significant unobservable inputs value. This sensitivity analysis is an internal mechanism to monitor the impact of reasonable alternative inputs or prices for level 3 financial instruments. Where a model-based technique is used to determine the fair value of the level 3 financial instrument, an alternative input value is utilized to derive an estimated fair value range. Where a price-based technique is used to determine the fair value of the level 3 financial instruments, Front Office professional judgment is used to estimate a fair value range.

The following information on the valuation techniques and significant unobservable inputs of the various financial instruments, and the sensitivity of fair value measurements to changes in significant unobservable inputs, should be read in conjunction with the tables "Quantitative information about level 3 assets at fair value" and "Quantitative information about level 3 liabilities at fair value".

Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions

Securities purchased under resale agreements and securities sold under repurchase agreements are measured at fair value using discounted cash flow analysis. Future cash flows are discounted using observable market interest rate repurchase/resale curves for the applicable maturity and underlying collateral of the instruments. As such, the significant majority of both securities purchased under resale agreements and securities sold under repurchase agreements are included in level 2 of the fair value hierarchy. Structured resale and repurchase agreements include embedded derivatives, which are measured using the same techniques as described below for stand-alone derivative contracts held for trading purposes or used in hedge accounting relationships. If the value of the embedded derivative is determined using significant unobservable inputs, those structured resale and repurchase agreements are classified within level 3 of the fair value hierarchy. The significant unobservable input is funding spread.

Securities purchased under resale agreements are usually fully collateralized or over-collateralized by government securities, money market instruments, corporate bonds, or other debt instruments. In the event of counterparty default, the collateral service agreement provides the Group with the right to liquidate the collateral held.

Debt securities

Foreign governments and corporates

Government debt securities typically have quoted prices in active markets and are categorized as level 1 instruments. For debt securities for which market prices are not available, valuations are based on yields reflecting credit rating, historical performance, delinquencies, loss severity, the maturity of the security, recent transactions in the market or other modeling techniques, which may involve judgment. Those securities where the price or model inputs are observable in the market are categorized as level 2 instruments, while those securities where prices are not observable and significant model inputs are unobservable are categorized as level 3 of the fair value hierarchy.

Corporate bonds are priced to reflect current market levels either through recent market transactions or broker or dealer quotes. Where a market price for the particular security is not directly available, valuations are obtained based on yields reflected by other instruments in the specific or similar entity's capital structure and adjusting for differences in seniority and maturity, benchmarking to a comparable security where market data is available (taking into consideration differences in credit, liquidity and maturity), or through the application of cash flow modeling techniques utilizing observable inputs, such as current interest rate curves and observable CDS spreads. Significant unobservable inputs may include price and correlation. For securities using market comparable price, the differentiation between level 2 and level 3 is based upon the relative significance of any yield adjustments as well as the accuracy of the comparison characteristics (i.e., the observable comparable security may be in the same country but a different industry and may have a different seniority level – the lower the comparability the more likely the security will be level 3).

CMBS, RMBS and CDO securities

Fair values of RMBS, CMBS and CDO may be available through quoted prices, which are often based on the prices at which similarly structured and collateralized securities trade between dealers and to and from customers. Fair values of RMBS, CMBS and CDO for which there are significant unobservable inputs are valued using capitalization rate and discount rate. Price

may not be observable for fair value measurement purposes for many reasons, such as the length of time since the last executed transaction for the related security, use of a price from a similar instrument, or use of a price from an indicative quote. Fair values determined by market comparable price may include discounted cash flow models using the inputs prepayment rate, default rate, loss severity, discount rate and credit spread. Prices from similar observable instruments are used to calculate implied inputs which are then used to value unobservable instruments using discounted cash flow. The discounted cash flow price is then compared to the unobservable prices and assessed for reasonableness.

For most structured debt securities, determination of fair value requires subjective assessment depending on liquidity, ownership concentration, and the current economic and competitive environment. Valuation is determined based on the Front Office's own assumptions about how market participants would price the asset. Collateralized bond and loan obligations are split into various structured tranches and each tranche is valued based upon its individual rating and the underlying collateral supporting the structure. Valuation models are used to value both cash and synthetic CDOs.

Equity securities

The majority of the Group's positions in equity securities are traded on public stock exchanges for which quoted prices are readily and regularly available and are therefore categorized as level 1 instruments. Level 2 and level 3 equities include fund-linked products, convertible bonds or equity securities with restrictions that are not traded in active markets. Significant unobservable inputs may include market comparable price and earnings before interest, taxes, depreciation and amortization (EBITDA) multiple.

Derivatives

Derivatives held for trading purposes or used in hedge accounting relationships include both OTC and exchange-traded derivatives. The fair values of exchange-traded derivatives measured using observable exchange prices are included in level 1 of the fair value hierarchy. For exchange-traded derivatives where the volume of trading is low, the observable exchange prices may not be considered executable at the reporting date. These derivatives are valued in the same manner as similar observable OTC derivatives and are included in level 2 of the fair value hierarchy. If the similar OTC derivative used for valuing the exchange-traded derivative is not observable, the exchange-traded derivative is included in level 3 of the fair value hierarchy.

The fair values of OTC derivatives are determined on the basis of either industry standard models or internally developed proprietary models. Both model types use various observable and unobservable inputs in order to determine fair value. The inputs include those characteristics of the derivative that have a bearing on the economics of the instrument. The determination of the fair value of many derivatives involves only a limited degree of subjectivity because the required inputs are observable in the marketplace, while more complex derivatives may use unobservable inputs that rely on specific proprietary modeling assumptions. Where observable inputs (prices from exchanges, dealers, brokers or market consensus data providers) are not available, attempts are made to infer values from observable prices through model calibration (spot and forward rates, mean reversion, benchmark interest rate curves and volatility inputs for commonly traded option products). For inputs that cannot be derived from other sources, estimates from historical data may be made. OTC derivatives where the majority of the value is derived from market observable inputs are categorized as level 2 instruments, while those where the majority of the value is derived from unobservable inputs are categorized as level 3 of the fair value hierarchy.

The valuation of derivatives includes an adjustment for the cost of funding uncollateralized OTC derivatives.

Interest rate derivatives

OTC vanilla interest rate products, such as interest rate swaps, swaptions, and caps and floors are valued by discounting the anticipated future cash flows. The future cash flows and discounting are derived from market standard yield curves and industry standard volatility inputs. Where applicable, exchange-traded prices are also used to value exchange-traded futures and options and can be used in yield curve construction. For more complex products, inputs include, but are not limited to correlation, volatility skew, prepayment rate and basis spread.

Foreign exchange derivatives

Foreign exchange derivatives include vanilla products such as spot, forward and option contracts where the anticipated discounted future cash flows are determined from foreign exchange forward curves and industry standard optionality modeling techniques. Where applicable, exchange-traded prices are also used for futures and option prices. For more complex products inputs include, but are not limited to prepayment rate, correlation and contingent probability.

Equity and index-related derivatives

Equity derivatives include a variety of products ranging from vanilla options and swaps to exotic structures with bespoke payoff profiles. The main inputs in the valuation of equity derivatives may include volatility, buyback probability, gap risk, correlation and price.

Generally, the interrelationship between the volatility and correlation is positively correlated.

Credit derivatives

Credit derivatives include index and single name CDS in addition to more complex structured credit products. Vanilla products are valued using industry standard models and inputs that are generally market observable including credit spread and recovery rate.

Complex structured credit derivatives are valued using proprietary models requiring unobservable inputs such as recovery rate, credit spread and correlation. These inputs are generally implied from available market observable data. Fair values determined by price may include discounted cash flow models using the inputs

prepayment rate, default rate, loss severity, discount rate and Term TRS/repo spread.

Other trading assets

Other trading assets primarily include RMBS loans and life settlement and premium finance instruments. Life settlement and premium finance instruments are valued using proprietary models with several inputs. The significant unobservable inputs of the fair value for life settlement and premium finance instruments is the estimate of market implied life expectancy, while for RMBS loans it is market comparable price.

For life settlement and premium finance instruments, individual life expectancy rates are typically obtained by multiplying a base mortality curve for the general insured population provided by a professional actuarial organization together with an individual-specific multiplier. Individual-specific multipliers are determined based on data from third-party life expectancy data providers, which examine the insured individual's medical conditions, family history and other factors to arrive at a life expectancy estimate.

For RMBS loans, the use of market comparable price varies depending upon each specific loan. For some loans, similar to unobservable RMBS securities, prices from similar observable instruments are used to calculate implied inputs which are then used to value unobservable instruments using discounted cash flow. The discounted cash flow price is then compared to the unobservable prices and assessed for reasonableness. For other RMBS loans, the loans are categorized by specific characteristics, such as loan-to-value ratio, average account balance, loan type (single or multi-family), lien, seasoning, coupon, FICO score, locality, delinquency status, cash flow velocity, roll rates, loan purpose, occupancy, servicers advance agreement type, modification status, Federal Housing Administration insurance, property value and documentation quality. Loans with unobservable prices are put into consistent buckets which are then compared to market observable comparable prices in order to assess the reasonableness of those unobservable prices.

Other investments

Private equity, hedge funds and other equity investments

Other equity investments principally includes equity investments in the form of a) direct investments in third-party hedge funds, private equity funds and funds of funds, b) equity-method investments where the Group has the ability to significantly influence the operating and financial policies of the investee, and c) direct investments in non-marketable equity securities.

Direct investments in third-party hedge funds, private equity funds and funds of funds are measured at fair value based on their published NAVs as permitted by ASC Topic 820 – Fair Value Measurement. In some cases, NAVs may be adjusted where there is sufficient evidence that the NAV published by the investment manager is not in line with the fund's observable market data, it is probable that the investment will be sold for an amount other than NAV or there exist other circumstances that would require an adjustment to the published NAV. Although rarely adjusted, significant judgment is involved in making any adjustments to the published NAVs. The investments for which the fair value is measured using the NAV practical expedient are not categorized within the fair value hierarchy.

Direct investments in non-marketable equity securities consist of both real estate investments and non-real estate investments. Equity-method investments and direct investments in non-marketable equity securities are initially measured at their transaction price, as this is the best estimate of fair value. Thereafter, these investments are individually measured at fair value based upon a number of factors that include any recent rounds of financing involving third-party investors, comparable company transactions, multiple analyses of cash flows or book values, or discounted cash flow analyses. The availability of information used in these modeling techniques is often limited and involves significant judgment in evaluating these different factors over time. As a result, these investments are included in level 3 of the fair value hierarchy.

Life finance instruments

Life finance instruments include Single Premium Immediate Annuities (SPIA) and other premium finance instruments. Life finance instruments are valued in a similar manner as described for life settlement and premium finance instruments under the other trading assets section above.

Loans

The Group's loan portfolio which is measured at fair value primarily consists of commercial and industrial loans and loans to financial institutions. Within these categories, loans measured at fair value include commercial loans, real estate loans, corporate loans, leverage finance loans and emerging market loans. Fair value is based on recent transactions and quoted prices, where available. Where recent transactions and quoted prices are not available, fair value may be determined by relative value benchmarking (which includes pricing based upon another position in the same capital structure, other comparable loan issues, generic industry credit spreads, implied credit spreads derived from CDS for the specific borrower, and enterprise valuations) or calculated based on the exit price of the collateral, based on current market conditions.

Both the funded and unfunded portion of revolving credit lines on the corporate lending portfolio are valued using a loan pricing model, which requires estimates of significant inputs including credit spreads, recovery rates, credit conversion factors, and weighted average life of the loan. Significant unobservable inputs may include credit spread and price.

The Group's other assets and liabilities include mortgage loans held in conjunction with securitization activities and assets and liabilities of VIEs and mortgage securitizations that do not meet the criteria for sale treatment under US GAAP. The fair value of mortgage loans held in conjunction with securitization activities is determined on a whole-loan basis and is consistent with the valuation of RMBS loans discussed in "Other trading assets" above. Whole-loan valuations are calculated based on the exit price reflecting the current market conditions. The fair value of assets and liabilities

of VIEs and mortgage securitizations that do not meet the criteria for sale treatment under US GAAP are determined based on the quoted prices for securitized bonds, where available, or on cash flow analyses for securitized bonds, when quoted prices are not available. The fair value of the consolidated financial assets of RMBS and CMBS securitization vehicles, which qualify as collateralized financing entities, are measured on the basis of the more observable fair value of the VIEs' financial liabilities.

Accrual based loans in the Group's private, corporate and institutional banking businesses, for which an estimated fair value is disclosed in the table "Carrying value and fair value of financial instruments not carried at fair value" below, include consumer loans relating to mortgages, loans collateralized by securities or consumer finance, as well as corporate and institutional loans relating to real estate, commercial and industrial loans, and loans to financial institutions, governments and public institutions. Fair values for these loans are determined by using a discounted cash flow model. Future cash flows are discounted using risk-adjusted discount rates which are derived from observable market interest rates for the applicable maturity and currency and from counterparty-related credit spreads.

Deposits

Accrual based deposits with a stated maturity, for which an estimated fair value is disclosed in the table "Carrying value and fair value of financial instruments not carried at fair value" below, are generally fair valued by using a discounted cash flow model incorporating the Group's credit spreads. The estimated fair value of accrual accounted deposits without a stated maturity approximates the carrying amount; however, the value does not include an estimate of the value attributed to the long-term relationships with its customers that in the aggregate adds significant value to the Group's stable deposit base.

Short-term borrowings and long-term debt

The Group's short-term borrowings and long-term debt include structured notes (hybrid financial instruments that are both bifurcatable and non-bifurcatable) and vanilla debt. The fair value of structured notes is based on quoted prices, where available. When quoted prices are not available, fair value is determined by using a discounted cash flow model incorporating the Group's credit spreads, the value of derivatives embedded in the debt and the residual term of the issuance based on call options. Derivatives structured into the issued debt are valued consistently with the Group's stand-alone derivative contracts held for trading purposes or used in hedge accounting relationships as discussed above. The fair value of structured debt is heavily influenced by the combined call options and performance of the underlying derivative returns. Significant unobservable inputs for short-term borrowings and long-term debt include buyback probability, gap risk, correlation, volatility, credit spread, mean reversion, price and recovery rate.

Generally, the interrelationships between volatility, correlation, gap risk and credit spread inputs are positively correlated.

Other liabilities

Failed sales

These liabilities represent the financing of assets that did not achieve sale accounting treatment under US GAAP. Failed sales are valued in a manner consistent with the related underlying financial instruments.

Short-term financial instruments

Certain short-term financial instruments are not carried at fair value on the balance sheet, but a fair value has been disclosed in the table "Carrying value and fair value of financial instruments not carried at fair value" below. These instruments include: cash and due from banks, cash collateral receivables and payables and other receivables and payables arising in the ordinary course of business. For these financial instruments, the carrying value approximates the fair value due to the relatively short period of time between their origination and expected realization, as well as the minimal credit risk inherent in these instruments.

Sensitivity of fair value measurements to changes in significant unobservable inputs

For level 3 assets with a significant unobservable input of EBITDA multiple, market implied life expectancy (for life finance instruments), buyback probability, correlation, contingent probability, price, volatility or volatility skew, in general, an increase in the significant unobservable input would increase the fair value. For level 3 assets with a significant unobservable input of market implied life expectancy (for life settlement and premium finance instruments), default rate, capitalization rate, discount rate, prepayment rate, gap risk, recovery rate, term TRS/repo spread or credit spread, in general, an increase in the significant unobservable input would decrease the fair value.

For level 3 liabilities, in general, an increase in the related significant unobservable inputs would have the inverse impact on fair value. An increase in the significant unobservable input mean reversion would increase the fair value. An increase in the significant unobservable input basis spread would decrease the fair value.

Interrelationships between significant unobservable inputs

Except as noted above, there are no material interrelationships between the significant unobservable inputs for the financial instruments. As the significant unobservable inputs move independently, generally an increase or decrease in one significant unobservable input will have no impact on the other significant unobservable inputs.

Quantitative disclosures of valuation techniques

The following tables provide the representative range of minimum and maximum values and the associated weighted averages of each significant unobservable input for level 3 assets and liabilities by the related valuation technique most significant to the related financial instrument.

Quantitative information about level 3 assets at fair value

end of 2017	Fair value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average [1]
CHF million, except where indicated						
Securities received as collateral	46	–	–	–	–	–
Debt	2,292					
of which corporates	1,412					
of which	387	Option model	Correlation, in %	(60)	98	55
of which	545	Market comparable	Price, in %	0	139	84
of which	444	Discounted cash flow	Credit spread, in bp	37	952	230
of which RMBS	320	Discounted cash flow	Discount rate, in %	1	24	11
			Prepayment rate, in %	1	36	10
			Default rate, in %	0	12	4
			Loss severity, in %	0	100	57
of which CMBS	16	Discounted cash flow	Capitalization rate, in %	14	14	14
			Discount rate, in %	8	16	14
			Prepayment rate, in %	0	5	4
of which CDO	126	Discounted cash flow	Discount rate, in %	5	13	8
			Prepayment rate, in %	5	20	13
			Credit spread, in bp	464	669	553
			Default rate, in %	2	5	3
			Loss severity, in %	0	80	34
Equity	163					
of which	67	Vendor price	Price, in actuals	0	2,080	10
of which	81	Market comparable	EBITDA multiple	2	9	7
			Price, in %	18	100	67

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

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

end of 2017	Fair value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average [1]
CHF million, except where indicated						
Derivatives	3,289					
of which interest rate products	801	Option model	Correlation, in %	20	100	72
			Prepayment rate, in %	6	34	17
			Volatility skew, in %	(4)	1	(1)
of which equity/index-related products	833	Option model	Correlation, in %	(60)	98	65
			Volatility, in %	0	105	64
			Buyback probability, in % [2]	50	100	90
			Gap risk, in % [3]	0	2	1
of which credit derivatives	634	Discounted cash flow	Credit spread, in bp	1	956	217
			Recovery rate, in %	0	45	20
			Discount rate, in %	3	50	16
			Default rate, in %	1	20	5
			Loss severity, in %	1	100	64
			Correlation, in %	97	97	97
			Prepayment rate, in %	0	14	6
Other	3,010					
of which	1,605	Market comparable	Price, in %	0	110	23
of which	1,095	Discounted cash flow	Market implied life expectancy, in years	3	18	8
Trading assets	8,754					
Investment securities	42	–	–	–	–	–
Private equity	29	–	–	–	–	–
Other equity investments	271	–	–	–	–	–
Life finance instruments	1,301	Discounted cash flow	Market implied life expectancy, in years	2	18	6
Other investments	1,601					
Loans	4,530					
of which commercial and industrial loans	2,207					
of which	1,924	Discounted cash flow	Credit spread, in bp	89	1,116	420
of which	250	Market comparable	Price, in %	0	99	56
of which financial institutions	1,480					
of which	1,426	Discounted cash flow	Credit spread, in bp	43	1,430	371
Other intangible assets (mortgage servicing rights)	158	–	–	–	–	–
Other assets	1,511					
of which loans held-for-sale	1,350					
of which	849	Discounted cash flow	Credit spread, in bp	117	973	292
			Recovery rate, in %	18	87	73
of which	280	Market comparable	Price, in %	0	102	88
Total level 3 assets at fair value	**16,642**					

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.
[2] Estimate of the probability of structured notes being put back to the Group at the option of the investor over the remaining life of the financial instruments.
[3] Risk of unexpected large declines in the underlying values occuring between collateral settlement dates.

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

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

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

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

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

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.
[2] Estimate of the probability of structured notes being put back to the Group at the option of the investor over the remaining life of the financial instruments.
[3] Risk of unexpected large declines in the underlying values occuring between collateral settlement dates.

Quantitative information about level 3 liabilities at fair value

end of 2017	Fair value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average [1]
CHF million, except where indicated						
Customer deposits	455	–	–	–	–	–
Obligation to return securities received as collateral	46	–	–	–	–	–
Trading liabilities	3,226					
of which interest rate derivatives	317					
of which	205	Option model	Basis spread, in bp	(25)	52	19
			Correlation, in %	20	100	60
			Prepayment rate, in %	6	34	9
of which	81	Market comparable	Price, in %	1	102	44
of which foreign exchange derivatives	100					
of which	64	Option model	Correlation, in %	(10)	70	51
			Prepayment rate, in %	27	34	30
of which	7	Discounted cash flow	Contingent probability, in %	95	95	95
of which equity/index-related derivatives	1,301					
of which	947	Option model	Correlation, in %	(60)	98	55
			Volatility, in %	0	105	25
			Buyback probability, in % [2]	50	100	90
of which	62	Vendor price	Price, in actuals	0	53	18
of which credit derivatives	898	Discounted cash flow	Credit spread, in bp	2	973	172
			Discount rate, in %	3	50	16
			Default rate, in %	1	20	5
			Recovery rate, in %	10	60	38
			Loss severity, in %	25	100	67
			Correlation, in %	38	85	54
			Prepayment rate, in %	0	20	7
			Term TRS/repo spread, in bp	176	176	176
Short-term borrowings	845					
of which	288	Option model	Correlation, in %	(40)	98	60
			Volatility, in %	4	105	26
of which	527	Discounted cash flow	Credit spread, in bp	2	278	175
			Recovery rate, in %	25	40	29
of which	24	Market comparable	Price, in %	11	47	47
Long-term debt	12,501					
of which structured notes over two years	12,259					
of which	9,739	Option model	Correlation, in %	(60)	99	55
			Volatility, in %	0	105	21
			Buyback probability, in % [2]	50	100	90
			Gap risk, in % [3]	0	2	1
			Mean reversion, in % [4]	(14)	(1)	(6)
of which	1,571	Discounted cash flow	Credit spread, in bp	2	729	105
Other liabilities	1,478					
of which failed sales	223					
of which	122	Market comparable	Price, in %	0	100	51
of which	25	Discounted cash flow	Credit spread, in bp	1,430	1,430	1,430
Total level 3 liabilities at fair value	**18,551**					

[1] Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.
[2] Estimate of the probability of structured notes being put back to the Group at the option of the investor over the remaining life of the financial instruments.
[3] Risk of unexpected large declines in the underlying values occuring between collateral settlement dates.
[4] Management's best estimate of the speed at which interest rates will revert to the long-term average.

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

end of 2016	Fair value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average [1]
CHF million, except where indicated						
Customer deposits	410	–	–	–	–	–
Obligation to return securities received as collateral	70	–	–	–	–	–
Trading liabilities	3,737					
of which interest rate derivatives	538	Option model	Basis spread, in bp	(2)	66	33
			Correlation, in %	20	100	57
			Prepayment rate, in %	1	32	9
			Gap risk, in % [2]	20	20	20
			Funding spread, in bp	237	237	237
of which foreign exchange derivatives	150					
of which	65	Option model	Correlation, in %	(10)	70	49
			Prepayment rate, in %	22	32	27
of which	69	Discounted cash flow	Contingent probability, in %	95	95	95
of which equity/index-related derivatives	1,181	Option model	Correlation, in %	(85)	98	23
			Volatility, in %	2	180	28
			Buyback probability, in % [3]	50	100	62
of which credit derivatives	851	Discounted cash flow	Credit spread, in bp	0	1,635	163
			Discount rate, in %	2	45	21
			Default rate, in %	0	33	5
			Recovery rate, in %	20	60	35
			Loss severity, in %	15	100	70
			Correlation, in %	43	85	63
			Prepayment rate, in %	0	13	5
Short-term borrowings	516	–	–	–	–	–
Long-term debt	13,415					
of which structured notes over two years	12,434					
of which	12,008	Option model	Correlation, in %	(85)	99	23
			Volatility, in %	0	180	23
			Buyback probability, in % [3]	50	100	62
			Gap risk, in % [2]	0	2	1
			Mean reversion, in % [4]	(14)	(1)	(6)
of which	286	Discounted cash flow	Credit spread, in bp	1	452	89
Other liabilities	1,684					
of which failed sales	219					
of which	163	Market comparable	Price, in %	0	100	68
of which	39	Discounted cash flow	Discount rate, in %	11	29	21
Total level 3 liabilities at fair value	**19,832**					

1 Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.
2 Risk of unexpected large declines in the underlying values occuring between collateral settlement dates.
3 Estimate of the probability of structured notes being put back to the Group at the option of the investor over the remaining life of the financial instruments.
4 Management's best estimate of the speed at which interest rates will revert to the long-term average.

Qualitative discussion of the ranges of significant unobservable inputs

The following sections provide further information about the ranges of significant unobservable inputs included in the tables above. The level of aggregation and diversity within the financial instruments disclosed in the tables above results in certain ranges of significant inputs being wide and unevenly distributed across asset and liability categories.

Discount rate

The discount rate is the rate of interest used to calculate the present value of the expected cash flows of a financial instrument. There are multiple factors that will impact the discount rate for any given financial instrument including the coupon on the instrument, the term and the underlying risk of the expected cash flows. Two instruments of similar term and expected cash flows may have significantly different discount rates because the coupons on the instruments are different.

Default rate and loss severity

For financial instruments backed by residential real estate or other assets, diversity in the portfolio is reflected in a wide range for loss severity due to varying levels of default. The lower end of the range represents high performing or government guaranteed collateral with a low PD or guaranteed timely payment of principal and interest, while the higher end of the range relates to collateral with a greater risk of default.

Credit spread and recovery rate

For financial instruments where credit spread is the significant unobservable input, the wide range represents positions with varying levels of risk. The lower end of the credit spread range typically represents shorter-dated instruments and/or those with better perceived credit risk. The higher end of the range typically comprises longer-dated financial instruments or those referencing non-performing, distressed or impaired reference credits. Similarly, the spread between the reference credit and an index can vary significantly based on the risk of the instrument. The spread will be positive for instruments that have a higher risk of default than the index (which is based on a weighted average of its components) and negative for instruments that have a lower risk of default than the index.

Similarly, recovery rates can vary significantly depending upon the specific assets and terms of each transaction. Transactions with higher seniority or more valuable collateral will have higher recovery rates, while those transactions which are more subordinated or with less valuable collateral will have lower recovery rates.

Correlation

There are many different types of correlation inputs, including credit correlation, cross-asset correlation (such as equity-interest rate correlation) and same-asset correlation (such as interest rate-interest rate correlation). Correlation inputs are generally used to value hybrid and exotic instruments. Due to the complex and unique nature of these instruments, the ranges for correlation inputs can vary widely across portfolios.

Prepayment rate

Prepayment rates may vary from collateral pool to collateral pool, and are driven by a variety of collateral-specific factors, including the type and location of the underlying borrower, the remaining tenor of the obligation and the level and type (e.g., fixed or floating) of interest rate being paid by the borrower.

Volatility and volatility skew

Volatility and its skew are both impacted by the underlying risk, term and strike price of the derivative. In the case of interest rate derivatives, volatility may vary significantly between different underlying currencies and expiration dates on the options. Similarly, in the case of equity derivatives, the volatility attributed to a structure may vary depending upon the underlying reference name on the derivative.

Market implied life expectancy

Market implied life expectancy is the primary significant unobservable input on such products as life settlement, premium finance and SPIA, and represents the estimated mortality rate for the underlying insured for each contract. This estimate may vary depending upon multiple factors including the age and specific health characteristics of the insured.

Price

Bond equivalent price is a primary significant unobservable input for multiple products. Where market prices are not available for an instrument, benchmarking may be utilized to identify comparable issues (same industry and similar product mixes) while adjustments are considered for differences in deal terms and performance.

Buyback probability

Buyback probability is the probability assigned to structured notes being unwound prior to their legal maturity.

Gap risk

Gap risk is the primary significant unobservable input for fund-linked Constant Proportion Portfolio Insurance products and structures where the payoff may be sensitive to discontinuity in the hedging portfolio.

Mean reversion

Mean reversion is the primary significant unobservable input for callable constant maturity swap (CMS) spread exotics and represents the idea that prices and returns eventually move back towards the historical average.

Funding spread

Funding spread is the primary significant unobservable input for special purpose vehicle funding facilities. Synthetic funding curves which represent the assets pledged as collateral are used to value

structured financing transactions. The curves provide an estimate of where secured funding can be sourced and are expressed as a basis point spread in relation to the referenced benchmark rate.

Capitalization rate

Capitalization rate is the primary significant unobservable input for CMBS loans and is used to estimate the potential return on investment. This is done by dividing the yearly income by the total value of the property.

Basis spread

Basis spread is the primary significant unobservable input for non-callable constant maturity treasury-CMS products and is used to determine interest rate risk as a result of differing lending and borrowing rates.

EBITDA multiple

EBITDA multiple is a primary significant unobservable input for some equity deals which are benchmarked using industry comparables. The EBITDA multiple may be preferred over other measures because it is normalized for differences between the accounting policies of similar companies.

Contingent probability

Contingent probability is the primary significant unobservable input for contingent foreign exchange forward trades where the delivery or exercise and the premium payment are contingent on an event such as completion of an M&A deal or regulatory approval for a product.

Term TRS/repo spread

For financial instruments where TRS/repo spread is the significant unobservable input, the range represents positions with varying levels of risk. The lower end of the spread range typically represents shorter-dated instruments and/or those with better perceived credit and funding risk. The higher end of the range typically comprises longer-dated financial instruments or those referencing collateral with lower liquidity or collateral correlated to the counterparty.

Fair value measurements of investments in certain entities that calculate NAV per share

Investments in funds held in trading assets and liabilities primarily include positions held in equity funds of funds as an economic hedge for structured notes and derivatives issued to clients that reference the same underlying risk and liquidity terms of the fund. A majority of these funds have limitations imposed on the amount of withdrawals from the fund during the redemption period due to illiquidity of the investments. In other instances, the withdrawal amounts may vary depending on the redemption notice period and are usually larger for the longer redemption notice periods. In addition, penalties may apply if redemption is within a certain time period from initial investment.

Investment in funds held in other investments principally involves private securities and, to a lesser extent, publicly traded securities and fund of funds. Several of these investments have redemption restrictions subject to the discretion of the Board of Directors of the fund and/or redemption is permitted without restriction, but is limited to a certain percentage of total assets or only after a certain date.

Furthermore, for those investments held in both trading assets and other investments that are nonredeemable, the underlying assets of such funds are expected to be liquidated over the life of the fund, which is generally up to 10 years.

The following table pertains to investments in certain entities that calculate NAV per share or its equivalent, primarily private equity and hedge funds. These investments do not have a readily determinable fair value and are measured at fair value using NAV.

Fair value, unfunded commitments and term of redemption conditions

end of				2017				2016
	Non-redeemable	Redeemable	Total fair value	Unfunded commitments	Non-redeemable	Redeemable	Total fair value	Unfunded commitments
Fair value and unfunded commitments (CHF million)								
Equity funds	61	992 [1]	1,053	0	65	1,281 [2]	1,346	0
Equity funds sold short	0	(9)	(9)	0	0	(1)	(1)	0
Total funds held in trading assets and liabilities	61	983	1,044	0	65	1,280	1,345	0
Debt funds	164	75	239	0	215	77	292	0
Equity funds	2	53	55	0	2	51	53	0
Others	2	95	97	9	0	201	201	0
Hedge funds	168	223 [3]	391	9	217	329 [4]	546	0
Debt funds	1	0	1	0	5	0	5	20
Equity funds	141	0	141	64	240	0	240	42
Real estate funds	178	0	178	44	212	0	212	50
Others	31	0	31	15	117	0	117	58
Private equities	351	0	351	123	574	0	574	170
Equity method investments	71	1,051	1,122	5	347	637	984	218
Total funds held in other investments	590	1,274	1,864	137	1,138	966	2,104	388
Total fair value	**651** [5]	**2,257** [6]	**2,908**	**137** [7]	**1,203** [5]	**2,246** [6]	**3,449**	**388** [7]

[1] 54% of the redeemable fair value amount of equity funds is redeemable on demand with a notice period primarily of less than 30 days, 35% is redeemable on a monthly basis with a notice period primarily of less than 30 days, 9% is redeemable on a quarterly basis with a notice period primarily of more than 45 days, and 2% is redeemable on an annual basis with a notice period primarily of more than 60 days.
[2] 58% of the redeemable fair value amount of equity funds is redeemable on demand with a notice period primarily of less than 30 days, 23% is redeemable on a monthly basis with a notice period primarily of less than 30 days, 17% is redeemable on a quarterly basis with a notice period primarily of more than 45 days, and 2% is redeemable on an annual basis with a notice period of more than 60 days.
[3] 51% of the redeemable fair value amount of hedge funds is redeemable on a quarterly basis with a notice period primarily of more than 45 days, 43% is redeemable on a monthly basis with a notice period primarily of less than 30 days, and 6% is redeemable on demand with a notice period primarily of less than 30 days.
[4] 68% of the redeemable fair value amount of hedge funds is redeemable on a quarterly basis with a notice period primarily of more than 60 days, 26% is redeemable on a monthly basis with a notice period primarily of less than 30 days, 5% is redeemable on demand with a notice period primarily of less than 30 days, and 1% is redeemable on an annual basis with a notice period primarily of more than 45 days.
[5] Includes CHF 229 million and CHF 334 million attributable to noncontrolling interests in 2017 and 2016, respectively.
[6] Includes CHF 167 million and CHF 231 million attributable to noncontrolling interests in 2017 and 2016, respectively.
[7] Includes CHF 53 million and CHF 88 million attributable to noncontrolling interests in 2017 and 2016, respectively.

Nonrecurring fair value changes

Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, they are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances, for example, when there is evidence of impairment. The Group typically uses nonfinancial assets measured at fair value on a recurring or nonrecurring basis in a manner that reflects their highest and best use. Nonrecurring measurements are completed as of the end of the period unless otherwise stated.

Nonrecurring fair value changes

end of	2017	2016
CHF billion		
Assets held-for-sale recorded at fair value on a nonrecurring basis	**0.1**	**0.1**
of which level 2	0.1	0.1

FAIR VALUE OPTION

The Group has availed itself of the simplification in accounting offered under the fair value option, primarily in the investment banking businesses and International Wealth Management's Asset Management business. This has been accomplished generally by electing the fair value option, both at initial adoption and for subsequent transactions, on items impacted by the hedge accounting requirements of US GAAP. That is, for instruments for which there was an inability to achieve hedge accounting and for which the Group is economically hedged, the Group has elected the fair value option. Similarly, where the Group manages an activity on a fair value basis but previously has been unable to achieve fair value accounting, the Group has utilized the fair value option to align its risk management reporting to its financial accounting.

The Group elected fair value for certain of its financial statement captions as follows:

Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions

The Group has elected to account for structured resale agreements and most matched book resale agreements at fair value. These activities are managed on a fair value basis; thus, fair value accounting is deemed more appropriate for reporting purposes. The Group did not elect the fair value option for firm financing resale agreements as these agreements are generally overnight

agreements which approximate fair value, but which are not managed on a fair value basis.

Other investments
The Group has elected to account for certain equity method investments at fair value. These activities are managed on a fair value basis; thus, fair value accounting is deemed more appropriate for reporting purposes. Certain similar instruments, such as those relating to equity method investments in strategic relationships, for example, the Group's ownership interest in certain clearance organizations, which were eligible for the fair value option, were not elected due to the strategic relationship.

Loans
The Group has elected to account for substantially all commercial loans and loan commitments from the investment banking businesses and certain emerging market loans from the investment banking businesses at fair value. These activities are managed on a fair value basis and fair value accounting was deemed more appropriate for reporting purposes. Additionally, recognition on a fair value basis eliminates the mismatch that existed due to the economic hedging the Group employs to manage these loans. Certain similar loans, such as project finance, lease finance, cash collateralized and some bridge loans, which were eligible for the fair value option, were not elected due to the lack of currently available infrastructure to fair value such loans and/or the inability to economically hedge such loans. Additionally, the Group elected not to account for loans granted by its private, corporate and institutional banking businesses at fair value, such as domestic consumer lending, mortgages and corporate loans, as these loans are not managed on a fair value basis.

Other assets
The Group elected the fair value option for loans held-for-sale, due to the short period over which such loans are held and the intention to sell such loans in the near term. Other assets also include assets of VIEs and mortgage securitizations which do not meet the criteria for sale treatment under US GAAP. The Group did elect the fair value option for these types of transactions.

Due to banks
The Group elected the fair value option for certain time deposits associated with its emerging markets activities.

Customer deposits
The Group's customer deposits include fund-linked deposits. The Group elected the fair value option for these fund-linked deposits. Fund-linked products are managed on a fair value basis and fair value accounting was deemed more appropriate for reporting purposes.

Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions
The Group has elected to account for structured repurchase agreements and most matched book repurchase agreements at fair value. These activities are managed on a fair value basis and fair value accounting was deemed more appropriate for reporting purposes. The Group did not elect the fair value option for firm financing repurchase agreements as these agreements are generally overnight agreements which approximate fair value, but which are not managed on a fair value basis.

Short-term borrowings
The Group's short-term borrowings include hybrid debt instruments with embedded derivative features. Some of these embedded derivative features create bifurcatable debt instruments. The Group elected the fair value option for some of these instruments as of January 1, 2006, in accordance with the provisions of US GAAP. New bifurcatable debt instruments which were entered into in 2006 are carried at fair value. Some hybrid debt instruments do not result in bifurcatable debt instruments. US GAAP permits the Group to elect fair value accounting for non-bifurcatable hybrid debt instruments. With the exception of certain bifurcatable hybrid debt instruments which the Group did not elect to account for at fair value, the Group has elected to account for all hybrid debt instruments held as of January 1, 2007, and hybrid debt instruments originated after January 1, 2007, at fair value. These activities are managed on a fair value basis and fair value accounting was deemed appropriate for reporting purposes. There are two main populations of similar instruments for which fair value accounting was not elected. The first relates to the lending business transacted by the Group's private, corporate and institutional banking businesses, which includes structured deposits and similar investment products. These are managed on a bifurcated or accrual basis and fair value accounting was not considered appropriate. The second is where the instruments were or will be maturing in the near term and their fair value will be realized at that time.

Long-term debt
The Group's long-term debt includes hybrid debt instruments with embedded derivative features as described above in Short-term borrowings. The Group's long-term debt also includes debt issuances managed by its Treasury department that do not contain derivative features (vanilla debt). The Group actively manages the interest rate risk on these instruments with derivatives. In particular, fixed-rate debt is hedged with receive-fixed, pay-floating interest rate swaps. The Group elected to fair value this fixed-rate debt upon implementation of the fair value option on January 1, 2007, with changes in fair value recognized as a component of trading revenues. The Group did not elect to apply the fair value option to fixed-rate debt issued by the Group since January 1, 2008, and instead applies hedge accounting per the guidance of US GAAP.

Other liabilities
Other liabilities include liabilities of VIEs and mortgage securitizations which do not meet the criteria for sale treatment under US GAAP. The Group did elect the fair value option for these types of transactions.

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

end of			2017			2016
	Aggregate fair value	Aggregate unpaid principal	Difference	Aggregate fair value	Aggregate unpaid principal	Difference
Loans (CHF million)						
Non-interest-earning loans	708	3,375	(2,667)	1,276	4,495	(3,219)
Financial instruments (CHF million)						
Interest-bearing deposits with banks	0	0	0	26	25	1
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	77,498	76,643	855	87,331	87,208	123
Loans	15,307	15,372	(65)	19,528	20,144	(616)
Other assets [1]	8,468	10,910	(2,442)	8,369	11,296	(2,927)
Due to banks and customer deposits	(907)	(861)	(46)	(1,120)	(1,059)	(61)
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	(15,262)	(15,180)	(82)	(19,634)	(19,638)	4
Short-term borrowings	(11,019)	(11,104)	85	(4,061)	(4,017)	(44)
Long-term debt	(63,628)	(63,759)	131	(72,868)	(76,123)	3,255
Other liabilities	(661)	(1,716)	1,055	(727)	(2,331)	1,604

[1] Primarily loans held-for-sale.

Gains and losses on financial instruments

in	2017	2016	2015
	Net gains/ (losses)	Net gains/ (losses)	Net gains/ (losses)
Financial instruments (CHF million)			
Interest-bearing deposits with banks	13 [1]	4 [1]	2 [1]
of which related to credit risk	0	1	(1)
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	1,493 [1]	1,440 [1]	1,279 [1]
Other investments	216 [2]	212 [2]	242 [3]
of which related to credit risk	(4)	(3)	0
Loans	1,542 [1]	1,643 [1]	439 [1]
of which related to credit risk	7	(16)	(236)
Other assets	480 [1]	(518) [2]	111 [1]
of which related to credit risk	96	(199)	(511)
Due to banks and customer deposits	1 [2]	(12) [1]	4 [2]
of which related to credit risk	5	(22)	19
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	(118) [1]	(112) [1]	55 [2]
Short-term borrowings	(512) [2]	323 [2]	439 [2]
of which related to credit risk	(23)	0	0
Long-term debt	(6,857) [2]	(1,235) [2]	5,317 [2]
of which related to credit risk	(32)	22	207 [4]
Other liabilities	183 [3]	456 [2]	316 [3]
of which related to credit risk	83	306	(93)

[1] Primarily recognized in net interest income.
[2] Primarily recognized in trading revenues.
[3] Primarily recognized in other revenues.
[4] Changes in fair value related to credit risk are due to the change in the Group's own credit spreads. Other changes in fair value are attributable to changes in foreign currency exchange rates and interest rates, as well as movements in the reference price or index for structured notes. Changes in fair value on Credit Suisse vanilla debt and on debit valuation adjustments on structured notes related to credit risk were CHF (108) million and CHF 261 million in 2015, respectively.

Interest income and expense are calculated based on contractual rates specified in the transactions. Interest income and expense are recorded in the consolidated statements of operations depending on the nature of the instrument and related market convention. When interest is included as a component of the change in the instrument's fair value, it is included in trading revenues. Otherwise, it is included in interest and dividend income or interest expense. Dividend income is recognized separately from trading revenues.

The impacts of credit risk on debt securities held as assets presented in the table above have been calculated as the component of the total change in fair value, excluding the impact of changes in base or risk-free interest rates. The impacts of changes in own credit risk on liabilities presented in the table above have been calculated as the difference between the fair values of those instruments as of the reporting date and the theoretical fair values of those instruments calculated by using the yield curve prevailing at the end of the reporting period, adjusted up or down for changes in the Group's own credit spreads from the transition date to the reporting date.

The following table provides additional information regarding the gains and losses attributable to changes in instrument-specific credit risk on fair value option elected liabilities which are recorded through AOCI. The table includes both the amount of change during the period and cumulatively that is attributable to the changes in instrument-specific credit risk. In addition it includes the gains and losses related to instrument-specific credit risk that was previously recorded in AOCI that have been transferred during the period to net income.

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

	Gains/(losses) recorded into AOCI [1]			Gains/(losses) recorded in AOCI transferred to net income [1]	
in	**2017**	**Cumulative**	2016 [2]	**2017**	2016
Financial instruments (CHF million)					
Deposits	(15)	(50)	(35)	0	0
Short-term borrowings	(63)	(63)	(1)	0	0
Long-term debt	(1,957)	(2,560)	(1,120)	32	0
of which treasury debt over two years	(702)	(675)	(204)	0	0
of which structured notes over two years	(1,246)	(1,872)	(893)	27	0
Total	**(2,035)**	**(2,673)**	**(1,156)**	**32**	**0**

1 Amounts are reflected gross of tax.
2 Prior period has been corrected.

FINANCIAL INSTRUMENTS NOT CARRIED AT FAIR VALUE

The following table provides the carrying value and fair value of financial instruments which are not carried at fair value in the consolidated balance sheet. The disclosure excludes all non-financial instruments such as lease transactions, real estate, premises and equipment, equity method investments and pension and benefit obligations.

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

end of	Carrying value	Level 1	Level 2	Level 3	Fair value Total
2017 (CHF million)					
Financial assets					
Central banks funds sold, securities purchased under resale agreements and securities borrowing transactions	37,848	0	37,848	0	37,848
Loans	260,093	0	264,290	3,212	267,502
Other financial assets [1]	170,870	109,645	60,469	1,109	171,223
Financial liabilities					
Due to banks and deposits	372,867	201,575	171,281	0	372,856
Central banks funds purchased, securities sold under repurchase agreements and securities lending transactions	11,233	0	11,233	0	11,233
Short-term borrowings	14,871	0	14,870	0	14,870
Long-term debt	109,403	0	112,488	235	112,723
Other financial liabilities [2]	61,316	0	61,131	172	61,303
2016 (CHF million)					
Financial assets					
Central banks funds sold, securities purchased under resale agreements and securities borrowing transactions	47,508	0	47,508	0	47,508
Loans	252,535	0	256,020	4,602	260,622
Other financial assets [1]	171,514	121,075	49,353	1,436	171,864
Financial liabilities					
Due to banks and deposits	374,620	199,721	174,877	0	374,598
Central banks funds purchased, securities sold under repurchase agreements and securities lending transactions	13,382	0	13,382	0	13,382
Short-term borrowings	11,324	0	11,327	0	11,327
Long-term debt	120,448	0	122,220	521	122,741
Other financial liabilities [2]	62,291	1,595	60,573	125	62,293

[1] Primarily includes cash and due from banks, interest-bearing deposits with banks, brokerage receivables, loans held-for-sale, cash collateral on derivative instruments, interest and fee receivables and non-marketable equity securities.
[2] Primarily includes brokerage payables, cash collateral on derivative instruments and interest and fee payables.

35 Assets pledged and collateral

Assets pledged

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

Assets pledged

end of	2017	2016
Assets pledged (CHF million)		
Total assets pledged or assigned as collateral	130,038	122,805
of which encumbered	73,189	83,473

Collateral

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

Collateral

end of	2017	2016
Collateral (CHF million)		
Fair value of collateral received with the right to sell or repledge	433,190	402,690
of which sold or repledged	212,155	184,066 [1]

[1] Prior period has been corrected.

Other information

end of	2017	2016
Other information (CHF million)		
Cash and securities restricted under foreign banking regulations	26,969	27,590
Swiss National Bank required minimum liquidity reserves	2,043	2,001

36 Capital adequacy

Effective January 1, 2013, the Basel III framework was implemented in Switzerland along with the Swiss "Too Big to Fail" legislation and regulations thereunder (Swiss Requirements). Together with the related implementing ordinances, the legislation includes capital, liquidity, leverage and large exposure requirements and rules for emergency plans designed to maintain systemically relevant functions in the event of threatened insolvency. The legislation implementing the Basel III framework in Switzerland in respect of capital requirements for systemically relevant banks, including the Group, goes beyond the Basel III minimum standards for systemically relevant banks. The Swiss total loss-absorbing capacity (TLAC) standards are being phased in from 2016 through 2019 and are fully effective on January 1, 2020. Failure to comply with national capital requirements could result in restrictions being imposed by the Group's regulators. The Group, which is subject to regulation by FINMA, has based its capital adequacy calculations on US GAAP financial statements, as permitted by FINMA Circular 2013/1.

Systemically important banks operating internationally, such as the Group, are subject to two different minimum requirements for loss-absorbing capacity: global systemically important banks must hold sufficient capital that absorbs losses to ensure continuity of service (going concern requirement), and they must issue sufficient debt instruments to fund an orderly resolution without recourse to public resources (gone concern requirement). Going concern capital and gone concern capital together form the Group's total loss-absorbing capacity. The going concern and gone concern requirements are generally aligned with the Financial Stability Board's total loss-absorbing capacity standard. The amended Capital Adequacy Ordinance came into effect on July 1, 2016, subject to phase-in and grandfathering provisions for certain outstanding instruments, and has to be fully applied by January 1, 2020.

The Group's balance sheet positions and off-balance sheet exposures translate into risk-weighted assets that are categorized as credit, market and operational risk-weighted assets. When assessing risk-weighted assets, it is not the nominal size, but rather the nature (including risk mitigation such as collateral or hedges) of the balance sheet positions or off-balance sheet exposures that determines the risk-weighted assets.

Leverage exposure consists of period-end balance sheet assets and prescribed regulatory adjustments.

Capital ratios measure the Group's capital components against risk-weighted assets and leverage ratios measure them against the end-of-period exposures.

As of December 31, 2017 and 2016, the Group's current capital position exceeds its capital requirements under the regulatory provisions outlined under Swiss Requirements.

Broker-dealer operations

Certain of the Group's broker-dealer subsidiaries are also subject to capital adequacy requirements. As of December 31, 2017 and 2016, the Group and its subsidiaries complied with all applicable regulatory capital adequacy requirements.

Swiss capital and leverage metrics

		Phase-in
end of	**2017**	2016
Swiss capital (CHF million)		
Swiss CET1 capital	36,567	36,417
Going concern capital	53,131	52,392
Gone concern capital	35,712	26,783
Total loss-absorbing capacity	88,843	79,175
Swiss risk-weighted assets and leverage exposure (CHF million)		
Swiss risk-weighted assets	273,436	272,090
Leverage exposure	919,053	957,067
Swiss capital ratios (%)		
Swiss CET1 ratio	13.4	13.4
Going concern capital ratio	19.4	19.3
Gone concern capital ratio	13.1	9.8
TLAC ratio	32.5	29.1
Swiss leverage ratios (%)		
Swiss CET1 leverage ratio	4.0	3.8
Going concern leverage ratio	5.8	5.5
Gone concern leverage ratio	3.9	2.8
TLAC leverage ratio	9.7	8.3
Swiss capital ratio requirements (%)		
Swiss CET1 ratio requirement	9.0	8.125
Going concern capital ratio requirement	12.0	10.75
Gone concern capital ratio requirement	6.2	3.5
TLAC ratio requirement	18.2	14.25
Swiss leverage ratio requirements (%)		
Swiss CET1 leverage ratio requirement	2.6	2.3
Going concern leverage ratio requirement	3.5	3.0
Gone concern leverage ratio requirement	2.0	1.0
TLAC leverage ratio requirement	5.5	4.0

Dividend restrictions

Certain of the Group's subsidiaries are subject to legal restrictions governing the amount of dividends they can pay (for example, pursuant to corporate law as defined by the Swiss Code of Obligations).

Under the Swiss Code of Obligations, dividends may be paid out only if and to the extent the corporation has distributable profits from previous business years, or if the free reserves of the corporation are sufficient to allow distribution of a dividend. In addition, at least 5% of the annual net profits must be retained and booked as general legal reserves for so long as these reserves amount to less than 20% of the paid-in share capital. The reserves currently exceed this 20% threshold. Furthermore, dividends may be paid out only after shareholder approval at the Annual General Meeting.

As of December 31, 2017 and 2016, Credit Suisse Group AG was not subject to restrictions on its ability to pay the proposed dividends.

37 Assets under management

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

Assets under management

Assets under management include assets for which the Group 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 Group. The classification of assets under management is conditional upon the nature of the services provided by the Group 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 Group must currently or in the foreseeable future expect to provide a service where the involvement of the Group'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 Group 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 Group'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 Group. Specifically, double counting primarily results from the investment of assets under management in collective investment instruments managed by the Group. 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	185.2	165.7
Assets with discretionary mandates	267.3	238.6
Other assets under management	923.6	846.8
Assets under management (including double counting)	**1,376.1**	**1,251.1**
of which double counting	46.2	32.8

Changes in assets under management

	2017	2016
Assets under management (CHF billion)		
Assets under management at beginning of period [1]	**1,251.1**	**1,214.1**
Net new assets/(net asset outflows)	37.8	26.8
Market movements, interest, dividends and foreign exchange	86.7	34.8
of which market movements, interest and dividends [2]	88.9	16.4
of which foreign exchange	(2.2)	18.4
Other effects	0.5	(24.6)
Assets under management at end of period	**1,376.1**	**1,251.1**

1 Including double counting.
2 Net of commissions and other expenses and net of interest expenses charged.

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 as well as changes in assets under management due to currency and market volatility are not taken into account when calculating net new assets, as such charges or market movements are not directly related to the Group's success in acquiring assets under management. Similarly other effects mainly relate to asset inflows and outflows due to acquisition or divestiture, exit from businesses or markets or exits due to new regulatory requirements and are not taken into account when calculating net new assets. The Group reviews relevant policies regarding client assets on a regular basis.

Divisional allocation
Assets under management and net new assets for the Private Clients business in the Swiss Universal Bank division, the Private Banking businesses in the International Wealth Management and Asia Pacific divisions, the Corporate & Institutional Banking business in the Swiss Universal Bank division and the Strategic Resolution Unit are allocated based on the management areas (business areas) that effectively manage the assets. The distribution of net new assets resulting from internal referral arrangements is governed under the net new asset referral framework, which includes preset percentages for the allocation of net new assets to the businesses.

The allocation of assets under management and net new assets for Asset Management in the Internal Wealth Management division reflects the location where the investment vehicles are managed and where the costs of managing the funds are incurred.

38 Litigation

The Group is involved in a number of judicial, regulatory and arbitration proceedings concerning matters arising in connection with the conduct of its businesses, including those disclosed below. Some of these proceedings have been brought on behalf of various classes of claimants and seek damages of material and/or indeterminate amounts.

The Group accrues loss contingency litigation provisions and takes a charge to income in connection with certain proceedings when losses, additional losses or ranges of loss are probable and reasonably estimable. The Group also accrues litigation provisions for the estimated fees and expenses of external lawyers and other service providers in relation to such proceedings, including in cases for which it has not accrued a loss contingency provision. The Group accrues these fee and expense litigation provisions and takes a charge to income in connection therewith when such fees and expenses are probable and reasonably estimable. The Group reviews its legal proceedings each quarter to determine the adequacy of its litigation provisions and may increase or release provisions based on management's judgment and the advice of counsel. The establishment of additional provisions or releases of litigation provisions may be necessary in the future as developments in such proceedings warrant.

The specific matters described below include (a) proceedings where the Group has accrued a loss contingency provision, given that it is probable that a loss may be incurred and such loss is reasonably estimable; and (b) proceedings where the Group has not accrued such a loss contingency provision for various reasons, including, but not limited to, the fact that any related losses are not reasonably estimable. The description of certain of the matters below includes a statement that the Group has established a loss contingency provision and discloses the amount of such provision; for the other matters no such statement is made. With respect to the matters for which no such statement is made, either (a) the Group has not established a loss contingency provision, in which case the matter is treated as a contingent liability under the applicable accounting standard, or (b) the Group has established such a provision but believes that disclosure of that fact would violate confidentiality obligations to which the Group is subject or otherwise compromise attorney-client privilege, work product protection or other protections against disclosure or compromise the Group's management of the matter. The future outflow of funds in respect of any matter for which the Group has accrued loss contingency provisions cannot be determined with certainty based on currently available information, and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that is reflected on the Group's balance sheet.

It is inherently difficult to determine whether a loss is probable or even reasonably possible or to estimate the amount of any loss or loss range for many of the Group's legal proceedings. Estimates, by their nature, are based on judgment and currently available information and involve a variety of factors, including, but not limited to, the type and nature of the proceeding, the progress of the matter, the advice of counsel, the Group's defenses and its experience in similar matters, as well as its assessment of matters, including settlements, involving other defendants in similar or related cases or proceedings. Factual and legal determinations, many of which are complex, must be made before a loss, additional losses or ranges of loss can be reasonably estimated for any proceeding.

Most matters pending against the Group seek damages of an indeterminate amount. While certain matters specify the damages claimed, such claimed amount may not represent the Group's reasonably possible losses. For certain of the proceedings discussed below the Group has disclosed the amount of damages claimed and certain other quantifiable information that is publicly available.

The following table presents a roll forward of the Group's aggregate litigation provisions.

Litigation provisions

	2017
CHF million	
Balance at beginning of period	**3,839**
Increase in litigation accruals	774
Decrease in litigation accruals	(90)
Decrease for settlements and other cash payments	(3,638)
Foreign exchange translation	(136)
Balance at end of period	**749**

The Group's aggregate litigation provisions include estimates of losses, additional losses or ranges of loss for proceedings for which such losses are probable and can be reasonably estimated. The Group does not believe that it can estimate an aggregate range of reasonably possible losses for certain of its proceedings because of their complexity, the novelty of some of the claims, the early stage of the proceedings, the limited amount of discovery that has occurred and/or other factors. The Group's estimate of the aggregate range of reasonably possible losses that are not covered by existing provisions for the proceedings discussed below for which the Group believes an estimate is possible is zero to CHF 1.5 billion.

After taking into account its litigation provisions, the Group believes, based on currently available information and advice of counsel, that the results of its legal proceedings, in the aggregate, will not have a material adverse effect on the Group's financial condition. However, in light of the inherent uncertainties of such proceedings, including those brought by regulators or other governmental authorities, the ultimate cost to the Group of resolving such proceedings may exceed current litigation provisions and any excess may be material to its operating results for any particular period, depending, in part, upon the operating results for such period.

Enron-related litigation

One Enron-related action, Silvercreek Management Inc. v. Citigroup, Inc., et al., remains pending against Credit Suisse Securities (USA) LLC (CSS LLC) and certain of its affiliates in the US District Court for the Southern District of New York (SDNY). In this action, plaintiffs assert they relied on Enron's financial statements, and seek to hold the defendants responsible for any inaccuracies in Enron's financial statements. The plaintiffs seek to assert federal and state law claims relating to its alleged USD 280 million in losses relating to its Enron investments. On August 5, 2016, Credit Suisse and the other defendants filed a renewed motion to dismiss. On March 31, 2017, the SDNY granted in part defendants' motion to dismiss, dismissing certain claims against CSS LLC and its affiliates. On November 10, 2017, Credit Suisse filed a motion for summary judgment.

On September 27, 2017, following a settlement in the matter of Connecticut Resources Recovery Authority v. Lay, et al., an order of final judgment was entered by the US District Court for the Southern District of Texas, dismissing with prejudice all claims against CSS LLC and its affiliates.

Mortgage-related matters

Government and regulatory related matters

Various financial institutions, including CSS LLC and certain of its affiliates, have received requests for information from, and/or have been defending civil actions by, certain regulators and/or government entities, including the US Department of Justice (DOJ) and other members of the Residential Mortgage-Backed Securities (RMBS) Working Group of the US Financial Fraud Enforcement Task Force, regarding the origination, purchase, securitization, servicing and trading of subprime and non-subprime residential and commercial mortgages and related issues. CSS LLC and its affiliates are cooperating with such requests for information.

DOJ RMBS settlement

On January 18, 2017, CSS LLC and its current and former US subsidiaries and US affiliates reached a settlement with the DOJ related to its legacy RMBS business, a business conducted through 2007. The settlement resolved potential civil claims by the DOJ related to Credit Suisse's packaging, marketing, structuring, arrangement, underwriting, issuance and sale of RMBS. The settlement required the above-mentioned entities to pay a USD 2.48 billion civil monetary penalty and, within five years of the settlement, to provide USD 2.80 billion in consumer relief. The civil monetary penalty under the terms of the settlement was paid to the DOJ in January 2017. The consumer relief measures include affordable housing payments and loan forgiveness. The DOJ and Credit Suisse agreed to the appointment of an independent monitor to oversee the completion of the consumer relief requirements of the settlement. The monitor has published reports on October 27, 2017 and February 20, 2018 noting Credit Suisse's cooperation and progress toward satisfaction of the consumer relief requirements. As previously disclosed, Credit Suisse recorded a litigation provision of USD 2 billion in the fourth quarter of 2016 in addition to its existing provisions of USD 550 million recorded for this matter in prior periods.

NYAG and NJAG litigation

Following an investigation, on November 20, 2012, the New York Attorney General (NYAG), on behalf of the State of New York, filed a civil action in the Supreme Court for the State of New York, New York County (SCNY) against CSS LLC and affiliated entities in their roles as issuer, sponsor, depositor and/or underwriter of RMBS transactions prior to 2008. The complaint, which references 64 RMBS issued, sponsored, deposited and underwritten by CSS LLC and its affiliates in 2006 and 2007, alleges that CSS LLC and its affiliates misled investors regarding the due diligence and quality control performed on the mortgage loans underlying the RMBS at issue, and seeks an unspecified amount of damages. On December 18, 2013, the New Jersey Attorney General, on behalf of the State of New Jersey (NJAG), filed a civil action in the Superior Court of New Jersey, Chancery Division, Mercer County (SCNJ), against CSS

LLC and affiliated entities in their roles as issuer, sponsor, depositor and/or underwriter of RMBS transactions prior to 2008. The original complaint, which references 13 RMBS issued, sponsored, deposited and underwritten by CSS LLC and its affiliates in 2006 and 2007, alleges that CSS LLC and its affiliates misled investors and engaged in fraud or deceit in connection with the offer and sale of RMBS, and seeks an unspecified amount of damages. On August 21, 2014, the SCNJ dismissed without prejudice the action brought against CSS LLC and its affiliates by the NJAG. On September 4, 2014, the NJAG filed an amended complaint against CSS LLC and its affiliates, asserting additional allegations but not expanding the number of claims or RMBS referenced in the original complaint. The NYAG and NJAG actions are at various procedural stages.

Civil litigation

CSS LLC and/or certain of its affiliates have also been named as defendants in various civil litigation matters related to their roles as issuer, sponsor, depositor, underwriter and/or servicer of RMBS transactions. These cases include or have included class action lawsuits, actions by individual investors in RMBS, actions by monoline insurance companies that guaranteed payments of principal and interest for certain RMBS, and repurchase actions by RMBS trusts, trustees and/or investors. Although the allegations vary by lawsuit, plaintiffs in the class actions and individual investor actions have generally alleged that the offering documents of securities issued by various RMBS securitization trusts contained material misrepresentations and omissions, including statements regarding the underwriting standards pursuant to which the underlying mortgage loans were issued; monoline insurers allege that loans that collateralize RMBS they insured breached representations and warranties made with respect to the loans at the time of securitization and that they were fraudulently induced to enter into the transactions; and repurchase action plaintiffs generally allege breached representations and warranties in respect of mortgage loans and failure to repurchase such mortgage loans as required under the applicable agreements. The amounts disclosed below do not reflect actual realized plaintiff losses to date or anticipated future litigation exposure. Rather, unless otherwise stated, these amounts reflect the original unpaid principal balance amounts as alleged in these actions and do not include any reduction in principal amounts since issuance. Further, unless otherwise stated, amounts attributable to an "operative pleading" for the individual investor actions are not altered for settlements, dismissals or other occurrences, if any, that may have caused the amounts to change subsequent to the operative pleading. In addition to the mortgage-related actions discussed below, a number of other entities have threatened to assert claims against CSS LLC and/or its affiliates in connection with various RMBS issuances, and CSS LLC and/or its affiliates have entered into agreements with some of those entities to toll the relevant statutes of limitations.

Individual investor actions

CSS LLC and, in some instances, its affiliates, as an RMBS issuer, underwriter and/or other participant, along with other defendants, have been named as defendants in: (i) one action brought by the Federal Deposit Insurance Corporation (FDIC), as receiver for Citizens National Bank and Strategic Capital Bank, which, following the United States Supreme Court's denial of defendants' petition for writ of certiorari on December 4, 2017, will resume in the SDNY, in which claims against CSS LLC and its affiliates relate to approximately USD 28 million of the RMBS at issue (approximately 20% of the USD 141 million at issue against all defendants in the operative pleading); (ii) two actions brought by the FDIC, as receiver for Colonial Bank: one action in the SDNY, in which claims against CSS LLC relate to approximately USD 92 million of the RMBS at issue (approximately 23% of the USD 394 million at issue against all defendants in the operative pleading); and one action in the Circuit Court of Montgomery County, Alabama, in which claims against CSS LLC and its affiliates relate to approximately USD 139 million of the RMBS at issue (approximately 45% of the USD 311 million at issue against all defendants in the operative pleading), reduced from approximately USD 153 million following the February 14, 2017 dismissal with prejudice of claims pertaining to one RMBS offering on which CSS LLC and its affiliates were sued, and which has a trial scheduled to begin in October 2018; (iii) one action brought by the Federal Home Loan Banks of Seattle (FHLB Seattle) in Washington state court, in which claims against CSS LLC and its affiliates relate to approximately USD 104 million of the RMBS at issue, reduced from approximately USD 249 million following the May 4, 2016 dismissal with prejudice of all claims related to certain RMBS; on December 11, 2017, the Washington State Court of Appeals affirmed the trial court's May 4, 2016 order, dismissing FHLB Seattle's claims; (iv) one action brought by the Federal Home Loan Bank of Boston in Massachusetts state court, in which claims against CSS LLC and its affiliates relate to approximately USD 333 million of the RMBS at issue, reduced from USD 373 million following the October 27, 2015 stipulation of voluntary dismissal with prejudice of claims pertaining to certain RMBS offerings on which CSS LLC and its affiliates were sued (approximately 6% of the USD 5.7 billion at issue against all defendants in the operative pleading); (v) one action brought by Watertown Savings Bank in the SCNY, in which claims against CSS LLC and its affiliates relate to an unstated amount of the RMBS at issue; and (vi) one action brought by the Tennessee Consolidated Retirement System in Tennessee state court in which claims against CSS LLC relate to approximately USD 24 million of the RMBS at issue against CSS LLC (approximately 4% of the USD 644 million at issue against all defendants in the operative pleading).

CSS LLC and certain of its affiliates are the only defendants named in: (i) one action brought by IKB Deutsche Industriebank AG and affiliated entities in the SCNY, in which claims against CSS LLC and its affiliates relate to approximately USD 97 million of RMBS at issue; (ii) one action brought by Phoenix Light SF Ltd. and affiliated entities (Phoenix Light) in the SCNY which was dismissed in its entirety on April 16, 2015; on November 17, 2016, the SCNY, Appellate Division, First Department, issued an order reinstating all previously-dismissed claims brought by Phoenix Light against CSS LLC and its affiliates; on June 5, 2017, Phoenix Light filed an amended complaint against CSS LLC and its affiliates in

the SCNY, reducing the originally claimed amount of RMBS at issue from approximately USD 362 million to approximately USD 281 million of RMBS at issue; and (iii) one action brought by Royal Park Investments SA/NV (Royal Park) in the SCNY, in which claims against CSS LLC and its affiliate relate to approximately USD 360 million of RMBS at issue. on April 12, 2017, the SCNY dismissed with prejudice all claims against CSS LLC and its affiliate; on February 13, 2018, Royal Park appealed the SCNY's April 12, 2017 dismissal. These actions are at various procedural stages.

As disclosed in Credit Suisse's quarterly Financial Reports for 2017, individual investor actions discontinued during the course of 2017 included the following: (i) on May 2, 2017, following a settlement in the amount of USD 400 million, the US District Court for the District of Kansas, presiding in the action brought by the National Credit Union Administration Board (NCUA) as liquidating agent of the US Central Federal Credit Union, Western Corporate Federal Credit Union and Southwest Corporate Federal Credit Union, dismissed with prejudice all claims against CSS LLC and its affiliate related to approximately USD 715 million of RMBS at issue; (ii) on June 29, 2017, following a settlement, the SCNY, presiding in the action brought by Deutsche Zentral-Genossenschaftsbank AG, New York Branch, dismissed with prejudice all claims against CSS LLC and its affiliates related to approximately USD 111 million of RMBS at issue; and (iii) on September 12, 2017, following a settlement, the US District Court for the District of Massachusetts, presiding in the two actions brought by Massachusetts Mutual Life Insurance Company, dismissed with prejudice all claims against CSS LLC and its employees related to approximately USD 107 million of the RMBS at issue (approximately 97% of the USD 110 million at issue against all defendants in the operative pleadings).

In addition, on November 24, 2017, following a settlement, the US District Court for the Western District of Wisconsin, presiding over the action brought by CMFG Life Insurance Company and affiliated entities, dismissed with prejudice all claims against CSS LLC related to approximately USD 62 million, reduced from approximately USD 70 million following the December 16, 2016 dismissal in part of the action.

Monoline insurer disputes

CSS LLC and certain of its affiliates are defendants in one monoline insurer action pending in the SCNY, commenced by MBIA Insurance Corp. (MBIA) as guarantor for payments of principal and interest related to approximately USD 770 million of RMBS issued in offerings sponsored by Credit Suisse. One theory of liability advanced by MBIA is that an affiliate of CSS LLC must repurchase certain mortgage loans from the trusts at issue. MBIA claims that the vast majority of the underlying mortgage loans breach certain representations and warranties, and that the affiliate has failed to repurchase the allegedly defective loans. In addition, MBIA alleges claims for fraud, fraudulent inducement, material misrepresentations, breaches of warranties, repurchase obligations, and reimbursement. MBIA submitted repurchase demands for loans with an original principal balance of approximately USD 549 million. Discovery is complete. On March 31, 2017, the SCNY granted in part and denied in part both parties' respective summary judgment motions, which resulted, among other things, in the dismissal of MBIA's fraud claim with prejudice. Both MBIA and the Credit Suisse entities involved in this action have filed notices of appeal.

Repurchase litigations

DLJ Mortgage Capital, Inc. (DLJ) is a defendant in: (i) one action brought by Asset Backed Securities Corporation Home Equity Loan Trust, Series 2006-HE7, in which plaintiff alleges damages of not less than USD 341 million, which was dismissed without prejudice by order of the SCNY on March 24, 2015, which order was appealed, and which action was re-filed on September 17, 2015 (stayed against DLJ pending resolution of all pending appeals); (ii) one action brought by Home Equity Asset Trust, Series 2006-8, in which plaintiff alleges damages of not less than USD 436 million; (iii) one action brought by Home Equity Asset Trust 2007-1, in which plaintiff alleges damages of not less than USD 420 million; (iv) one action brought by Home Equity Asset Trust Series 2007-3, in which plaintiff alleges damages of not less than USD 206 million, which was dismissed without prejudice by order of the SCNY on December 21, 2015 with leave to restore within one year and which plaintiff moved to restore on December 20, 2016, which the court granted on March 15, 2017 by restoring the case to active status; (v) one action brought by Home Equity Asset Trust 2007-2, in which plaintiff alleges damages of not less than USD 495 million; and (vi) one action brought by CSMC Asset-Backed Trust 2007-NC1, in which no damages amount is alleged. DLJ and its affiliate, Select Portfolio Servicing, Inc. (SPS), are defendants in: one action brought by Home Equity Mortgage Trust Series 2006-1, Home Equity Mortgage Trust Series 2006-3 and Home Equity Mortgage Trust Series 2006-4, in which plaintiffs allege damages of not less than USD 730 million, and allege that SPS obstructed the investigation into the full extent of the defects in the mortgage pools by refusing to afford the trustee reasonable access to certain origination files; and one action brought by Home Equity Mortgage Trust Series 2006-5, in which plaintiff alleges damages of not less than USD 500 million, and alleges that SPS likely discovered DLJ's alleged breaches of representations and warranties but did not notify the trustee of such breaches, in alleged violation of its contractual obligations. These actions are brought in the SCNY and are at early or intermediate procedural points.

As disclosed in Credit Suisse's fourth quarter Financial Report of 2013, the following repurchase actions were dismissed with prejudice in 2013: the three consolidated actions brought by Home Equity Asset Trust 2006-5, Home Equity Asset Trust 2006-6 and Home Equity Asset Trust 2006-7 against DLJ. Those dismissals are on appeal.

Bank loan litigation

On January 3, 2010, the Bank and other affiliates were named as defendants in a lawsuit filed in the US District Court for the District of Idaho by current or former homeowners in four real estate developments, Tamarack Resort, Yellowstone Club, Lake Las Vegas and

Ginn Sur Mer. The Bank arranged, and was the agent bank for, syndicated loans provided to borrowers affiliated with all four developments, and who have been or are now in bankruptcy or foreclosure. Plaintiffs generally allege that the Bank and other affiliates committed fraud by using an unaccepted appraisal method to overvalue the properties with the intention of having the borrowers take out loans they could not repay because it would allow the Bank and other affiliates to later push the borrowers into bankruptcy and take ownership of the properties. Plaintiffs demanded USD 24 billion in damages. Cushman & Wakefield, the appraiser for the properties at issue, is also named as a defendant. After the filing of amended complaints and motions to dismiss, the claims were significantly reduced. On September 24, 2013, the court denied the plaintiffs' motion for class certification so the case cannot proceed as a class action. On February 5, 2015, the court granted plaintiffs' motion for leave to file an amended complaint, adding additional individual plaintiffs. On April 13, 2015, the court granted plaintiffs' motion for leave to add a claim for punitive damages. On November 20, 2015, the plaintiffs moved for partial summary judgment, which the defendants opposed on December 14, 2015. On December 18, 2015, the defendants filed motions for summary judgment. On July 27, 2016, the US District Court for the District of Idaho granted the defendants' motions for summary judgment, dismissing the case with prejudice. The plaintiffs are appealing. Oral argument on the appeal took place on February 9, 2018 and a decision is pending.

The Bank and other affiliates are also the subject of certain other related litigation regarding certain of these loans as well as other similar real estate developments. Such litigation includes two cases brought in Texas and New York state courts against Bank affiliates by entities related to Highland Capital Management LP (Highland). In the case in Texas state court, a jury trial was held in December 2014 on Highland's claim for fraudulent inducement by affirmative misrepresentation and omission. A verdict was issued for the plaintiff on its claim for fraudulent inducement by affirmative misrepresentation, but the jury rejected its claim that the Bank's affiliates had committed fraudulent inducement by omission. The Texas judge held a bench trial on Highland's remaining claims in May and June 2015, and entered judgment in the amount of USD 287 million (including prejudgment interest) for the plaintiff on September 4, 2015. Both parties filed notices of appeal from that judgment and briefing was completed on March 10, 2017. Oral argument on the appeals took place on October 18, 2017 and on February 21, 2018 the appeals court affirmed the lower court's decision. On March 7, 2018, the Bank affiliates filed a motion for rehearing with the appeals court. In the case in New York state court, the court granted in part and denied in part the Bank's summary judgment motion. Both parties appealed that decision, but the appellate court affirmed the decision in full. Bank affiliates separately sued Highland-managed funds on related trades and received a favorable judgment awarding both principal owed and prejudgment interest. Highland appealed the portion of the judgment awarding prejudgment interest, however the original decision was affirmed in its entirety. The parties subsequently agreed to settle the amount owed by the Highland-managed funds under the judgment.

Tax and securities law matters

On May 19, 2014, Credit Suisse AG entered into settlement agreements with several US regulators regarding its US cross-border matters. As part of the settlement, Credit Suisse AG, among other things, engaged an independent corporate monitor that reports to the New York State Department of Financial Services (DFS) and provides ongoing reports to various agencies.

Rates-related matters

Regulatory matters

Regulatory authorities in a number of jurisdictions, including the US, UK, EU and Switzerland, have for an extended period of time been conducting investigations into the setting of LIBOR and other reference rates with respect to a number of currencies, as well as the pricing of certain related derivatives. These ongoing investigations have included information requests from regulators regarding LIBOR-setting practices and reviews of the activities of various financial institutions, including the Group. The Group, which is a member of three LIBOR rate-setting panels (US Dollar LIBOR, Swiss Franc LIBOR and Euro LIBOR), is cooperating fully with these investigations. In particular, it has been reported that regulators are investigating whether financial institutions engaged in an effort to manipulate LIBOR, either individually or in concert with other institutions, in order to improve market perception of these institutions' financial health and/or to increase the value of their proprietary trading positions. In response to regulatory inquiries, Credit Suisse commissioned a review of these issues. To date, Credit Suisse has seen no evidence to suggest that it is likely to have any material exposure in connection with these issues.

Regulatory authorities in a number of jurisdictions, including the Swiss Competition Commission, the European Competition Commission, the South African Competition Commission, the DFS and the Brazilian Competition Authority have been conducting investigations into the trading activities, information sharing and the setting of benchmark rates in the foreign exchange (including electronic trading) markets.

On November 13, 2017, Credit Suisse AG and Credit Suisse AG, New York Branch reached a settlement with the DFS, resulting in a pre-tax charge of USD 135 million. The agreement with the DFS settles claims relating to certain areas of Credit Suisse's voice and electronic foreign exchange trading business between 2008 and 2015.

The reference rates investigations have also included information requests from regulators concerning supranational, sub-sovereign and agency (SSA) bonds and commodities (including precious metals) markets. The Group is cooperating fully with these investigations.

The investigations are ongoing and it is too soon to predict the final outcome of the investigations.

Civil litigation

LIBOR litigation

Members of the US Dollar LIBOR panel, including Credit Suisse, have been named in various civil lawsuits filed in the US. All but

one of these matters have been consolidated for pre-trial purposes into a multi-district litigation in the SDNY. On March 29, 2013, the court in the multi-district litigation dismissed a substantial portion of the consolidated cases against the panel banks, dismissing the claims under Sherman Antitrust Act and the Racketeer Influenced and Corrupt Organizations Act, as well as all state law claims, leaving only certain claims under the Commodity Exchange Act based on LIBOR-related instruments entered into after May 30, 2008 (extended to after April 14, 2009 in a subsequent order). Plaintiffs appealed part of the decision. On May 23, 2016, the United States Court of Appeals for the Second Circuit (Second Circuit) reversed the decision of the SDNY dismissing plaintiffs' Sherman Antitrust Act claims and remanded the claims to the SDNY for additional briefing on the issue of whether such claims have been adequately alleged. Briefing was completed in August 2016 and, in a series of rulings between December 2016 and February 2017, the SDNY dismissed all of plaintiffs' antitrust claims against Credit Suisse. Between April 2013 and November 2015, the SDNY has issued a number of decisions narrowing and defining the scope of the permissible claimants and claims for the consolidated case in the multi-district litigation. On August 23, 2013, the SDNY rejected plaintiffs' requests to replead the dismissed causes of action, except for certain of plaintiffs' state law claims, which plaintiffs asserted in amended complaints. In June 2014, the SDNY denied most of defendants' motion to dismiss.

On November 3, 2015, the SDNY further dismissed purported classes brought by student loan borrowers and lending institutions and allowed certain over-the-counter plaintiffs to amend their complaints to add new plaintiffs to certain claims. Plaintiffs appealed several of the SDNY's rulings to the Second Circuit. On February 23, 2018, the Second Circuit issued a decision in an appeal of one non-class action that largely affirmed the SDNY's rulings, including upholding dismissal of certain state law and securities law claims as to Credit Suisse, but vacated certain rulings and remanded the case for further proceedings. On June 26, 2017, the only named plaintiff with putative class claims remaining against a Credit Suisse entity that survived a motion to dismiss withdrew as a class representative. On February 28, 2018, the SDNY issued a decision dismissing Credit Suisse AG with prejudice from the remaining non-stayed putative class action.

The one matter that is not consolidated in the multi-district litigation is also in the SDNY, and the SDNY granted the defendants' motion to dismiss on March 31, 2015, but gave plaintiff leave to file a new pleading. On June 1, 2015, plaintiff filed a motion for leave to file a second amended complaint in the SDNY; defendants' opposition brief was filed on July 15, 2015.

CHF LIBOR litigation

In February 2015, various banks that served on the Swiss franc LIBOR panel, including Credit Suisse Group AG, were named in a civil putative class action lawsuit filed in the SDNY, alleging manipulation of Swiss franc LIBOR to benefit defendants' trading positions. On June 19, 2015, the plaintiffs filed an amended complaint. On August 18, 2015, the defendants filed motions to dismiss. On September 25, 2017, the SDNY granted defendants' motion to dismiss all claims. The SDNY granted plaintiffs leave to file an amended complaint, and plaintiffs filed an amended complaint on November 6, 2017. Defendants filed motions to dismiss on February 7, 2018.

SIBOR/SOR litigation

In July 2016, various banks that served on the Singapore Interbank Offered Rate (SIBOR) and Singapore Swap Offer Rate (SOR) panels, including Credit Suisse Group AG and affiliates, were named in a civil putative class action lawsuit filed in the SDNY, alleging manipulation of SIBOR and SOR to benefit defendants' trading positions. On October 31, 2016, the plaintiffs filed an amended complaint. On November 18, 2016, defendants filed motions to dismiss. On August 18, 2017, the SDNY dismissed all claims against Credit Suisse Group AG and affiliates. On September 18, 2017, the plaintiffs filed an amended complaint. On October 18, 2017, defendants filed motions to dismiss the amended complaint.

Foreign exchange litigation

Credit Suisse Group AG and affiliates as well as other financial institutions are named in four pending civil class action lawsuits in the SDNY relating to the alleged manipulation of foreign exchange rates.

The first pending matter is a consolidated class action. On January 28, 2015, the court denied defendants' motion to dismiss the original consolidated complaint brought by US-based investors and foreign plaintiffs who transacted in the US, but granted their motion to dismiss the claims of foreign-based investors for transactions outside of the US. In July 2015, plaintiffs filed a second consolidated amended complaint, adding additional defendants and asserting additional claims on behalf of a second putative class of exchange investors. The Group and affiliates, together with other financial institutions, filed a motion to dismiss the second consolidated amended complaint, which the court granted in part and denied in part on September 20, 2016. The motion to dismiss decision reduced the size of the putative class, but allowed the primary antitrust and Commodity Exchange Act claims to survive.

The second pending matter names Credit Suisse AG and affiliates, as well as other financial institutions in a putative class action filed in the SDNY on June 3, 2015. This action is based on the same alleged conduct as the consolidated class action and alleges violations of the US Employee Retirement Income Security Act of 1974 (ERISA). On May 19, 2016, affiliates of Credit Suisse AG, along with several other financial institutions, filed a motion to dismiss the putative ERISA class action, which the SDNY granted on August 23, 2016. Plaintiffs have appealed that decision.

The third pending matter names Credit Suisse Group AG and affiliates, as well as other financial institutions, in a putative class action filed in the SDNY on September 26, 2016, alleging manipulation of the foreign exchange market on behalf of indirect purchasers of foreign exchange instruments. Defendants moved to dismiss the indirect purchaser complaint on January 23, 2017. On March 24, 2017, plaintiffs filed an amended complaint in lieu of opposing defendants' motions to dismiss. On April 28, 2017, plaintiffs

dismissed the pending action and filed the amended complaint as a new putative class action in the SDNY. On June 10, 2017, Credit Suisse Group AG and affiliates, along with other financial institutions, were named in a second putative class action brought in the SDNY alleging manipulation of the foreign exchange market on behalf of indirect purchasers of foreign exchange instruments. Both putative class actions have been consolidated in the SDNY, and plaintiffs filed a consolidated complaint on June 30, 2017. On August 11, 2017, defendants filed motions to dismiss. On March 15, 2018, the court issued a decision granting defendants' joint motion to dismiss and dismissing the consolidated complaint in its entirety.

The fourth pending matter names Credit Suisse Group AG and affiliates in a putative class action filed in the SDNY on July 12, 2017, alleging improper practices in connection with electronic foreign exchange trading. Plaintiffs amended their complaint on October 19, 2017, and on December 7, 2017, defendants filed a consolidated motion to compel arbitration or dismiss on the grounds of forum non conveniens.

The Group and several affiliates, together with other financial institutions, have also been named in two Canadian putative class actions, which make allegations similar to the consolidated class action.

ISDAFIX litigation

Credit Suisse AG, New York Branch, and other financial institutions have also been named in a pending consolidated civil class action lawsuit relating to the alleged manipulation of the ISDAFIX rate for US dollars in the SDNY. On February 12, 2015, the class plaintiffs filed a consolidated amended class action complaint. On April 13, 2015, the defendants filed a motion to dismiss. On April 11, 2016, Credit Suisse AG, New York Branch entered into a settlement agreement with plaintiffs. On May 3, 2016, plaintiffs filed a motion for preliminary approval of the settlement, along with settlements with other financial institutions. On May 11, 2016, the SDNY preliminarily approved plaintiffs' settlement agreements with Credit Suisse AG, New York Branch, and six other financial institutions. The settlement provides for dismissal of the case with prejudice and a settlement payment of USD 50 million by Credit Suisse. The settlements remain subject to final court approval.

Treasury markets litigation

CSS LLC, along with over 20 other primary dealers of US treasury securities, has been named in a number of putative civil class action complaints in the US relating to the US treasury markets. These complaints generally allege that defendants colluded to manipulate US treasury auctions, as well as the pricing of US treasury securities in the when-issued market, with impacts upon related futures and options. These actions have been consolidated into a multi-district litigation in the SDNY. On August 23, 2017, the SDNY appointed lead counsel, and on August 25, 2017, three purported class representatives re-filed their complaints as a collective individual action. On November 15, 2017, plaintiffs filed a consolidated amended class action complaint naming CSS LLC, Credit Suisse Group AG, and Credit Suisse International (CSI), along with a narrower group of other defendants. The consolidated complaint contains previously-asserted allegations as well as new allegations concerning a group boycott to prevent the emergence of anonymous, all-to-all trading in the secondary market for treasury securities. On February 23, 2018, defendants served motions to dismiss on plaintiffs and the SDNY entered a stipulation voluntarily dismissing Credit Suisse Group AG and other defendant holding companies. A stipulation of voluntary dismissal of CSI is currently pending.

SSA bonds litigation

Credit Suisse Group AG and affiliates, along with other financial institutions and individuals, have been named in several putative class action complaints filed in the SDNY relating to SSA bonds. The complaints generally allege that defendants conspired to fix the prices of SSA bonds sold to and purchased from investors in the secondary market. These actions have been consolidated in the SDNY. On April 7, 2017, plaintiffs filed a consolidated amended class action complaint. Plaintiffs filed a second consolidated amended class action complaint on November 3, 2017, which defendants moved to dismiss on December 12, 2017.

Bank Bill Swap litigation

On August 16, 2016, Credit Suisse Group AG and Credit Suisse AG, along with other financial institutions, were named in a putative class action brought in the SDNY, alleging manipulation of the Australian Bank Bill Swap reference rate. Plaintiffs filed an amended complaint on December 16, 2016, which defendants moved to dismiss on February 24, 2017.

OTC trading cases

Credit Suisse Group AG and affiliates, along with other financial institutions, have been named in one consolidated putative civil class action complaint and one consolidated complaint filed by individual plaintiffs relating to interest rate swaps, alleging that dealer defendants conspired with trading platforms to prevent the development of interest rate swap exchanges. The individual lawsuits were brought by TeraExchange LLC, a swap execution facility, and affiliates, and Javelin Capital Markets LLC, a swap execution facility, and an affiliate, which claim to have suffered lost profits as a result of defendants' alleged conspiracy. All interest rate swap actions have been consolidated in a multi-district litigation in the SDNY. Both class and individual plaintiffs filed second amended consolidated complaints on December 9, 2016, which defendants moved to dismiss on January 20, 2017. On July 28, 2017, the SDNY granted in part and denied in part defendants' motions to dismiss. On February 21, 2018, class plaintiffs moved for leave to amend and file a proposed third amended consolidated class action complaint.

On June 8, 2017, Credit Suisse Group AG and affiliates, along with other financial institutions, were named in a civil action filed in the SDNY by Tera Group, Inc. and related entities (collectively "Tera"), alleging violations of antitrust law in connection with the allegation that credit default swap (CDS) dealers conspired to block Tera's electronic CDS trading platform from successfully entering the market. On September 11, 2017, defendants filed motions to dismiss.

On August 16, 2017, Credit Suisse Group AG and affiliates, along with other financial institutions, were named in a civil putative class action lawsuit filed in the SDNY, alleging that defendants conspired to keep stock loan trading fixed in an over-the-counter market and collectively boycotted certain trading platforms that sought to enter the market. Plaintiffs filed an amended complaint on November 17, 2017. Defendants filed motions to dismiss on January 26, 2018. On January 26, 2018, the court entered a stipulation voluntarily dismissing Credit Suisse Group AG and other defendant holding companies, although certain Credit Suisse Group AG affiliates remain part of the ongoing action. Separately, on January 30, 2018, Credit Suisse Group AG and affiliates, along with other financial institutions, were named in a civil lawsuit filed in the SDNY by the purported successor in interest to a trading platform for stock loans that sought to enter the market. As in the civil putative class action lawsuit, the plaintiff alleges that defendants collectively boycotted its trading platform.

Caspian Energy litigation

A lawsuit was brought against CSI in English court by Rosserlane Consultants Limited and Swinbrook Developments Limited. The litigation relates to the forced sale by CSI in 2008 of Caspian Energy Group LP (CEG), the vehicle through which the plaintiffs held a 51% stake in the Kyurovdag oil and gas field in Azerbaijan. CEG was sold for USD 245 million following two unsuccessful merger and acquisition processes. The plaintiffs allege that CEG should have been sold for at least USD 700 million. The trial took place at the end of 2014 and on February 20, 2015, the case was dismissed and judgment given in favor of CSI. The plaintiffs appealed the judgment. In January 2017, the Court of Appeal ruled in CSI's favor.

ATA litigation

A lawsuit was filed on November 10, 2014 in the US District Court for the Eastern District of New York (EDNY) against a number of banks, including Credit Suisse AG, alleging claims under the United States Anti-Terrorism Act (ATA). The action alleges a conspiracy between Iran and various international financial institutions, including the defendants, in which they agreed to alter, falsify or omit information from payment messages that involved Iranian parties for the express purpose of concealing the Iranian parties' financial activities and transactions from detection by US authorities. The complaint, brought by approximately 200 plaintiffs, alleges that this conspiracy has made it possible for Iran to transfer funds to Hezbollah and other terrorist organizations actively engaged in harming US military personnel and civilians. On July 12, 2016, plaintiffs filed a second amended complaint in the EDNY against a number of banks, including Credit Suisse AG, alleging claims under the ATA. On September 14, 2016, Credit Suisse AG and the other defendants filed motions to dismiss the plaintiffs' second amended complaint in the EDNY. A second lawsuit was filed on November 2, 2016 in the US District Court for the Southern District of Illinois (S.D. Ill.) against a number of banks, including Credit Suisse AG, alleging claims under the ATA. The complaint, brought by approximately 100 plaintiffs, makes allegations similar to the ATA action pending against Credit Suisse AG in the EDNY. On April 12, 2017, the S.D. Ill. entered an order granting defendants' motion to transfer the case to the EDNY for further proceedings. On September 11, 2017, Credit Suisse AG and other defendants served motions to dismiss the plaintiffs' amended complaint. On October 3, 2017, the plaintiffs filed a stipulation of voluntary dismissal and withdrew their complaint. A third lawsuit was filed on November 9, 2017, in SDNY against a number of banks, including Credit Suisse AG, alleging claims under the ATA. On March 2, 2018, Credit Suisse AG and other defendants filed motions to dismiss the plaintiffs' complaint. This action and the separate lawsuit that was filed on November 10, 2014 in the EDNY, remain pending.

MPS

In late 2014, the Monte dei Paschi di Siena Foundation (Foundation) filed a lawsuit in the Civil Court of Milan, Italy seeking EUR 3 billion in damages jointly from Credit Suisse Securities (Europe) Limited (CSSEL), Banca Leonardo & Co S.p.A. and former members of the Foundation's management committee. The lawsuit relates to the fairness opinions CSSEL and Banca Leonardo & Co S.p.A. delivered to the Foundation in connection with the EUR 9 billion acquisition of Banca Antonveneta S.p.A. by Banca Monte dei Paschi di Siena S.p.A. (BMPS) in 2008. BMPS funded the acquisition by a EUR 5 billion rights offer and the issuance of unredeemable securities convertible into BMPS shares, in which the Foundation invested EUR 2.9 billion and EUR 490 million, respectively. The Foundation alleges that the fairness opinions were issued in the absence of key financial information. CSSEL believes that the claim lacks merit and is not supported by the available evidence. In November 2017, the Civil Court of Milan rejected the Foundation's claims, ruling in favor of CSSEL. In January 2018, the Foundation filed an appeal against this ruling.

Customer account matters

Several clients have claimed that a former relationship manager in Switzerland had exceeded his investment authority in the management of their portfolios, resulting in excessive concentrations of certain exposures and investment losses. Credit Suisse AG is investigating the claims, as well as transactions among the clients. Credit Suisse AG filed a criminal complaint against the former relationship manager with the Geneva Prosecutor's Office upon which the prosecutor initiated a criminal investigation. Several clients of the former relationship manager also filed criminal complaints with the Geneva Prosecutor's Office. On February 9, 2018, the former relationship manager was sentenced to five years in prison by the Geneva criminal court for fraud, forgery and criminal mismanagement and ordered to pay damages of approximately USD 130 million. Civil liability lawsuits were initiated on August 25, 2017 in the High Court of Singapore, the High Court of New Zealand and the Supreme Court of Bermuda against Credit Suisse AG and certain

affiliates, based on the findings established in the criminal proceedings against the former relationship manager.

FIFA-related matters

In connection with investigations by US and Swiss government authorities into the involvement of financial institutions in the alleged bribery and corruption surrounding the Fédération Internationale de Football Association (FIFA), Credit Suisse has received inquiries from these authorities regarding its banking relationships with certain individuals and entities associated with FIFA, including but not limited to certain persons and entities named and/or described in the May 20, 2015 indictment and the November 25, 2015 superseding indictment filed by the Eastern District of New York US Attorney's Office. The US and Swiss authorities are investigating whether multiple financial institutions, including Credit Suisse, permitted the processing of suspicious or otherwise improper transactions, or failed to observe anti-money laundering laws and regulations, with respect to the accounts of certain persons and entities associated with FIFA. Credit Suisse is cooperating with the authorities on this matter.

External asset manager matter

Several clients have claimed that an external asset manager based in Geneva misappropriated funds, forged bank statements, transferred assets between client accounts at Credit Suisse as custodian to conceal losses and made investments without the authorization of those clients. Credit Suisse is investigating the claims. The Geneva Prosecutor's Office initiated a criminal investigation against representatives of the external asset manager and two former Credit Suisse employees.

Mossack Fonseca/Israel Desk matters

Credit Suisse, along with many financial institutions, has received inquiries from governmental and regulatory authorities concerning banking relationships between financial institutions, their clients and the Panama-based law firm of Mossack Fonseca. Credit Suisse has also received governmental and regulatory inquiries concerning cross-border services provided by Credit Suisse's Switzerland-based Israel Desk. Credit Suisse is conducting a review of these issues and has been cooperating with the authorities.

Mozambique matter

Credit Suisse is responding to requests from regulatory and enforcement authorities related to Credit Suisse's arrangement of loan financing to Mozambique state enterprises, Proindicus S.A. and Empresa Mocambiacana de Atum S.A. (EMATUM), a distribution to private investors of loan participation notes (LPN) related to the EMATUM financing in September 2013, and Credit Suisse's subsequent role in arranging the exchange of those LPNs for Eurobonds issued by the Republic of Mozambique. Credit Suisse is cooperating with the authorities on this matter.

Cross-border private banking matters

Credit Suisse offices in various locations, including the UK, the Netherlands and France, have been contacted by regulatory and law enforcement authorities that are seeking records and information concerning investigations into our historical private banking services on a cross-border basis and in part through our local branches and banks. Credit Suisse has conducted a review of these issues and is cooperating with the authorities. Credit Suisse applies a strict zero tolerance policy on tax evasion. Currently, we cannot predict with any reasonable certainty the outcome of any of these investigations.

Hiring practices investigation

Credit Suisse has been responding to requests from certain governmental and regulatory authorities, including the DOJ and the US Securities and Exchange Commission, regarding Credit Suisse's hiring practices in the Asia Pacific region and, in particular, whether Credit Suisse hired referrals from government agencies and other state-owned entities in exchange for investment banking business and/or regulatory approvals, in potential violation of the US Foreign Corrupt Practices Act and related civil statutes. Credit Suisse is cooperating with the authorities on this matter.

Write-downs litigation

On December 22, 2017, Credit Suisse Group AG and certain current and former executives were named in a class action complaint filed in the SDNY on behalf of a putative class of purchasers of Credit Suisse AG American Depositary Receipts (ADRs), asserting claims for violations of Sections 10(b) and 20(a) of the US Securities Exchange Act of 1934 and Rule 10b-5 thereunder, alleging that defendants sanctioned increases to trading limits that ultimately led to write-downs in the fourth quarter of 2015 and the first quarter of 2016 and a decline in the market value of the ADRs.

XIV ETN litigation

On March 14, 2018, Credit Suisse Group AG and certain executives were named in a class action complaint filed in the SDNY on behalf of a putative class of purchasers of VelocityShares Daily Inverse VIX Short Term Exchange Traded Notes linked to the S&P 500 VIX Short-Term Futures Index due December 4, 2030 (XIV ETNs), asserting claims for violations of Sections 10(b) and 20(a) of the US Securities Exchange Act of 1934 and Rule 10b-5 thereunder, alleging that the defendants are responsible for losses to investors following a decline in the value of XIV ETNs on February 5, 2018. Separately, on March 15, 2018, Credit Suisse AG and Janus Index & Calculation Services LLC were named in a class action complaint filed in the SDNY on behalf of a putative class of purchasers of XIV ETNs, asserting claims for violations of Section 11 of the US Securities Act of 1933 and Section 10(b) of the US Securities Exchange Act of 1934 and Rule 10b-5 thereunder, alleging that the defendants are responsible for investors' XIV ETN losses.

39 Significant subsidiaries and equity method investments

Significant subsidiaries

Equity interest in %	Company name	Domicile	Currency	Nominal capital in million
as of December 31, 2017				
	Credit Suisse Group AG			
100	Credit Suisse AG	Zurich, Switzerland	CHF	4,399.7
100	Credit Suisse Insurance Linked Strategies Ltd	Zurich, Switzerland	CHF	0.2
100	Credit Suisse (Poland) SP. z o.o	Warsaw, Poland	PLN	20.0
100	Credit Suisse Services AG	Zurich, Switzerland	CHF	1.0
100	Credit Suisse Trust AG	Zurich, Switzerland	CHF	5.0
100	Credit Suisse Trust Holdings Limited	St. Peter Port, Guernsey	GBP	2.0
100	CS LP Holding AG	Zug, Switzerland	CHF	0.1
100	Inreska Limited	St. Peter Port, Guernsey	GBP	3.0
88	Savoy Hotel Baur en Ville AG	Zurich, Switzerland	CHF	7.5
	Credit Suisse AG			
100	AJP Cayman Ltd.	George Town, Cayman Islands	JPY	8,025.6
100	Alpine Securitization LTD	George Town, Cayman Islands	USD	0.0
100	Asset Management Finance LLC	Wilmington, United States	USD	341.8
100	Banco Credit Suisse (Brasil) S.A.	São Paulo, Brazil	BRL	53.6
100	Banco Credit Suisse (México), S.A.	Mexico City, Mexico	MXN	1,716.7
100	Banco de Investimentos Credit Suisse (Brasil) S.A.	São Paulo, Brazil	BRL	164.8
100	BANK-now AG	Horgen, Switzerland	CHF	30.0
100	Boston Re Ltd.	Hamilton, Bermuda	USD	2.0
100	Column Financial, Inc.	Wilmington, United States	USD	0.0
100	Credit Suisse (Australia) Limited	Sydney, Australia	AUD	34.1
100	Credit Suisse (Brasil) S.A. Corretora de Titulos e Valores Mobiliários	São Paulo, Brazil	BRL	98.4
100	Credit Suisse (Deutschland) Aktiengesellschaft	Frankfurt, Germany	EUR	130.0
100	Credit Suisse (Hong Kong) Limited	Hong Kong, China	HKD	13,758.0
100	Credit Suisse (Italy) S.p.A.	Milan, Italy	EUR	139.6
100	Credit Suisse (Luxembourg) S.A.	Luxembourg, Luxembourg	CHF	230.9
100	Credit Suisse (Qatar) LLC	Doha, Qatar	USD	29.0
100	Credit Suisse (Schweiz) AG	Zurich, Switzerland	CHF	100.0
100	Credit Suisse (Singapore) Limited	Singapore, Singapore	SGD	743.3
100	Credit Suisse (UK) Limited	London, United Kingdom	GBP	245.2
100	Credit Suisse (USA), Inc.	Wilmington, United States	USD	0.0
100	Credit Suisse Asset Management (UK) Holding Limited	London, United Kingdom	GBP	144.2
100	Credit Suisse Asset Management Immobilien Kapitalanlagegesellschaft GmbH	Frankfurt, Germany	EUR	6.1
100	Credit Suisse Asset Management International Holding Ltd	Zurich, Switzerland	CHF	20.0
100	Credit Suisse Asset Management Investments Ltd	Zurich, Switzerland	CHF	0.1
100	Credit Suisse Asset Management Limited	London, United Kingdom	GBP	45.0
100	Credit Suisse Asset Management, LLC	Wilmington, United States	USD	1,086.8
100	Credit Suisse Atlas I Investments (Luxembourg) S.à.r.l.	Luxembourg, Luxembourg	USD	0.0
100	Credit Suisse Business Analytics (India) Private Limited	Mumbai, India	INR	40.0
100	Credit Suisse Capital LLC	Wilmington, United States	USD	937.6
100	Credit Suisse Energy LLC	Wilmington, United States	USD	0.0
100	Credit Suisse Equities (Australia) Limited	Sydney, Australia	AUD	62.5
100	Credit Suisse Finance (India) Private Limited	Mumbai, India	INR	1,050.1

Significant subsidiaries (continued)

Equity interest in %	Company name	Domicile	Currency	Nominal capital in million
100	Credit Suisse First Boston (Latam Holdings) LLC	George Town, Cayman Islands	USD	23.8
100	Credit Suisse First Boston Finance B.V.	Amsterdam, The Netherlands	EUR	0.0
100	Credit Suisse First Boston Mortgage Capital LLC	Wilmington, United States	USD	356.6
100	Credit Suisse First Boston Next Fund, Inc.	Wilmington, United States	USD	10.0
100	Credit Suisse Fund Management S.A.	Luxembourg, Luxembourg	CHF	0.3
100	Credit Suisse Fund Services (Luxembourg) S.A.	Luxembourg, Luxembourg	CHF	1.5
100	Credit Suisse Funds AG	Zurich, Switzerland	CHF	7.0
100	Credit Suisse Group Finance (U.S.) Inc.	Wilmington, United States	USD	100.0
100	Credit Suisse Hedging-Griffo Corretora de Valores S.A.	São Paulo, Brazil	BRL	29.6
100	Credit Suisse Holding Europe (Luxembourg) S.A.	Luxembourg, Luxembourg	CHF	32.6
100	Credit Suisse Holdings (Australia) Limited	Sydney, Australia	AUD	42.0
100 [1]	Credit Suisse Holdings (USA), Inc.	Wilmington, United States	USD	550.0
100 [2]	Credit Suisse International	London, United Kingdom	USD	12,366.1
100	Credit Suisse InvestLab AG	Zurich, Switzerland	CHF	1.0
100	Credit Suisse Istanbul Menkul Degerler A.S.	Istanbul, Turkey	TRY	6.8
100	Credit Suisse Leasing 92A, L.P.	Wilmington, United States	USD	43.9
100	Credit Suisse Life & Pensions AG	Vaduz, Liechtenstein	CHF	15.0
100	Credit Suisse Life (Bermuda) Ltd.	Hamilton, Bermuda	USD	1.0
100	Credit Suisse Loan Funding LLC	Wilmington, United States	USD	0.0
100	Credit Suisse Management LLC	Wilmington, United States	USD	896.4
100	Credit Suisse Prime Securities Services (USA) LLC	Wilmington, United States	USD	263.3
100	Credit Suisse Principal Investments Limited	George Town, Cayman Islands	JPY	3,324.0
100	Credit Suisse Private Equity, LLC	Wilmington, United States	USD	42.2
100	Credit Suisse PSL GmbH	Zurich, Switzerland	CHF	0.0
100	Credit Suisse Saudi Arabia	Riyadh, Saudi Arabia	SAR	625.0
100	Credit Suisse Securities (Canada), Inc.	Toronto, Canada	CAD	3.4
100	Credit Suisse Securities (Europe) Limited	London, United Kingdom	USD	3,859.3
100	Credit Suisse Securities (Hong Kong) Limited	Hong Kong, China	HKD	2,080.9
100	Credit Suisse Securities (India) Private Limited	Mumbai, India	INR	2,214.7
100	Credit Suisse Securities (Japan) Limited	Tokyo, Japan	JPY	78,100.0
100	Credit Suisse Securities (Johannesburg) Proprietary Limited	Johannesburg, South Africa	ZAR	0.0
100	Credit Suisse Securities (Malaysia) Sdn. Bhd.	Kuala Lumpur, Malaysia	MYR	100.0
100	Credit Suisse Securities (Moscow)	Moscow, Russia	RUB	97.1
100	Credit Suisse Securities (Singapore) Pte Limited	Singapore, Singapore	SGD	30.0
100	Credit Suisse Securities (Thailand) Limited	Bangkok, Thailand	THB	500.0
100	Credit Suisse Securities (USA) LLC	Wilmington, United States	USD	1,131.7
100	Credit Suisse Services (India) Private Limited	Pune, India	INR	0.1
100	Credit Suisse Services (USA) LLC	Wilmington, United States	USD	0.0
100	CS Non-Traditional Products Ltd.	Nassau, Bahamas	USD	0.1
100	CSAM Americas Holding Corp.	Wilmington, United States	USD	0.0
100	DLJ Merchant Banking Funding, Inc	Wilmington, United States	USD	0.0
100	DLJ Mortgage Capital, Inc.	Wilmington, United States	USD	0.0
100	Fides Treasury Services AG	Zurich, Switzerland	CHF	2.0
100	JSC "Bank Credit Suisse (Moscow)"	Moscow, Russia	USD	37.8
100	Merban Equity AG	Zug, Switzerland	CHF	0.1
100	Merchant Holding, LLC	Wilmington, United States	USD	0.0
100	Neue Argauer Bank AG	Aarau, Switzerland	CHF	134.1
100	Solar Investco II Ltd.	George Town, Cayman Islands	USD	0.0
100	SPS Holding Corporation	Wilmington, United States	USD	0.0
100	SVC – AG für KMU Risikokapital	Zurich, Switzerland	CHF	15.0
99	PT Credit Suisse Sekuritas Indonesia	Jakarta, Indonesia	IDR	235,000.0
98	Credit Suisse Hypotheken AG	Zurich, Switzerland	CHF	0.1

[1] 43% of voting rights held by Credit Suisse Group AG, Guernsey Branch.
[2] 98% of voting rights and 98% of equity interest held by Credit Suisse AG.

Significant equity method investments

Equity interest in %	Company name	Domicile
as of December 31, 2017		
	Credit Suisse Group AG	
100 [1]	Credit Suisse Group Finance (Guernsey) Limited	St. Peter Port, Guernsey
100 [1]	Credit Suisse Group (Guernsey) II Limited	St. Peter Port, Guernsey
100 [1]	Credit Suisse Group Funding (Guernsey) Limited	St. Peter Port, Guernsey
25	SECB Swiss Euro Clearing Bank GmbH	Frankfurt, Germany
	Credit Suisse AG	
50	Swisscard AECS GmbH	Horgen, Switzerland
33	Credit Suisse Founder Securities Limited	Beijing, China
23	E.L. & C. Baillieu Stockbroking (Holdings) Pty Ltd	Melbourne, Australia
20	ICBC Credit Suisse Asset Management Co., Ltd.	Beijing, China
5 [2]	York Capital Management Global Advisors, LLC	New York, United States
0 [2]	Holding Verde Empreendimentos e Participações S.A.	São Paulo, Brazil

[1] Deconsolidated under US GAAP as the Group is not the primary beneficiary.
[2] The Group holds a significant noncontrolling interest.

40 Subsidiary guarantee information

Certain wholly owned finance subsidiaries of the Group, including Credit Suisse Group Funding (Guernsey) Limited, which is a Guernsey incorporated non-cellular company limited by shares, have issued securities fully and unconditionally guaranteed by the Group. There are various legal and regulatory requirements, including the satisfaction of a solvency test under Guernsey law for the Guernsey subsidiary, applicable to some of the Group's subsidiaries that may limit their ability to pay dividends or distributions and make loans and advances to the Group.

On March 26, 2007, the Group and the Bank issued full, unconditional and several guarantees of Credit Suisse (USA), Inc.'s outstanding SEC-registered debt securities. In accordance with the guarantees, if Credit Suisse (USA), Inc. fails to make any timely payment under the agreements governing such debt securities, the holders of the debt securities may demand payment from either the Group or the Bank, without first proceeding against Credit Suisse (USA), Inc. The guarantee from the Group is subordinated to senior liabilities. Credit Suisse (USA), Inc. is an indirect, wholly owned subsidiary of the Group.

As part of an announced program to evolve the Group's legal entity structure to meet developing and future regulatory requirements and US Federal Reserve regulation on establishing intermediate holding companies in the US for non-US banks, legal entities are re-parented as subsidiaries of Credit Suisse (USA), Inc.

In order to align the corporate structure of Credit Suisse (Schweiz) AG with that of the Swiss Universal Bank division, during the first quarter of 2017, the equity stakes in Neue Aargauer Bank AG, BANK-now AG and Swisscard AECS GmbH held by the Group were transferred to the Bank and subsequently to Credit Suisse (Schweiz) AG, a wholly owned subsidiary of the Bank.

Prior periods are restated to conform to the current presentation to reflect the impact of such transactions.

Condensed consolidating statements of operations

in 2017	Credit Suisse (USA), Inc. consolidated	Bank parent company and other subsidiaries [1]	Bank	Group parent company	Eliminations and consolidation adjustments	Credit Suisse Group
Condensed consolidating statements of operations (CHF million)						
Interest and dividend income	5,294	11,767	17,061	577	(581)	17,057
Interest expense	(4,437)	(5,932)	(10,369)	(632)	501	(10,500)
Net interest income	857	5,835	6,692	(55)	(80)	6,557
Commissions and fees	3,756	7,916	11,672	28	117	11,817
Trading revenues	(23)	1,323	1,300	(55)	72	1,317
Other revenues	942	359	1,301	(911) [2]	819	1,209
Net revenues	**5,532**	**15,433**	**20,965**	**(993)**	**928**	**20,900**
Provision for credit losses	**4**	**206**	**210**	**0**	**0**	**210**
Compensation and benefits	3,066	6,898	9,964	74	139	10,177
General and administrative expenses	1,929	5,484	7,413	(80)	(498)	6,835
Commission expenses	255	1,174	1,429	3	(2)	1,430
Restructuring expenses	173	223	396	0	59	455
Total other operating expenses	2,357	6,881	9,238	(77)	(441)	8,720
Total operating expenses	**5,423**	**13,779**	**19,202**	**(3)**	**(302)**	**18,897**
Income/(loss) before taxes	**105**	**1,448**	**1,553**	**(990)**	**1,230**	**1,793**
Income tax expense/(benefit)	(42)	2,823	2,781	(7)	(33)	2,741
Net income/(loss)	**147**	**(1,375)**	**(1,228)**	**(983)**	**1,263**	**(948)**
Net income attributable to noncontrolling interests	11	16	27	0	8	35
Net income/(loss) attributable to shareholders	**136**	**(1,391)**	**(1,255)**	**(983)**	**1,255**	**(983)**

[1] Includes eliminations and consolidation adjustments.
[2] Primarily consists of revenues from investments in Group companies accounted for under the equity method.

Condensed consolidating statements of comprehensive income

in 2017	Credit Suisse (USA), Inc. consolidated	Bank parent company and other subsidiaries [1]	Bank	Group parent company	Eliminations and consolidation adjustments	Credit Suisse Group
Comprehensive income (CHF million)						
Net income/(loss)	147	(1,375)	(1,228)	(983)	1,263	(948)
Gains/(losses) on cash flow hedges	0	(35)	(35)	8	0	(27)
Foreign currency translation	(756)	(259)	(1,015)	1	(17)	(1,031)
Unrealized gains/(losses) on securities	0	(13)	(13)	0	0	(13)
Actuarial gains/(losses)	(7)	28	21	0	674	695
Net prior service credit/(cost)	0	0	0	0	(121)	(121)
Gains/(losses) on liabilities related to credit risk	(33)	(1,651)	(1,684)	(188)	(104)	(1,976)
Other comprehensive income/(loss), net of tax	(796)	(1,930)	(2,726)	(179)	432	(2,473)
Comprehensive income/(loss)	**(649)**	**(3,305)**	**(3,954)**	**(1,162)**	**1,695**	**(3,421)**
Comprehensive income/(loss) attributable to noncontrolling interests	24	(33)	(9)	0	37	28
Comprehensive income/(loss) attributable to shareholders	**(673)**	**(3,272)**	**(3,945)**	**(1,162)**	**1,658**	**(3,449)**

[1] Includes eliminations and consolidation adjustments.

Condensed consolidating statements of operations (continued)

in 2016	Credit Suisse (USA), Inc. consolidated	Bank parent company and other subsidiaries [1]	**Bank**	Group parent company	Eliminations and consolidation adjustments	**Credit Suisse Group**
Condensed consolidating statements of operations (CHF million)						
Interest and dividend income	5,697	11,678	17,375	284	(285)	17,374
Interest expense	(3,750)	(6,031)	(9,781)	(338)	307	(9,812)
Net interest income	1,947	5,647	7,594	(54)	22	7,562
Commissions and fees	3,582	7,356	10,938	27	127	11,092
Trading revenues	(1,192)	1,563	371	(21)	(37)	313
Other revenues	830	660	1,490	(2,684) [2]	2,550	1,356
Net revenues	**5,167**	**15,226**	**20,393**	**(2,732)**	**2,662**	**20,323**
Provision for credit losses	**(5)**	**257**	**252**	**0**	**0**	**252**
Compensation and benefits	3,235	7,542	10,777	57	(262)	10,572
General and administrative expenses	4,474	5,411	9,885	(88)	(27)	9,770
Commission expenses	259	1,196	1,455	1	(1)	1,455
Restructuring expenses	209	304	513	0	27	540
Total other operating expenses	4,942	6,911	11,853	(87)	(1)	11,765
Total operating expenses	**8,177**	**14,453**	**22,630**	**(30)**	**(263)**	**22,337**
Income/(loss) before taxes	**(3,005)**	**516**	**(2,489)**	**(2,702)**	**2,925**	**(2,266)**
Income tax expense/(benefit)	(228)	628	400	8	33	441
Net income/(loss)	**(2,777)**	**(112)**	**(2,889)**	**(2,710)**	**2,892**	**(2,707)**
Net income/(loss) attributable to noncontrolling interests	157	(163)	(6)	0	9	3
Net income/(loss) attributable to shareholders	**(2,934)**	**51**	**(2,883)**	**(2,710)**	**2,883**	**(2,710)**

[1] Includes eliminations and consolidation adjustments.
[2] Primarily consists of revenues from investments in Group companies accounted for under the equity method.

Condensed consolidating statements of comprehensive income (continued)

in 2016	Credit Suisse (USA), Inc. consolidated	Bank parent company and other subsidiaries [1]	**Bank**	Group parent company	Eliminations and consolidation adjustments	**Credit Suisse Group**
Comprehensive income (CHF million)						
Net income/(loss)	(2,777)	(112)	(2,889)	(2,710)	2,892	(2,707)
Gains/(losses) on cash flow hedges	0	(22)	(22)	2	0	(20)
Foreign currency translation	604	(106)	498	7	10	515
Unrealized gains/(losses) on securities	0	1	1	0	0	1
Actuarial gains/(losses)	49	161	210	0	184	394
Net prior service credit/(cost)	0	0	0	0	36	36
Gains/(losses) on liabilities related to credit risk	(64)	(1,018)	(1,082)	67	(28)	(1,043)
Other comprehensive income/(loss), net of tax	589	(984)	(395)	76	202	(117)
Comprehensive income/(loss)	**(2,188)**	**(1,096)**	**(3,284)**	**(2,634)**	**3,094**	**(2,824)**
Comprehensive income/(loss) attributable to noncontrolling interests	151	(140)	11	0	(13)	(2)
Comprehensive income/(loss) attributable to shareholders	**(2,339)**	**(956)**	**(3,295)**	**(2,634)**	**3,107**	**(2,822)**

[1] Includes eliminations and consolidation adjustments.

Condensed consolidating statements of operations (continued)

in 2015	Credit Suisse (USA), Inc. consolidated	Bank parent company and other subsidiaries [1]	Bank	Group parent company	Eliminations and consolidation adjustments	Credit Suisse Group
Condensed consolidating statements of operations (CHF million)						
Interest and dividend income	7,030	12,312	19,342	277	(278)	19,341
Interest expense	(4,296)	(5,747)	(10,043)	(330)	331	(10,042)
Net interest income	2,734	6,565	9,299	(53)	53	9,299
Commissions and fees	3,932	8,034	11,966	18	60	12,044
Trading revenues	(966)	2,275	1,309	28	3	1,340
Other revenues	508	729	1,237	(2,969) [2]	2,846	1,114
Net revenues	**6,208**	**17,603**	**23,811**	**(2,976)**	**2,962**	**23,797**
Provision for credit losses	**5**	**319**	**324**	**0**	**0**	**324**
Compensation and benefits	3,805	7,851	11,656	76	(186)	11,546
General and administrative expenses	2,242	6,493	8,735	(110)	(51)	8,574
Commission expenses	288	1,335	1,623	1	(1)	1,623
Goodwill impairment	0	3,797	3,797	0	0	3,797
Restructuring expenses	193	132	325	0	30	355
Total other operating expenses	2,723	11,757	14,480	(109)	(22)	14,349
Total operating expenses	**6,528**	**19,608**	**26,136**	**(33)**	**(208)**	**25,895**
Income/(loss) before taxes	**(325)**	**(2,324)**	**(2,649)**	**(2,943)**	**3,170**	**(2,422)**
Income tax benefit	37	451	488	1	34	523
Net income/(loss)	**(362)**	**(2,775)**	**(3,137)**	**(2,944)**	**3,136**	**(2,945)**
Net income/(loss) attributable to noncontrolling interests	143	(150)	(7)	0	6	(1)
Net income/(loss) attributable to shareholders	**(505)**	**(2,625)**	**(3,130)**	**(2,944)**	**3,130**	**(2,944)**

[1] Includes eliminations and consolidation adjustments.
[2] Primarily consists of revenues from investments in Group companies accounted for under the equity method.

Condensed consolidating statements of comprehensive income (continued)

in 2015	Credit Suisse (USA), Inc. consolidated	Bank parent company and other subsidiaries [1]	Bank	Group parent company	Eliminations and consolidation adjustments	Credit Suisse Group
Comprehensive income (CHF million)						
Net income/(loss)	(362)	(2,775)	(3,137)	(2,944)	3,136	(2,945)
Gains/(losses) on cash flow hedges	0	24	24	(8)	0	16
Foreign currency translation	55	(1,204)	(1,149)	(3)	(4)	(1,156)
Unrealized gains/(losses) on securities	(2)	(2)	(4)	0	0	(4)
Actuarial gains/(losses)	24	21	45	0	(706)	(661)
Net prior service credit/(cost)	(14)	0	(14)	0	169	155
Other comprehensive income/(loss), net of tax	63	(1,161)	(1,098)	(11)	(541)	(1,650)
Comprehensive income/(loss)	**(299)**	**(3,936)**	**(4,235)**	**(2,955)**	**2,595**	**(4,595)**
Comprehensive income/(loss) attributable to noncontrolling interests	784	(810)	(26)	0	7	(19)
Comprehensive income/(loss) attributable to shareholders	**(1,083)**	**(3,126)**	**(4,209)**	**(2,955)**	**2,588**	**(4,576)**

[1] Includes eliminations and consolidation adjustments.

Condensed consolidating balance sheets

end of 2017	Credit Suisse (USA), Inc. consolidated	Bank parent company and other subsidiaries [1]	Bank	Group parent company	Eliminations and consolidation adjustments	Credit Suisse Group
Assets (CHF million)						
Cash and due from banks	3,058	106,452	109,510	516	(211)	109,815
Interest-bearing deposits with banks	32	689	721	493	(488)	726
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	58,212	57,134	115,346	0	0	115,346
Securities received as collateral	5,422	32,652	38,074	0	0	38,074
Trading assets	24,602	132,172	156,774	0	(440)	156,334
Investment securities	245	1,944	2,189	15,612	(15,610)	2,191
Other investments	902	4,991	5,893	45,517	(45,446)	5,964
Net loans	12,456	270,781	283,237	0	(4,088)	279,149
Premises and equipment	1,001	3,444	4,445	0	241	4,686
Goodwill	722	3,314	4,036	0	706	4,742
Other intangible assets	195	28	223	0	0	223
Brokerage receivables	19,717	27,251	46,968	0	0	46,968
Other assets	11,217	19,739	30,956	389	726	32,071
Total assets	**137,781**	**660,591**	**798,372**	**62,527**	**(64,610)**	**796,289**
Liabilities and equity (CHF million)						
Due to banks	270	15,141	15,411	755	(753)	15,413
Customer deposits	1	362,302	362,303	0	(1,141)	361,162
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	15,352	11,144	26,496	0	0	26,496
Obligation to return securities received as collateral	5,422	32,652	38,074	0	0	38,074
Trading liabilities	6,549	32,583	39,132	0	(13)	39,119
Short-term borrowings	12,224	14,154	26,378	0	(489)	25,889
Long-term debt	50,396	121,646	172,042	19,357	(18,367)	173,032
Brokerage payables	21,585	21,718	43,303	0	0	43,303
Other liabilities	10,454	21,229	31,683	513	(584)	31,612
Total liabilities	**122,253**	**632,569**	**754,822**	**20,625**	**(21,347)**	**754,100**
Total shareholders' equity	**15,409**	**27,261**	**42,670**	**41,902**	**(42,670)**	**41,902**
Noncontrolling interests	119	761	880	0	(593)	287
Total equity	**15,528**	**28,022**	**43,550**	**41,902**	**(43,263)**	**42,189**
Total liabilities and equity	**137,781**	**660,591**	**798,372**	**62,527**	**(64,610)**	**796,289**

[1] Includes eliminations and consolidation adjustments.

Condensed consolidating balance sheets (continued)

end of 2016	Credit Suisse (USA), Inc. consolidated	Bank parent company and other subsidiaries [1]	**Bank**	Group parent company	Eliminations and consolidation adjustments	**Credit Suisse Group**
Assets (CHF million)						
Cash and due from banks	2,491	118,575	121,066	938	(843)	121,161
Interest-bearing deposits with banks	3,520	(2,753)	767	5	0	772
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	82,363	52,476	134,839	0	0	134,839
Securities received as collateral	30,914	1,650	32,564	0	0	32,564
Trading assets	48,914	116,478	165,392	0	(242)	165,150
Investment securities	511	1,975	2,486	4,173	(4,170)	2,489
Other investments	1,146	5,571	6,717	44,753	(44,693)	6,777
Net loans	12,809	266,151	278,960	126	(3,110)	275,976
Premises and equipment	990	3,676	4,666	0	45	4,711
Goodwill	756	3,433	4,189	0	724	4,913
Other intangible assets	179	34	213	0	0	213
Brokerage receivables	17,461	15,970	33,431	0	0	33,431
Other assets	13,119	23,656	36,775	244	(154)	36,865
Total assets	**215,173**	**606,892**	**822,065**	**50,239**	**(52,443)**	**819,861**
Liabilities and equity (CHF million)						
Due to banks	77	22,723	22,800	2,943	(2,943)	22,800
Customer deposits	8	357,216	357,224	0	(1,391)	355,833
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	54,900	(21,884)	33,016	0	0	33,016
Obligation to return securities received as collateral	30,914	1,650	32,564	0	0	32,564
Trading liabilities	10,125	34,827	44,952	0	(22)	44,930
Short-term borrowings	17,110	(1,725)	15,385	0	0	15,385
Long-term debt	41,481	151,014	192,495	5,078	(4,258)	193,315
Brokerage payables	28,706	11,146	39,852	0	0	39,852
Other liabilities	14,992	24,927	39,919	321	(385)	39,855
Total liabilities	**198,313**	**579,894**	**778,207**	**8,342**	**(8,999)**	**777,550**
Total shareholders' equity	**17,006**	**25,783**	**42,789**	**41,897**	**(42,789)**	**41,897**
Noncontrolling interests	(146)	1,215	1,069	0	(655)	414
Total equity	**16,860**	**26,998**	**43,858**	**41,897**	**(43,444)**	**42,311**
Total liabilities and equity	**215,173**	**606,892**	**822,065**	**50,239**	**(52,443)**	**819,861**

[1] Includes eliminations and consolidation adjustments.

Condensed consolidating statements of cash flows

in 2017	Credit Suisse (USA), Inc. consolidated	Bank parent company and other subsidiaries [1]	Bank	Group parent company	Eliminations and consolidation adjustments	Credit Suisse Group
Operating activities of continuing operations (CHF million)						
Net cash provided by/(used in) operating activities of continuing operations	**7,840**	**(16,330)**	**(8,490)**	**(142)** [2]	**90**	**(8,542)**
Investing activities of continuing operations (CHF million)						
(Increase)/decrease in interest-bearing deposits with banks	0	40	40	(488)	488	40
(Increase)/decrease in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	20,626	(6,340)	14,286	0	0	14,286
Purchase of investment securities	0	(86)	(86)	(5,673)	5,673	(86)
Proceeds from sale of investment securities	0	14	14	0	0	14
Maturities of investment securities	104	318	422	0	0	422
Investments in subsidiaries and other investments	(206)	(888)	(1,094)	(4,101)	4,101	(1,094)
Proceeds from sale of other investments	488	1,479	1,967	0	3	1,970
(Increase)/decrease in loans	3,131	(17,910)	(14,779)	(5,336)	6,441	(13,674)
Proceeds from sales of loans	0	9,938	9,938	0	0	9,938
Capital expenditures for premises and equipment and other intangible assets	(295)	(655)	(950)	0	(118)	(1,068)
Proceeds from sale of premises and equipment and other intangible assets	2	58	60	0	(59)	1
Other, net	41	24	65	0	0	65
Net cash provided by/(used in) investing activities of continuing operations	**23,891**	**(14,008)**	**9,883**	**(15,598)**	**16,529**	**10,814**
Financing activities of continuing operations (CHF million)						
Increase/(decrease) in due to banks and customer deposits	191	2,996	3,187	(2,189)	2,425	3,423
Increase/(decrease) in short-term borrowings	(4,113)	9,620	5,507	0	(489)	5,018
Increase/(decrease) in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	(37,382)	32,131	(5,251)	0	0	(5,251)
Issuances of long-term debt	30,223	13,344	43,567	14,035	(14,046)	43,556
Repayments of long-term debt	(19,174)	(43,470)	(62,644)	0	90	(62,554)
Issuances of common shares	0	0	0	4,253	0	4,253
Sale of treasury shares	0	0	0	0	12,034	12,034
Repurchase of treasury shares	0	0	0	(630)	(12,127)	(12,757)
Dividends paid	(9)	(4)	(13)	(584)	7	(590)
Other, net	(780)	4,315	3,535	433	(3,891)	77
Net cash provided by/(used in) financing activities of continuing operations	**(31,044)**	**18,932**	**(12,112)**	**15,318**	**(15,997)**	**(12,791)**
Effect of exchange rate changes on cash and due from banks (CHF million)						
Effect of exchange rate changes on cash and due from banks	**(120)**	**(717)**	**(837)**	**0**	**10**	**(827)**
Net increase/(decrease) in cash and due from banks (CHF million)						
Net increase/(decrease) in cash and due from banks	**567**	**(12,123)**	**(11,556)**	**(422)**	**632**	**(11,346)**
Cash and due from banks at beginning of period	2,491	118,575	121,066	938	(843)	121,161
Cash and due from banks at end of period	**3,058**	**106,452**	**109,510**	**516**	**(211)**	**109,815**

[1] Includes eliminations and consolidation adjustments.

[2] Consists of dividend payments from Group companies of CHF 10 million and CHF 14 million from bank and non-bank subsidiaries, respectively, and other cash items from parent company operations such as Group financing.

Condensed consolidating statements of cash flows (continued)

in 2016	Credit Suisse (USA), Inc. consolidated	Bank parent company and other subsidiaries [1]	**Bank**	Group parent company	Eliminations and consolidation adjustments	**Credit Suisse Group**
Operating activities of continuing operations (CHF million)						
Net cash provided by/(used in) operating activities of continuing operations	**9,618**	**17,390**	**27,008**	**(22)** [2]	**(211)**	**26,775**
Investing activities of continuing operations (CHF million)						
(Increase)/decrease in interest-bearing deposits with banks	(3,320)	3,437	117	0	0	117
(Increase)/decrease in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	18,365	(25,421)	(7,056)	0	0	(7,056)
Purchase of investment securities	0	(88)	(88)	0	0	(88)
Proceeds from sale of investment securities	0	14	14	0	0	14
Maturities of investment securities	199	164	363	0	0	363
Investments in subsidiaries and other investments	(355)	(1,002)	(1,357)	(710)	664	(1,403)
Proceeds from sale of other investments	2,067	(374)	1,693	0	44	1,737
(Increase)/decrease in loans	3,038	(7,259)	(4,221)	15	461	(3,745)
Proceeds from sales of loans	0	2,468	2,468	0	0	2,468
Capital expenditures for premises and equipment and other intangible assets	(329)	(835)	(1,164)	0	0	(1,164)
Proceeds from sale of premises and equipment and other intangible assets	50	5	55	0	0	55
Other, net	27	723	750	0	(1)	749
Net cash provided by/(used in) investing activities of continuing operations	**19,742**	**(28,168)**	**(8,426)**	**(695)**	**1,168**	**(7,953)**
Financing activities of continuing operations (CHF million)						
Increase/(decrease) in due to banks and customer deposits	20	10,217	10,237	792	(762)	10,267
Increase/(decrease) in short-term borrowings	(5,781)	12,375	6,594	(300)	300	6,594
Increase/(decrease) in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	(23,838)	9,313	(14,525)	0	0	(14,525)
Issuances of long-term debt	1	52,943	52,944	0	40	52,984
Repayments of long-term debt	(2,993)	(44,139)	(47,132)	0	0	(47,132)
Issuances of common shares	0	0	0	725	0	725
Sale of treasury shares	0	0	0	323	15,844	16,167
Repurchase of treasury shares	0	0	0	(455)	(15,742)	(16,197)
Dividends paid	(1)	(144)	(145)	(493)	145	(493)
Other, net	(143)	1,187	1,044	93	(760)	377
Net cash provided by/(used in) financing activities of continuing operations	**(32,735)**	**41,752**	**9,017**	**685**	**(935)**	**8,767**
Effect of exchange rate changes on cash and due from banks (CHF million)						
Effect of exchange rate changes on cash and due from banks	**67**	**1,146**	**1,213**	**28**	**3**	**1,244**
Net increase/(decrease) in cash and due from banks (CHF million)						
Net increase/(decrease) in cash and due from banks	**(3,308)**	**32,120**	**28,812**	**(4)**	**25**	**28,833**
Cash and due from banks at beginning of period	5,799	86,455	92,254	942	(868)	92,328
Cash and due from banks at end of period	**2,491**	**118,575**	**121,066**	**938**	**(843)**	**121,161**

1 Includes eliminations and consolidation adjustments.
2 Consists of dividend payments from Group companies of CHF 145 million and CHF 41 million from bank and non-bank subsidiaries, respectively, and other cash items from parent company operations such as Group financing.

Condensed consolidating statements of cash flows (continued)

in 2015	Credit Suisse (USA), Inc. consolidated	Bank parent company and other subsidiaries [1]	**Bank**	Group parent company	Eliminations and consolidation adjustments	**Credit Suisse Group**
Operating activities of continuing operations (CHF million)						
Net cash provided by/(used in) operating activities of continuing operations	**10,030**	**5,149**	**15,179**	**129** [2]	**(240)**	**15,068**
Investing activities of continuing operations (CHF million)						
(Increase)/decrease in interest-bearing deposits with banks	(1)	301	300	(5)	54	349
(Increase)/decrease in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	46,634	(9,670)	36,964	0	0	36,964
Purchase of investment securities	0	(376)	(376)	0	0	(376)
Proceeds from sale of investment securities	1	18	19	0	0	19
Maturities of investment securities	68	840	908	0	0	908
Investments in subsidiaries and other investments	(436)	(119)	(555)	(5,310)	5,271	(594)
Proceeds from sale of other investments	1,257	639	1,896	18	24	1,938
(Increase)/decrease in loans	4,074	(9,351)	(5,277)	210	(379)	(5,446)
Proceeds from sales of loans	0	1,579	1,579	0	0	1,579
Capital expenditures for premises and equipment and other intangible assets	(322)	(779)	(1,101)	0	(1)	(1,102)
Proceeds from sale of premises and equipment and other intangible assets	3	10	13	0	0	13
Other, net	33	376	409	0	0	409
Net cash provided by/(used in) investing activities of continuing operations	**51,311**	**(16,532)**	**34,779**	**(5,087)**	**4,969**	**34,661**
Financing activities of continuing operations (CHF million)						
Increase/(decrease) in due to banks and customer deposits	(1,355)	(27,719)	(29,074)	(475)	400	(29,149)
Increase/(decrease) in short-term borrowings	10,090	(28,238)	(18,148)	300	(300)	(18,148)
Increase/(decrease) in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	(35,303)	13,154	(22,149)	0	0	(22,149)
Issuances of long-term debt	8,511	69,373	77,884	0	(26)	77,858
Repayments of long-term debt	(41,953)	(7,592)	(49,545)	(30)	210	(49,365)
Issuances of common shares	0	0	0	6,035	0	6,035
Sale of treasury shares	0	0	0	3	18,749	18,752
Repurchase of treasury shares	0	0	0	(1,044)	(18,717)	(19,761)
Dividends paid	(3)	(147)	(150)	(415)	138	(427)
Other, net	(497)	5,284	4,787	608	(5,209)	186
Net cash provided by/(used in) financing activities of continuing operations	**(60,510)**	**24,115**	**(36,395)**	**4,982**	**(4,755)**	**(36,168)**
Effect of exchange rate changes on cash and due from banks (CHF million)						
Effect of exchange rate changes on cash and due from banks	**18**	**(598)**	**(580)**	**1**	**(3)**	**(582)**
Net increase/(decrease) in cash and due from banks (CHF million)						
Net increase/(decrease) in cash and due from banks	**849**	**12,134**	**12,983**	**25**	**(29)**	**12,979**
Cash and due from banks at beginning of period	4,950	74,321	79,271	917	(839)	79,349
Cash and due from banks at end of period	**5,799**	**86,455**	**92,254**	**942**	**(868)**	**92,328**

[1] Includes eliminations and consolidation adjustments.
[2] Consists of dividend payments from Group companies of CHF 150 million and CHF 35 million from bank and non-bank subsidiaries, respectively, and other cash items from parent company operations such as Group financing.

41 Credit Suisse Group parent company

▸ Refer to "Note 40 – Subsidiary guarantee information" for the condensed Credit Suisse Group parent company financial information.

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

The Group's consolidated financial statements have been prepared in accordance with US GAAP.

FINMA requires Swiss-domiciled banks which present their financial statements under either US GAAP or International Financial Reporting Standards (IFRS) to provide a narrative explanation of the major differences between Swiss GAAP banking law (true and fair view) and its primary accounting standard.

The principal provisions of the Banking Ordinance and the FINMA Circular 2015/1, "Accounting – banks", governing financial reporting for banks (Swiss GAAP) differ in certain aspects from US GAAP. The following are the major differences:

▸ Refer to "Note 1 – Summary of significant accounting policies" for a detailed description of the Group's accounting policies.

Scope of consolidation

Under Swiss GAAP, majority-owned subsidiaries that are not considered long-term investments or do not operate in the core business of the Group are either accounted for as financial investments or as equity method investments. US GAAP has no such exception relating to the consolidation of majority-owned subsidiaries.

Foreign currency translations

Under US GAAP, foreign currency translation adjustments resulting from the consolidation of branches with functional currencies other than the Swiss franc are included in AOCI in shareholders' equity. Under Swiss GAAP, foreign currency translation adjustments from the consolidation of foreign branches are recognized in net income/(loss) from trading activities and fair value option.

Under US GAAP, foreign currency measurement adjustments for available-for-sale securities are reported in AOCI, which is part of total shareholder's equity, whereas for Swiss GAAP statutory purposes they are included in the statements of income.

Investments in securities

Under Swiss GAAP, classification and measurement of investments in securities depends on the nature of the investment.

Non-consolidated participations

Under US GAAP, investments in equity securities where a company has the ability to significantly influence the operating and financial policies of an investee are accounted for under the equity method of accounting or the fair value option. Under the equity method of accounting, a company's share of the profit or loss as well as any impairment on the participation are reported in other revenues.

Under Swiss GAAP, investments in equity securities which are held with the intention of a permanent investment or which are investments in financial industry infrastructure are included in participations irrespective of the percentage ownership of voting shares held. Other participating interests are initially recognized at historical cost and tested for impairment at least annually. The fair value option is not allowed for participations.

For the purpose of testing a company's participating interests for impairment, the portfolio method is applied. Impairment is recorded if the carrying value of a portfolio of participating interests exceeds its fair value. Should the fair value of the portfolio recover subsequently after an impairment and such recovery is considered sustainable, the impairment from prior periods can be reversed up to fair value but not exceeding the historical cost basis. A reversal of the impairment is recorded as extraordinary income in the statements of income.

Available-for-sale securities

Under US GAAP, available-for-sale securities are valued at fair value. Unrealized gains and losses due to fluctuations in fair value (including foreign exchange) are not recorded in the consolidated statements of operations but included net of tax in AOCI, which is part of total shareholders' equity. Declines in fair value below cost deemed to be other-than-temporary are recognized as impairments in the consolidated statements of operations, except for amounts relating to factors other than credit loss on debt securities with no intent or requirement to sell that continue to be included in AOCI. The new cost basis will not be changed for subsequent recoveries in fair value.

Under Swiss GAAP, available-for-sale securities are accounted for at the lower of cost or market with valuation reductions and recoveries due to market fluctuations recorded in other ordinary expenses and income, respectively. Foreign exchange gains and losses are recognized in net income/(loss) from trading activities and fair value option.

Non-marketable equity securities

Under US GAAP, non-marketable equity securities are valued at cost less other-than-temporary impairment or at fair value.

Under Swiss GAAP, non-marketable equity securities are carried at the lower of cost or market.

Impairments on held-to-maturity securities

Under US GAAP, declines in fair value of held-to-maturity securities below cost deemed to be other-than-temporary are recognized

as impairments in the consolidated statements of operations except for amounts relating to factors other than credit loss on debt securities held with no intent or requirement to sell that are included in AOCI. The impairment cannot be reversed in future periods.

Under Swiss GAAP, all impairments are recognized in the consolidated statements of income. Impairments recognized on held-to-maturity securities are reversed up to the amortized cost if the fair value of the instrument subsequently recovers. A reversal is recorded in the consolidated statements of income.

Fair value option

Unlike US GAAP, Swiss GAAP generally does not allow the fair value option concept that creates an optional alternative measurement treatment for certain non-trading financial assets and liabilities, guarantees and commitments. The fair value option permits the use of fair value for initial and subsequent measurement with changes in fair value recorded in the consolidated statements of operations.

For issued structured products that meet certain conditions, fair value measurement can be applied. The related changes in fair value of both the embedded derivative and the host contract are recorded in trading revenues, except for fair value adjustments relating to own credit that cannot be recognized in the consolidated statements of income. Impacts of changes in own credit spreads are recognized in the compensation accounts which are either recorded in other assets or other liabilities.

Derivative financial instruments used for fair value hedging

Under US GAAP, the full amount of unrealized gains or losses on derivatives classified as hedging instruments and the corresponding losses or gains on the hedged items are recognized in income. Hedging ineffectiveness is recorded in trading income.

Under Swiss GAAP, the carrying value of hedged items is not adjusted. The amount representing the change in fair value of the hedged item due to the risk being hedged is recorded in the compensation account included in other assets or other liabilities. Hedging ineffectiveness is recorded in net income/(loss) from trading activities and fair value option.

Derivative financial instruments used for cash flow hedging

Under US GAAP, the effective portion of a cash flow hedge is reported in AOCI.

Under Swiss GAAP, the effective portion of a cash flow hedge is recorded in the compensation account included in other assets or other liabilities.

Derecognition of financial instruments

Under US GAAP, financial instruments are only derecognized if the transaction meets the following criteria: (i) the financial asset has been legally isolated from the transferor, (ii) the transferee has the right to repledge or resell the transferred asset, and (iii) the transferor does not maintain effective control over the transferred asset.

Under Swiss GAAP, a financial instrument is derecognized when the economic control has been transferred from the seller to the buyer. A party which has the controlling ability to receive the future returns from the financial instrument and the obligation to absorb the risk of the financial instrument is deemed to have economic control over a financial instrument.

Debt issuance costs

Under US GAAP, debt issuance costs are presented as a direct deduction from the carrying amount of the related debt.

Under Swiss GAAP, debt issuance costs are reported as a balance sheet asset in accrued income and prepaid expenses.

Goodwill amortization

Under US GAAP, goodwill is not amortized but must be tested for impairment annually or more frequently if an event or change in circumstances indicates that the goodwill may be impaired.

Under Swiss GAAP, goodwill is amortized over its useful life, generally not exceeding five years, except for justified cases where a maximum useful life of up to ten years is acceptable. In addition, goodwill is tested at least annually for impairment.

Amortization of intangible assets

Under US GAAP, intangible assets with indefinite lives are not amortized but are tested for impairment annually or more frequently if an event or change in circumstances indicates that the asset may be impaired.

Under Swiss GAAP, intangible assets are amortized over a useful life, up to a maximum of five years, in justified cases up to a maximum of ten years. In addition, these assets are tested at least annually for impairment.

Guarantees

US GAAP requires all guarantees to be initially recognized at fair value. Upon issuance of a guarantee, the guarantor is required to recognize a liability that reflects the initial fair value; simultaneously, a receivable is recorded to reflect the future guarantee fee income over the entire life of the guarantee.

Under Swiss GAAP, only accrued or prepaid guarantee fees are recorded on the balance sheet. No guarantee liability and receivable for future guarantee fees are recorded upon issuance of a guarantee.

Loan origination fees and costs

US GAAP requires the deferral of fees received upfront and direct costs incurred in connection with the origination of loans not held under the fair value option.

Under Swiss GAAP, only upfront payments or fees that are considered interest-related components are deferred (e.g., premiums and discounts). Fees received from the borrower which are considered service-related fees such as commitment fees, structuring fees and arrangement fees are immediately recognized in commission income.

Sale and leaseback transactions

Under US GAAP, gains from the sale of property subject to a sale and leaseback arrangement are deferred and amortized over the leaseback period.

Under Swiss GAAP, gains from the sale of property subject to a sale and leaseback arrangement are only deferred if the provisions of the leaseback contract indicate that the leaseback is a capital lease; if the leaseback contract meets the requirements of an operating lease, such gains are immediately recognized upon sale of the property.

Extraordinary income and expenses

Unlike US GAAP, Swiss GAAP does report certain expenses or revenues as extraordinary if the recorded income or expense is non-operating and non-recurring.

Pensions and post-retirement benefits

Under US GAAP, the liability and related pension expense is determined based on the projected unit credit actuarial calculation of the benefit obligation.

Under Swiss GAAP, the liability and related pension expense is primarily determined based on the pension plan valuation in accordance with Swiss GAAP FER 26. A pension asset is recorded if a statutory overfunding of a pension plan leads to a future economic benefit, and a pension liability is recorded if a statutory underfunding of a pension plan leads to a future economic obligation. Employer contribution reserves must be capitalized if they represent a future economic benefit. A future economic benefit exists if the employer can reduce its future statutory annual contribution to the pension plan by releasing employer contribution reserves. Pension expenses include the required contributions defined by Swiss law, any additional contribution mandated by the pension fund trustees and any change in value of the pension asset or liability between two measurement dates as determined on the basis of the annual year-end pension plan valuation.

Discontinued operations

Under US GAAP, the assets and liabilities of a discontinued operation are separated from the ordinary captions of the consolidated balance sheets and are reported as discontinued operations measured at the lower of the carrying value or fair value less cost to sell. Accordingly, income and expense from discontinued operations are reported in a separate line item of the consolidated statements of operations.

Under Swiss GAAP, these positions remain in their initial balance sheet captions until disposed of and continue to be valued according to the respective captions.

Security collateral received in securities lending transactions

Under US GAAP, security collateral received in securities lending transactions are recorded as assets and a corresponding liability to return the collateral is recognized.

Under Swiss GAAP, security collateral received and the obligation to return collateral of securities lending transactions are not recognized on the balance sheet.

Loan commitments

Under US GAAP, loan commitments include all commitments to extend loans, unfunded commitments under commercial lines of credit, revolving credit lines, credit guarantees in the future and overdraft protection agreements, except for commitments that can be revoked by the Group at any time at the Group's sole discretion without prior notice.

Under Swiss GAAP, loan commitments include all commitments to extend loans, unfunded commitments under commercial lines of credit, revolving credit lines, credit guarantees in the future and overdraft protection agreements, except for commitments that can be revoked by the Group at any time at the Group's sole discretion with a notice period not exceeding six weeks.

Controls and procedures

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

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

The CEO and CFO concluded that, as of December 31, 2017, the design and operation of the Group's disclosure controls and procedures were effective, in all material respects, to ensure that information required to be disclosed in reports filed and submitted under the Exchange Act is recorded, processed, summarized and reported as and when required.

MANAGEMENT REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Management has made an evaluation and assessment of the Group's internal control over financial reporting as of December 31, 2017 using the criteria issued in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in "Internal Control – Integrated Framework".

Based upon its review and evaluation, management, including the Group CEO and CFO, has concluded that the Group's internal control over financial reporting is effective as of December 31, 2017.

The Group's independent auditors, KPMG AG, have issued an unqualified opinion on the effectiveness of the Group's internal control over financial reporting as of December 31, 2017, as stated in their report, which follows.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Report of the Independent Registered Public Accounting Firm

To the shareholders and Board of Directors
Credit Suisse Group AG, Zurich

Opinion on Internal Control Over Financial Reporting

We have audited Credit Suisse Group AG and subsidiaries' (the "Group") internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Group maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Group as of December 31, 2017 and 2016, the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2017, and the related notes (collectively, the "consolidated financial statements"), and our report dated March 23, 2018 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Group's Board of Directors and management are responsible for maintaining effective internal control over financial reporting and the Group's management is responsible for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Group's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Group in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

Definition and Limitations of Internal Control Over Financial Reporting

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

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

KPMG AG

Nicholas Edmonds	Anthony Anzevino
Licensed Audit Expert	*Global Lead Partner*
Auditor in Charge	

Zurich, Switzerland
March 23, 2018

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

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VII

Parent company financial statements – Credit Suisse Group

Report of the Statutory Auditor	401
Parent company financial statements	404
Notes to the financial statements	405
Proposed appropriation of retained earnings and capital distribution	414

Notes to the financial statements

1 General information and subsequent events 405
2 Accounting and valuation principles 405
3 Other financial income 406
4 Other operating income 406
5 Financial expenses 406
6 Personnel expenses 406
7 Other operating expenses 406
8 Other short-term receivables 406
9 Accrued income and prepaid expenses 406
10 Financial investments 406
11 Participations 407
12 Short-term interest-bearing liabilities 407
13 Accrued expenses and deferred income 407
14 Long-term interest-bearing liabilities 408
15 Share capital, conditional, conversion and authorized capital of Credit Suisse Group 409
16 Credit Suisse Group shares held by subsidiaries 409
17 Purchases and sales of treasury shares held by Credit Suisse Group 410
18 Significant shareholders 410
19 Contingent liabilities 411
20 Assets and liabilities with related parties 411
21 Subordinated assets and liabilities 411
22 Shareholdings of the Board of Directors, Executive Board and employees 412

Report of the Statutory Auditor

To the General Meeting of Credit Suisse Group AG, Zurich

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the accompanying financial statements of Credit Suisse Group AG, which comprise the balance sheet, statement of income 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 Group 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 Group AG's articles of association.

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

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 participations

Key Audit Matter

Credit Suisse Group AG reports participations of CHF 52.1 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 for economically closely related participations. All other participations are valued individually. The valuation of participations involves judgment in the projections and assumptions used, which are sensitive to the expected future market developments that could affect the profitability of these entities.

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.

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"
- Note 11 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 Group 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	in 2017	2016
Statements of income (CHF million)			
Dividend income from participations		25	186
Other financial income	3	685	468
Other operating income	4	171	176
Total operating income		**881**	**830**
Financial expenses	5	704	747
Personnel expenses	6	78	55
Other operating expenses	7	116	138
Amortization, depreciation and impairment losses on noncurrent assets		3	22
Total operating expenses		**901**	**962**
Net profit/(loss) before taxes		**(20)**	**(132)**
Direct tax expenses		17	15
Net profit/(loss)		**(37)**	**(147)**

Balance sheets

	Reference to notes	end of 2017	2016
Assets (CHF million)			
Cash and cash equivalents		1,009	943
Other short-term receivables	8	509	220
Derivative financial instruments		211	172
Accrued income and prepaid expenses	9	269	88
Total current assets		**1,998**	**1,423**
Financial investments	10	14,915	4,253
Participations	11	52,112	48,014
Total noncurrent assets		**67,027**	**52,267**
Total assets		**69,025**	**53,690**
Liabilities and shareholders' equity (CHF million)			
Short-term interest-bearing liabilities	12	1,345	3,201
Other short-term liabilities		17	32
Accrued expenses and deferred income	13	323	125
Total short-term liabilities		**1,685**	**3,358**
Long-term interest-bearing liabilities	14	18,591	5,149
Provisions		311	311
Total long-term liabilities		**18,902**	**5,460**
Total liabilities		**20,587**	**8,818**
Share capital	15	**102**	**84**
Capital contribution reserves		26,959	23,364
Other capital reserves		1,800	1,800
Legal capital reserves		**28,759**	**25,164**
Reserves for treasury shares	16	3,929	3,929
Legal income reserves		**3,929**	**3,929**
Statutory and discretionary reserves		10,500	10,500
Retained earnings brought forward		5,197	5,344
Net profit/(loss)		(37)	(147)
Voluntary retained earnings		**15,660**	**15,697**
Treasury shares against other capital reserves	17	(12)	(2)
Treasury shares		**(12)**	**(2)**
Total shareholders' equity		**48,438**	**44,872**
Total liabilities and shareholders' equity		**69,025**	**53,690**

Notes to the financial statements

1 General information and subsequent events

Company
Credit Suisse Group AG is a Swiss holding company incorporated as a joint stock corporation (public limited company) with its registered office in Zurich, Switzerland. The financial statements of Credit Suisse Group AG are prepared in accordance with the regulations of the Swiss Code of Obligations and are stated in Swiss francs (CHF). The financial year ends on December 31.

Number of employees
The average number of employees (full-time equivalents) for the current year, as well as for the previous year, did not exceed 50.

Subsequent events
There were no subsequent events.

2 Accounting and valuation principles

These financial statements were prepared in accordance with the provisions of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations).

Cash and cash equivalents
Cash and cash equivalents are carried at nominal value.

Derivative financial instruments
Derivative financial instruments reported in this balance sheet line item are carried at the lower of cost or market.

Financial investments
Financial investments include securities issued by and loans granted to group companies with a long-term maturity. Debt and equity securities are carried at cost. Long-term loans are carried at nominal value. No valuation adjustments or impairment losses were required.

Participations
Participations are valued at historical cost less impairment. For the purpose of impairment testing, with a clearly defined sub-portfolio of economically closely related participations, the portfolio valuation method is applied. The amount of impairment is assessed on the level of this sub-portfolio and not individually for each participation. All other participations are valued individually. An impairment is recorded if the carrying value exceeds the fair value of the participation sub-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.

Interest-bearing liabilities
Short-term and long-term interest-bearing liabilities are carried at nominal value.

Treasury shares
Own shares are recorded at cost and reported as treasury shares, resulting in a reduction of total shareholders' equity. Realized gains and losses on the sale of own shares are recognized through the statements of income as other financial income or financial expenses.

Revenue recognition
Revenues are recognized when they are realized or realizable, and are earned. Dividend income is recorded in the reporting period in which the dividend is declared.

Foreign currency translations
Assets and liabilities of foreign branches are translated into Swiss francs at the exchange rates prevailing at year-end. Income and expense items are translated at weighted average exchange rates for the period. All currency translation effects are recognized in other financial income or financial expense.

Foreign currency translation rates

End of	**2017**	2016
1 USD / 1 CHF	0.98	1.02

3 Other financial income

in	2017	2016
CHF million		
Interest income	587	290
Realized and unrealized gains on derivative financial instruments	75	146
Gains on sale of treasury shares	18	30
Foreign exchange gains	5	2
Total	**685**	**468**

4 Other operating income

in	2017	2016
CHF million		
Management fees	73	55
Trademark fees	69	92
Guarantee fees	29	28
Other	0	1
Total	**171**	**176**

5 Financial expenses

in	2017	2016
CHF million		
Interest expenses	623	324
Realized and unrealized losses on derivative financial instruments	78	415
Losses on sale of treasury shares	0	7
Other	3	1
Total	**704**	**747**

6 Personnel expenses

in	2017	2016
CHF million		
Salaries	36	36
Variable compensation expenses	34	13
Other	8	6
Total	**78**	**55**

7 Other operating expenses

in	2017	2016
CHF million		
Branding expenses	69	92
Other general and administrative expenses	47	46
Total	**116**	**138**

8 Other short-term receivables

end of	2017	2016
CHF million		
Debt securities	290	–
Receivables for trademark fees	207	212
Other	12	8
Total	**509**	**220**

9 Accrued income and prepaid expenses

end of	2017	2016
CHF million		
Accrued interest income	161	19
Deferred debt issuance costs	86	62
Unamortized discount on notes issued	12	–
Other	10	7
Total	**269**	**88**

Credit Suisse Group AG hedges an open interest rate risk exposure from a fixed rate liability with a nominal amount of USD 1.0 billion with a fixed receiver interest rate swap with equivalent notional. This hedge is considered to be highly effective over the entire maturity of the hedge relationship and no replacement values and no valuation changes, i.e. change of clean replacement values, are recorded on the balance sheet and in the statement of income of the company. The interest coupons received and paid from the interest rate swap are recorded in the statement of income as an adjustment to the interest expense of the hedged exposure.

10 Financial investments

end of	2017	2016
CHF million		
Debt securities	14,914	4,126
Equity securities	1	1
Long-term loans	0	126
Total	**14,915**	**4,253**

11 Participations

Direct participations

Voting interest in %	Equity interest in %	Company name	Domicile	Currency	Nominal capital in million
as of December 31, 2017					
26	26	Capital Union Bank B.S.C. (closed) (under liquidation)	Manama, Kingdom of Bahrain	USD	50.0
100	100	Credit Suisse AG	Zurich, Switzerland	CHF	4,399.7
100	100	Credit Suisse Group (Guernsey) I Limited (in Guernsey members' voluntary liquidation)	St. Peter Port, Guernsey	USD	0.2
100	100	Credit Suisse Group (Guernsey) II Limited	St. Peter Port, Guernsey	USD	0.1
100	100	Credit Suisse Group (Guernsey) IV Limited (in Guernsey members' voluntary liquidation)	St. Peter Port, Guernsey	CHF	0.1
100	100	Credit Suisse Group Finance (Guernsey) Limited	St. Peter Port, Guernsey	USD	0.0
100	100	Credit Suisse Group Funding (Guernsey) Limited	St. Peter Port, Guernsey	USD	0.1
43 [1]	0 [1]	Credit Suisse Holdings (USA), Inc.	Wilmington, United States	USD	550.0
100	100	Credit Suisse Insurance Linked Strategies Ltd	Zurich, Switzerland	CHF	0.2
2 [2]	2 [2]	Credit Suisse International	London, United Kingdom	USD	12,366.1
100	100	Credit Suisse IP GmbH	Zurich, Switzerland	CHF	0.0
100	100	Credit Suisse Services AG	Zurich, Switzerland	CHF	1.0
100	100	Credit Suisse Trust AG	Zurich, Switzerland	CHF	5.0
100	100	Credit Suisse Trust Holdings Limited	St. Peter Port, Guernsey	GBP	2.0
100	100	CS LP Holding AG	Zug, Switzerland	CHF	0.1
100	100	Inreska Limited	St. Peter Port, Guernsey	GBP	3.0
88	88	Savoy Hotel Baur en Ville AG	Zurich, Switzerland	CHF	7.5
25	25	SECB Swiss Euro Clearing Bank GmbH	Frankfurt, Germany	EUR	30.0

[1] 57% of voting interest and 100% of equity interest held by Credit Suisse AG.
[2] 98% held by other group companies.

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 Credit Suisse Group AG were transferred to Credit Suisse AG and subsequently 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 was completed on March 31, 2017.

Indirect participations

The company's principal indirect participations are shown in Note 39 – Significant subsidiaries and equity method investments in VI – Consolidated financial statements – Credit Suisse Group.

12 Short-term interest-bearing liabilities

end of	**2017**	2016
CHF million		
Due to banks	755	2,943
Cash collateral received	300	258
Low-trigger tier 1 capital notes	290	–
Total	**1,345**	**3,201**

13 Accrued expenses and deferred income

end of	**2017**	2016
CHF million		
Accrual for interest expenses	164	21
Deferred fees on acquired debt securities	75	50
Accrual for personnel and other operating expenses	69	54
Unamortized discount on debt securities	12	–
Other	3	0
Total	**323**	**125**

14 Long-term interest-bearing liabilities

Long-term interest-bearing liabilities

end of						2017	2016
Currency	Notional (million)	Interest rate	Issue date	First call date	Maturity date	Carrying value (CHF million)	Carrying value (CHF million)
High-trigger tier 1 capital notes							
USD	1,500	7.125% [1]	January 30, 2017	July 29, 2022	Perpetual	1,466	–
CHF	200	3.875% [1]	March 22, 2017	September 22, 2023	Perpetual	200	–
Low-trigger tier 1 capital notes							
CHF	290	6.000% [1]	September 4, 2013	September 4, 2018	Perpetual	– [2]	290
USD	2,250	7.500% [1]	December 11, 2013	December 11, 2023	Perpetual	2,198	2,302
USD	2,500	6.250% [1]	June 18, 2014	December 18, 2024	Perpetual	2,443	2,557
Senior unsecured notes							
USD	1,000	3 Month USD LIBOR +0.55% [3]	October 06, 2017	October 06, 2021	October 06, 2022	977	–
USD	1,750	3.574%	January 09, 2017	January 09, 2022	January 09, 2023	1,710	–
JPY	38,700	0.553% [1]	October 27, 2017	October 27, 2022	October 27, 2023	336	–
USD	1,000	2.997% [1]	September 14, 2017	December 14, 2022	December 14, 2023	977	–
USD	500	3 Month USD LIBOR +1.2%	September 14, 2017	December 14, 2022	December 14, 2023	488	–
EUR	1,500	1.250% [1]	July 17, 2017	July 17, 2024	July 17, 2025	1,752	–
GBP	750	2.125% [1]	September 12, 2017	September 12, 2024	September 12, 2025	987	–
JPY	8,300	0.904% [1]	October 27, 2017	October 27, 2026	October 27, 2027	72	–
USD	2,250	4.282%	January 09, 2017	January 09, 2027	January 09, 2028	2,198	–
JPY	10,000	1.269% [1]	October 27, 2017	October 27, 2032	October 27, 2033	87	–
Time deposit							
CHF						2,700	–
Total						**18,591**	**5,149**

[1] Floating interest rate after the first call date.
[2] As of December 31, 2017 CHF 290 million reported as short-term interest bearing liabilities.
[3] Minimum rate 0.55% / Maximum rate 3.55%.

The high-trigger and low-trigger tier 1 capital notes issued by Credit Suisse Group AG are perpetual securities and have no fixed or final maturity date. Subject to the satisfaction of certain conditions, they may be redeemed, at the option of the issuer, on the first call date or on any interest payment date thereafter.

The high-trigger tier 1 capital notes mandatorily either convert into ordinary shares of Credit Suisse Group AG or are permanently written-down to zero, as provided in the terms of the respective instrument, upon the occurrence of certain specified triggering events. These events include the Group's consolidated common equity tier 1 (CET1) ratio falling below 7%, or a determination by the Swiss Financial Market Supervisory Authority FINMA (FINMA) that conversion or write-down is necessary, or that Credit Suisse Group AG requires extraordinary public sector capital support, to prevent Credit Suisse Group AG from becoming insolvent, bankrupt or unable to pay a material amount of its debt, or other similar circumstances. Conversion or write-down can only be prevented if FINMA, at Credit Suisse Group AG's request, is satisfied that certain conditions exist and determines that a conversion or write-down is not required. High-trigger instruments are designed to absorb losses before other capital instruments, including the low-trigger capital instruments.

The low-trigger tier 1 capital notes have a write-down feature, which means that interest on the notes shall cease to accrue and the full principal amount of the notes will be permanently written down to zero upon the occurrence of certain specified triggering events, also called write-down events. A write-down event will occur if the sum of the Group's consolidated CET1 ratio and the Higher Trigger Capital Ratio (i.e., the ratio of Higher Trigger Capital Amount to the aggregate of all risk-weighted assets of the Group) as of any quarterly balance sheet date or interim capital report date is below 5.125%. A write-down event will also occur if FINMA determines that a write-down of the notes is necessary, or that Credit Suisse Group AG requires, extraordinary public sector capital support to prevent Credit Suisse Group AG from becoming insolvent, bankrupt or unable to pay a material part of its debts, or other similar circumstances. Write-down can only be prevented if FINMA, at the Group's request, is satisfied that certain conditions exist and determines that a conversion or write-down is not required.

In addition to the high-trigger and low-trigger tier 1 capital notes, Credit Suisse Group AG has issued senior unsecured notes, which qualify as total loss-absorbing capacity (TLAC). The senior unsecured notes have a fixed maturity date and can be redeemed, at the option of the issuer, at the call date. The senior unsecured notes are bail-in debt instruments that are designed to absorb losses after the cancellation of Credit Suisse Group AG's equity instruments and after the write-down or conversion into

equity of regulatory capital (including high-trigger and low-trigger tier 1 capital notes) in restructuring proceedings with respect to Credit Suisse Group AG. Bail-in debt instruments do not feature capital triggers that may lead to a write-down and/or a conversion into equity outside of restructuring, but only begin to bear losses once Credit Suisse Group AG is formally in restructuring proceedings and FINMA orders capital measures (i.e., a write-down and/or a conversion into equity) in the restructuring plan.

15 Share capital, conditional, conversion and authorized capital of Credit Suisse Group

	No. of registered shares	Par value in CHF	No. of registered shares	Par value in CHF
Share capital as of December 31, 2016			**2,089,897,378**	**83,595,895**
Ordinary share capital increase				
Extraordinary General Meeting of May 18, 2017				
Rights offering on June 8, 2017			393,232,572	15,729,303
Conditional capital				
Warrants and convertible bonds				
Capital as of December 31, 2016	400,000,000	16,000,000		
Capital as of December 31, 2017	**400,000,000** [1]	**16,000,000**		
Conversion capital				
Capital as of December 31, 2016	150,000,000	6,000,000		
Capital as of December 31, 2017	**150,000,000** [2]	**6,000,000**		
Authorized capital				
Capital as of December 31, 2016	157,481,866	6,299,275		
Annual General Meeting of April 28, 2017 – increase	80,518,134	3,220,725		
Scrip dividend in May 2017	(72,881,770)	(2,915,271)	72,881,770	2,915,271
Capital as of December 31, 2017	**165,118,230**	**6,604,729**		
Share capital as of December 31, 2017			**2,556,011,720**	**102,240,469**

[1] 369.5 million registered shares reserved for high-trigger capital instruments.
[2] 135.6 million registered shares reserved for high-trigger capital instruments.

On May 18, 2017, Credit Suisse Group AG held an Extraordinary General Meeting at which shareholders approved a capital increase by way of a rights offering. By the end of the rights exercise period on June 7, 2017, 99.2% of the rights had been exercised and 390,206,406 newly issued shares were subscribed. The remaining 3,026,166 newly issued shares that were not subscribed were sold in the market. The capital increase resulted in 393,232,572 newly issued shares and net proceeds for Credit Suisse Group AG of CHF 4.1 billion.

16 Credit Suisse Group shares held by subsidiaries

	2017		2016		2015	
	Share equivalents	Market value (CHF million)	Share equivalents	Market value (CHF million)	Share equivalents	Market value (CHF million)
Balance at end of financial year						
Physical holdings	5,012,413 [1]	87	0 [2]	0	5,408,246	117
Holdings, net of pending obligations	(607,300)	(11)	(1,415,541)	(21)	(624,043)	(13)

[1] Representing 0.2% of issued shares as of December 31, 2017.
[2] The subsidiaries were in short position by 1,244,983 shares of Credit Suisse Group AG with a market value of CHF 18 million, representing 0.06% of issued shares as of December 31, 2016.

17 Purchases and sales of treasury shares held by Credit Suisse Group

	Net gain/(loss) on sale (CHF million)	Treasury shares, at cost (CHF million)	Number of shares	Average price per share (CHF)
2017				
Balance as of December 31, 2016		**2**	**142,534**	**13.12**
Sale of treasury shares [1]	18	(620)	(41,984,328)	15.22
Purchase of treasury shares		630	42,587,047	14.80
Change in 2017	18	10	602,719	
Balance as of December 31, 2017		**12**	**745,253**	**15.64**
2016				
Balance as of December 31, 2015		**11**	**501,978**	**22.82**
Sale of treasury shares [1]	23	(464)	(34,690,841)	14.05
Purchase of treasury shares		455	34,331,397	13.24
Change in 2016	23	(9)	(359,444)	
Balance as of December 31, 2016		**2**	**142,534**	**13.12**

2017: Highest price CHF 16.40, paid on November 22 and lowest price CHF 14.31, paid on July 3 in a market transaction.
2016: Highest price CHF 20.10, paid on January 13 and lowest price CHF 12.47, paid on June 7 in a market transaction.
[1] Representing share award settlements with Group employees.

18 Significant 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 [1]						
Chase Nominees Ltd. [2]	329	13	12.88	335	13	16.03
Nortrust Nominees Ltd. [2]	140	6	5.49	113	5	5.39
The Bank of New York Mellon [2]	– [3]	– [3]	– [3]	107	4	5.14
Crescent Holding GmbH	– [3]	– [3]	– [3]	107	4	5.10

[1] As registered in the share register of the Group on December 31 of the reporting period; includes shareholders registered as nominees or ADS depositary bank.
[2] 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.
[3] Participation was lower than the disclosure threshold of 5%.

▸ Refer to "Note 3 – Business developments, significant shareholders and subsequent events" in VI – Consolidated financial statements – Credit Suisse Group for information received from shareholders not registered in the share register of Credit Suisse Group AG.

19 Contingent liabilities

end of	2017	2016
Contingent liabilities (CHF million)		
Aggregate indemnity liabilities, guarantees and other contingent liabilities (net of exposures recorded as liabilities)	79,998	74,383
of which have been entered into on behalf of subsidiaries [1]	79,998	74,383

[1] Includes senior unsecured notes issued by subsidiaries of CHF 22,179 million and CHF 22,637 million as of December 31, 2017 and 2016, respectively, which qualify as TLAC.

Value-added tax

The company belongs to the Swiss value-added tax group of Credit Suisse Group, and thus carries joint liability to the Swiss federal tax authority for value-added tax debts of the entire Group.

Swiss pension plan

The employees of Credit Suisse Group AG are covered by the pension plan of the "Pensionskasse der Credit Suisse Group (Schweiz)" (the Swiss pension plan). Most of the Swiss subsidiaries of Credit Suisse Group AG and a few companies that have close business and financial ties with Credit Suisse Group AG 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.

20 Assets and liabilities with related parties

end of	2017	2016
Assets (CHF million)		
Cash and cash equivalents	1,004	938
Other short-term receivables	502	216
Derivative financial instruments	211	172
Accrued income and prepaid expenses	268	87
Total current assets – related parties	**1,985**	**1,413**
Financial investments	14,914	4,252
Participations	52,112	48,014
Total noncurrent assets – related parties	**67,026**	**52,266**
Total assets – related parties	**69,011**	**53,679**
Liabilities (CHF million)		
Short-term interest-bearing liabilities	1,055	3,201
Other short-term liabilities	16	24
Accrued expenses and deferred income [1]	124	70
Total short-term liabilities – related parties	**1,195**	**3,295**
Long-term interest-bearing liabilities	2,700	0
Total long-term liabilities – related parties	**2,700**	**0**
Total liabilities – related parties	**3,895**	**3,295**

The assets and liabilities represent the amounts due from and due to group companies, except where indicated.
[1] Includes amounts due to management bodies of CHF 34 million at December 31, 2017 and CHF 20 million at December 31, 2016, respectively.

21 Subordinated assets and liabilities

end of	2017	2016
CHF million		
Subordinated assets	5,682	4,233
Total subordinated assets	**5,682**	**4,233**
Subordinated liabilities	6,663	5,170
Total subordinated liabilities	**6,663**	**5,170**

22 Shareholdings of the Board of Directors, Executive Board and employees

Executive Board shareholdings

The table "Executive Board holdings and values of deferred share-based awards by individual" discloses the shareholdings of the Executive Board members, their immediate family and companies in which they have a controlling interest as well as the value of the unvested share-based compensation awards held by Executive Board members as of December 31, 2017 and 2016.

Executive Board holdings and values of deferred share-based awards by individual

end of	Number of owned shares [1]	Number of unvested awards (at maximum opportunity) [2]	Number of owned shares and unvested awards	Value (CHF) of unvested awards at grant date (at maximum opportunity)	Value (CHF) of unvested awards at year end (at fair value) [3]
2017					
Tidjane Thiam	1,967	1,132,835	1,134,802	20,298,771	13,941,708
James L. Amine	382,106	1,098,488	1,480,594	18,110,327	11,694,777
Pierre-Olivier Bouée	38,204	439,832	478,036	7,200,011	5,345,214
Romeo Cerutti	199,630	410,871	610,501	6,945,908	4,389,711
Brian Chin	234,328	1,098,757	1,333,085	17,798,557	16,800,518
Peter Goerke	21,953	282,112	304,065	4,750,031	2,985,514
Thomas Gottstein	–	354,275	354,275	6,009,654	3,639,767
Iqbal Khan	25,135	379,846	404,981	6,412,346	4,016,413
David R. Mathers	52,672	704,359	757,031	11,723,886	7,726,820
Joachim Oechslin	–	386,390	386,390	6,627,551	4,027,112
Helman Sitohang	394,737	826,572	1,221,309	13,516,027	9,278,836
Lara Warner	2,036	325,449	327,485	5,501,327	3,445,577
Total	**1,352,768**	**7,439,786**	**8,792,554**	**124,894,396**	**87,291,967**
2016					
Tidjane Thiam	81,927	1,032,118	1,114,045	20,718,964	12,550,161
James L. Amine	262,706	1,025,658	1,288,364	18,884,166	11,868,592
Pierre-Olivier Bouée	3,614	372,907	376,521	7,096,724	4,436,540
Romeo Cerutti	286,688	323,908	610,596	6,013,140	3,593,974
Brian Chin	109,013	692,600	801,613	14,516,015	10,118,886
Peter Goerke	17,640	223,951	241,591	4,407,779	2,428,892
Thomas Gottstein	64,318	273,660	337,978	5,177,166	2,858,578
Iqbal Khan	40,282	295,044	335,326	5,516,095	3,182,133
David R. Mathers	70,573	555,791	626,364	10,122,747	6,251,319
Joachim Oechslin	32,345	277,331	309,676	5,359,233	2,949,735
Helman Sitohang	244,895	777,688	1,022,583	14,138,551	9,092,974
Lara Warner	92,043	302,939	394,982	5,752,577	3,368,217
Total	**1,306,044**	**6,153,595**	**7,459,639**	**117,703,157**	**72,700,001**

[1] Includes shares that were initially granted as deferred compensation and have vested.

[2] Includes unvested shares originating from LTI awards calculated on the basis of maximum opportunity for awards that have not reached the end of their three-year performance period, given that the actual achievement level and associated number of unvested shares cannot be determined until the end of the performance period. We believe this is a more appropriate approach than our prior practice of applying the target performance level (i.e., 80% of maximum opportunity) in calculating the number of unvested shares. As such, the table for 2016 has been updated.

[3] Includes the value of unvested LTI awards, which was determined based on fair value.

Board of Directors shareholdings

The table below discloses the shareholdings of the Board of Directors members, their immediate family and companies in which they have a controlling interest. As of December 31, 2017 and 2016, there were no Board of Directors members with outstanding options.

Board of Directors shareholdings by individual

end of	2017	2016
December 31 (shares) [1]		
Urs Rohner	189,956	197,861
Iris Bohnet	49,451	38,287
Andreas Gottschling	5,432	–
Alexander Gut	24,152	7,865
Andreas N. Koopmann	117,900	81,746
Seraina Macia	37,231	19,700
Kai S. Nargolwala	280,883	226,362
Joaquin J. Ribeiro	24,150	7,865
Severin Schwan	116,402	82,803
Richard E. Thornburgh	196,766	225,038
John Tiner	216,645	140,910
Alexandre Zeller	6,208	–
Total	**1,265,176**	**1,028,437** [2]

[1] Includes Group shares that are subject to a blocking period of up to four years; includes shareholdings of immediate family members.
[2] Excludes 35,809 shares held by Jassim Bin Hadam J.J. Al Thani, 70,883 shares held by Noreen Doyle and 96,318 shares held by Jean Lanier as of December 31, 2016, who did not stand for re-election to the Board as of April 28, 2017.

Share awards outstanding

end of	2017		2016	
	Number of share-awards outstanding in million	Fair value in CHF million	Number of share-awards outstanding in million	Fair value in CHF million
Share awards [1]				
Employees	148	2,575	135	1,973
Total share awards	**148**	**2,575**	**135**	**1,973**

[1] In the interests of transparency also share awards granted to employees of subsidiaries of Credit Suisse Group AG are considered in this disclosure table.

Proposed appropriation of retained earnings and capital distribution

Proposed appropriation of retained earnings

end of	2017
Retained earnings (CHF million)	
Retained earnings brought forward	5,197
Net loss	(37)
Retained earnings available for appropriation	**5,160**
To be carried forward	5,160
Total	**5,160**

Proposed distribution out of capital contribution reserves

	2017
Capital contribution reserves (CHF million)	
Balance at beginning of year	**23,364**
Capital distribution for the financial year 2016	(1,463)
Capital surplus for issued shares	5,058
Balance at end of year	**26,959**
Proposed distribution of CHF 0.25 per registered share for the financial year 2017 [1]	(639)
Balance after distribution	**26,320**

Distributions are free of Swiss withholding tax and are not subject to income tax for Swiss resident individuals holding the shares as a private investment.

[1] 2,555,266,467 registered shares – net of own shares held by the company – as of December 31, 2017. The number of registered shares eligible for distribution may change due to the issuance of new registered shares and transactions in own shares.

Appendix

Selected five-year information	A-2
List of abbreviations	A-4
Glossary	A-6
Investor information	A-10
Financial calendar and contacts	A-12

Selected five-year information

Selected information – Group

in / end of	2017	2016	2015	2014	2013
Condensed consolidated statements of operations (CHF million)					
Net revenues	**20,900**	**20,323**	**23,797**	**26,242**	**25,856**
Provision for credit losses	**210**	**252**	**324**	**186**	**167**
Total operating expenses	**18,897**	**22,337**	**25,895**	**22,429**	**21,593**
Income/(loss) from continuing operations before taxes	**1,793**	**(2,266)**	**(2,422)**	**3,627**	**4,096**
Income tax expense	2,741	441	523	1,405	1,276
Income/(loss) from continuing operations	**(948)**	**(2,707)**	**(2,945)**	**2,222**	**2,820**
Income from discontinued operations, net of tax	0	0	0	102	145
Net income/(loss)	**(948)**	**(2,707)**	**(2,945)**	**2,324**	**2,965**
Net income/(loss) attributable to noncontrolling interests	35	3	(1)	449	639
Net income/(loss) attributable to shareholders	**(983)**	**(2,710)**	**(2,944)**	**1,875**	**2,326**
of which from continuing operations	(983)	(2,710)	(2,944)	1,773	2,181
of which from discontinued operations	0	0	0	102	145
Earnings per share (CHF)					
Basic earnings/(loss) per share from continuing operations	(0.41)	(1.27)	(1.65)	0.93	1.05
Basic earnings/(loss) per share	(0.41)	(1.27)	(1.65)	0.99	1.13
Diluted earnings/(loss) per share from continuing operations	(0.41)	(1.27)	(1.65)	0.93	1.05
Diluted earnings/(loss) per share	(0.41)	(1.27)	(1.65)	0.99	1.13
Consolidated balance sheet (CHF million)					
Total assets	796,289	819,861	820,805	921,462	872,806
Share capital	102	84	78	64	64
Shareholders' equity	41,902	41,897	44,382	43,959	42,164
Shares outstanding (million)					
Shares outstanding	2,550.3	2,089.9	1,951.5	1,599.5	1,590.9
Dividend per share (CHF)					
Dividend per share	0.25 [1]	0.70	0.70	0.70	0.70
Ratios (%)					
Return on assets [2]	(0.1)	(0.3)	(0.3)	0.2	0.3
Return on equity attributable to shareholders	(2.3)	(6.1)	(6.8)	4.4	5.7
Dividend payout ratio	-	-	-	70.7	61.9
Equity to asset ratio	5.3	5.1	5.4	4.8	4.8

[1] Proposal of the Board of Directors to the Annual General Meeting on April 27, 2018; to be paid out of capital contribution reserves.
[2] Based on amounts attributable to shareholders.

Selected information – Group (continued)

in / end of	2017	2016	2015	2014	2013
Average economic risk capital (CHF million)					
Swiss Universal Bank	5,566	5,564	5,119	5,288	5,453
International Wealth Management	4,379	3,785	3,288	3,051	3,052
Asia Pacific	3,897	4,147	3,405	3,184	2,644
Global Markets	9,327	9,928	12,372	11,325	10,080
Investment Banking & Capital Markets	5,279	4,652	3,717	3,259	2,707
Credit Suisse	33,111	34,737	34,821	32,708	30,039
Pre-tax return on average economic risk capital (%)					
Swiss Universal Bank	31.7	36.4	32.7	38.3	32.4
International Wealth Management	30.8	29.6	22.0	41.3	40.7
Asia Pacific	18.7	17.5	11.1	28.3	28.4
Global Markets	4.8	0.5	(15.6)	17.8	23.7
Investment Banking & Capital Markets	7.0	5.6	(8.4)	15.7	21.1
Credit Suisse	5.4	(6.5)	(7.0)	11.1	13.6

Selected information – Bank

in / end of	2017	2016	2015	2014	2013
Condensed consolidated statements of operations (CHF million)					
Net revenues	**20,965**	**20,393**	**23,811**	**26,178**	**25,896**
Provision for credit losses	**210**	**252**	**324**	**186**	**167**
Total operating expenses	**19,202**	**22,630**	**26,136**	**22,772**	**21,847**
Income/(loss) from continuing operations before taxes	**1,553**	**(2,489)**	**(2,649)**	**3,220**	**3,882**
Income tax expense	2,781	400	488	1,343	1,214
Income/(loss) from continuing operations	**(1,228)**	**(2,889)**	**(3,137)**	**1,877**	**2,668**
Income from discontinued operations, net of tax	0	0	0	102	145
Net income/(loss)	**(1,228)**	**(2,889)**	**(3,137)**	**1,979**	**2,813**
Net income/(loss) attributable to noncontrolling interests	27	(6)	(7)	445	669
Net income/(loss) attributable to shareholder	**(1,255)**	**(2,883)**	**(3,130)**	**1,534**	**2,144**
of which from continuing operations	(1,255)	(2,883)	(3,130)	1,432	1,999
of which from discontinued operations	0	0	0	102	145
Consolidated balance sheet (CHF million)					
Total assets	798,372	822,065	822,736	923,406	874,061
Share capital	4,400	4,400	4,400	4,400	4,400
Shareholder's equity	42,670	42,789	45,412	44,731	41,237
Number of shares outstanding (million)					
Number of shares outstanding	4,399.7	4,399.7	4,399.7	4,399.7	4,399.7

List of abbreviations

A

ABO	Accumulated benefit obligation
ABS	Asset-backed securities
ADS	American Depositary Shares
AEOI	Automatic Exchange of Information
AES®	Advanced execution services
AGM	Annual General Meeting
AIG	American International Group, Inc.
A-IRB	Advanced internal ratings-based approach
AMA	Advanced measurement approach
AoA	Articles of Association
AOCI	Accumulated other comprehensive income/(loss)
ASC	Accounting Standards Codification
ASU	Accounting Standards Updates

B

BA	Bachelor of Arts
BBA	Bachelor of Business Administration
BCBS	Basel Committee on Banking Supervision
BIS	Bank for International Settlements
Board	Board of Directors
bp	basis points
BVG	Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans

C

CARMC	Capital Allocation and Risk Management Committee
CCA	Contingent Capital Awards
CCAR	Comprehensive Capital Analysis and Review
CCRO	Chief Compliance and Regulatory Affairs Officer
CDO	Collateralized debt obligation
CDS	Credit default swap
CEB	Conduct and Ethics Board
CECL	Current expected credit loss
CET1	Common equity tier 1
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CFTC	Commodity Futures Trading Commission
CLO	Collateralized loan obligation
CMBS	Commercial mortgage-backed securities
CMI	Continuous Mortality Investigation
CMS	Constant maturity swap
COF	Capital Opportunity Facility
COO	Chief Operating Officer
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CP	Commercial paper

C (continued)

CPR	Constant prepayment rate
CRD	Capital Requirements Directive
CRO	Chief Risk Officer
CSI	Credit Suisse International
CSSEL	Credit Suisse Securities (Europe) Limited
CVA	Credit valuation adjustment

D

DFS	Department of Financial Services
DOJ	US Department of Justice

E

EAD	Exposure at default
EBITDA	Earnings before interest, taxes, depreciation and amortization
ECB	European Central Bank
EGM	Extraordinary General Meeting
EMEA	Europe, Middle East and Africa
EMIR	European Market Infrastructure Regulation
ERCF	Enterprise risk and control framework
ERISA	US Employee Retirement Income Security Act of 1974
EU	European Union

F

FASB	Financial Accounting Standards Board
FATCA	Foreign Account Tax Compliance Act
FDIC	Federal Deposit Insurance Corporation
Fed	US Federal Reserve
FINMA	Swiss Financial Market Supervisory Authority FINMA
FINRA	Financial Industry Regulatory Authority
FMIA	Swiss Federal Act on Financial Market Infrastructure and Market Conduct in Securities and Derivatives Trading
FSA	UK Financial Services Authority
FSB	Financial Stability Board
FSMA	Financial Services and Markets Act 2000

G

G7	Group of seven leading industrial nations
G10	Group of Ten
G20	Group of Twenty Finance Ministers and Central Bank Governors
GAAP	Generally accepted accounting principles
GDP	Gross Domestic Product
GRI	Global Reporting Initiative
G-SIB	Global Systemically Important Bank

H

HQLA	High quality liquid assets
HNWI	High-net-worth individuals

I

IFRS	International Financial Reporting Standards
IHC	US intermediate holding company
IPO	Initial public offering
IPRE	Income producing real estate
IRC	Incremental risk charge
IRS	Internal Revenue Service
ISDA	International Swaps and Derivatives Association, Inc.
IT	Information technology
ITS	International Trading Solutions

J

JD	Juris Doctor

L

LCR	Liquidity coverage ratio
LGD	Loss given default
LIBOR	London Interbank Offered Rate
LLM	Master of laws
LTI	Long-term incentive
LTV	Loan-to-value

M

M&A	Mergers and acquisitions
MA	Master of Arts
MBA	Master of Business Administration
MiFID I	Markets in Financial Instruments Directive
MiFID II	Revised Markets in Financial Instruments Directive
MRTC	Material risk takers and controllers
MSRB	Municipal Securities Rulemaking Board

N

NAV	Net asset value
NCUA	National Credit Union Administration
NRV	Negative replacement value
NSFR	Net stable funding ratio
NYSE	New York Stock Exchange

O

OGR	Organizational Guidelines and Regulations
OTC	Over-the-counter

P

PAF	2008 Partner Asset Facility
PAF2	2011 Partner Asset Facility
PBO	Projected benefit obligation
PD	Probability of default
PFIC	Passive foreign investment company

P (continued)

PhD	Doctorate of Philosophy
PRA	Prudential Regulation Authority
PRV	Positive replacement value
PSA	Prepayment speed assumption

Q

QE	Quantitative easing
QIA	Qatar Investment Authority

R

RCSA	Risk and control self-assessment
RMBS	Residential mortgage-backed securities
RNIV	Risk not in VaR
ROE	Return on equity
RPSC	Risk Processes & Standards Committee
RRP	Recovery and Resolution Plan
RRSC	Reputational Risk & Sustainability Committee
RWA	Risk-weighted assets

S

SAPS	Self-administered pension scheme
SEC	US Securities and Exchange Commission
SEI	Significant economic interest
SESTA	Swiss Federal Act on Stock Exchanges and Securities Trading
SFTQ	Severe flight to quality
SIX	SIX Swiss Exchange
SME	Small- and medium-sized enterprises
SNB	Swiss National Bank
SOX	US Sarbanes-Oxley Act of 2002
SPE	Special purpose entity
SPIA	Single premium immediate annuity
STI	Short-term incentive

T

TLAC	Total loss-absorbing capacity
TRS	Total return swap

U

UHNWI	Ultra-high-net-worth individuals
UK	United Kingdom
US	United States of America
US GAAP	US generally accepted accounting principles

V

VaR	Value-at-risk
VARMC	Valuation Risk Management Committee
VIE	Variable interest entity
VIX	Chicago Board of Options Exchange Market Volatility Index

Glossary

A

Advanced execution services® (AES®) AES® is a suite of algorithmic trading strategies, tools and analytics operated by Credit Suisse to facilitate global equity trading. By employing algorithms to execute client orders and limit volatility, AES® helps institutions and hedge funds reduce market impact. AES® provides access to exchanges in more than 35 countries worldwide via more than 45 leading trading platforms.

Advanced internal ratings-based approach (A-IRB) Under the A-IRB approach, risk weights are determined by using internal risk parameters. We have received approval from FINMA to use, and have fully implemented, the A-IRB approach whereby we provide our own estimates for probability of default (PD), loss given default (LGD) and exposure at default (EAD). We use the A-IRB approach to determine our institutional credit risk and most of our retail credit risk.

Advanced measurement approach (AMA) The AMA is used for measuring operational risk. The methodology is based upon the identification of a number of key risk scenarios that describe the major operational risks we face. Groups of senior staff review each scenario and discuss the likelihood of occurrence and the potential severity of loss. Internal and external loss data, along with certain business environment and internal control factors, such as self-assessment results and key risk indicators, are considered as part of this process. Based on the output from these meetings, we enter the scenario parameters into an operational risk model that generates a loss distribution from which the level of capital required to cover operational risk is determined. We have received approval from FINMA to use an internal model for the calculation of operational risk capital, which is aligned with the requirements of the AMA under the Basel framework.

Affluent and retail clients We define affluent and retail clients as individuals having assets under management below CHF 1 million.

American Depositary Shares (ADS) An ADS, which is evidenced by an American Depositary Receipt, is a negotiable certificate issued by a depositary bank that represents all or part of an underlying share of a foreign-based company held in custody.

B

Backtesting Backtesting is a process used to evaluate the performance of VaR models. It consists of a comparison between daily trading revenues and 1-day, 99% VaR. Regulators also use backtesting to evaluate model performance. VaR models that experience less than five exceptions in a rolling 12-month period are deemed to be statistically correct and attract no additional regulatory capital charges.

Bank for International Settlements (BIS) The Bank for International Settlements (BIS) serves central banks in their pursuit of monetary and financial stability, fosters international cooperation in those areas and acts as a bank for central banks.

Basel III In December 2010, the Basel Committee on Banking Supervision (BCBS) issued the Basel III framework, which is a comprehensive set of reform measures to strengthen the regulation, supervision and risk management of the banking sector. These measures aim to improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source, improve risk management and governance and strengthen banks' transparency and disclosures. The phase-in period for Basel III is January 1, 2013 through January 1, 2019.

Basel Committee on Banking Supervision (BCBS) The Basel Committee on Banking Supervision (BCBS) provides a forum for regular cooperation on banking supervisory matters. Its objective is to enhance the understanding of key supervisory issues and improve the quality of banking supervision worldwide. It seeks to do so by exchanging information on national supervisory issues, approaches and techniques, with a view to promoting common understanding. At times, the BCBS uses this common understanding to develop guidelines and supervisory standards in areas where they are considered desirable. In this regard, the BCBS is best known for its international standards on capital adequacy, the Core Principles for Effective Banking Supervision and the Concordat on cross-border banking supervision.

Booking center Part of a legal entity of Credit Suisse AG that is registered with a domestic banking license where client assets are administered and booked.

C

Collateralized debt obligation (CDO) A CDO is a type of structured asset-backed security whose value and payments are derived from a portfolio of underlying fixed-income assets.

Commercial mortgage-backed securities (CMBS) CMBS are a type of mortgage-backed security that is secured by loans on commercial property and can provide liquidity to real estate investors and commercial lenders.

Commercial paper (CP) Commercial paper is an unsecured money-market security with a fixed maturity of 1 to 364 days, issued by large banks and corporations to raise funds to meet short term debt obligations.

Constant prepayment rate (CPR) CPR is a loan prepayment rate that is equal to the proportion of the principal of a pool of loans that is assumed to be paid off prematurely in each period. The calculation of this estimate is based on a number of factors such as historical prepayment rates for previous loans that are similar to ones in the pool and on future economic outlooks.

Credit default swap (CDS) A CDS is a contractual agreement in which the buyer of the swap pays a periodic fee in return for a contingent payment by the seller of the swap following a credit event of a reference entity. A credit event is commonly defined as bankruptcy, insolvency, receivership, material adverse restructuring of debt or failure to meet payment obligations when due.

Credit valuation adjustment (CVA) The CVA represents the market value of counterparty credit risk for uncollateralized OTC derivative instruments.

D

Debit valuation adjustment The debit valuation adjustment represents the market value of our own credit risk for uncollateralized OTC derivative instruments.

Derivatives Derivatives are financial instruments or contracts that meet all of the following three characteristics: (1) their value changes in response to changes in an underlying price, such as interest rate, security price, foreign exchange rate, credit rating/price or index; (2) they require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and (3) their terms require or permit net settlement (US GAAP) or they settle at a future date (IFRS).

E

Exposure at default (EAD) The EAD represents the expected exposure in the event of a default. Off-balance sheet exposures are converted into expected EADs through the application of a credit conversion factor which is modeled using internal data.

F

Fair value The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

G

G7 The G7 is a group of finance ministers from seven industrialized nations: the US, UK, France, Germany, Italy, Canada and Japan.

G10 The G10 is a group of 11 countries that have agreed to make resources available to the International Monetary Fund and includes Belgium, Canada, France, Italy, Japan, the Netherlands, the UK, the US, Germany, Sweden and Switzerland.

G20 The G20 is a group of finance ministers and central bank governors from 19 countries (Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Republic of Korea, Mexico, Russia, Saudi Arabia, South Africa, Turkey, the UK and the US) and the EU.

H

Haircut The percentage by which an asset's market value is reduced for the purpose of calculating capital, margin requirements and collateral levels. This is used to provide a cushion when lending against collateral to account for possible adverse movements in the value of the collateral.

Higher Trigger Capital Amount The capital ratio write-down triggers for certain of our outstanding capital instruments take into account the fact that other outstanding capital instruments that contain relatively higher capital ratios as part of their trigger feature are expected to convert into equity or be written down prior to the write-down of such capital instruments. The amount of additional capital that is expected to be contributed by such conversion into equity or write-down is referred to as the Higher Trigger Capital Amount.

High-net-worth individuals (HNWI) We define high-net-worth individuals as individuals having assets under management in excess of CHF 1 million.

I

Incremental risk charge (IRC) The IRC represents an estimate of the issuer default and migration risk of positions in the trading book over a one-year capital horizon at a 99.9% confidence level, taking into account the liquidity horizons of individual positions. This includes sovereign debt, but excludes securitizations and correlation products.

L

Liquidity coverage ratio (LCR) The LCR aims to ensure that banks have a stock of unencumbered high-quality liquid assets available to meet liquidity needs for a 30-day time horizon under a severe stress scenario. The LCR is comprised of two components: the value of the stock of high quality liquid assets in stressed conditions and the total net cash outflows calculated according to specified scenario parameters. The ratio of liquid assets over net cash outflows should be at least 100%.

Lombard loan A loan granted against pledged collateral in the form of securities.

London Interbank Offered Rate (LIBOR) LIBOR is a daily reference rate based on the interest rates at which banks borrow unsecured funds from other banks in the London wholesale money market.

Loss given default (LGD) LGD parameters consider seniority, collateral, counterparty industry and, in certain cases, fair value markdowns. LGD estimates are based on an empirical analysis of historical loss rates and are calibrated to reflect time and cost of recovery as well as economic downturn conditions. For much of the loan portfolio of private banking, corporate and institutional businesses, the LGD is primarily dependent upon the type and amount of collateral pledged. For other retail credit risk, predominantly loans secured by financial collateral, pool LGDs differentiate between standard and higher risks, as well as domestic and foreign transactions. The credit approval and collateral monitoring processes are based on loan-to-value (LTV) limits. For mortgages (residential or commercial), recovery rates are differentiated by type of property.

M

Match funded Match funded balance sheet items consist of assets and liabilities with close to equal liquidity durations and value so that the liquidity and funding generated or required by the positions are substantially equivalent.

Material risk takers and controllers (MRTC) MRTC are employees who, either individually or as a part of a group, are considered to have a potentially material impact on the Group's risk profile.

N

Negative replacement value (NRV) NRV represents the negative fair value of a derivative financial instrument at a given financial reporting date. A negative replacement value reflects the amount payable to the counterparty if the derivative transaction were to be settled at the reporting date, or alternatively, the cost at a given reporting date to close an open derivative position with a fully offsetting transaction.

Net stable funding ratio (NSFR) The NSFR is intended to ensure banks maintain a structurally sound long-term funding profile beyond one year and is a complementary measure to the LCR. It is structured to ensure that illiquid assets are funded with an appropriate amount of stable long-term funds. The standard is defined as the ratio of available stable funding over the amount of required stable funding. The ratio should always be at least 100%.

N (continued)

Netting agreements Netting agreements are contracts between two parties where under certain circumstances, such as insolvency, bankruptcy or any other credit event, mutual claims from outstanding business transactions can be offset against each other. The inclusion of a legally binding netting agreement reduces the default risk from a gross to a net amount.

O

Over-the-counter (OTC) Over-the-counter securities and derivatives are not traded on an exchange but via private contracts between counterparties.

P

Position risk Component of the economic capital framework, which is used to assess, monitor and report risk exposures throughout the Group. Position risk is the level of unexpected loss in economic value on our portfolio of positions over a one-year horizon which is exceeded with a given small probability (1% for risk management purposes; 0.03% for capital management purposes).

Positive replacement value (PRV) PRV represents the positive fair value of a derivative financial instrument at a given reporting date. A positive replacement value reflects the amount receivable from the counterparty if the derivative transaction were to be settled at the reporting date, or alternatively, the cost at a given reporting date to enter into the exact same transaction for the residual term, if the existing counterparty should default.

Probability of default (PD) PD parameters capture the risk of a counterparty defaulting over a one-year time horizon. PD estimates are based on time-weighted averages of historical default rates by rating grade, with low-default-portfolio estimation techniques applied for higher quality rating grades. Each PD reflects the internal rating for the relevant obligor.

R

Regulatory VaR Regulatory VaR is a version of VaR that uses an exponential weighting technique that automatically increases VaR where recent short-term market volatility is greater than long-term volatility in the two-year dataset. Regulatory VaR uses an expected shortfall calculation based on average losses, and a ten-day holding period. This results in a more responsive VaR model, as the overall increases in market volatility are reflected almost immediately in the regulatory VaR model.

Repurchase agreements Repurchase agreements are securities sold under agreements to repurchase substantially identical securities. These transactions normally do not constitute economic sales and are therefore treated as collateralized financing transactions and are carried in the balance sheet at the amount of cash received (liability) and cash disbursed (asset), respectively.

Residential mortgage-backed securities (RMBS) RMBS are a type of mortgage-backed security composed of a wide array of different non-commercial mortgage debts. They securitize the mortgage payments of non-commercial real estate. Different residential mortgages with varying credit ratings are pooled together and sold in tranches to investors.

R (continued)

Reverse repurchase agreements Reverse repurchase agreements are purchases of securities under agreements to resell substantially identical securities. These transactions normally do not constitute economic sales and are therefore treated as collateralized financing transactions and are carried in the balance sheet at the amount of cash received (liability) and cash disbursed (asset), respectively.

Risk management VaR Risk management VaR is a version of VaR that uses an exponential weighting technique that automatically adjusts VaR where recent short-term market volatility differs from long-term volatility in the two-year dataset. Risk management VaR uses an expected shortfall calculation based on average losses, and a one-day holding period. This results in a more responsive VaR model, as the overall changes in market volatility are reflected almost immediately in the risk management VaR model.

Risk mitigation Risk mitigation refers to measures undertaken by the Group or the Bank to actively manage its risk exposure. For credit risk exposure, such measures would normally include utilizing credit hedges and collateral, such as cash and marketable securities. Credit hedges represent the notional exposure that can be transferred to other market counterparties, generally through the use of credit default swaps.

Risk not in VaR (RNIV) RNIV is a framework intended to ensure that capital is held to meet all risks which are not captured, or not captured adequately, by the Group's VaR and stressed VaR models. These include, but are not limited to incomplete, missing and/or illiquid risk factors such as certain basis, correlation, higher-order and cross risks, and calibration parameters. The RNIV framework is continuously updated to incorporate new RNIVs.

Risk-weighted assets (RWA) The value of the Group's assets weighted according to certain identified risks for compliance with regulatory provisions.

S

Stressed VaR Stressed VaR replicates a VaR calculation on the current portfolio of the Group or the Bank, taking into account a one-year observation period relating to significant financial stress; it helps reduce the pro-cyclicality of the minimum capital requirements for market risk.

Swiss Financial Supervisory Authority FINMA (FINMA) FINMA, as an independent supervisory authority, protects creditors, investors and policy holders, ensuring the smooth functioning of the financial markets and preserving their reputation. In its role as state supervisory authority, FINMA acts as an oversight authority of banks, insurance companies, exchanges, securities dealers, collective investment schemes, distributors and insurance intermediaries. It is responsible for combating money laundering and, where necessary, conducts restructuring and bankruptcy proceedings and issues operating licenses for companies in the supervised sectors. Through its supervisory activities, it ensures that supervised institutions comply with the requisite laws, ordinances, directives and regulations and continues to fulfill the licensing requirements. FINMA also acts as a regulatory body; it participates in legislative procedures, issues its own ordinances and circulars where authorized to do so, and is responsible for the recognition of self-regulatory standards.

T

"Too Big to Fail" In 2011, the Swiss Parliament passed legislation relating to big banks. The legislation includes capital and liquidity requirements and rules regarding risk diversification and emergency plans designed to maintain systemically relevant functions even in the event of threatened insolvency.

Total loss-absorbing capacity (TLAC) TLAC is a regulatory requirement designed to ensure that Global Systemically Important Banks (G-SIBs) have the loss-absorbing and recapitalization capacity so that, in an immediately following resolution, critical functions can continue without requiring taxpayer support or threatening financial stability.

Total return swap (TRS) A TRS is a swap agreement in which one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the return of an underlying asset, which includes both the income it generates and any capital gains. In total return swaps, the underlying asset, referred to as the reference asset, is usually an equity index, loans, or bonds.

U

Ultra-high-net-worth individuals (UHNWI) Ultra-high-net-worth individuals have assets under management in excess of CHF 50 million or total wealth exceeding CHF 250 million.

V

Value-at-risk (VaR) VaR is a technique used to measure the potential loss in fair value of financial instruments based on a statistical analysis of historical price trends and volatilities. VaR as a concept is applicable for all financial risk types with valid regular price histories; the use of VaR allows the comparison of risk in different businesses, such as fixed income and equity.

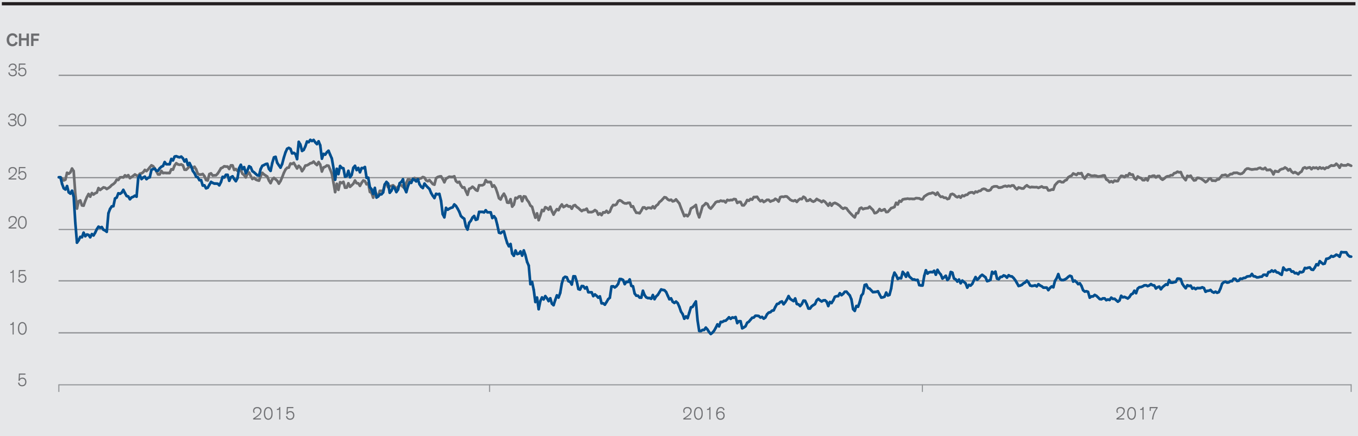
Investor information

Share data

in / end of	**2017**	2016	2015
Share price (common shares, CHF)			
Average	15.11	13.71	23.85
Minimum	13.04	9.92	18.22
Maximum	17.84	21.31	27.89
End of period	17.40	14.61	21.69
Share price (American Depositary Shares, USD)			
Average	15.35	13.88	25.43
Minimum	13.37	10.21	20.48
Maximum	18.02	21.36	29.69
End of period	17.85	14.31	21.69
Market capitalization			
Market capitalization (CHF million)	44,475	30,533	42,456
Market capitalization (USD million)	45,625	29,906	42,456
Dividend per share (CHF)			
Dividend per share	0.25 [1]	0.70 [2]	0.70 [2]

[1] Proposal of the Board of Directors to the Annual General Meeting on April 27, 2018; to be paid out of capital contribution reserves.
[2] Paid out of capital contribution reserves.

Share performance



Ticker symbols / stock exchange listings

	Common shares	ADS [1]
Ticker symbols		
SIX Financial Information	CSGN	–
Bloomberg	CSGN SW	CS US
Reuters	CSGN.S	CS.N
Stock exchange listings		
Swiss security number	1213853	570660
ISIN number	CH0012138530	US2254011081
CUSIP number	–	225 401 108

[1] One American Depositary Share (ADS) represents one common share.

Credit ratings and outlook

as of March 16, 2018	Short-term debt	Long-term debt	Outlook
Credit Suisse Group AG			
Moody's	–	Baa2	Stable
Standard & Poor's	–	BBB+	Stable
Fitch Ratings	F2	A-	Stable
Rating and Investment Information	–	A	Negative
Credit Suisse AG			
Moody's	P-1	A1	Stable
Standard & Poor's	A-1	A	Stable
Fitch Ratings	F1	A	Stable

Foreign currency translation rates

	End of			Average in		
	2017	2016	2015	**2017**	2016	2015
1 USD / 1 CHF	0.98	1.02	0.99	0.98	0.99	0.96
1 EUR / 1 CHF	1.17	1.07	1.08	1.11	1.09	1.07
1 GBP / 1 CHF	1.32	1.26	1.47	1.27	1.34	1.47
100 JPY / 1 CHF	0.87	0.87	0.82	0.88	0.90	0.80

Financial calendar and contacts

Financial calendar	
First quarter results 2018	Wednesday, April 25, 2018
Annual General Meeting	Friday, April 27, 2018
Second quarter results 2018	Tuesday, July 31, 2018

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Cautionary statement regarding forward-looking information

This report contains statements that constitute forward-looking statements. In addition, in the future we, and others on our behalf, may make statements that constitute forward-looking statements. Such forward-looking statements may include, without limitation, statements relating to the following:

- our plans, objectives, ambitions, targets or goals;
- our future economic performance or prospects;
- the potential effect on our future performance of certain contingencies; and
- assumptions underlying any such statements.

Words such as "believes," "anticipates," "expects," "intends" and "plans" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. We do not intend to update these forward-looking statements.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other outcomes described or implied in forward-looking statements will not be achieved. We caution you that a number of important factors could cause results to differ materially from the plans, objectives, ambitions, targets, expectations, estimates and intentions expressed in such forward-looking statements. These factors include:

- the ability to maintain sufficient liquidity and access capital markets;
- market volatility and interest rate fluctuations and developments affecting interest rate levels;
- the strength of the global economy in general and the strength of the economies of the countries in which we conduct our operations, in particular the risk of continued slow economic recovery or downturn in the US or other developed countries or in emerging markets in 2018 and beyond;
- the direct and indirect impacts of deterioration or slow recovery in residential and commercial real estate markets;
- adverse rating actions by credit rating agencies in respect of us, sovereign issuers, structured credit products or other credit-related exposures;
- the ability to achieve our strategic goals, including those related to cost efficiency, income/(loss) before taxes, capital ratios and return on regulatory capital, leverage exposure threshold, risk-weighted assets threshold, return on tangible equity and other targets, objectives and ambitions;
- the ability of counterparties to meet their obligations to us;
- the effects of, and changes in, fiscal, monetary, exchange rate, trade and tax policies, as well as currency fluctuations;
- political and social developments, including war, civil unrest or terrorist activity;
- the possibility of foreign exchange controls, expropriation, nationalization or confiscation of assets in countries in which we conduct our operations;
- operational factors such as systems failure, human error, or the failure to implement procedures properly;
- the risk of cyber attacks on our business or operations;
- actions taken by regulators with respect to our business and practices and possible resulting changes to our business organization, practices and policies in countries in which we conduct our operations;
- the effects of changes in laws, regulations or accounting or tax standards, policies or practices in countries in which we conduct our operations;
- the potential effects of proposed changes in our legal entity structure;
- competition or changes in our competitive position in geographic and business areas in which we conduct our operations;
- the ability to retain and recruit qualified personnel;
- the ability to maintain our reputation and promote our brand;
- the ability to increase market share and control expenses;
- technological changes;
- the timely development and acceptance of our new products and services and the perceived overall value of these products and services by users;
- acquisitions, including the ability to integrate acquired businesses successfully, and divestitures, including the ability to sell non-core assets;
- the adverse resolution of litigation, regulatory proceedings, and other contingencies; and
- other unforeseen or unexpected events and our success at managing these and the risks involved in the foregoing.

We caution you that the foregoing list of important factors is not exclusive. When evaluating forward-looking statements, you should carefully consider the foregoing factors and other uncertainties and events, including the information set forth in *I – Information on the company – Risk factors*.

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