

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**Form 20-F**

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- ☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934
- ☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2016
- ☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
- ☐ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: 001-15244

**Credit Suisse Group AG**

(Exact name of Registrant as specified in its charter)

**Canton of Zurich, Switzerland**

(Jurisdiction of incorporation or organization)

**Paradeplatz 8, CH 8001 Zurich, Switzerland**

(Address of principal executive offices)

David R. Mathers

Chief Financial Officer

Paradeplatz 8, CH 8001 Zurich, Switzerland

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Telephone: +41 44 333 6607

Fax: +41 44 333 1790

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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Commission file number: 001-33434

**Credit Suisse AG**

(Exact name of Registrant as specified in its charter)

**Canton of Zurich, Switzerland**

(Jurisdiction of incorporation or organization)

**Paradeplatz 8, CH 8001 Zurich, Switzerland**

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David R. Mathers

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Telephone: +41 44 333 6607

Fax: +41 44 333 1790

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class of securities	Name of each exchange on which registered
<b>Credit Suisse Group AG</b>	
American Depositary Shares each representing one Share	New York Stock Exchange
Shares par value CHF 0.04*	New York Stock Exchange*
<b>Credit Suisse AG</b>	
Fixed to Floating Rate Tier 1 Capital Notes	New York Stock Exchange
Floating Rate Tier 1 Capital Notes	New York Stock Exchange
Credit Suisse X-Links Long/Short Equity ETNs due February 19, 2020	NYSE Arca
VelocityShares™ Daily Inverse VIX Short Term ETN Linked to the S&P 500 VIX Short-Term Futures™ Index due December 4, 2030	The Nasdaq Stock Market
VelocityShares™ Daily Inverse VIX Medium Term ETN Linked to the S&P 500 VIX Mid-Term Futures™ Index due December 4, 2030	The Nasdaq Stock Market
VelocityShares™ VIX Short Term ETN Linked to the S&P 500 VIX Short-Term Futures™ Index due December 4, 2030	The Nasdaq Stock Market
VelocityShares™ VIX Medium Term ETN Linked to the S&P 500 VIX Mid-Term Futures™ Index due December 4, 2030	The Nasdaq Stock Market
VelocityShares™ Daily 2x VIX Short Term ETN Linked to the S&P 500 VIX Short-Term Futures™ Index due December 4, 2030	The Nasdaq Stock Market
VelocityShares™ Daily 2x VIX Medium Term ETN Linked to the S&P 500 VIX Mid-Term Futures™ Index due December 4, 2030	The Nasdaq Stock Market
VelocityShares™ 3x Long Gold ETN Linked to the S&P GSCI® Gold Index ER due October 14, 2031	The Nasdaq Stock Market
VelocityShares™ 3x Long Silver ETN Linked to the S&P GSCI® Silver Index ER due October 14, 2031	The Nasdaq Stock Market
VelocityShares™ 3x Inverse Gold ETN Linked to the S&P GSCI® Gold Index ER due October 14, 2031	The Nasdaq Stock Market
VelocityShares™ 3x Inverse Silver ETN Linked to the S&P GSCI® Silver Index ER due October 14, 2031	The Nasdaq Stock Market
VelocityShares™ 3x Long Natural Gas ETN Linked to the S&P GSCI® Natural Gas Index ER due February 9, 2032	NYSE Arca
VelocityShares™ 3x Inverse Natural Gas ETN Linked to the S&P GSCI® Natural Gas Index ER due February 9, 2032	NYSE Arca
Credit Suisse X-Links Gold Shares Covered Call ETNs due February 2, 2033	The Nasdaq Stock Market
Credit Suisse X-Links Silver Shares Covered Call ETNs due April 21, 2033	The Nasdaq Stock Market
Credit Suisse X-Links Commodity Rotation ETNs due June 15, 2033	NYSE Arca
Credit Suisse FI Enhanced Europe 50 Exchange Traded Notes (ETNs) due September 10, 2018 Linked to the STOXX Europe 50® USD (Gross Return) Index	NYSE Arca
Credit Suisse FI Enhanced Big Cap Growth Exchange Traded Notes (ETNs) due October 22, 2018 Linked to the Russell 1000® Growth Index Total Return	NYSE Arca
Credit Suisse FI Large Cap Growth Enhanced Exchange Traded Notes (ETNs) due June 13, 2019 Linked to the Russell 1000® Growth Index Total Return	NYSE Arca
Credit Suisse S&P MLP Index Exchange Traded Notes (ETNs) due December 4, 2034 Linked to the S&P MLP Index	NYSE Arca
Credit Suisse X-Links Multi-Asset High Income Exchange Traded Notes (ETNs) due September 28, 2035	NYSE Arca
Credit Suisse X-Links WTI Crude Oil Index ETNs due February 8, 2036	NYSE Arca
Credit Suisse X-Links Monthly Pay 2xLeveraged Alerian MLP Index Exchange Traded Notes (ETNs) due May 16, 2036	NYSE Arca
Credit Suisse X-Links Monthly Pay 2xLeveraged Mortgage REIT Exchange Traded Notes (ETNs) due July 11, 2036	NYSE Arca

\* Not for trading, but only in connection with the registration of the American Depositary Shares

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of December 31, 2016: 2,089,897,378 shares of Credit Suisse Group AG

Indicate by check mark if the Registrants are well-known seasoned issuers, as defined in Rule 405 of the Securities Act.

Yes ☐

No ☒

If this report is an annual or transition report, indicate by check mark if the Registrants are not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes ☐

No ☒

Indicate by check mark whether the Registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrants were required to file such reports) and (2) have been subject to such filing requirements for the past 90 days.

Yes ☒

No ☐

Indicate by check mark whether Registrants have submitted electronically and posted on their corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (paragraph 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☒

No ☐

Indicate by check mark whether the Registrants are large accelerated filers, accelerated filers, or non-accelerated filers.

See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filers ☒

Accelerated filers ☐

Non-accelerated filers ☐

Indicate by check mark which basis of accounting the Registrants have used to prepare the financial statements included in this filing:

U.S. GAAP ☒

International ☐  
Financial Reporting Standards  
as issued by the  
International Accounting Standards Board

Other ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 ☐

Item 18 ☐

If this is an annual report, indicate by check mark whether the Registrants are shell companies (as defined in Rule 12b-2 of the Exchange Act)

Yes ☐

No ☒

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## Definitions

For the purposes of this Form 20-F and the attached Annual Report 2016, 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 the Annual Report 2016.

## Sources

Throughout this Form 20-F and the attached Annual Report 2016, we describe the position and ranking of our various businesses in certain industry and geographic markets. The sources for such descriptions come from a variety of conventional publications generally accepted as relevant business indicators by members of the financial services industry. These sources include: Standard & Poor's, Dealogic, Institutional Investor, Lipper, Moody's Investors Service and Fitch Ratings.

## Cautionary statement regarding forward-looking information

For Credit Suisse and the Bank, please see Cautionary statement regarding forward-looking information on the inside page of the back cover of the attached Annual Report 2016.

## Explanatory note

For the avoidance of doubt, the information appearing on pages 4 to 10 and A-4 to A-12 of the attached Annual Report 2016 is not included in Credit Suisse's and the Bank's Form 20-F for the fiscal year ended December 31, 2016.

## Part I

### Item 1. Identity of directors, senior management and advisers.

Not required because this Form 20-F is filed as an annual report.

### Item 2. Offer statistics and expected timetable.

Not required because this Form 20-F is filed as an annual report.

### Item 3. Key information.

#### A – Selected financial data.

For Credit Suisse and the Bank, please see Appendix – Selected five-year information – Group on pages A-2 to A-3 and – Bank on page A-3 of the attached Annual Report 2016. In addition, please see IX – Additional information – Other information – Foreign currency translation rates on page 568 of the attached Annual Report 2016.

#### B – Capitalization and indebtedness.

Not required because this Form 20-F is filed as an annual report.

#### C – Reasons for the offer and use of proceeds.

Not required because this Form 20-F is filed as an annual report.

#### D – Risk factors.

For Credit Suisse and the Bank, please see I – Information on the company – Risk factors on pages 42 to 50 of the attached Annual Report 2016.

### Item 4. Information on the company.

#### A – History and development of the company.

For Credit Suisse and the Bank, please see I – Information on the company – Credit Suisse at a glance on page 12 and – Strategy on pages 13 to 17 and IV – Corporate Governance and Compensation – Corporate Governance – Corporate governance framework – Company details on page 180 of the attached Annual Report 2016. In addition, for Credit Suisse, please see Note 3 – Business developments, significant shareholders and subsequent events, Note 4 – Discontinued operations and Note 5 – Segment information in V – Consolidated financial statements – Credit Suisse Group on pages 271 to 276 of the attached Annual Report 2016 and, for the Bank, please see Note 3 – Business developments, significant shareholders and subsequent events, Note 4 – Discontinued operations and Note 5 – Segment information in VII – Consolidated financial statements – Credit Suisse (Bank) on pages 429 to 431 of the attached Annual Report 2016.

#### B – Business overview.

For Credit Suisse and the Bank, please see I – Information on the company – Divisions on pages 18 to 25 of the attached Annual Report 2016. In addition, for Credit Suisse, please see Note 5 – Segment information in V – Consolidated financial statements – Credit Suisse Group on pages 274 to 276 of the attached Annual Report 2016 and, for the Bank, please see Note 5 – Segment information in VII – Consolidated financial statements – Credit Suisse (Bank) on pages 430 to 431 of the attached Annual Report 2016.

#### C – Organizational structure.

For Credit Suisse and the Bank, please see I – Information on the company – Credit Suisse at a glance on page 12, – Strategy on pages 13 to 17 and II – Operating and financial review – Credit Suisse – Differences between Group and Bank on page 64 of the attached Annual Report 2016. For a list of Credit Suisse's significant subsidiaries, please see Note 40 – Significant subsidiaries and equity method investments in V – Consolidated financial statements – Credit Suisse Group on pages 383 to 385 of the attached Annual Report 2016 and, for a list of the Bank's significant subsidiaries, please see Note 39 – Significant subsidiaries and equity method investments in VII – Consolidated financial statements – Credit Suisse (Bank) on pages 498 to 500 of the attached Annual Report 2016.

**D – Property, plant and equipment.**

For Credit Suisse and the Bank, please see IX – Additional information – Other information – Property and equipment on page 568 of the attached Annual Report 2016.

**Information Required by Industry Guide 3.**

For Credit Suisse and the Bank, please see IX – Additional information – Statistical information on pages 548 to 562 of the attached Annual Report 2016. In addition, for both Credit Suisse and the Bank, please see III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management – Risk review and results – Credit risk review – Loans and irrevocable loan commitments on page 164 of the attached Annual Report 2016. For Credit Suisse, please see Appendix – Selected five-year information – Group on pages A-2 to A-3 of the attached Annual Report 2016.

**Disclosure pursuant to Section 13(r) of the Securities Exchange Act of 1934**

As stated in our Form 20-F for the year ended December 31, 2014, in 2005 and earlier, Credit Suisse AG, through a business line operating in Switzerland, entered into export finance credit facilities involving Iranian parties, through bilateral contracts and as a member of lending syndicates. Credit Suisse AG loaned funds under these credit facilities for project finance activities in Iran that did not support or facilitate Iran's nuclear weapons proliferation efforts, its acquisition of other military items, or its support of terrorism. Our participation in these credit facilities was legal under applicable law. The Iranian parties involved in certain of these credit facilities entered into between 2001 and 2005 subsequently were designated Specially Designated Nationals or Blocked Persons pursuant to an Executive Order of the President of the United States, or fall within the US government's definition of the government of Iran (which includes government-controlled entities). These credit facilities are supported by a guarantee of the Iranian Ministry of Economic Affairs and Finance and export financing insurance provided by European export credit agencies.

Credit Suisse AG does not generally calculate gross revenues or net profits from individual export finance credit facilities of this type; however, Credit Suisse AG estimates that it recognized approximately CHF 0.1 million in interest income in 2016 on these credit facilities and believes that it has not earned any related net profit over the life of these credit facilities. While Credit Suisse AG ceased providing funds to any Iranian parties pursuant to any of these credit facilities several years ago, it has continued, where possible, to receive repayment of funds owed to it. In 2016, Credit Suisse AG received payments totaling CHF 2.4 million from the Swiss governmental export credit agency and payments totaling CHF 5.3 million from financial institutions acting as agents of lending syndicates, both in partial payment under certain of these credit facilities. As of December 31, 2016, approximately CHF 1.8 million was owed to Credit Suisse AG under these credit facilities (which are not covered by the European export credit agency guarantees), out of a total amount of approximately CHF 29.8 million outstanding. Credit Suisse AG will continue to seek repayment of funds it is owed under these credit facilities pursuant to its contractual rights and applicable law, and will continue to cooperate with the European export credit agencies.

During 2016, Credit Suisse AG processed a small number of de minimis payments related to the operation of Iranian diplomatic missions in Switzerland and to fees for ministerial government functions such as issuing passports and visas. Processing these payments is permitted under Swiss law and is performed with the consent of Swiss authorities, and Credit Suisse AG intends to continue processing such payments. Revenues and profits from these activities are not calculated but would be negligible.

Credit Suisse AG also continues to hold funds from two wire transfers to non-Iranian customers which were blocked pursuant to Swiss sanctions because Iranian government-owned entities have an interest in such transfers. Such funds are maintained in blocked accounts opened in accordance with Swiss sanctions requirements. Credit Suisse AG derives no revenues or profits from maintenance of these blocked accounts.

**Item 4A. Unresolved staff comments.**

None.

**Item 5. Operating and financial review and prospects.****A – Operating results.**

For Credit Suisse and the Bank, please see II – Operating and financial review on pages 51 to 106 of the attached Annual Report 2016. In addition, for both Credit Suisse and the Bank, please see I – Information on the company – Regulation and supervision on pages 26 to 41 of the attached Annual Report 2016 and III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital management – Shareholders' equity and share metrics – Foreign exchange exposure and interest rate management on page 134 of the attached Annual Report 2016.

**B – Liquidity and capital resources.**

For Credit Suisse and the Bank, please see III – Treasury, Risk, Balance sheet and Off-balance sheet – Liquidity and funding management and – Capital management on pages 108 to 134 of the attached Annual Report 2016. In addition, for Credit Suisse, please see Note 25 – Long-term debt in V – Consolidated financial statements – Credit Suisse Group on pages 296 to 297 and Note 37 – Capital adequacy in V – Consolidated financial statements – Credit Suisse Group on page 372 of the attached Annual Report 2016 and, for the Bank, please see Note 24 – Long-term debt in VII – Consolidated financial statements – Credit Suisse (Bank) on page 447 and Note 36 – Capital adequacy in VII – Consolidated financial statements – Credit Suisse (Bank) on page 496 of the attached Annual Report 2016.

**C – Research and development, patents and licenses, etc.**

Not applicable.

**D – Trend information.**

For Credit Suisse and the Bank, please see Item 5.A of this Form 20-F. In addition, for Credit Suisse and the Bank, please see I – Information on the company – Divisions on pages 18 to 25 of the attached Annual Report 2016.

**E – Off-balance sheet arrangements.**

For Credit Suisse and the Bank, please see III – Treasury, Risk, Balance sheet and Off-balance sheet – Balance sheet, off-balance sheet and other contractual obligations on pages 173 to 176 of the attached Annual Report 2016. In addition, for Credit Suisse, please see Note 32 – Derivatives and hedging activities, Note 33 – Guarantees and commitments and Note 34 – Transfers of financial assets and variable interest entities in V – Consolidated financial statements – Credit Suisse Group on pages 325 to 344 of the attached Annual Report 2016 and, for the Bank, please see Note 31 – Derivatives and hedging activities, Note 32 – Guarantees and commitments, Note 33 – Transfers of financial assets and variable interest entities in VII – Consolidated financial statements – Credit Suisse (Bank) on pages 465 to 477, and Note 13 – Derivative financial instruments in VIII – Parent company financial statements – Credit Suisse (Bank) on pages 532 to 534 of the attached Annual Report 2016.

**F – Tabular disclosure of contractual obligations.**

For Credit Suisse and the Bank, please see III – Treasury, Risk, Balance sheet and Off-balance sheet – Balance sheet, off-balance sheet and other contractual obligations – Contractual obligations and other commercial commitments on page 175 of the attached Annual Report 2016.

**Item 6. Directors, senior management and employees.****A – Directors and senior management.**

For Credit Suisse and the Bank, please see IV – Corporate Governance and Compensation – Corporate Governance – Board of Directors, – Board Committees, – Biographies of the Board Members, – Executive Board and – Biographies of the Executive Board Members on pages 186 to 210 of the attached Annual Report 2016.

**B – Compensation.**

For Credit Suisse and the Bank, please see IV – Corporate Governance and Compensation – Compensation on pages 215 to 248 of the attached Annual Report 2016. In addition, for Credit Suisse, please see Note 11 – Compensation and benefits in V – Consolidated financial statements – Credit Suisse Group on page 278, Note 29 – Employee deferred compensation in V – Consolidated financial statements – Credit Suisse Group on pages 308 to 312, Note 31 – Pension and other post-retirement benefits in V – Consolidated financial statements – Credit Suisse Group on pages 315 to 324, Note 6 – Personnel expenses in VI – Parent company financial statements – Credit Suisse Group on page 407 and Note 23 – Shareholdings of the Board of Directors, Executive Board and employees in VI – Parent company financial statements – Credit Suisse Group on pages 414 to 415 of the attached Annual Report 2016. For the Bank, please see Note 11 – Compensation and benefits in VII – Consolidated financial statements – Credit Suisse (Bank) on page 433, Note 28 – Employee deferred compensation in VII – Consolidated financial statements – Credit Suisse (Bank) on pages 455 to 457, Note 30 – Pension and other post-retirement benefits in VII – Consolidated financial statements – Credit Suisse (Bank) on pages 458 to 464, Note 6 – Personnel expenses in VIII – Parent company financial statements – Credit Suisse (Bank) on page 527, Note 17 – Pension plans in VIII – Parent company financial statements – Credit Suisse (Bank) on pages 536 to 537 and Note 23 – Shareholdings of the Board of Directors, Executive Board and employees and information on compensation plans in VIII – Parent company financial statements – Credit Suisse (Bank) on pages 541 to 542 of the attached Annual Report 2016.

**C – Board practices.**

For Credit Suisse and the Bank, please see IV – Corporate Governance and Compensation – Corporate Governance on pages 178 to 214 of the attached Annual Report 2016.

**D – Employees.**

For Credit Suisse and the Bank, please see IV – Corporate Governance and Compensation – Corporate Governance – Corporate Governance framework – Employee relations on page 180 of the attached Annual Report 2016. In addition, for both Credit Suisse and the Bank, please see II – Operating and financial review – Credit Suisse – Employees on page 60 of the attached Annual Report 2016.

**E – Share ownership.**

For Credit Suisse and the Bank, please see IV – Corporate Governance and Compensation – Compensation on pages 215 to 248 of the attached Annual Report 2016. In addition, for Credit Suisse, please see Note 29 – Employee deferred compensation in V – Consolidated financial statements – Credit Suisse Group on pages 308 to 312, and Note 23 – Shareholdings of the Board of Directors, Executive Board and employees in VI – Parent company financial statements – Credit Suisse Group on pages 414 to 415 of the attached Annual Report 2016. For the Bank, please see Note 28 – Employee deferred compensation in VII – Consolidated financial statements – Credit Suisse (Bank) on pages 455 to 457, and Note 23 – Shareholdings of the Board of Directors, Executive Board and employees and information on compensation plans in VIII – Parent company financial statements – Credit Suisse (Bank) on pages 541 to 542 of the attached Annual Report 2016.

**Item 7. Major shareholders and related party transactions.****A – Major shareholders.**

For Credit Suisse, please see IV – Corporate Governance and Compensation – Corporate Governance – Shareholders on pages 181 to 185 of the attached Annual Report 2016. In addition, for Credit Suisse, please see Note 3 – Business developments, significant shareholders and subsequent events in V – Consolidated financial statements – Credit Suisse Group on pages 271 to 273, Note 17 – Credit Suisse Group shares held by subsidiaries in VI – Parent company financial statements – Credit Suisse Group on page 411, Note 18 – Purchases and sale of treasury shares held by Credit Suisse Group in VI – Parent company financial statements – Credit Suisse Group on page 412 and Note 19 – Significant shareholders in VI – Parent company financial statements – Credit Suisse Group on page 412 of the attached Annual Report 2016. Credit Suisse's major shareholders do not have different voting rights. The Bank has 4,399,680,200 shares outstanding and is a wholly-owned subsidiary of Credit Suisse. See Note 22 – Significant shareholders and groups of shareholders in VIII – Parent company financial statements – Credit Suisse (Bank) on page 540 of the attached Annual Report 2016.

**B – Related party transactions.**

For Credit Suisse and the Bank, please see IV – Corporate Governance and Compensation – Compensation on pages 215 to 248 and – Corporate Governance – Banking relationships with Board and Executive Board Members and related party transactions on page 211 of the attached Annual Report 2016. In addition, for Credit Suisse, please see Note 30 – Related parties in V – Consolidated financial statements – Credit Suisse Group on pages 313 to 314 and Note 21 – Assets and liabilities with related parties in VI – Parent company financial statements – Credit Suisse Group on page 413 of the attached Annual Report 2016. For the Bank, please see Note 29 – Related parties in VII – Consolidated financial statements – Credit Suisse (Bank) on pages 457 to 458 and Note 24 – Amounts receivable from and amounts payable to related parties in VIII – Parent company financial statements – Credit Suisse (Bank) on page 543 of the attached Annual Report 2016.

**C – Interests of experts and counsel.**

Not applicable because this Form 20-F is filed as an annual report.

**Item 8. Financial information.****A – Consolidated statements and other financial information.**

Please see Item 18 of this Form 20-F.

For a description of Credit Suisse's legal and arbitration proceedings, please see Note 39 – Litigation in V – Consolidated financial statements – Credit Suisse Group on pages 374 to 382 of the attached Annual Report 2016. For a description of the Bank's legal and arbitration proceedings, please see Note 38 – Litigation in VII – Consolidated financial statements – Credit Suisse (Bank) on page 497 of the attached Annual Report 2016.

For a description of Credit Suisse's policy on dividend distributions, please see III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital management – Shareholders' Equity and Share Metrics – Dividends and dividend policy on page 134 of the attached Annual Report 2016.

**B – Significant changes.**

None.

**Item 9. The offer and listing.**

**A – Offer and listing details, C – Markets.**

For information regarding the price history of Credit Suisse Group shares and the stock exchanges and other regulated markets on which they are listed or traded, please see IX – Additional information – Other information – Listing details on page 567 of the attached Annual Report 2016. Shares of the Bank are not listed.

**B – Plan of distribution, D – Selling shareholders, E – Dilution, F – Expenses of the issue.**

Not required because this Form 20-F is filed as an annual report.

**Item 10. Additional information.**

**A – Share capital.**

Not required because this Form 20-F is filed as an annual report.

**B – Memorandum and Articles of Association.**

For Credit Suisse, please see IV – Corporate Governance and Compensation – Corporate Governance – Corporate governance framework, – Shareholders and – Board of Directors on pages 178 to 191 of the attached Annual Report 2016. In addition, for Credit Suisse, please see IX – Additional information – Other information – Exchange controls and – American Depositary Shares on page 563 of the attached Annual Report 2016. Shares of the Bank are not listed.

**C – Material contracts.**

Neither Credit Suisse nor the Bank has any contract that would constitute a material contract for the two years immediately preceding this Form 20-F.

**D – Exchange controls.**

For Credit Suisse and the Bank, please see IX – Additional information – Other information – Exchange controls on page 563 of the attached Annual Report 2016.

**E – Taxation.**

For Credit Suisse, please see IX – Additional information – Other information – Taxation on pages 563 to 566 of the attached Annual Report 2016. The Bank does not have any public shareholders.

**F – Dividends and paying agents.**

Not required because this Form 20-F is filed as an annual report.

**G – Statement by experts.**

Not required because this Form 20-F is filed as an annual report.

**H – Documents on display.**

Credit Suisse and the Bank file annual reports on Form 20-F and furnish or file quarterly and other reports on Form 6-K and other information with the SEC pursuant to the requirements of the Securities Exchange Act of 1934, as amended. These materials are available to the public over the Internet at the SEC's website at [www.sec.gov](http://www.sec.gov) and from the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 (telephone 1-800-SEC-0330). SEC reports are also available for review at the offices of the New York Stock Exchange, 20 Broad Street, New York, NY 10005. Further, our reports on Form 20-F, Form 6-K and certain other materials are available on the Credit Suisse website at [www.credit-suisse.com](http://www.credit-suisse.com). Information contained on our website and apps are not incorporated by reference into this Form 20-F.

In addition, Credit Suisse's parent company financial statements, together with the notes thereto, are set forth on pages 399 to 416 of the attached Annual Report 2016 and incorporated by reference herein. The Bank's parent company financial statements, together with the notes thereto, are set forth on pages 503 to 546 of the attached Annual Report 2016 and incorporated by reference herein.

**I – Subsidiary information.**

Not applicable.

**Item 11. Quantitative and qualitative disclosures about market risk.**

For Credit Suisse and the Bank, please see I – Information on the company – Risk factors on pages 42 to 50 and III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management on pages 135 to 172 of the attached Annual Report 2016.

**Item 12. Description of securities other than equity securities.**

**A – Debt Securities, B – Warrants and Rights, C – Other Securities.**

Not required because this Form 20-F is filed as an annual report.

**D – American Depositary Shares.**

For Credit Suisse, please see IV – Corporate Governance and Compensation – Corporate Governance – Additional information – Fees and charges for holders of ADS on page 214 of the attached Annual Report 2016. Shares of the Bank are not listed.

## Part II

**Item 13. Defaults, dividend arrearages and delinquencies.**

None.

**Item 14. Material modifications to the rights of security holders and use of proceeds.**

None.

**Item 15. Controls and procedures.**

For Credit Suisse's management report and the related report from the Group's independent auditors, please see Controls and procedures and Report of the Independent Registered Public Accounting Firm in V – Consolidated financial statements – Credit Suisse Group on pages 397 to 398 of the attached Annual Report 2016. For the Bank's management report and the related report from the Bank's independent auditors, please see Controls and procedures and Report of the Independent Registered Public Accounting Firm in VII – Consolidated financial statements – Credit Suisse (Bank) on pages 501 to 502 of the attached Annual Report 2016.

**Item 16A. Audit committee financial expert.**

For Credit Suisse and the Bank, please see IV – Corporate Governance and Compensation – Corporate Governance – Board of Directors – Board committees – Audit Committee on pages 192 to 193 of the attached Annual Report 2016.

**Item 16B. Code of ethics.**

For Credit Suisse and the Bank, please see IV – Corporate Governance and Compensation – Corporate Governance – Corporate governance framework on pages 178 to 180 of the attached Annual Report 2016.



**Item 16C. Principal accountant fees and services.**

For Credit Suisse and the Bank, please see IV – Corporate Governance and Compensation – Corporate Governance – External audit on page 212 of the attached Annual Report 2016.

**Item 16D. Exemptions from the listing standards for audit committee.**

None.

**Item 16E. Purchases of equity securities by the issuer and affiliated purchasers.**

For Credit Suisse, please see III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital management – Shareholders' Equity and Share Metrics – Share repurchases on page 133 of the attached Annual Report 2016. The Bank does not have any class of equity securities registered pursuant to Section 12 of the Exchange Act.

**Item 16F. Change in registrants' certifying accountant.**

None.

**Item 16G. Corporate governance.**

For Credit Suisse, please see IV – Corporate Governance and Compensation – Corporate Governance – Additional Information – Complying with rules and regulations on page 213 of the attached Annual Report 2016. Shares of the Bank are not listed.

**Item 16H. Mine Safety Disclosure.**

None.

**Part III****Item 17. Financial statements.**

Not applicable.

**Item 18. Financial statements.**

Credit Suisse's consolidated financial statements, together with the notes thereto and the Report of the Independent Registered Public Accounting Firm thereon, are set forth on pages 249 to 398 of the attached Annual Report 2016 and incorporated by reference herein. The Bank's consolidated financial statements, together with the notes thereto (and any notes or portions thereof in the consolidated financial statements of Credit Suisse Group referred to therein) and the Report of the Independent Registered Public Accounting Firm thereon, are set forth on pages 417 to 502 of the attached Annual Report 2016 and incorporated by reference herein.

**Item 19. Exhibits.**

- 1.1 Articles of association (Statuten) of Credit Suisse Group AG as of October 26, 2016 (incorporated by reference to Exhibit 3.1 of Credit Suisse Group AG's current report on Form 6-K filed on November 8, 2016).
- 1.2 Articles of association (Statuten) of Credit Suisse AG as of September 4, 2014 (incorporated by reference to Exhibit 1.2 of Credit Suisse Group AG's and Credit Suisse AG's annual report on Form 20-F for the year ended December 31, 2014 filed on March 20, 2015).
- 1.3 Organizational Guidelines and Regulations of Credit Suisse Group AG and Credit Suisse AG as of February 9, 2017.
- 2.1 Pursuant to the requirement of this item, we agree to furnish to the SEC upon request a copy of any instrument defining the rights of holders of long-term debt of us or of our subsidiaries for which consolidated or unconsolidated financial statements are required to be filed.
- 4.1 Agreement, dated February 13, 2011, among Competrol Establishment, Credit Suisse Group (Guernsey) II Limited and Credit Suisse Group AG (incorporated by reference to Exhibit 99.1 of Credit Suisse Group AG's and Credit Suisse AG's current report on Form 6-K filed on March 12, 2013).
- 4.2 Agreement, dated February 13, 2011, among Qatar Holding LLC, Credit Suisse Group (Guernsey) II Limited and Credit Suisse Group AG (incorporated by reference to Exhibit 99.2 of Credit Suisse Group AG's and Credit Suisse AG's current report on Form 6-K filed on March 12, 2013).
- 4.3 Amendment Agreement, dated July 18, 2012, among Competrol Establishment, Credit Suisse Group (Guernsey) II Limited, Credit Suisse Group AG and Credit Suisse AG, acting through its Guernsey Branch (incorporated by reference to Exhibit 99.3 of Credit Suisse Group AG's and Credit Suisse AG's current report on Form 6-K filed on March 12, 2013).
- 4.4 Purchase and Underwriting Agreement, dated as of July 17, 2012, between Credit Suisse AG and Competrol Establishment (incorporated by reference to Exhibit 4.4 of Credit Suisse Group AG's and Credit Suisse AG's annual report on Form 20-F for the year ended December 31, 2012 filed on March 22, 2013).
- 4.5 Purchase and Underwriting Agreement, dated as of July 18, 2012, between Credit Suisse AG and Qatar Holding LLC (incorporated by reference to Exhibit 4.5 of Credit Suisse Group AG's and Credit Suisse AG's annual report on Form 20-F for the year ended December 31, 2012 filed on March 22, 2013).
- 4.6 Agreement, dated October 10, 2013, among Qatar Holding LLC, Credit Suisse Group (Guernsey) II Limited, Credit Suisse Group AG and Credit Suisse AG, acting through its Guernsey Branch (incorporated by reference to Exhibit 4.6 of Credit Suisse Group AG's and Credit Suisse AG's annual report on Form 20-F for the year ended December 31, 2013 filed on April 3, 2014).
- 7.1 Computations of ratios of earnings to fixed charges of Credit Suisse and of the Bank are set forth under IX – Additional Information – Statistical information – Ratio of earnings to fixed charges – Group and – Ratio of earnings to fixed charges – Bank on page 562 of the attached Annual Report 2016 and incorporated by reference herein.
- 8.1 Significant subsidiaries of Credit Suisse are set forth in Note 40 – Significant subsidiaries and equity method investments in V – Consolidated financial statements – Credit Suisse Group on pages 383 to 385, and significant subsidiaries of the Bank are set forth in Note 39 – Significant subsidiaries and equity method investments in VII – Consolidated financial statements – Credit Suisse (Bank) on pages 498 to 500 of the attached Annual Report 2016 and incorporated by reference herein.
- 9.1 Consent of KPMG AG, Zurich with respect to Credit Suisse Group AG consolidated financial statements.
- 9.2 Consent of KPMG AG, Zurich with respect to the Credit Suisse AG consolidated financial statements.
- 12.1 Rule 13a-14(a) certification of the Chief Executive Officer of Credit Suisse Group AG and Credit Suisse AG, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 12.2 Rule 13a-14(a) certification of the Chief Financial Officer of Credit Suisse Group AG and Credit Suisse AG, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 13.1 Certifications pursuant to 18 U.S.C. Section 1350, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for Credit Suisse Group AG and Credit Suisse AG.
- 101.1 Interactive Data Files (XBRL-Related Documents).

## SIGNATURES

Each of the registrants hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

### **CREDIT SUISSE GROUP AG**

(Registrant)

Date: March 24, 2017

/s/ Tidjane Thiam

Name: Tidjane Thiam

Title: Chief Executive Officer

/s/ David R. Mathers

Name: David R. Mathers

Title: Chief Financial Officer

### **CREDIT SUISSE AG**

(Registrant)

Date: March 24, 2017

/s/ Tidjane Thiam

Name: Tidjane Thiam

Title: Chief Executive Officer

/s/ David R. Mathers

Name: David R. Mathers

Title: Chief Financial Officer

**Exhibit 9.1**

**Consent of the Independent Registered Public Accounting Firm to the Board of Directors of Credit Suisse Group AG**

We consent to the incorporation by reference in the registration statement (No. 333-202913) on Form F-3 and in the registration statements (No. 333-101259 and No. 333-208152) on Form S-8 of Credit Suisse Group AG of our reports dated March 24, 2017 with respect to the consolidated balance sheets of Credit Suisse Group AG and its subsidiaries (the "Group") as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income, changes in equity and cash flows for each of the years in the three-year period ended December 31, 2016, and the effectiveness of internal control over financial reporting as of December 31, 2016, which reports appear in the December 31, 2016 annual report on Form 20-F of the Group.

KPMG AG

/s/ Nicholas Edmonds  
Nicholas Edmonds  
*Licensed Audit Expert*  
Auditor in Charge

/s/ Anthony Anzevino  
Anthony Anzevino  
*Global Lead Partner*

Zurich, Switzerland  
March 24, 2017

**Exhibit 9.2****Consent of the Independent Registered Public Accounting Firm to the Board of Directors of Credit Suisse AG**

We consent to the incorporation by reference in the registration statement (No. 333-202913) on Form F-3 of Credit Suisse AG of our reports dated March 24, 2017 with respect to the consolidated balance sheets of Credit Suisse AG and its subsidiaries (the "Bank") as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income, changes in equity and cash flows for each of the years in the three-year period ended December 31, 2016, and the effectiveness of internal control over financial reporting as of December 31, 2016, which reports appear in the December 31, 2016 annual report on Form 20-F of the Bank.

KPMG AG

/s/ Nicholas Edmonds  
Nicholas Edmonds  
*Licensed Audit Expert*  
Auditor in Charge

/s/ Anthony Anzevino  
Anthony Anzevino  
*Global Lead Partner*

Zurich, Switzerland  
March 24, 2017

### Exhibit 12.1

I, Tidjane Thiam, certify that:

1. I have reviewed this annual report on Form 20-F of Credit Suisse Group AG and Credit Suisse AG;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrants as of, and for, the periods presented in this report;
4. The registrants' other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrants and we have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrants, including their consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - c) evaluated the effectiveness of the registrants' disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrants' internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is likely to materially affect, the registrants' internal control over financial reporting; and
5. The registrants' other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrants' auditors and the audit committee of each of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrants' ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrants' internal control over financial reporting.

Dated: March 24, 2017

/s/ Tidjane Thiam

Name: Tidjane Thiam

Title: Chief Executive Officer of Credit Suisse Group AG and Credit Suisse AG

**Exhibit 12.2**

I, David R. Mathers, certify that:

1. I have reviewed this annual report on Form 20-F of Credit Suisse Group AG and Credit Suisse AG;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrants as of, and for, the periods presented in this report;
4. The registrants' other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrants and we have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrants, including their consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - c) evaluated the effectiveness of the registrants' disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrants' internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is likely to materially affect, the registrants' internal control over financial reporting; and
5. The registrants' other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrants' auditors and the audit committee of each of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrants' ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrants' internal control over financial reporting.

Dated: March 24, 2017

/s/ David R. Mathers

Name: David R. Mathers

Title: Chief Financial Officer of Credit Suisse Group AG and Credit Suisse AG

**Exhibit 13.1**

**Annual Certification**

**Pursuant to Section 906 of the Sarbanes – Oxley Act of 2002**

Pursuant to subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code, each of the undersigned officers of Credit Suisse Group AG and Credit Suisse AG, incorporated in Switzerland (the “Companies”), does hereby certify, to such officer’s knowledge, that:

The Annual Report on Form 20-F for the year ended December 31, 2016 of the Companies fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in this Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Companies for such period presented.

Dated: March 24, 2017

/s/ Tidjane Thiam

Name: Tidjane Thiam

Title: Chief Executive Officer of Credit Suisse Group AG and Credit Suisse AG

Dated: March 24, 2017

/s/ David R. Mathers

Name: David R. Mathers

Title: Chief Financial Officer of Credit Suisse Group AG and Credit Suisse AG



# Annual Report 2016

Credit Suisse Group AG & Credit Suisse AG



# Key metrics

	in / end of			% change	
	2016	2015	2014	16 / 15	15 / 14
<b>Credit Suisse (CHF million, except where indicated)</b>					
Net income/(loss) attributable to shareholders	(2,710)	(2,944)	1,875	(8)	–
of which from continuing operations	(2,710)	(2,944)	1,773	(8)	–
Basic earnings/(loss) per share from continuing operations (CHF)	(1.32)	(1.73)	0.99	(24)	–
Diluted earnings/(loss) per share from continuing operations (CHF)	(1.32)	(1.73)	0.98	(24)	–
Return on equity attributable to shareholders (%)	(6.1)	(6.8)	4.4	–	–
Effective tax rate (%)	(19.5)	(21.6)	38.7	–	–
<b>Core Results (CHF million, except where indicated)</b>					
Net revenues	21,594	23,286	24,404	(7)	(5)
Provision for credit losses	141	187	153	(25)	22
Total operating expenses	17,960	22,869	17,517	(21)	31
Income before taxes	3,493	230	6,734	–	(97)
Cost/income ratio (%)	83.2	98.2	71.8	–	–
<b>Assets under management and net new assets (CHF billion)</b>					
Assets under management from continuing operations	1,251.1	1,214.1	1,368.7	3.0	(11.3)
Net new assets from continuing operations	26.8	46.9	29.9	(42.9)	56.9
<b>Balance sheet statistics (CHF million)</b>					
Total assets	819,861	820,805	921,462	0	(11)
Net loans	275,976	272,995	272,551	1	0
Total shareholders' equity	41,897	44,382	43,959	(6)	1
Tangible shareholders' equity	36,771	39,378	35,066	(7)	12
<b>Basel III regulatory capital and leverage statistics</b>					
CET1 ratio (%)	13.5	14.3	14.9	–	–
Look-through CET1 ratio (%)	11.5	11.4	10.1	–	–
Look-through CET1 leverage ratio (%)	3.2	3.3	2.5	–	–
Look-through Tier 1 leverage ratio (%)	4.4	4.5	3.5	–	–
<b>Share information</b>					
Shares outstanding (million)	2,089.9	1,951.5	1,599.5	7	22
of which common shares issued	2,089.9	1,957.4	1,607.2	7	22
of which treasury shares	0.0	(5.9)	(7.7)	100	(23)
Book value per share (CHF)	20.05	22.74	27.48	(12)	(17)
Tangible book value per share (CHF)	17.59	20.18	21.92	(13)	(8)
Market capitalization (CHF million)	30,533	42,456	40,308	(28)	5
Dividend per share (CHF)	0.70	0.70	0.70	–	–
<b>Number of employees (full-time equivalents)</b>					
Number of employees	47,170	48,210	45,840	(2)	5

See relevant tables for additional information on these metrics.


# Overview: 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](http://credit-suisse.com/ar)

## Corporate Responsibility Report

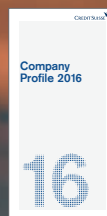


The Corporate Responsibility Report describes how Credit Suisse Group assumes its various responsibilities as a bank towards society and the environment.

This publication is complemented by the Responsibility Chronicle, which adds a multimedia dimension to our reporting.

 [credit-suisse.com/crr](http://credit-suisse.com/crr)

## Company Profile



The Company Profile contains a summary of Credit Suisse Group's strategic direction and organizational structure.

 [credit-suisse.com/cp](http://credit-suisse.com/cp)





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# Annual Report 2016

Credit Suisse Group AG & Credit Suisse AG

## Credit Suisse Apps

### Available in the App Store and Google Play Store




#### 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.



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## INTERVIEW WITH THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

### Several unexpected geopolitical events occurred in 2016. How did they impact Credit Suisse's business?

**Urs Rohner:** The extent to which macro-economic developments as well as some major geopolitical events affected our business varied across the regions in which we operate. We saw significant additional volatility in the immediate aftermath of the UK's referendum on continued EU membership, as well as market movements following the US presidential election and, to a lesser extent, the referendum in Italy. These events initially triggered widespread uncertainty across international financial markets, which affected investor confidence. Overall, I believe that Credit Suisse's exposure to these developments was relatively limited, and we were well prepared due to our continued investments in our risk and control functions. Importantly, it was not only one-off events but also several continued trends that shaped our operating environment in 2016, notably the continued low – and, in some cases, negative – interest rates, the sluggish economic recovery across the developed world and declining growth rates in emerging Asia – although they remain higher than the growth rates across the developed world. These trends remain broadly unchanged and make it more challenging for our industry to generate sustained profits.

### How does the Board of Directors ensure that it can anticipate and mitigate the effects of future challenging events which affect Credit Suisse?

**Urs Rohner:** Due to the significant impact that macroeconomic and regulatory developments can have on our business and operations, we continually monitor and examine our positioning and direction. Some events are essentially impossible to predict, others – such as digital disruption or cybersecurity – can be approached quite comprehensively and an organization can prepare for them. In 2016, in addition to several standing agenda items, the Board of Directors again devoted particular attention to digitally driven innovation and the effectiveness of our cybersecurity framework.

### Following the announcement of Credit Suisse's new strategic direction in the fall of 2015, how was its execution impacted by external events last year?

**Tidjane Thiam:** 2016 was a year of considerable change for Credit Suisse. We can look back at a challenging and busy

12 months, but thanks to the dedication of our teams around the globe, we stayed close to our clients and were able to make good progress against our key objectives of generating profitable, compliant growth, reducing fixed costs and strengthening our capital base. As the Chairman has already noted, the implementation of our announced strategy coincided with a period of considerable volatility in the financial markets, which was most pronounced in the first part of 2016, with a major decrease in oil prices, significant increases in credit spreads and a major drop in market activity levels. These conditions were further heightened by a number of geopolitical developments. We nevertheless stayed firmly on course with our long-term strategic realignment and ensured that we were well organized to mitigate risks around significant political developments, such as the aforementioned UK referendum on continued EU membership.

Building a strong capital position was a core objective of our strategy throughout the year. The significant improvement in our capital ratios since we announced our strategy in October 2015 was achieved through the effective use of a combination of levers at our disposal, including strict and disciplined capital allocation, directing capital towards activities that we believed offered the best return on capital and the best organic capital generation, and the disposal of certain non-core assets and businesses. By end-2016, we reported a look-through common equity tier 1 (CET1) ratio of 11.5% after we reached a settlement with the US Department of Justice (DOJ) in relation to our legacy residential mortgage-backed securities (RMBS) business – a business conducted through 2007. We significantly lowered our adjusted\* operating cost base and achieved CHF 1.9 billion<sup>1</sup> of net savings during the year. This means that we exceeded our end-2016 target of CHF 1.4 billion by a meaningful margin. Importantly, we delivered these cost reductions while investing CHF 0.5 billion in strengthening our client franchises and improving our control framework. This has resulted in a significant increase in operating leverage for the bank going forward.

We were pleased with the preparations we made ahead of a number of significant market events in 2016. Again, the UK referendum in mid-2016 is a good example; our careful planning and coordination of our trading, risk and support functions proved effective and we stood out by our ability to provide our clients with seamless and

uninterrupted market access throughout the day in what were extremely volatile trading conditions. The hard work of our teams enabled us to handle significantly increased volumes, coupled with extreme price volatility in many asset classes, and helped us to provide quality execution for our clients.

### From your perspective, what were the most decisive events for Credit Suisse in the past 12 months?

**Urs Rohner:** The successful launch of operations of our Swiss legal entity Credit Suisse (Schweiz) AG in November 2016 was without a doubt one of the key events of the past year. This critical and highly complex undertaking was completed on schedule and designed to enhance the Group's resolvability in accordance with regulatory requirements. Another defining event for Credit Suisse was the final settlement reached with the DOJ in relation to our legacy RMBS business – a business conducted through 2007. This settlement removed a major source of uncertainty for the bank. It was a key strategic objective to put this matter behind us and we are pleased to have reached an amicable settlement while also safeguarding the interests of our stakeholders. The bank can now draw a line under this matter and we can focus our full attention on the future.

**Tidjane Thiam:** Credit Suisse is delivering profitable growth which is a key aspect of our long-term strategy as outlined in October 2015. In our Wealth Management businesses we attracted CHF 27.5 billion<sup>2</sup> of net asset inflows in 2016, an increase of 53% compared to 2015. Importantly, this growth was not achieved at the expense of profitability, as we were able to attract higher inflows and importantly at higher margins. We are beginning to see the benefits of our integrated approach to serving ultra-high-net-worth individual and entrepreneur clients that combines our wealth management offering with our advisory and financing capabilities. We ended 2016 with record assets under management of CHF 733 billion<sup>3</sup>, an increase of 8% from the end of 2015. That is a strong performance for a wealth manager of our size, which we believe is a key driver of our medium-term earnings potential.

Our global advisory and underwriting franchise had a very good year with particular strength in the fourth quarter of 2016 – and good momentum in 2017. Here too we have been able to significantly increase both our market share and our profitability in 2016.



In Global Markets, we have substantially completed our rightsizing and the benefits of the deep restructuring that we have conducted are starting to emerge. Importantly, through this major restructuring effort, Global Markets remained profitable and we were able to maintain our leading market positions across our core franchises in 2016.

The successful start of operations of our new Swiss legal entity in November 2016 was clearly an important milestone and underscores our continued commitment to our Swiss home market.

We are dealing proactively with our remaining legacy issues. In January 2017, we reached a final settlement with the DOJ related to our legacy RMBS business – a business conducted through 2007. For us, it was a key objective to put this matter behind us. In reaching that settlement, we have removed a major source of uncertainty for our bank, and we can now more effectively focus our full attention on serving our clients and managing our business. In parallel, in our Strategic Resolution Unit (SRU), we have continued to make progress in disposing of legacy positions and in derisking. This progress is central to the restructuring of the Group, as it helps to free up capital resources to be redeployed to areas where we expect to produce higher returns such as the Swiss Universal Bank, Asia Pacific and International Wealth Management divisions.

#### **Capital and liquidity remain important indicators of stability in the financial sector. How did Credit Suisse's capital position develop in 2016?**

**Urs Rohner:** Maintaining a strong capital position for the Group is a key priority for the Board of Directors, for our investors and our regulators, especially through this transitional period for the Group. In 2016, the management team made good progress towards our goals. This was achieved through highly disciplined capital management and the improvement in the profitability of select businesses. Nonetheless, our focus on capital strength remains. That said, we are now in a position where we have optionality in terms of how we execute, and we expect the capital build-up will shift more and more to capital accretion out of our businesses as the exit costs of the SRU decrease.

**Tidjane Thiam:** In 2016, we focused on rightsizing our trading activities in line with our strategic direction, as well as on freeing up capital from business areas that we wanted to exit. In both respects, we made significant progress which has enabled us to strengthen our capital ratios and simultaneously invest in growth areas. We closed the year with a reported look-through CET1 ratio of 11.5%, even after the settlement with the DOJ relating to our legacy RMBS business. This represents an increase of 130 basis points compared to the third quarter 2015. Without taking into account the impact of the RMBS settlement with the DOJ, we would have achieved our highest ever look-through CET1 ratio of 12.4%<sup>18</sup>. We will continue to prioritize balance sheet strength going forward and we are committed to maintaining a look-through CET1 ratio of between 11-12% during the course of 2017, excluding the impact of the planned partial initial public offering (IPO) of Credit Suisse (Schweiz) AG, market conditions permitting, by the end of 2017<sup>6</sup>.

#### **How did the regulatory landscape evolve in 2016 and how does Credit Suisse respond to the development of new regulatory standards?**

**Urs Rohner:** There are two areas of particular importance, from my perspective. First, the increased expectations of regulators in terms of availability of reporting, as well as accuracy and granularity of data against the backdrop of ongoing technological development in data management. Accordingly, data modelling and forecasting of financial resources are becoming increasingly important. But also, the regulatory focus on stress tests as an extension of prudential regulation requires substantial investment into infrastructure and data management. Second, prudential regulation, particularly capital and liquidity requirements are still incomplete, pending final agreement of the Basel Committee on Banking Supervision (BCBS). Further, the consistent Net Stable Funding Ratio implementation is also slowing as a result of the changed political landscape in 2016. However, in Switzerland, some of the reforms were anticipated in the regulation ahead of the final BCBS provisions.

While we were building up our liquidity position and adjusted our capital and total loss-absorbing capital in line with the Swiss "Too-Big-to-Fail" regulations, we consider it important that a level playing field is now established at the international level. For

this, Credit Suisse is actively engaging with international standard setting bodies, like the BCBS and the Financial Stability Board, as well as industry forums to ensure that the impact of regulation is made transparent and that all information is available before finalizing regulations.

#### **What triggered the decisions to accelerate parts of the strategy as originally outlined at Investor Day 2015?**

**Tidjane Thiam:** When you embark on a restructuring of this magnitude, it is important to remain agile and to adapt your plan in the near to medium term if market conditions change, in order to stay on course to reach your long-term objectives. If we look back at the first quarter of 2016 in particular, we were faced with some of the most challenging market conditions on record with extreme levels of volatility across fixed income and commodities. Across the industry, banks were faced with sharp declines in client activity levels and significantly lower transaction volumes. However, we reacted quickly. To mitigate the impact of these market conditions on our business, we used a number of levers – specifically cost control and reductions in risk-weighted assets and leverage. We accelerated our cost savings program and further increased our end-2016 cost savings target across the Group.

#### **What are the next milestones for Credit Suisse?**

**Tidjane Thiam:** We are continuing to make strong progress in the execution of our strategic plan. During 2016, we delivered CHF 1.9 billion<sup>1</sup> of net cost savings, lowered our breakeven point and created operating leverage as markets recovered. We believe that we are starting to see the benefits of our leading client franchises across wealth management and investment banking, combined with the investments we made during 2016. We have made a good start to 2017 and believe that we are well placed to create value for our clients and shareholders going forward.

**Urs Rohner:** 2016 was clearly a transitional year for the bank. We are already seeing the results of our work across the regions and divisions, which is very important for all stakeholders, and our shareholders in particular. In 2017, we will continue to follow the path announced on our Investor Days in 2015 and 2016, with even stronger performance pursued across our franchise.

<sup>1</sup> 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

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2016 was a year of good progress as we worked intensively to make Credit Suisse a stronger and more efficient organization focused on servicing our clients and on creating long-term value for our shareholders.

### **Dear shareholders, clients and colleagues**

In 2016, we embarked on the first full year of our strategic plan. Throughout the past year, we remained focused on reinforcing Credit Suisse's position as a leading wealth manager with strong investment banking capabilities. In doing so, we took a geographically balanced approach allowing us to capitalize on both the vast pool of wealth available in mature markets and the significant wealth and asset growth taking place across emerging economies.

Thanks to our strong client franchise and the dedication of our teams around the globe, we made good progress toward our key objectives in 2016 of generating profitable, compliant growth, reducing fixed costs and strengthening our capital base. We were able to significantly reduce our operating cost base and increase our operating leverage, while investing in growth businesses and further improving our control framework. We attracted strong net new assets, delivered profitable growth across our Wealth Management businesses and significantly strengthened our capital position notably through disciplined capital allocation, directing capital towards activities we believe to offer the best return on capital and the best organic capital generation and through the targeted disposal of certain non-core assets and businesses. Importantly, in December 2016, we reached a settlement in principle, followed by a final settlement in January 2017, with the US Department of Justice (DOJ) regarding our legacy residential mortgage-backed securities (RMBS) business – a business conducted through 2007. We are pleased to have reached an amicable settlement in connection with this significant legacy issue, while also safeguarding the interests of our clients, employees and other stakeholders, allowing us to focus our efforts and resources on the future.

The first year of implementing our long-term strategy coincided with a period of considerable volatility in the financial markets, which was most pronounced in the first part of 2016, with a major decrease in oil prices, significant increases in credit spreads and a major drop in market activity levels. These conditions were further heightened by a number of significant political developments. Against this backdrop, we were able to significantly reduce our adjusted\* operating cost base with CHF 1.9 billion<sup>1</sup> of net cost savings during the year, exceeding our end-2016 target of CHF 1.4 billion and taking our adjusted\* cost base from CHF 21.2 billion to CHF 19.4 billion measured at constant foreign exchange rates at the end of 2016, compared to our target of below CHF 19.8 billion. Importantly, we have lowered costs while continuing to invest for the future, with CHF 0.5 billion strengthening our client franchises and improving our control framework. These actions led to

a significant increase in operating leverage for the bank going forward. At our Investor Day in December 2016, we raised our end-2018 net cost savings target from CHF 3.2 billion to over CHF 4.2 billion and we are on track to achieve our end-2018 target operating cost base of below CHF 17.0 billion. We also reaffirmed our 2018 profit targets across our Wealth Management businesses. Given the challenging market conditions, we adjusted down our pre-tax income targets relating to our markets and trading activities in Asia Pacific (APAC) and our Asset Management business in International Wealth Management (IWM). We believe the operating leverage we are creating will protect our profitability in periods of unsupportive market conditions, while providing significant upside for our shareholders when conditions improve – taking us closer to our strategic objective of being able to generate capital through the cycle.

Importantly, our regionally focused organization brings us closer to our clients and improves connectivity between our core businesses. In particular, our integrated approach to serving ultra-high-net-worth individual (UHNWI) and entrepreneur clients is proving effective and showing strong momentum. In 2016, the profitable growth achieved in our Core activities led to adjusted\* pre-tax income of CHF 3,558 million, and we recorded an adjusted\* pre-tax loss of CHF 2,943 million in the Strategic Resolution Unit (SRU). Across our Wealth Management businesses, we significantly strengthened our asset gathering capabilities, resulting in strong net new asset inflows of CHF 27.5 billion<sup>2</sup> – an increase of 53% compared to 2015. This growth was not achieved at the expense of profitability, as we were able to attract higher inflows and importantly at higher margins, as demonstrated by the increase in our adjusted\* gross margin from 112 basis points<sup>3</sup> to 114 basis points compared to 2015. These inflows reflect the strength, diversification and scale of our Wealth Management platform. At end-2016, assets under management in Wealth Management reached a record CHF 733 billion<sup>2</sup>, an increase of 8% year on year. This is, in part, the result of our balanced approach to growth between mature markets and emerging markets, where we achieved growth rates of 2% and 7%, respectively.

In our home market Switzerland, the Swiss Universal Bank (SUB) improved its profitability with adjusted\* pre-tax income (excluding Swisscard<sup>3</sup>) of CHF 1,738 million, up 9% from 2015. This represents a good performance in the context of challenging market conditions and notably low or, in some cases, continued negative interest rates. We remain on track to achieve our end-2018 adjusted\* pre-tax income target of CHF 2.3 billion.



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

In SUB Wealth Management, mandates penetration was 30% in the fourth quarter of 2016, an increase of 4 percentage points compared to the same period of 2015, primarily driven by Credit Suisse Invest. In 2016, asset inflows were CHF 2.1 billion, offset by further outflows from our proactive actions to implement selected External Asset Manager (EAM) exits and regularization of CHF 3.8 billion. Assets under management remained solid at CHF 242.9 billion at end-2016. Our market-leading Corporate & Institutional Banking business delivered a strong performance for the full year and additionally, we retained our number one positions in terms of announced mergers & acquisitions (M&A) transactions<sup>4</sup> and debt capital market deals<sup>5</sup>. Our pipeline of business is strong and includes our advisory role in Johnson & Johnson's announced USD 30 billion acquisition of the Swiss biotech firm Actelion Pharmaceuticals Ltd.

Further, we reached a milestone with the successful launch of operations of our Swiss legal entity Credit Suisse (Schweiz) AG. This step enhances the Group's resolvability, in accordance with regulatory requirements. We are on track with the preparatory work for a planned partial initial public offering (IPO) of Credit Suisse (Schweiz) AG in the second half of 2017, market conditions permitting<sup>6</sup> and subject to the approval of the Board of Directors.

IWM delivered a strong performance in 2016 with 9% growth in adjusted\* pre-tax income to CHF 1,109 million and an increase in revenues in a challenging market environment. Adjusted\* total operating expenses remained stable compared to the previous year, reflecting IWM's success in combining investments in growth with disciplined cost reductions. Overall, IWM generated an adjusted\* return on regulatory capital<sup>7</sup> of 23% for 2016.

In IWM Wealth Management, adjusted\* net revenues increased by 3% to CHF 3,317 million in 2016, with higher net interest income. Assets under management increased 12% to CHF 323.2 billion, including strong net asset inflows of CHF 15.6 billion across emerging markets and Europe, representing an annual growth rate of 5%, or 7% before regularization outflows of CHF 5.7 billion, mainly in Latin America. The strong net asset inflows in 2016 highlight the success of our integrated approach to the coverage of strategic clients and of our balanced approach to mature and emerging markets, as we achieved positive net new assets in mature European markets as well as in Emerging Europe, the Middle East and Africa.

In IWM Asset Management, we achieved a significant rebound in profitability in 2016. A combination of successful product launches, improved performance, higher placement revenues and disciplined cost management resulted in a 54% increase in adjusted\* pre-tax income to CHF 287 million in 2016 compared to 2015.

APAC significantly increased its profitability in Wealth Management and connected activities<sup>8</sup> with pro-forma pre-tax income of CHF 513 million in 2016 compared to 2015 and a pro-forma return on regulatory capital<sup>7</sup> of 23% in 2016. The resilience of our client-driven integrated model and the geographic diversification of our franchise allowed us to increase our profits and underwriting and advisory business market share in challenging markets<sup>9</sup>. Net new assets remained solid with inflows of CHF 13.6 billion during the year and we reached record average assets under management of CHF 166.9 billion in 2016. In the underwriting and advisory business, we ranked number one in terms of share of wallet in Asia Pacific ex-Japan among international banks.<sup>9</sup> Equity sales and trading revenues decreased 30% in 2016 compared to 2015 as they were adversely impacted by lower client activity in Greater China. Fixed income sales and trading revenues remained resilient in 2016.

In March 2016, we announced the acceleration of our restructuring in Global Markets (GM) and continued to focus on increasing capital efficiency as well as reducing our risk profile by operating below USD 60 billion of risk-weighted assets (RWA) and USD 290 billion leverage exposure by end-2016. This rightsizing was substantially completed by end-2016, with GM reducing its RWA in US dollars by 20% compared to 2015. In spite of this deep restructuring effort, we remained profitable in 2016 with adjusted\* pre-tax income of USD 284 million for 2016. The Credit franchise showed strong momentum, while our Cash Equities and Prime Services businesses in the Americas remained resilient, offset by continued muted client activity in Europe, Middle East and Africa (EMEA), while revenues in Solutions were impacted by

low levels of volatility in equity derivatives. At the same time, we delivered a substantial reduction in adjusted\* operating expenses of USD 682 million for 2016 compared to 2015. GM ended 2016 with an annualized<sup>10</sup> adjusted\* operating cost base of less than USD 5.2 billion<sup>11</sup> compared to USD 6.0 billion at end-2015. We remain on track to realize our adjusted\* target of less than USD 4.8 billion of costs and to generate an adjusted\* return on regulatory capital<sup>7</sup> of 10-15% by end-2018. Going forward, we believe GM is well positioned to further capitalize on the upside potential across the bank. While creating operating leverage, we have been able to maintain our strong client franchises, as demonstrated by top rankings including: number one in our asset finance franchise since 2013<sup>12</sup>, number one in institutional loans and high yield franchise for 2016<sup>13</sup> and number one in US institutional loan underwriter<sup>13</sup>, as well as number two in global cash since 2007<sup>14</sup>, one of the top three in global prime brokerage since 2012<sup>15</sup>, and the number three issuer of US structured notes<sup>16</sup>.

Investment Banking & Capital markets (IBCM) delivered a strong performance in 2016. We improved our share of wallet across all key products and covered client segments<sup>9</sup>. Adjusted\* pre-tax income of USD 297 million reflected both higher net revenues and lower adjusted\* total operating expenses compared to 2015, driven by cost discipline and the self-funding of growth investments. In 2016, we were involved in several marquee transactions, with our teams advising on six of the ten largest M&A deals announced during the year<sup>17</sup>, including our role as a joint lead advisor to Bayer AG in its USD 66 billion acquisition of Monsanto Company and as an advisor to China National Chemical Corporation in its USD 43 billion acquisition of Syngenta International AG. In addition, we achieved global top 5 market positions in Leverage Finance<sup>9</sup> and Equity Capital Markets (ECM)<sup>9</sup> for 2016. We remain on track to reach our end-2018 adjusted\* return on regulatory capital<sup>7</sup> target of 15-20%.

The Strategic Resolution Unit (SRU) made significant progress in disposing of and derisking legacy positions, with a 39% reduction in RWA and a 39% reduction in leverage exposure compared to 2015. Adjusted\* operating expenses in 2016 were reduced by USD 1,093 million or 41% compared to 2015. This progress in the SRU is central to the restructuring of the Group, as it helps to free up the capital resources to invest in SUB, APAC and IWM, where we expect to produce higher returns. We achieved this derisking at lower-than-expected exit costs. We believe that once we have addressed these legacy positions, the drag on the Group's profitability should be reduced and our ability to generate capital should continue to improve.

As of December 31, 2016, after reaching the settlement with the DOJ our reported look-through CET1 ratio was 11.5%, up 130 basis points compared to our third quarter of 2015 look-through CET1 ratio of 10.2% reported at the announcement of our new strategy in October 2015. We also made progress in terms of the leverage ratio, with a look-through CET1 leverage ratio of 3.2%, up 40 basis points compared to our third quarter of 2015 look-through CET1 leverage ratio of 2.8% reported at the announcement of our new strategy in October 2015. Without taking into account the impact of the RMBS settlement with the DOJ, we would have achieved our highest ever look-through CET1 ratio of 12.4%<sup>18</sup> and a look-through CET1 leverage ratio of 3.5%<sup>19</sup>.

For the full year 2016, Credit Suisse reported a net loss attributable to shareholders of CHF 2,710 million and a pre-tax loss of CHF 2,266 million. On an adjusted\* basis, we reported pre-tax income of CHF 615 million for the year.


Throughout 2016, we have remained focused on further developing the core strengths of our organization while emphasizing our heritage as the Bank for Entrepreneurs. We believe we are well placed to continue to make progress in 2017 with a focus on capturing profitable, compliant growth opportunities across our franchises and geographies. We remain focused on executing our strategy with discipline and believe that we will create significant value for you, our shareholders, thanks to the continued dedication of our teams.

Thank you for your trust in Credit Suisse.

Best regards



Urs Rohner  
Chairman of the  
Board of Directors



Tidjane Thiam  
Chief Executive Officer

March 2017

\* 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 "Credit Suisse" in II – Operating and financial review.

<sup>1</sup> 2016 net cost savings represents the difference between 2015 "adjusted operating expenses at constant foreign exchange (FX) rates" of CHF 21.2 billion and 2016 "adjusted operating expenses at constant FX rates" of CHF 19.4 billion. "Adjusted operating expenses at constant FX rates" include adjustments as made in all our disclosures for restructuring expenses (CHF 355 million in 2015 and CHF 540 million in 2016), major litigation expenses (CHF 820 million in 2015 and CHF 2,707 million in 2016) and a goodwill impairment taken in the fourth quarter of 2015 of CHF 3,797 million as well as adjustments for FX (CHF 318) million in 2015 and CHF (293) million in 2016).

<sup>2</sup> Relating to Wealth Management in SUB, IWM and APAC.

<sup>3</sup> Adjusted to exclude Swisscard net revenues of CHF 148 million and operating expenses of CHF 123 million for 2015 in SUB Wealth Management.

<sup>4</sup> Source: Thomson Securities, SDC Platinum, Credit Suisse.

<sup>5</sup> Source: International Financial Review.

<sup>6</sup> Scope of Credit Suisse (Schweiz) AG differs from SUB. Any such IPO would involve the sale of a minority stake and would be subject to, among other things, all necessary approvals and would be intended to generate / raise additional capital for Credit Suisse AG or Credit Suisse (Schweiz) AG.

<sup>7</sup> Regulatory capital reflects the worst of 10% of RWA and 3.5% of leverage exposure. Return on regulatory capital is based on (adjusted) returns after tax assuming a tax rate of 30% for all periods and capital allocated based on the worst of 10% of average RWA and 3.5% of average leverage exposure. For GM and IBCM, return on regulatory capital is based on US dollars denominated numbers.

<sup>8</sup> Includes contributions from APAC Wealth Management, APAC Underwriting and Advisory as well as Financing for activities with our UHNWI, Entrepreneurs and Corporate clients. Pro forma figures for Wealth Management and connected activities within APAC are based on preliminary estimates.

<sup>9</sup> Source: Dealogic as of December 31, 2016.

<sup>10</sup> Annualized numbers do not take account of variations in operating results, seasonality and other factors and may not be indicative of actual, full-year results.

<sup>11</sup> The fourth quarter of 2016 annualized adjusted\* cost base, which was below our previous estimate of USD 5.2 billion presented at Investor Day on December 7, 2016.

<sup>12</sup> Source: Thomson Reuters.

<sup>13</sup> Source: Dealogic as of September 30, 2016; includes Americas and EMEA.

<sup>14</sup> Source: Third Party Competitive Analysis.

<sup>15</sup> Source: Hedge Fund Intelligence / Absolute Return / EuroHedge; based on level of Hedge Fund AuM (Assets under Management) with Prime Broker.

<sup>16</sup> Source: Bloomberg Brief Ranking, November 23, 2016.

<sup>17</sup> Source: Dealogic M&A Analytics as of January 3, 2016.

<sup>18</sup> The look-through CET1 ratio, without taking into account the impact of the final DOJ settlement relating to our legacy RMBS business, excludes a provision in the fourth quarter of 2016 of approximately USD 2 billion and an increase in the fourth quarter of 2016 in operational risk RWA of approximately CHF 0.7 billion.

<sup>19</sup> The look-through CET1 leverage ratio, without taking into account the impact of the final DOJ settlement relating to our legacy RMBS business, excludes a provision in the fourth quarter of 2016 of approximately USD 2 billion.



### Important Information

When we refer to wealth management focused divisions throughout this document, we mean APAC, IWM and SUB. References to "Wealth Management businesses" refer to the Private Banking businesses in the APAC, IWM and SUB divisions.

As of January 1, 2013, Basel III was implemented in Switzerland along with the Swiss "Too Big to Fail" legislation and regulations thereunder (in each case, subject to certain phase-in periods). As of January 1, 2015, the Bank for International Settlements (BIS) leverage ratio framework, as issued by the Basel Committee on Banking Supervision (BCBS), was implemented in Switzerland by FINMA. Our related disclosures are in accordance with our 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 herein.

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.

Beginning in 2015, the Swiss leverage ratio is calculated as Swiss total capital, divided by period-end leverage exposure. The look-through BIS tier 1 leverage ratio and CET1 leverage ratio are calculated as look-through BIS tier 1 capital and CET1 capital, respectively, divided by end-period leverage exposure.

Mandates penetration means advisory and discretionary mandates in private banking businesses as a percentage of the related AuM, excluding those from the EAM business.

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" in our Annual Report on Form 20-F for the fiscal year ended December 31, 2016 filed with the US Securities and Exchange Commission, and in other public filings and press releases. We do not intend to update these forward-looking statements except as may be required by applicable law.

### Important information about the Swiss Universal Bank

The data presented in this document relating to the Swiss Universal Bank refers to the division of Credit Suisse Group as the same is currently managed within Credit Suisse Group.

The scope, revenues and expenses of the Swiss Universal Bank vary from the planned scope of Credit Suisse (Schweiz) AG and its subsidiaries, for which a partial IPO is planned, market conditions permitting. Any such IPO would involve the sale of a minority stake and would be subject to, among other things, all necessary approvals.

It is therefore not possible to make a like-for-like comparison of the Swiss Universal Bank as a division of Credit Suisse Group on the one hand and Credit Suisse (Schweiz) AG as a potential IPO vehicle on the other hand.

### Selling restrictions

This document, and the information contained herein, is not an offer to sell or a solicitation of offers to purchase or subscribe for securities of Credit Suisse Group AG or Credit Suisse (Schweiz) AG in Switzerland, the United States or any other jurisdiction. This document is not a prospectus within the meaning of article 652a of the Swiss Code of Obligations, nor is it a listing prospectus as defined in the listing rules of the SIX Swiss Exchange AG or any other exchange or regulated trading facility in Switzerland or a prospectus or offering document under any other applicable laws.

Copies of this document may not be sent to jurisdictions, or distributed in or sent from jurisdictions, in which such documents are barred or prohibited by law. A decision to invest in securities of Credit Suisse Group AG or Credit Suisse (Schweiz) AG should be based exclusively on a written agreement with Credit Suisse Group AG or an offering and listing prospectus to be published by Credit Suisse Group AG or Credit Suisse (Schweiz) AG for such purpose. Any offer and sale of securities of Credit Suisse (Schweiz) AG will not be registered under the U.S. Securities Act of 1933, as amended, and may not be offered in the United States of America absent such registration or an exemption from registration. There will be no public offering of such securities in the United States of America.





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# 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 47,170 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 of Switzerland, which offers attractive growth opportunities and where we can build on a strong market position across our key businesses. Our private banking 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 and institutional banking business serves large corporate clients, small and medium-sized enterprises, institutional clients and financial institutions.

## Asia Pacific

The Asia Pacific division offers integrated private banking and investment banking financial solutions to wealthy individuals, institutional investors and corporate clients in the Asia Pacific region, empowered with the tools of Credit Suisse's global resources. The division is well positioned to capture market opportunities in Asia Pacific, which is experiencing rapid wealth creation and where the number of ultra-high-net-worth individuals is growing. We offer institutional investors access to broader financial markets and differentiated product offerings.

## 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 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 equities, solutions and credit 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, and global wealth is projected to continue to grow faster than GDP over the next several years. 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 approximately 50% of the growth in global wealth in the coming years, with about 60% of that additional wealth expected to be created in Asia Pacific. 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 hiring high-quality relationship managers, expanding our lending exposure, and investing in our risk management and compliance capabilities.

Despite slower growth, mature markets are still expected to remain important and account for more than half of wealth distribution 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 has a highly developed and traditionally resilient economy. 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. To further strengthen our Swiss business, we intend to pursue a partial initial public offering (IPO) of the legal entity Credit Suisse (Schweiz) AG by the end of 2017, market conditions permitting. Any such IPO would be subject to, among other things, all necessary approvals and would be intended to generate/raise additional capital for Credit Suisse AG or Credit Suisse (Schweiz) AG.

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 are rebalancing our activities towards advisory and equity underwriting and towards investment grade corporates while maintaining our leading leveraged finance franchise, which we believe will help us to strengthen our market position and generate higher-quality earnings. 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. We aim to reduce the Strategic Resolution Unit’s risk-weighted assets (excluding operational risk) and leverage exposure by approximately 80% by year-end 2019 compared to year-end 2015.

We intend to rigorously execute a disciplined approach to cost management across the Group to increase positive operating leverage by lowering our fixed cost base. We are targeting an adjusted operating cost base of less than CHF 17.0 billion by year-end 2018. The cost-reduction program is measured on constant foreign exchange rates and is based on expense run rate excluding major litigation expenses, restructuring costs and a goodwill impairment taken in the fourth quarter of 2015, but including other costs to achieve savings.

## 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. 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 competitiveness 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, Communications & Branding.

## Financial targets

At the Investor Day on December 7, 2016 and in connection with our fourth quarter earnings release, we communicated our financial targets for the Group and the divisions.

**For the Group:**

- reduce our operating cost base on an adjusted basis to below CHF 17.0 billion by year-end 2018;
- increase our net cost savings to more than CHF 4.2 billion by year-end 2018;
- maintain a look-through common equity tier 1 (CET1) ratio between 11-12% during the course of 2017, excluding the impact of the planned partial IPO of Credit Suisse (Schweiz) AG by the end of 2017;
- achieve a look-through CET1 leverage ratio of greater than 3.5% by year-end 2018; and
- plan to continue our existing policy of recommending a dividend of CHF 0.70 per share with a scrip alternative until we reach our look-through CET1 and leverage ratio targets and have greater clarity on potential regulatory changes.

**For the divisions:**

- achieve adjusted income before taxes for Asia Pacific of CHF 1.6 billion in 2018, of which we aim to achieve CHF 0.7 billion from Private Banking and wealth management connected activities;
- achieve adjusted income before taxes in International Wealth Management of CHF 1.8 billion in 2018;
- achieve adjusted income before taxes for the Swiss Universal Bank of CHF 2.3 billion in 2018;
- achieve adjusted return on regulatory capital for Global Markets of between 10-15% by year-end 2018;
- achieve adjusted return on regulatory capital for Investment Banking & Capital Markets of between 15-20% by year-end 2018; and
- reduce adjusted pre-tax loss for the Strategic Resolution Unit to approximately USD 1.4 billion by year-end 2018 and approximately USD 0.8 billion by year-end 2019 and reduce risk-weighted assets to USD 30 billion and leverage exposure to USD 40 billion by year-end 2019.

**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:

- Following regulatory approval from the Central Bank of Ireland in December 2015, Credit Suisse AG, Dublin Branch, was opened in the first quarter of 2016, making Ireland an important hub for our prime services business in Europe. The key parts of the prime services business operating out of this location include prime brokerage, prime financing and securities lending, all of which serve clients across global markets. The Dublin operation handles trading, capital and risk management for the business, while client coverage and relationship functions are allocated between London and Dublin staff according to client proximity and needs;

- On July 1, 2016, Credit Suisse Holdings (USA), Inc. was fully established as our Intermediate Holding Company (IHC) in the US, in line with regulatory requirements. The IHC successfully started operations with the requisite capital, liquidity, infrastructure, and governance, including its newly established board of directors;
- Credit Suisse registered a new Swiss legal entity under the name Credit Suisse (Schweiz) AG in 2015. This new legal entity is a wholly-owned subsidiary of Credit Suisse AG. The entity received its banking license as of October 14, 2016, and started its business operations as a standalone Swiss bank on November 20, 2016. It has assumed and services substantially all of the clients of Swiss Universal Bank, a division of Credit Suisse, and includes the majority of that division's employees and the critical corporate functions of, and certain other corporate functions that exclusively serve, Credit Suisse (Schweiz) AG. Credit Suisse (Schweiz) AG was established to support the realization of the Group's strategic objectives, further increase its resilience and meet developing and future regulatory requirements. As licensed Swiss banks, both Credit Suisse AG and Credit Suisse (Schweiz) AG are subject to the same rules and standards, including with respect to client protection, asset segregation and Swiss banking confidentiality. In line with our strategy, we are planning a partial IPO of Credit Suisse (Schweiz) AG by the end of 2017, market conditions permitting. Any such IPO would involve the sale of a minority stake and would be subject to, among other things, all necessary approvals and would be intended to generate/raise additional capital for Credit Suisse AG or Credit Suisse (Schweiz) AG;
- We have made significant progress this year in migrating the Asia Pacific fixed income businesses from the UK booking entity (Credit Suisse International) to Credit Suisse AG, Singapore Branch; and
- A significant milestone in ensuring operational continuity of critical support services was reached by registering our US service company, US Services Inc., in the third quarter of 2016, which successfully began operations on January 1, 2017. Swiss and UK service companies are planned to begin operations in 2017, followed by a Singapore service company in 2018.
- 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 AG transferred participating interests of 49% in four fund management companies and in Credit Suisse Asset Management (Schweiz) AG (CSAM Schweiz) to Credit Suisse (Schweiz) AG by way of an a-fonds-perdu contribution (i.e., without consideration). Subsequently, Credit Suisse (Schweiz) AG contributed these participating interests to CSAM Holding. The remaining 51% in these five entities were contributed to CSAM Holding through

CSAM IHAG. 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 will be transferred to Credit Suisse (Schweiz) AG: (i) 100% equity stake in Neue Aargauer Bank AG, (ii) 100% equity stake in BANKnow AG, and (iii) 50% equity stake in Swisscard AECS GmbH. The transfer of these equity stakes is currently expected to take place by way of an a-fonds-perdu contribution from the Group to Credit Suisse AG and immediately thereafter via a subsequent sale of these equity stakes from Credit Suisse AG to Credit Suisse (Schweiz) AG. The a-fonds-perdu contribution and the subsequent sale are expected to take place at the respective equity stakes' aggregate Swiss GAAP carrying value as recorded by the Group. The transfer is expected to be completed by March 31, 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.

### 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  ultra-high-net-worth individuals (UHNWI) relationship managers are supported by dedicated portfolio managers.


### Client segment specific value propositions

We offer a wide range of wealth management solutions tailored to specific client segments. The distinct value proposition of our integrated bank remains a key strength in our client offerings. Close collaboration with our investment banking businesses enables us to offer customized and innovative solutions to our clients, especially in the UHNWI segment, and we have specialized teams offering bespoke and complex solutions predominantly for our sophisticated clients. In addition, we offer solutions for a range of private and corporate wealth management needs, which include succession planning, tax advisory and financial planning.

### 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 guidelines of the investment solutions & products group and the 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.

### 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,

## Strategy

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 mergers and acquisitions (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. Our 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 financial institutions, hedge funds, asset managers and corporations. The convertibles team provides secondary trading and market making of convertible bonds as well as pricing and distribution of Credit Suisse-originated convertible issuances. Additionally, global fund linked products is a market leader in fund linked financing and derivatives products.

##### 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 CLO 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 CDS, sovereign credit default swaps, and credit default swaptions.

- **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.
- **Global macro products** includes capital-efficient rates trading and investor products. 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** primarily offers financing solutions and tailored investment products for Latin American, Central and Eastern European, Middle Eastern and African financial institutions and corporate and sovereign clients. In addition, the business also provides financing, credit solutions, and onshore Brazil trading.

#### 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 in over 60 countries, 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. The division comprises the Private Banking and Corporate & Institutional Banking businesses.

Our **Private Banking** business has a leading client franchise in Switzerland, serving approximately 1.6 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 access to a broad range of comprehensive products and services. We also have a specialized consumer finance business branded BANK-now. In addition, we offer best-in-class service, platform and technology support to external asset managers in Switzerland. Our Swiss network includes 1,490 relationship managers in 170 branches, including 32 branches of the bank's affiliate, Neue Aargauer Bank.

Our **Corporate & Institutional Banking** 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, 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 480 relationship managers who serve our clients out of 48 locations.

### Key data – Swiss Universal Bank

	in / end of		
	2016	2015	2014
<b>Key data</b>			
Net revenues (CHF million)	5,759	5,721	5,912
Income before taxes (CHF million)	2,025	1,675	2,024
Assets under management (CHF billion)			
– Private Banking	242.9	241.0	258.6
– Corporate & Institutional Banking	288.6	275.8	275.9
Number of employees	13,140	13,400	12,540

### Business environment

The Swiss private banking and wealth management industry is 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 are well-positioned in the Swiss market with strong market shares across client segments.

The corporate and institutional banking 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 2017. 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 believe that we are well-positioned to opportunistically take advantage of this potential market consolidation. We have made substantial 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 pillar of success for our bank 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.

Credit Suisse is evolving the Group's legal entity structure to support the realization of its strategic objectives, to further increase its resilience and to meet changing regulatory requirements related to the Swiss ◉ 'Too Big To Fail' regime. In this regard, Credit Suisse (Schweiz) AG successfully started its business operations as a standalone Swiss bank on November 20, 2016. The establishment of Credit Suisse (Schweiz) AG represents a major milestone towards the planned partial IPO of this entity by the end of 2017, market conditions permitting, underscoring its unique identity and value within Switzerland and within the Group. Any such IPO would involve the sale of a minority stake and would be subject to, among other things, all necessary approvals and would be intended to generate/raise additional capital for Credit Suisse AG or Credit Suisse (Schweiz) AG. The scope of Credit Suisse (Schweiz) AG differs in some respects from the Swiss Universal Bank division of the Group, in particular with regard to revenues and expenses.

We expect to advance our business by focusing on the following four key priorities:

### Focus to simplify

The Swiss Universal Bank division continues to serve the entire spectrum of clients from retail to UHNWI and from small to large corporate and institutional clients as well as external asset managers. In December 2016, we announced that we would realign our organizational structure with regard to our client segments. Effective January 1, 2017, we began serving our clients through the following four dedicated business areas, in order to better serve our Swiss client base: Private & Wealth Management Clients and Premium Clients within the Private Clients business, and Corporate Clients and Institutional Clients within the Corporate & Institutional Clients business.

### Empower to grow

Within Swiss Universal bank, we are focusing our growth efforts and resources towards the most attractive client segments and we have developed client-specific initiatives to realize profitable growth opportunities. We are leveraging digital capabilities and upgrading call centers to offer best-in-class banking services for retail clients. Furthermore, we intend to increase our advice intensity in our affluent client segment by reducing the number of clients per relationship manager by over 30%. We believe our biggest potential lies in the HNWI business, which is growing significantly and remains highly attractive. For HNWI we are increasing the number of relationship managers and further enhancing and promoting our mandates offering. In 2016, we increased our mandates penetration to 30%, driven by Credit Suisse Invest. Mandates penetration means advisory and discretionary mandates in private banking businesses as a percentage of the related assets under management, excluding those from the external asset manager business. The conversion rate of our clients to Credit Suisse Invest was significantly above our expectations. With Credit Suisse Invest, we offer investment solutions based on client needs and preferences for frequency and type of advice. It is also our ambition to be recognized as the "Bank for Entrepreneurs". We are not only aiming to strengthen our businesses serving HNWI, but also those serving small and medium-sized enterprises (SME) and UHNWI, two client segments for which we have high growth ambitions. We strengthened our focus on being recognized as the "Bank for Entrepreneurs" by launching joint client coverage for private and corporate clients. In this context, we increased the number of Entrepreneurs & Executives relationship managers and now cover the Swiss market with 21 desks, including 19 joint locations with the SME business. In the HNWI and Entrepreneur & Executive businesses, we are seeking to increase the overall number of relationship managers serving this client base by 2018 and have already completed a number of hires. For the UHNWI business, we aim to further increase market shares by leveraging our private, corporate and investment banking capabilities for our clients and we will continue to invest in additional relationship managers. We will extend the range of innovative financing solutions for large Swiss corporates by intensifying the collaboration with our strong and established investment banking franchise. In the external asset managers business, we plan to strengthen our collaboration efforts in addition to taking advantage of opportunities presented by the ongoing consolidation of smaller banks, by supporting these banks in becoming external asset managers or providing

them external asset manager solutions to address issues regarding increased regulatory requirements and pressure on gross margins.

### Drive efficiency agenda

We have significantly increased end-to-end accountability over Swiss costs and investments by moving Swiss-specific or Swiss platform-related corporate functions to Swiss Universal Bank. We have initiated cost measures aimed at achieving an incremental CHF 200 million in net savings by 2018, measured at constant foreign exchange rates, in addition to the net savings already achieved in 2016. For example, we intend to centralize our product delivery activities to eliminate duplication of work across businesses. Moreover, we plan to rationalize 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 also believe that efficiency can be strengthened by digital initiatives and increased automation. During 2016, various digital solutions for private, corporate and institutional clients as well as relationship managers were launched. Going forward, we plan to continue to invest in our digital applications to enhance self-service capabilities such as digital client self-onboarding, improve productivity of client-facing employees and automate front-to-back processes.

### Invest in brand

As part of the commitment to our Swiss businesses, we also strive to strengthen our brand and reputation by investing in targeted marketing activities, deepening our community involvement and contributing to the sustained development of our home market as an employer, lender, sponsor and member of economic, social and cultural society.

### Awards and market share momentum

Credit Suisse was highly placed in a number of key industry awards in 2016, including:

- Best Investment Bank in Switzerland – 2016 Awards for Excellence – *Euromoney*
- Best Trade Finance Bank in Switzerland – *Global Finance*
- Best Family Office Offering – *Private Banker International*
- Best Discretionary & Advisory Service Offering – *Private Banker International*
- Succession Planning Advice and Trusts Socially Responsible Investing / Social Impact Investing – *Euromoney*
- Best Foreign Exchange Provider in Switzerland – *Global Finance*

## INTERNATIONAL WEALTH MANAGEMENT

### Business profile

In International Wealth Management, we cater to the needs of our private, corporate and institutional clients by providing 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,

## Divisions

the Middle East, Africa and Latin America. We serve our clients through 1,140 relationship managers in 36 locations in 25 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		
	2016	2015	2014
<b>Key data</b>			
Net revenues (CHF million)	4,698	4,552	4,942
Income before taxes (CHF million)	1,121	723	1,260
Assets under management (CHF billion)			
– Private Banking	323.2	289.6	323.7
– Asset Management	321.6	321.3	305.2
Number of employees	10,300	9,750	9,210

### Business environment

Despite a gradual tapering in the growth outlook, the private banking industry continues to benefit from attractive growth prospects in both mature and emerging markets covered by International Wealth Management. Private banking assets are expected to grow approximately 6% annually through 2021. Wealth creation is expected to continue to increase in Russia and Central & Eastern Europe by approximately 8% annually, in the Middle East by approximately 9% annually and in Latin America by approximately 7% annually, through 2021. This growth is expected to be fueled by an increase in population, entrepreneurial wealth creation and technological development. Although wealth is expected to grow at lower annual rates in developed economies, such as those in Europe, which are expected to grow by approximately 3% annually, these markets continue to be of crucial importance, holding around 20% of the world's wealth.

The outlook for the asset management industry continues to be supportive, despite an increasingly competitive and challenging environment near-term. Industry-wide revenue pools and margins continue to face fee pressures, which has led to the anticipation of an increasing level of consolidation. In an environment of lower investment returns and macroeconomic concerns, investors continue to seek asset diversification and yield enhancement by increasingly exploring less liquid products, including a broader set of alternative asset classes. Additionally, investors are shifting away from active investment strategies as they continue to demand passively managed investments that consequently represent a growing share of the industry's total assets under management.

The regulatory environment continued to evolve in 2016, with increased oversight and new initiatives. Over the past several years, the wealth management industry has been under significant

structural pressure from regulatory changes and tax regularization, particularly in Europe. Profitability has come under pressure due to the current low interest rate environment, reduced fee-based margins, the need to upgrade information technology platforms, the cost of compliance to meet new regulatory demands and consumer protection rules and adjustments to product offerings in response to changes in client behaviors.

### 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 is expected 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 plan to increasingly leverage our investment strategy and research capabilities and deploy solutions and products that are tailored to our clients' needs. Growing the Asset Management franchise through regionalized distribution teams and the offering of tailored investment solutions is a further cornerstone of our strategy. We also intend to address 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 plan to facilitate 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 establishing new advisory offices, while shifting smaller-scale locations towards a sustainable business model. We have established 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.

#### Automate and increase client time

We aim to capture 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 significant 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 are also making 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 2016, including:

- Best Private Bank in Qatar, Best Private Bank in Russia and Highly Commended Best Private Bank in the Middle East – Global Private Banking Awards – *PWM / The Banker*
- Highly Commended: Outstanding Private Bank – Middle East – *Private Banker International*
- Best Family Office Offering, Best Next-Generation Offering and Outstanding Wealth Management Technology Initiative – Front End for the second consecutive year and the Most Innovative Digital Offering and Best Discretionary & Advisory Service Offering in 2016 – *Private Banker International*
- Best Private Bank in the Middle East, Bahrain, Egypt, Greece, Guernsey, Qatar, Russia and the United Arab Emirates – *Euromoney*
- Best Asset Management in Bahrain, Central & Eastern Europe, Israel, Japan and Russia – *Euromoney*
- Best Global Macro Fund of Hedge Fund (FoHF) and Best UCITS-compliant FoHF – *Hedge Funds Review*

## ASIA PACIFIC

### Business profile

Within the Asia Pacific division we offer a wide range of financial products and services, focusing on our ◉ UHNWI, ◉ HNWI, entrepreneur, corporate and institutional clients. We deliver integrated client coverage to provide connectivity and access to broad financial markets, differentiated product offerings, and tailored financing solutions.

Our **Private Banking** business combines its global reach through other divisions with a structured advisory process, offering a broad range of comprehensive and bespoke solutions and services that are tailored to our clients' complex needs. We offer our clients digital private banking access and serve them through 640 relationship managers in 13 locations across seven countries.

Our **Investment Banking** business supports our key clients by advising on all aspects of M&A transactions, corporate sales and restructurings, divestitures and takeover defense strategies and provides equity and debt underwriting capabilities for entrepreneur, corporate and institutional clients. In addition, our investment banking business includes equity and fixed income sales and trading services, and provides access to a range of debt and equity securities, derivative products, and financing opportunities across the capital spectrum for corporate, sovereign and institutional clients.

### Key data – Asia Pacific

	in / end of		
	2016	2015	2014
<b>Key data</b>			
Net revenues (CHF million)	3,597	3,839	3,335
Income before taxes (CHF million)	725	377	900
Assets under management (CHF billion)			
– Private Banking	166.9	150.4	150.5
Number of employees	6,980	6,590	5,910

### Business environment

Wealth management in Asia Pacific continues to offer positive growth prospects. Increased entrepreneurial activity and a faster pace of economic growth and innovation has fueled development, and wealth creation in Asian emerging markets is growing at a higher rate than more mature markets, with much of the new wealth in the region being driven by entrepreneurs.

Equity markets in Asia Pacific in 2016 were negatively impacted by concerns over growth, particularly in China, lower client activity and reduced market volatility, as well as uncertainty about the impact of the UK referendum on continued EU membership. Primary issuance levels were higher, there was an increase in outbound M&A in Asia Pacific and continued demand for financing.

Financial markets in Asia Pacific continue to undergo structural change. Industry initiatives, such as the Shanghai and Shenzhen Connect, are providing investor access to the China onshore market via the Hong Kong market and are expected to continue to drive investor flows. The inclusion of China's equity markets into worldwide indices becomes more probable as such equity markets become increasingly liberalized. Our joint venture in China, Credit Suisse Founder Securities Limited (CSFS), formally launched its onshore securities brokerage business in China in November 2016. CSFS received approval to conduct securities brokerage activities in Qianhai from the China Securities Regulatory Commission last year, allowing it to expand its existing capital markets services, which already included sponsoring and underwriting A-shares, foreign investment shares, government and corporate bonds as well as the provision of financial advisory services.

Regulatory requirements for investment advisory services in Asia Pacific remain in focus, including in the areas of suitability and appropriateness of advice and anti-money laundering.

### Business strategy

Through a leading franchise in Asia Pacific, we pursue a client-centric, capital-efficient business model, allocating resources to those parts of the business that are essential to increasing our activities with existing and new clients. Our strategy to be recognized as the "Entrepreneurs' Bank of Asia Pacific" is rooted in multi-generational client relationships with some of the most significant business owners in the region. Our long-term view on ensuring consistency of coverage and business diversity supports our efforts to achieve revenue stability and attractive returns. Together with our capacity to withstand fluctuating market conditions, this has been critical to our ability to attract the right talent to our platform and to foster a partnership culture focused on achieving our long-term ambitions. Looking ahead, our strategic focus is on growing revenues and enhancing the delivery of our integrated model to deliver strong returns to our shareholders.

As such, we continue to focus our attention and resources on the following business areas and opportunities:

### Focus on Ultra-High-Net-Worth activity

Asia Pacific has a highly dynamic client base. Our integrated platform, which spans industries and geographies, positions us



## Divisions

to address the wealth and corporate needs of the growing base of UHNWIs and entrepreneurs in the region. In May 2016, we established a client relationship coverage team in Thailand through our securities entity Credit Suisse Securities (Thailand) Limited, offering access to a comprehensive international investment and wealth management platform in cooperation with our regional private banking hub in Singapore. We also successfully extended our digital private banking services in Hong Kong in June 2016 with the release of an enhanced "Private Banking Asia Pacific" application. The digital platform was created to provide a new multi-channel service delivery model combining a digital and direct client experience, which we believe will be an important business tool in the future. We have been recognized as a top private bank in Asia Pacific, and as a leader in advisory and capital markets activity. Our business platform connects wealthy individuals to attractive investment opportunities that originate from our investment banking & capital markets activities. Further, our financing group plays a key role in providing funding to our UHNWI, entrepreneur and corporate clients. This business benefits from our exposure to UHNWI clients, who generally are high-quality borrowers, meet strong collateral standards and are owners of large businesses. We expect to prudently build out quality structured finance solutions and equity-based strategic financing to our clients, while remaining mindful of market volatility. We expect favorable long-term trends in wealth creation and the opening up of financial markets to offer increased growth opportunities and accelerate our pace of client acquisition as well as allow us to become an increasingly important provider of capital and liquidity solutions to key clients.

#### Delivering client tailored solutions

We have a strong pan-Asian equities franchise with several highly ranked products and services and strong structured financing capabilities. Our competitiveness is supported by our ability to structure complex solutions and offer new products to our key clients. Continuous product innovation and a disciplined approach to risk and costs help to form a baseline of profitability through market cycles. We continue to see opportunities to deliver new investment products and services from our investment banking platform. For example, we deliver institutionalized services to the growing family office client segment from our prime brokerage platform.

#### Grow broad base profitability

Having a diversified business mix of clients, countries and product areas generally provides for a stable performance, especially in a region as dynamic as Asia Pacific, with its variety of economic characteristics. We plan to continue to invest and grow our existing business franchises where we have deep client relationships and strong, profitable market positions. We believe that there is opportunity to grow our recurring fee-income base across the region, leveraging our integrated, advisory-led model. As a number of our peers reassess their Asia Pacific strategy and footprint, and as competition remains fierce, we intend to continue to adjust our business model and approach for new market entry or business acquisition to drive incremental growth. We believe that it is

important to have a targeted client and coverage strategy coupled with comprehensive client-centric capabilities to effectively compete in Asia Pacific.

#### Significant transactions

We executed a number of noteworthy transactions in 2016, reflecting the diversity of our franchise across countries, sectors and clients, including:

- In Southeast Asia, we advised Bank of Singapore (financial services) on the acquisition of Barclays PLC's wealth and investment business in Singapore and Hong Kong, OSIM International Ltd. (consumer products) on its privatization, United Overseas Bank Ltd. (financial services) on their local currency bond and we advised Casino Group on the sale of its stake in Big C Supercenter PLC to TCC Group (retail).
- In China, we advised the Alibaba Group Holding Ltd. on its strategic investment in Lazada Group SA (e-commerce), Didi Chuxing (technology) on its private placement and on Meitu Inc.'s (technology) IPO.
- In Australia, we advised a consortium of investors, including the Future Fund, Queensland Investment Corporation, Global Infrastructure Partners and Borealis Infrastructure, on their acquisition of a 50-year lease of the Port of Melbourne (infrastructure), Vocus Communications Ltd. (telecommunications) on its acquisition of Nextgen Networks and associated equity raising, and we advised Genesis Care Ltd. (healthcare) on the sale of a majority stake of its business to a consortium comprising China Resources Group and Macquarie Capital.
- Elsewhere, we advised on Samsung BioLogics Co. Ltd.'s (healthcare) IPO in Korea and on HDFC Bank Ltd.'s (financial services) bond in India.

#### Awards and market share momentum

We were highly placed in a number of key industry awards in 2016, including:

- Best Private Bank – Asia for 2016 for the second consecutive year – *Asian Private Banker*
- Best Equity House – Asia for 2016 – *The Asset*
- Best Family Office Offering, Best Next-Generation Offering and Outstanding Wealth Management Technology Initiative – Front End for the second consecutive year and the Most Innovative Digital Offering and Best Discretionary & Advisory Service Offering in 2016 – *Private Banker International*
- Best Provider of Asia Equity-linked Flow Structured Products for the second consecutive year – *Asian Private Banker*
- Best Equity Derivatives House – Asia for the third consecutive year – *The Asset*
- House of the Year for Asia ex-Japan – *AsiaRisk*
- Best Regional Technology, Media and Telecommunications Sector Advisor for 2016 – *The Asset*
- Ranked #1 in Overall Penetration in Asian Equity Research/ Advisory, Asian Equity Sales and Corporate Access – *2016 Greenwich Asian Investors Survey*



## GLOBAL MARKETS

### Business profile

In 2016, Global Markets completed the restructuring which brings together our equities, credit and solutions businesses into one division to create a fully integrated franchise for our clients. 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 equities, solutions and credit 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		
	2016	2015	2014
<b>Key data</b>			
Net revenues (CHF million)	5,497	6,826	7,426
Income/(loss) before taxes (CHF million)	48	(1,931)	2,014
Number of employees	11,530	12,000	10,930

### Business environment

In 2016, operating conditions were mixed across our businesses. In the first quarter, we experienced challenging credit market conditions due to high levels of market volatility, widening credit spreads, low client activity and a collapse in energy prices. Credit markets improved in the second quarter as operating conditions and energy prices recovered. In the second half of the year, our business was impacted by significant macroeconomic events, including the UK referendum on continued EU membership in June, which negatively impacted our equity derivatives and trading businesses particularly in the third quarter, and the US presidential election in November, which led to higher equity volumes and volatility. In addition, our leveraged finance and investment grade underwriting businesses improved throughout the year as volatility declined, credit yields tightened and cross-border activity increased as issuers capitalized on global pools of liquidity.

### Business strategy

The Global Markets division consists of our equities, credit and solutions businesses in the Americas and EMEA. Equities includes cash equities, prime services and equity underwriting. Credit is comprised of our yield businesses, including global credit products, leveraged finance and investment grade underwriting, and securitized products. Solutions combines our structured lending and derivatives capabilities across equity derivatives, global macro products and emerging markets.

During the year, we successfully completed the restructuring of the Global Markets franchise, creating a more cost- and capital-efficient business with a reduced risk profile. We substantially reduced risk exposure through portfolio sales, strategic hedges and inventory reductions. We also significantly reduced capital usage compared to the prior year and at the end of the fourth quarter of 2016 were below our year-end 2016 targets of USD 60 billion in risk-weighted assets and USD 290 billion in leverage exposure. Reducing our cost base to create operating leverage is a critical aspect of implementing our strategy. During the year, we reduced operating expenses significantly compared to 2015 as a result of our accelerated cost reductions including reducing headcount, eliminating duplication across functions and right-sizing our London footprint. As a result, we are on track to achieve our end-2018 ambition of USD 4.8 billion in costs, on an adjusted basis, earlier than proposed.

Looking ahead, the division is focused on three 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 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 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 our solutions platform, reducing headcount 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 between 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		
	2016	2015	2014
<b>Key data</b>			
Net revenues (CHF million)	1,972	1,787	2,109
Income/(loss) before taxes (CHF million)	261	(314)	511
Number of employees	3,090	2,810	2,440

**Business environment**

2016 was a challenging year, with significant macroeconomic events including the UK referendum on continued EU membership and the US presidential election driving significant surges in market volatility. These events compounded concerns about slowing global growth, low interest rates and volatility in commodity prices, dampening investor and client risk appetite and negatively impacting debt and equity underwriting and M&A fee pools compared to 2015.

Despite the slowdown in M&A activity versus record levels in 2015, large deals were announced across many sectors as companies sought consolidation and strategic acquisitions, particularly in healthcare, energy, technology and industrials. Global industry-wide announced M&A activity decreased to USD 3,731 billion in 2016 after three consecutive years of growth. Credit Suisse advised on USD 541 billion of announced M&A transaction volume in 2016, down 24%, compared to a strong 2015.

**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, driving revenue from the UHNWI segment and leveraging the 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. 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, coverage and capital resources against the largest growth opportunities where our franchise is well-positioned. We hope to achieve this with targeted plans for investment grade corporates, non-investment grade corporates and financial sponsors. In addition, to support our clients looking for opportunities in developing economies, we have established an emerging markets

team that will integrate this geographical coverage across all industries and products.

Lastly, as part of the effort to further differentiate and diversify our offerings, in 2015, we announced a new dedicated coverage group within Investment Banking & Capital Markets to cover UHNWI in the US. We believe this effort targets a meaningful untapped opportunity to cover UHNWI who are decision-makers over a significant portion of industry-wide investment banking fees each year. With this coverage group now established, our focus will be growing revenues generated by this new client segment.

**Significant transactions**

We executed a number of noteworthy transactions in 2016, reflecting the diversity of our franchise.

- In debt capital markets, we arranged key financings for a diverse set of clients including Dell Inc. (technology), Teva Pharmaceutical Industries Ltd. (healthcare), Reynolds Group Holdings Ltd. (packaging), Albertsons Companies, LLC (retail supermarkets), Western Digital Corp. (technology storage), Thomson Reuters Intellectual Property and Science (publishing and professional information), William Morris Endeavor Entertainment, LLC (entertainment), Liberty Global PLC (telecom) and Capital One Financial Corporation (financial services).
- In equity capital markets, we executed Kulczyk Investment SA's partial sale of its investment in SABMiller PLC (food and beverage), a follow-on offering for Encana Corporation (oil and gas), an IPO for Extraction Oil and Gas, Inc. (exploration and production), a convertible bond and follow-on offering for Advanced Micro Devices, Inc. (semiconductors), a convertible preferred offering for NextEra Energy, Inc. (energy), a follow-on offering for Pioneer Natural Resources Company (exploration and production), a special purpose acquisition company IPO for CF Corporation (sponsors) and Hellman & Friedman LLC's partial sale of its investment in Scout24 AG (e-commerce).
- In M&A, we advised on a number of transformational transactions announced throughout the year, including Bayer AG's acquisition of Monsanto Company (chemicals and agriculture), China National Chemical Corporation's acquisition of Syngenta AG (chemicals), Enbridge Inc.'s acquisition of Spectra Energy Corp. (energy), the merger of equals between National Bank of Abu Dhabi PJSC and First Gulf Bank PJSC (financial services), Analog Devices Inc.'s acquisition of Linear Technology Corporation (semiconductors), ASML Holding NV's acquisition of Hermes Microvision Inc. (semiconductors), Range Resources Corporation's acquisition of Memorial Resources Development Corp. (exploration and production), the merger of equals combining Colony Capital Inc. with Northstar Asset Management Group and NorthStar Realty Finance Corporation (real estate sponsors) and the merger of equals between Praxair, Inc. and Linde AG (chemicals).

## 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		
	2016	2015	2014
<b>Key data</b>			
Net revenues (CHF million)	(1,271)	511	1,838
Loss before taxes (CHF million)	(5,759)	(2,652)	(3,107)
Number of employees	1,830	3,200	4,360

### 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; restructuring of the former Asset Management division which includes portfolio divestitures and discontinued operations; legacy investment banking portfolios; and legacy funding costs relating to non-Basel III compliant debt instruments. In line with our accelerated strategy announced in March 2016, we made additional transfers including exiting distressed credit, European securitized products trading and long-term illiquid financing businesses, and certain other business reductions. The assets from these impacted businesses were transferred to the Strategic Resolution Unit. In addition, a portion of the corporate loan portfolio managed by the Global Markets and Investment Banking & Capital Markets divisions was also transferred.

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.

We aim to reduce the Strategic Resolution Unit's risk-weighted assets (excluding operational risk) and leverage exposure by approximately 80% by year-end 2019 compared to year-end 2015.

# 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. We are in compliance with our regulatory requirements in all material respects and in compliance with regulatory capital requirements.

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 2016 and early 2017 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.

### Total Loss-Absorbing Capacity

On November 9, 2015, the Financial Stability Board (FSB) issued the final ◉ total loss-absorbing capacity (TLAC) standard for global systemically important banks (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 Board of Governors of the Federal Reserve System adopted final rules on December 15, 2016 that implement in the US the FSB's TLAC standard. The final rules require, among other things, the US intermediate holding companies (IHC) 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 that Credit Suisse's US IHC can engage in.

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 EU Bank Recovery and Resolution Directive (BRRD) for certain UK entities, including Credit Suisse International (CSI) and Credit Suisse Securities (Europe) Limited (CSSEL), to maintain a minimum requirement for own funds and eligible liabilities (MREL). 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 European Banking Authority's (EBA) Regulatory Technical Standards on MREL. It does not set TLAC requirements in addition to MREL. Also on November 8, 2016, the Prudential Regulation Authority (PRA) published a policy statement containing the final version of its supervisory statement on MREL and its relationship to both capital and leverage ratio buffers. The PRA requires banks to comply with interim MREL requirements by January 1, 2020 and with all MREL requirements by January 1, 2022. In addition, the PRA has made it clear that firms should not meet their leverage ratio buffers, their combined buffer under the Capital Requirements Directive IV and Capital Requirements Regulation (CRD IV), or the additional PRA buffer by means of CET1 capital that is included within its calculation of MREL.

### ISDA Resolution Stay Protocols

In Switzerland, the Swiss Federal Council introduced amendments to the Banking Ordinance that will require banks, including Credit Suisse, to include terms in their contracts (and in 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 as well as the contracts that are in scope. To this end, on March 16, 2017, FINMA issued a partial revision of the FINMA Banking Insolvency Ordinance (BIO-FINMA). The rule 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 BRRD. The revised provisions are set to enter into force on April 1, 2017, subject to an implementing period of 12 months for contracts with banks and securities dealers and 18 months for contracts with other counterparties.

In the UK, the 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 of 2009 (UK Banking Act) that would be applicable upon their resolution. These rules took effect for UK entities 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.

In the United States, the Federal Reserve Board, the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation (FDIC) each proposed similar rules in 2016. These proposed rules would 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 would 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 Act and the Federal Deposit Insurance Act and (2) certain cross-default rights would be overridden if an affiliate of the G-SIB entered proceedings under the US Bankruptcy Code.

### 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. Financial market infrastructures and the operators of organized trading facilities were granted a transitional period of one year until January 1, 2017 to comply with various new duties, including those associated with the publication of pre- and post-trade transparency information and with high-frequency trading. Also, in order to align Swiss law with the revised timing of corresponding provisions of the Revised Markets in Financial Instruments Directive (MiFID II), which have been postponed by a year, the Swiss Federal Council extended the transitional periods under the FMIO for financial market infrastructures by a year until January 1, 2018.

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 chamber of the Swiss Parliament with certain amendments and, in January 2017, entered the second chamber. 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 September 25, 2015, the Swiss Parliament adopted amendments to the anti-corruption laws related to public officials. The scope of offenses of granting or accepting an undue advantage will be expanded to include advantages that are granted to a third party related to public officials instead of only to public officials themselves. Additionally, the Swiss Parliament adopted amendments regarding bribery in the private sector which will become a statutory offense under the Swiss Criminal Code instead



of being addressed only under unfair competition law. These revisions entered into effect on July 1, 2016.

On July 1, 2016, the Swiss federal act on the freezing and restitution of illicitly acquired assets of foreign politically exposed persons entered into force. This act reflects Switzerland's current practice in this area.

On January 1, 2016, the Swiss Bankers Association's revised agreement governing the banks' code of conduct with regard to the exercise of due diligence entered into effect. Among other things, the beneficial owner (controlling owner) of operative legal entities and private companies must be identified, subject to certain exceptions.

On January 1, 2016, the revised Anti-Money Laundering Ordinance entered into effect. Among other things, the revised Anti-Money Laundering Ordinance contains more detailed provisions on the new due diligence obligations and reporting duties for traders set out in the Anti-Money Laundering Act.

## Tax

### Administrative assistance in tax matters

On January 1, 2017, the Convention on Mutual Administrative Assistance in Tax Matters, the revised Federal Act on International Administrative Assistance in Tax Matters and the revised Federal Ordinance on International Administrative Assistance in Tax Matters entered into force, which provide administrative assistance on double taxation and other international agreements of Switzerland. Under the revised legislation and double taxation treaties of Switzerland with other countries with an exchange of information clause, administrative assistance is provided in individual cases upon specific and justified requests and in group request cases based on a behavioral pattern based on information relating to tax periods after January 31, 2013. So-called "fishing expeditions" are not allowed. 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 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. 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 January 27, 2016, Switzerland signed the Multilateral Competent Authority Agreement on the Exchange of Country-by-Country Reports. On November 23, 2016, the Swiss Federal Council submitted to the Swiss Parliament the request to adopt the agreement and the implementing Federal Act on the International Automatic Exchange of Country-by-Country Reports of Multinationals. It is expected that the agreement and the act will enter into effect before the end of 2017. If the agreement and the act become

effective before the end of 2017, multinationals in Switzerland will have to prepare country-by-country reports the first time for the 2018 tax year, and Switzerland will begin to exchange reports the first time in 2020. Once the legislation is effective, multinationals in Switzerland will be permitted to exchange country-by-country reports on a voluntary basis for tax periods before 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 European Union. 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, subject to ratification, will become effective on January 1, 2018. Switzerland has announced the conclusion of other AEOI agreements with further countries.

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 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 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. In connection with the tax reform, several cantons had announced they planned to cut their combined nominal corporate income tax rates to 11.5% and 12% subject to, and simultaneously with, the effectiveness of the reform. On February 22, 2017 the Swiss Federal Council announced that it had mandated the Swiss Federal Finance Department to define the key parameters of a new legislative proposal for reforming the corporate tax system with the objective of strengthening the international competitiveness of Switzerland and abolishing the aforementioned tax privileges. Switzerland is internationally expected to abolish such tax privileges by January 1, 2019. The new proposal will be subject to parliamentary debate and an optional referendum. It is therefore not certain whether the new legislation will enter into force by January 1, 2019.

On September 30, 2016, the Swiss Federal Council mandated the Swiss Federal Finance Department to prepare a proposal for amending the participation exemption regime for dividends of systemically relevant banks. The legislation requires systemically relevant banks to issue CoCos, write-off bonds and bail-in bonds through their top holding company with a respective interest allocation to the participation exemption for dividends. This interest allocation may under current law lead to materially higher corporate income taxes for systemically relevant banks, which is contrary to the goal of the "Too Big to Fail" regime which requires systemically relevant banks to build up capital.

#### Resolution regime

On January 1, 2016, the amendment to the Bank Law entered into effect. The amendment extends FINMA's existing bank resolution powers to Swiss domiciled parent companies of financial groups and certain other unregulated Swiss-domiciled companies belonging to financial groups, and extends FINMA's power to stay termination or termination rights, among others, linked to resolution measures to cover all contracts. The Bank Law is currently subject to further proposed amendments. These amendments were originally contained in the annex to the FinIA. However, it

has been decided to separate this revision from the FinIA and to separately consult on the proposed changes beforehand. These amendments would introduce a new notification requirement prior to a Swiss bank's acquisition of a qualified participation in a foreign entity and revise the bank resolution regime. The proposed revisions to the bank resolution regime include (i) eliminating the requirement for a bail-in to be a means of last resort to avoid insolvency, providing for subordination of TLAC instruments to senior bonds and other unsubordinated claims in restructuring proceedings (including any related bail-in), and (ii) an automatic suspension of voting rights of shares in a Swiss bank or bank holding company acquired in connection with the conversion of debt into shares as a result of a bail-in if those shares exceed 10% of such bank's or bank holding company's total voting rights, with such suspension continuing until FINMA has decided that such a participation is not to the detriment of the bank or bank holding company.

#### 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 US Federal Reserve (Fed), the US Securities and Exchange Commission (SEC), the Office of the Comptroller of the Currency (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 will impose heightened standards of conduct for banks, broker-dealers, and investment advisers when engaging with plans and accounts subject to ERISA and IRC and prohibit transactions viewed as conflicts of interest subject to narrow exceptions and exemptions. Currently, the rule will become applicable April 10, 2017; however, the US Department of Labor proposed delaying this date by 60 days to allow for further consideration of its impact. Upon implementation, the rule may require us to revise our policies and procedures and practices for dealing with such plans and accounts.

#### Supervision

On March 4, 2016, the Fed proposed rules that would impose single-counterparty credit limits on large bank holding companies and foreign banking organizations. The proposed rule would limit the credit exposure of our IHC and of our combined US operations (including Credit Suisse AG's New York Branch (New York Branch)) to any single counterparty, based on eligible capital held

at the IHC or the Group, respectively. The proposed rule would apply a more stringent standard for credit exposures to major counterparties, including other G-SIBs.

The Fed has proposed 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. The proposed rules would require covered entities to include provisions in certain “qualified financial contracts” under which counterparties agree to be subject to the stays on early termination rights that would apply if the covered entity became subject to certain US special resolution regimes. This requirement is similar to requirements introduced in Germany, Switzerland and the United Kingdom to which we are already subject. The proposed rules would also require counterparties of covered entities to agree not to exercise certain early termination rights that arise based on an affiliate of the entity entering bankruptcy proceedings or other insolvency proceedings. It is expected that the International Swaps and Derivatives Association, Inc. (ISDA) will produce a US module to its ISDA Resolution Stay Jurisdictional Modular Protocol to facilitate compliance by the broader market with the Fed’s final requirements.

### Derivative regulation

#### Security-based swap regulation

On April 13, 2016, the SEC adopted final internal and external business conduct rules for security-based swap (SBS) dealers and major SBS participants. In addition, on July 14, 2016, the SEC adopted final rules expanding its SBS reporting requirements (including the public dissemination of transaction information) to cover SBS between a non-US SBS dealer, such as CSI and CSSEL, and a non-US SBS counterparty that are arranged, negotiated or executed by US personnel acting on behalf of the non-US SBS dealer. Depending on the outcome of a comparability analysis by the SEC, CSI and CSSEL could potentially satisfy these rules through substituted compliance with EU or UK regulations.

If CSI and CSSEL cannot rely on substituted compliance, complying with these rules could deter non-US SBS counterparties from interacting with our US personnel. Mitigating this issue could require us to reorganize our front office functions accordingly, which could impede effective risk management and market making activities in SBSs based on US companies. In addition, these rules could cause us to incur significant additional cost in order to modify our compliance infrastructure and controls.

The SEC adopted a final implementation schedule which requires Credit Suisse to comply with these SBS rules upon or shortly after SBS dealer registration, which will not be required until after the SEC completes several other pending rulemakings relating to SBS dealer regulation. The timing for when the SEC will complete these rulemakings remains unclear.

#### Swap regulation

On September 28, 2016, the CFTC adopted rule amendments that will expand mandatory clearing requirements to include certain interest rate swaps and derivatives denominated in Australian,

Canadian, Hong Kong, Mexican, Norwegian, Polish, Singapore, Swedish and Swiss currencies, which will take effect over the course of the end of 2016 through 2018. In addition, these swaps and derivatives may potentially become subject to mandatory exchange trading in the US. To the extent other jurisdictions have not adopted similarly broad clearing requirements and mandatory trading requirements, these rules could fragment interest rate swap liquidity, making it more expensive for Credit Suisse to trade in those markets.

On October 11, 2016, the CFTC proposed to 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. The proposal also would apply certain US antifraud requirements and communication standards to US personnel acting for non-US swap dealers. If adopted, the proposed expansion of swap dealer and major swap participant registration requirements may inhibit our ability to do business with the foreign operations of US multinational companies and trade in the inter-dealer market through our currently unregistered entities, including Credit Suisse AG, which could adversely affect our competitive position or require us to engage in costly restructuring activities. This rule proposal also would, if adopted, supersede the August 4, 2016 no-action letter noted below 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 December 2, 2016, the CFTC proposed capital requirements for non-bank swap dealers and major swap participants, which would include CSSEL. Under the proposal, CSSEL 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 CSSEL would be subject to an additional capital requirement based on 8% of the initial margin required for its 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.

On December 5, 2016, the CFTC adopted final rules amending its approach to how commonly owned or controlled derivatives positions must be aggregated for position limit purposes. The CFTC also re-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.

#### Margin requirements

On May 24, 2016, the CFTC adopted final rules addressing the cross-border application of margin requirements for uncleared swaps. These margin requirements will apply to CSSEL and other non-bank swap dealers registered with the CFTC. Consistent with margin requirements adopted by the US prudential regulators in October 2015 that apply to CSI, these CFTC rules incorporate limits on the eligibility of CSSEL to satisfy the CFTC's margin requirements through "substituted compliance" with EU margin rules, especially when trading with US-headquartered dealers.

Although the US margin rules are generally consistent with margin rules adopted in the EU, differences in the scope of products and entities covered by the rules, and limits on the eligibility of CSI and CSSEL to satisfy US rules through "substituted compliance" with EU rules, could impair the ability of CSI and CSSEL to engage effectively in cross-border derivatives activities, especially in the inter-dealer market. Availability of substituted compliance (whether partially or in full) will depend on future comparability determinations by the CFTC and US banking regulators. These determinations may impose limits on the extent to which non-US swap dealers, including CSI and CSSEL, could rely on comparable EU rules in lieu of US rules. Pending adoption of such a determination, the CFTC issued a no-action letter on February 1, 2017 that effectively allows CSSEL to rely on substituted compliance when trading with certain non-US counterparties on a temporary basis until May 8, 2017. CSI does not benefit from similar relief at this time.

The US rules are following a phased implementation schedule, with (i) variation margin requirements coming 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 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.

From March 1, 2017, CSI and CSSEL are 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. A substantial volume of new margin agreements are required to be executed and the negotiations are complex. In an effort to mitigate the magnitude of any disruptions, on February 13, 2017, the CFTC released no-action relief, and on February 23, 2017, the Fed released enforcement guidance, in each case providing limited relief to swap dealers with respect to inability to complete variation margin documentation by March 1, 2017, subject to various conditions.

#### CFTC no-action relief

On August 4, 2016, the CFTC issued a no-action letter that extends from September 30, 2016 until September 30, 2017 the expiration date for 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. On October 2, 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 21, 2016, the CFTC issued a no-action letter that extends from December 1, 2016 until December 1, 2017 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.

#### Regulatory Focus on Cybersecurity

Federal and state regulators, including 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 access 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.

#### 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 and rule-making processes, and their final form and cumulative impact remain uncertain.

### Supervision

On July 19, 2016, the European Securities and Markets Authority (ESMA) published its advice that there are no obstacles to extending the passporting regime under the Alternative Investment Fund Managers Directive (AIFMD) to jurisdictions such as Canada, Guernsey, Jersey, Japan and Switzerland, and noted relatively minor obstacles to the extension of the AIFMD passport to Hong Kong, Singapore and Australia. Such passporting regime allows authorized alternative investment fund managers to market alternative investment funds to professional investors throughout the EU. In relation to the US, ESMA noted that there remained a concern that to extend the AIFMD passport to the US would result in a disparity of treatment between EU and non-US Alternative Investment Fund Managers in relation to funds marketed to professional investors which do involve a public offering.

On June 30, 2016, the benchmarks regulation, which introduces new rules aimed at ensuring greater accuracy and integrity of benchmarks in financial instruments, entered into force. The regulation sets out various requirements which will govern the activities of benchmark administrators and submitters. The majority of the provisions of the benchmark regulation will apply from January 1, 2018. Certain restrictions and rules introduced by the benchmark regulation have applied to Credit Suisse in its capacity as a contributor to certain critical benchmarks from June 30, 2016. On July 1, 2016, the application date of MiFID II and the Markets in Financial Instruments Regulation (MiFIR) was postponed from January 3, 2017 to January 3, 2018. The European Commission has adopted a number of delegated and implementing acts, which supplement the requirements of MiFID II and MiFIR, and which either have been published in the EU Official Journal, or which will be published following non-objection by the European Parliament and European Council.

### Derivative regulation

On December 21, 2015, the European Commission Delegated Regulation concerning the regulatory technical standards (RTS) on the clearing obligation for certain classes of over-the-counter (OTC) interest rate derivatives under the European Market Infrastructure Regulation (EMIR) entered into force. The regulation governs certain interest rate swaps denominated in the G4 currencies (euro, British pound, US dollar, Japanese yen) such as basis swaps, fixed-to-float interest rate swaps, forward rate agreements and overnight index swaps. The phase-in application based on counterparty type classification began on June 21, 2016 for the largest in-scope market participants with their frontloading obligation coming into effect on February 21, 2016 in respect of contracts entered into or novated on or after that date.

On May 9, 2016, the European Commission Delegated Regulation supplementing EMIR with regard to RTS on the clearing

obligation for certain OTC credit derivative contracts entered into force. The phase-in application dates for these clearing obligations began on February 9, 2017 for the largest market participants with the frontloading obligation coming into effect on October 9, 2016 for the two largest categories of market participants in respect of contracts entered into or novated on or after that date.

On August 9, 2016, the European Commission Delegated Regulation supplementing EMIR with regard to RTS on the clearing obligation for certain OTC interest rate derivatives denominated in Norwegian krone, Polish zloty and Swedish krone entered into force. The phase-in application for these clearing obligations began on February 9, 2017 for the largest market participants, with the frontloading obligations coming into effect on October 9, 2016 for the two largest categories of market participants in respect of contracts entered into or novated on or after that date.

On February 10, 2016, the European Commission published a statement setting out the agreed approach with the CFTC regarding the requirements for transatlantic central counterparties (CCPs). The agreement reached between the European Commission and the CFTC is intended to facilitate the EU CCPs' ability to operate in the US, as well as the US CCPs' ability to provide services to EU companies. The European Commission's equivalence decision under EMIR with respect to CFTC requirements for US CCPs entered into force on April 5, 2016, paving the way for the recognition by the European Securities and Markets Authority (ESMA) of CFTC-registered US CCPs whose internal rules and procedures meet the conditions set out in the decision. On March 16, 2016, the CFTC adopted a substituted compliance framework for dually-registered EU CCPs, together with a comparability determination with respect to certain EU CCP requirements and a no-action letter providing limited relief from the application of CFTC requirements to certain aspects of a derivatives clearing organization/CCP's non-US clearing activities, which became effective immediately upon the determination's publication in the Federal Register on March 22, 2016.

On June 2, 2016, a MoU between ESMA and the CFTC became effective. The MoU establishes regulatory cooperation arrangements relating to CFTC-registered US CCPs that have applied to ESMA for recognition under Article 25 of EMIR. The MoU follows the adoption of the European Commission's equivalence decision under EMIR with respect to CFTC requirements for US CCPs on March 15, 2016.

On July 23, 2016, the European Commission's implementing decision on the equivalence of US designated contract markets came into force. The decision states that, for the purpose of Article 2(7) of EMIR, the CFTC designated boards of trade will be considered "equivalent" to EU regulated markets. Accordingly, any derivatives contract executed on a US designated contract market will not be considered an "OTC contract", and so will not be subject to the EMIR central clearing requirements.

Following the entry into effect on December 4, 2015 of the European Commission's equivalence decision regarding the regulatory regime of CCPs established in the Republic of Korea, ESMA published on March 22, 2016 a memorandum of understanding



(MoU) it has entered into with the South Korean Financial Services Commission and Financial Supervisory Service under EMIR. The MoU establishes co-operation arrangements regarding CCPs established and authorized in South Korea which have applied to ESMA for recognition under EMIR in order to provide clearing services to clearing members or trading venues established in the EU. The memorandum of understanding provides ESMA with tools to monitor those South Korean CCPs' on-going compliance with the recognition conditions in EMIR.

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, Japan, Australia and Canada for CCPs and trading venues under EMIR.

On January 4, 2017, the European Commission Delegated Regulation supplementing EMIR with regard to regulatory technical standards for risk mitigation techniques for 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 certain non-centrally cleared OTC derivative transactions. The requirements relating to initial margin and variation margin apply from February 4, 2017 in relation to the largest market participants. Other market participants 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 apply for all financial and non-financial counterparties above the clearing threshold from March 1, 2017.

In order to comply with the new regime for variation margin, firms must 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 Financial Conduct Authority (FCA) and other regulators have acknowledged the challenges in complying with the new regulatory technical standards and have announced that they will take a risk-based approach and use judgement as to the adequacy of firm's progress.

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. A number of current substituted compliance or equivalence determinations in non-EU jurisdictions are provisional or temporary measures that could be reduced or eliminated in the future. There are no EU equivalence determinations to date, nor is it clear whether and when these will be issued.

On January 12, 2016, the regulation on transparency of securities financing transactions entered into force with certain provisions applying from that date and other provisions being phased-in. The regulation requires that counterparties to securities financing transactions report the details of any securities financing transactions to a trade repository and allows them to reuse financial instruments received as collateral subject to certain conditions.

#### Market abuse

On January 7, 2016, the European Commission implementing directive on reporting to competent authorities actual or potential infringements of the EU Market Abuse Regulation (MAR) entered into force and has applied in EU member states since July 3, 2016. MAR requires EU member states to ensure that competent authorities establish mechanisms to enable infringements of MAR to be reported to the authorities. Different communication channels will be implemented by the competent authorities and adequate protection will be provided to whistle-blowers against retaliation, discrimination or any other type of unfair treatment by their employers.

In the first quarter 2016, the European Commission published a number of delegated regulations supplementing MAR. The delegated regulations relate to buy-back programs and stabilization measures, establish rules on reporting orders and transactions that could constitute insider dealing or market manipulation and set out requirements on recommendations produced on an issuer or financial instrument. The delegated regulations also set out rules relating to indicators of market manipulation as well as rules on the circumstances under which trading during closed periods may be permitted and the types of managers' transactions which may need to be notified.

#### Intermediate EU Parent Undertakings

On November 23, 2016, the European Commission adopted legislative proposals to amend CRD IV, the Capital Requirements Regulation (CRR) and the BRRD. These proposals include a requirement for non-EU groups that are Global Systemically Important Institutions, or which have entities in the EU with total assets of EUR 30 billion or more, to establish an intermediate parent undertaking in the EU. The requirement would apply where two or more firms established in the EU have the same parent undertaking, established outside the EU.

#### Tax

The European Commission has published a proposal for a common financial transaction tax (FTT) in Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain (participating member states). However, Estonia has since stated that it will not participate. The European Commission's proposal has a very broad scope and could, if approved in the proposed form, apply to a wide range of financial transactions, including certain transactions carried out by Credit Suisse entities. However, under the European Commission's proposal, the FTT could apply in certain circumstances to persons both within

and outside of the participating member states. Generally, the proposed tax would apply to certain financial transactions where at least one party is a financial institution, and at least one party is established in a participating member state. The FTT proposal remains subject to negotiation among the participating member states and the legality of the proposal is uncertain. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU member states may decide to participate and/or certain of the participating member states may decide to withdraw.

## UK

### Tax

In the Finance Act 2015, the UK introduced a restriction on the extent to which certain banking companies can use historic losses (meaning losses incurred prior to April 1, 2015) to offset profits for tax purposes. The proportion of a banking company's annual taxable profit that could be offset by pre-April 2015 losses was initially set at 50% but, from April 1, 2016 onwards, was reduced from 50% to 25%. A wider set of reforms in relation to loss relief for all UK corporation tax payers will be introduced with effect from April 1, 2017, but the UK government has confirmed that pre-April 2015 banking losses will remain subject to the restrictions described above.

Following a consultation (and in response to the OECD's Base Erosion and Profit Shifting project), the UK government will introduce rules with effect from April 1, 2017, imposing new restrictions on the tax deductibility of corporate interest expense. It was previously acknowledged by both the government and the OECD that the nature and treatment of interest expense in the businesses of banking and insurance groups distinguishes them from other taxpayers. However it has now been confirmed that banking and insurance groups will be subject to the new UK restrictions in the same way as groups in other industry sectors.

The restriction on loss relief and rules on interest deductibility may be relevant to certain Credit Suisse UK entities, or to Credit Suisse entities with UK branches.

### Corporate governance

On March 31, 2016, the PRA issued a supervisory statement on corporate governance, focusing on board responsibilities. The supervisory statement addresses areas such as culture, risk appetite and risk management, board composition, the roles of executive and non-executive directors, board time and resources, succession planning, remuneration and subsidiary boards.

### BREXIT

On June 23, 2016, voters in the UK voted to leave the EU in a non-binding referendum. On October 2, 2016, the UK prime minister announced that Article 50 of the Lisbon Treaty would be triggered before the end of March 2017 and that the Queen's speech will include a Great Repeal Bill to repeal the European Communities Act 1972. On March 16, 2017, the European Union (Notification

of Withdrawal) Bill was enacted and a notification under Article 50 is expected to be made on March 29, 2017. Following the formal notification by the UK of its decision to exit the EU, negotiations will commence on a withdrawal agreement (Withdrawal Agreement). 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. Credit Suisse is working to address the implications of the consequences of these changes and to ensure operational continuity 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

#### ISDA Resolution Stay Protocols

On November 12, 2015, the International Swaps and Derivatives Association, Inc. (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. However, these provisions are not effective until certain regulations are introduced in the US.

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 introduced such requirements in 2015 and 2016, and more are expected to do so in the coming years.

In Switzerland, the Swiss Federal Council introduced amendments to the Banking Ordinance that will require banks, including Credit Suisse, to include terms in their contracts (and in 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.

In the UK, the 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 since June 2016.

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

## 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.

Since January 1, 2010, compensation design and its implementation and disclosure must comply with standards promulgated by FINMA under its Circular on Remuneration Schemes.

### 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 Banking Insolvency Ordinance-FINMA (the 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 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 since January 1, 2016 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 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 Department of Financial Services, 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, would 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 depository 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.

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 has extended the compliance deadline to July 21, 2017. Credit Suisse 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. In December 2016, the Fed issued guidance on how banking entities may seek an extension of the Volcker Rule conformance period for up to five additional years (i.e., until July 21, 2022) to hold legacy (pre-May 1, 2010) investments in illiquid funds that meet certain criteria. CS has applied for an extension for certain of its illiquid fund holdings.

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. The IHC is subject to US risk-based capital and leverage requirements that are largely consistent with the Basel III framework published by the BCBS, though they diverge in several important respects due to the requirements of the Dodd-Frank Act. The IHC will also be subject to additional requirements under the Fed's final TLAC framework for IHCs, described above. In addition, both the IHC itself and the combined US operations of Credit Suisse (including the 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 the IHC and the New York Branch, and stress testing. Under proposals that remain under consideration, the 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 LCR and net stable funding ratio (NSFR) to the US operations of certain large foreign banking organizations.

► 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 the Financial Industry Regulatory Authority (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 the 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 the Employee Retirement Income Security Act of 1974 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 have been expanded to include persons engaging in a relevant activity with respect to swaps, and new registration categories have been 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 and CSSEL is registered with the CFTC as a swap dealer as a result of its swap activities with US persons 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.

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.

In addition, it is possible the SEC will finalize some of its rules implementing the derivatives provisions of the Dodd-Frank Act during 2017. 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. In particular, 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.



## 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. The new regime is not expected to come into force before 2018. 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 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 annually 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. The Federal Reserve and FDIC delayed our deadline for submission of our next US resolution plans until July 2017. We have not yet received formal feedback on our 2015 US resolution plan, but based on public feedback given to US-headquartered G-SIBs, we expect to be asked to do additional work for our 2017 plan.

## EU

### Financial services regulation and supervision

Since it was announced in 1999, the EU's Financial Services Action Plan has given rise to numerous measures (both 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: the EBA, the ESMA and the EIOPA.

CRD IV came into force on January 1, 2014. The CRD IV package implemented in various EU countries, including the UK, the Basel III capital framework for banking groups operating in the EU. CRD IV wholly replaced the current Capital Requirements Directive, which implemented the Basel II capital framework. CRD IV creates a single prudential rule book for banks, introduces new corporate governance and certain new remuneration requirements, including a cap on variable remuneration, and enhances the powers of regulators.

The existing Markets in Financial Instruments Directive (MiFID I) establishes high-level organizational and business conduct standards that apply to all investment firms. These include standards for managing conflicts of interest, best execution, enhanced investor protection, including client classification, and the requirement to assess suitability and appropriateness in providing investment services to clients. MiFID I sets standards for regulated markets (i.e., exchanges) and multilateral trading facilities, and sets out pre-trade and post-trade price transparency requirements for equity trading. MiFID I also sets standards for the disclosure of fees and other payments received from or paid to third parties in relation to investment advice and services and regulates investment services relating to commodity derivatives. In relation to these and other EU-based investment services and activities, MiFID I introduced a "passport" for investment firms, enabling them to conduct cross-border activities and establish branches throughout the EU on the basis of authorization from their home state regulator. MiFID I entered

into force on July 2, 2014 and has been significantly reformed by MiFID II and MiFIR. On July 1, 2016, the application date of MiFID II and MiFIR was postponed from January 3, 2017 to January 3, 2018. Such changes include the creation of a new category of trading venue, that is, the organized trading facility; measures to direct more trading onto regulated trading venues such as regulated markets, multilateral trading facilities and organized trading facilities; and an extension of pre- and post-trade transparency requirements to equity-like fixed income and derivative financial instruments. There will also be new safeguards introduced for high frequency and algorithmic trading activities, requiring the authorization of firms engaging in such trading activities and the proper supervision of high frequency and algorithmic traders. These safeguards are intended to guard against the possible market distortion that high frequency and algorithmic trading could bring about.

The Single Supervisory Mechanism Framework Regulation has entered into force and it 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 ECB assumed its prudential supervisory duties on November 4, 2014.

The Fourth EU Anti-Money Laundering Directive entered into force on June 25, 2015 and must be transposed by member states by June 26, 2017. The forthcoming regime introduces a series of reforms, including updated and refined requirements relating to the information that a financial institution must obtain and hold relating to the beneficial ownership of its customers. The information on beneficial ownership must also be held in a central register, accessible to firms conducting due diligence on their clients, member states' national competent authorities, financial intelligence units, and other bodies which can demonstrate a "legitimate interest" in relation to money laundering and terrorist financing. The European Commission published a proposed Fifth Money Laundering Directive on July 5, 2016.

### 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, sets out a new suite of bank resolution tools, including bail-in, and establishes country-specific bank resolution financing arrangements. In addition, 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 it to restore its 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 from 2016, although these requirements will be phased in with fully loaded requirements from 2019/20 onwards. This requirement is known as the MREL, and is conceptually similar to the TLAC framework. The deadline for transposing the directive into member states' laws and regulations was December 31, 2014 and national authorities were obligated to apply the provisions of the BRRD (with the exception of the bail-in tool) by January 1, 2015. On November 23, 2016, the European Commission adopted legislative proposals relating to the implementation of the FSB TLAC standard, by introducing the harmonized minimum level of the TLAC standard. The proposals would amend the CRR, the BRRD and the Regulation for the single resolution mechanism. Their effect would be to integrate the TLAC standard with the EU's existing MREL framework, and would amend the requirements of the BRRD which relate to the insolvency ranking of holders of debt instruments issued by EU banks.

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 was established as responsible for macro-prudential regulation. Under the Bank of England and Financial Services Act 2016, the functions of the PRA Board were transferred to a new committee of the Bank of England, the Prudential Regulation Committee, and the status of the PRA as a subsidiary of the Bank of England was ended on March 1, 2017.

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. In addition to regulation by the PRA, certain wholesale money markets activities are subject to the Non-Investment Products Code, a voluntary code of conduct published by the Bank of England which PRA-regulated firms are expected to follow when conducting wholesale money market business.

Our London Branch will be required to continue 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 the CRD.

With effect from January 1, 2014, CRD IV replaced the previous CRD with new measures implementing Basel III and other requirements. Compliance with these requirements includes receiving approval by the PRA of certain models with respect to regulatory capital requirements of our UK subsidiaries.

The PRA has implemented the requirements of CRD IV 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, provides for the creation of a “retail ring-fence” that will prohibit large retail deposit banks from carrying out a broad range of investment and other banking activities in the same entity. The Banking Reform Act has been implemented by secondary legislation. Banks are expected to be required to comply with the ring-fencing requirements by 2019. However, it is expected that our private banking businesses in the UK may benefit from the *de minimis* exemption from the retail ring-fence requirements which is anticipated to exclude certain banks that hold core deposits of below GBP 25 billion. The Banking Reform Act 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 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. 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. With effect from January 1, 2015, changes have been made primarily to the UK Banking Act, the Financial Services and Markets Act 2000 (FSMA) and the Insolvency Act 1986 in order to reflect the BRRD requirements in relation to the recovery and resolution regime. Extensive changes were made to the SRR through the UK Banking Act to cover matters related to the special resolution objectives, the conditions for triggering the SRR, the asset separation tool, the government’s stabilization options and the write-down of capital instruments, as well as the implementation of the bail-in tool. Furthermore, as a result of the changes introduced by the BRRD, the Bank of England, the PRA and the FCA have been granted additional powers to manage the recovery and resolution process of the relevant credit institutions subject to this regime.

On November 13, 2015, the PRA set out final rules on contractual stays in financial contracts governed by third-country law. The purpose of the rules is to ensure that resolution action taken in relation to a relevant firm would not immediately lead to the early termination of those of its financial arrangements governed by third-country law, while similar financial arrangements governed by the laws of the UK or another EU jurisdiction are stayed. These rules apply to counterparties of UK firms, PRA-authorized banks, and to credit institutions and financial institutions that are subsidiaries of PRA-authorized banks. The rules came into effect on June 1, 2016.

# 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 or sell our assets, and we expect our liquidity costs to 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 additional costs as a result of regulatory requirements for increased liquidity and the continued challenging economic environment in Europe, the US, Asia and elsewhere.

If we are unable to raise needed funds in the capital markets (including through offerings of equity 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 that pose systemic risk would receive government or central bank support 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. Although Moody's Investors Service upgraded the senior long-term debt ratings of Credit Suisse AG and Credit Suisse Group AG by one notch in December 2016, future downgrades by Moody's Investors Service or any other rating agency of ratings assigned to Credit Suisse Group AG or Credit Suisse AG are possible. Any downgrades in our assigned ratings, including in particular our credit 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 longer-term 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 2016, 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 are subject to the risk of loss from adverse market conditions and unfavorable economic, monetary, political, legal and other developments in the countries we operate in around the world**

As a global financial services company, our businesses are materially affected by conditions in the financial markets and economic conditions generally 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, significantly higher market volatility, low commodity prices, and concerns about emerging markets, in particular slower economic growth in China, have recently 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. For example, sanctions have been imposed on certain individuals and companies in Russia.

Continued concern about European economies, including the refugee crisis, and political uncertainty, including in relation to the UK's withdrawal from the EU, could cause disruptions in market conditions in Europe and around the world. On June 23, 2016, the UK voted through a referendum in favor of leaving the EU. UK Prime Minister Theresa May confirmed that the government would initiate the two-year process of negotiations for withdrawal from the EU by March 2017, with an expected date of withdrawal in early 2019. 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. The environment of political uncertainty in continental Europe may also affect our business. The increased popularity of nationalistic sentiments and the upcoming elections in France and Germany may result in significant shifts in national policy and a move away from European integration and the eurozone. Similar uncertainties exist regarding the impact and potential effects of the new US presidential administration.

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, 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, 2016, our real estate loans as reported to the SNB totaled approximately CHF 143 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 10 – Provision for credit losses" and "Note 19 – Loans, allowance for loan losses and credit quality" in V – 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 with significant exposure to the eurozone, continued in 2016 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. 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, goals 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, goals 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 objectives, 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 cost savings, which may or may not be successful. We have announced our intention, market conditions permitting, to conduct an initial public offering by the end of 2017 of a minority stake of Credit Suisse (Schweiz) AG, which is an indirect subsidiary of Credit Suisse Group AG that started its business operations as an independent Swiss bank in November 2016. Any such initial public offering would be subject to, among other things, all necessary approvals and would be intended to generate additional capital for Credit Suisse AG or Credit Suisse (Schweiz) AG. There is no guarantee that we will be able to conduct such an initial public offering by such time, in such form 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.

**We have announced a program to evolve our legal entity structure and cannot predict its final form or potential effects**

In 2013, we announced key components of our program to evolve our legal entity structure. 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 over the course of the year. This program remains subject to a number of uncertainties that may affect its feasibility, scope and timing. In addition, 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 will require significant time and resources and may potentially increase operational, capital, funding and tax costs as well as our counterparties' credit risk.

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

**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 V – 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 China and Brazil during 2016, have experienced and may continue to experience severe economic and financial disruptions or slower economic growth than in prior years. 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. Despite some weakening, the Swiss franc remained strong against the US dollar and euro in 2016.

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 information technology risk

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. Regulatory requirements in this area 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.

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 could occur without detection for an extended period of time. In addition, we expect that any investigation of a cyber-attack 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.

If any of our systems do not operate properly or are 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, we could be subject to litigation or suffer financial loss not covered by insurance, a disruption of our businesses, liability to our clients, 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 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 39 – Litigation” in V – 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.

► Refer to “Critical accounting estimates” in II – Operating and financial review and “Note 1 – Summary of significant accounting policies” in V – 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 capital, leverage and liquidity requirements, 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 potentially 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 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 businesses, 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. New CFTC and SEC rules could materially increase the operating costs, including 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 new 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 intermediate holding company. 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 the US Foreign Account Tax Compliance Act, 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. Additionally, implementation of EMIR and its Swiss counterpart, FMIA, CRD IV and the MiFID II 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 new TLAC requirements, which have been implemented in Switzerland and are being or have been finalized in many other jurisdictions, as well as expected 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. Further, following the formal notification by the UK of its decision to leave the EU, negotiations will commence on the Withdrawal Agreement. This 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. Adverse changes to any of these arrangements, and even uncertainty over potential changes during any 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 2017 and beyond. The uncertainty about the US regulatory agenda of the new presidential administration, 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, since January 1, 2016, 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 have implemented significant changes to their monetary policy and may implement 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, 2016, we had 2,089,897,378 common shares outstanding and we had already issued in the aggregate an equivalent of CHF 6.8 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. 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.



## Operating and financial review

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# Operating environment

In 2016, economic activity was generally robust in developed economies with inflation remaining at low levels. Global equity markets increased and volatility remained subdued. Government bond yields were mixed and remained at low levels. The US dollar strengthened against the euro and Swiss franc.

## ECONOMIC ENVIRONMENT

After a somewhat slow start to the year, the US economy reaccelerated during the course of 2016 with private consumption remaining one of the main drivers of growth. While core inflation remained largely stable, headline inflation rose towards the end of the year in the US, primarily due to increased energy prices. In the eurozone, the economic recovery also continued and core inflation stabilized at subdued levels. Despite the outcome of the UK referendum on EU membership, the British economy continued to expand. In emerging markets, Chinese growth was successfully stabilized largely due to Chinese infrastructure stimulus. The Russian economy improved towards the second half of the year, while the Brazilian economy remained in a recession.

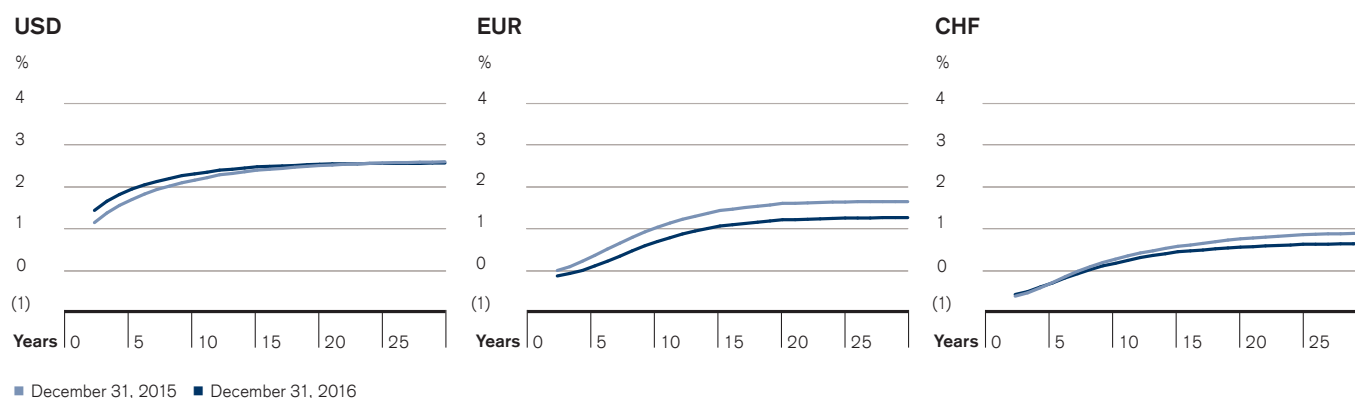
At its December 2016 meeting, the US Federal Reserve (Fed) decided to raise the target range for the policy rate by 25 basis points. The European Central Bank (ECB) announced further monetary easing measures at its March 2016 meeting, including cuts in all main interest rates, an increase in the asset purchase program and additional bank funding measures. Later in the year, the ECB announced its intention to scale back monthly asset purchases to EUR 60 billion beginning in April 2017. In August 2016, the Bank of England announced significant additional measures to ease monetary policy by increasing the size of its asset purchase program and cutting the policy rate. In September 2016, the Bank of Japan announced a shift towards targeting specific yield levels and away from specifying the amounts of asset purchases. With the exception of Mexico and Turkey, central banks in emerging markets generally lowered or maintained their policy rates. China

refrained from policy rate changes, and the renminbi depreciated further versus the US dollar.

At the beginning of 2016, major equity markets declined sharply due to weaker than expected macroeconomic data in developed economies, economic growth concerns in emerging markets, particularly in China, and low oil prices. Since the middle of February 2016, equity markets steadily recovered, supported by a gradual improvement in economic data expectations, a recovery in commodity markets and low interest rates from major central banks. Towards the end of year, equity markets continued to move higher, driven by better economic data and the expectations for fiscal stimulus in the US under a new presidential administration elected in November. Among developed markets, Canada and UK equities outperformed, benefitting from higher commodity prices and a weaker currency, respectively, while Swiss and Japanese equities lagged behind. Emerging markets outperformed developed markets in 2016, led by a sharp rally in Latin American equities (refer to the charts under "Equity markets"). Brazil and Russian equities, in particular, gained from the improved commodity market. Among industry sectors, materials and energy were the outperformers, while defensive sectors like consumer staples and healthcare underperformed. Equity market volatility, as measured by the Chicago Board Options Exchange Market Volatility Index (VIX), was moderate during the first half of the year, and decreased in the second half of the year (refer to the charts under "Equity markets"). Risk appetite, as measured by the Credit Suisse Equity Risk Appetite Index, increased during the year. The Credit Suisse Hedge Fund Index increased 1.2% in 2016.

## Yield curves

Yield curves remained at low levels in all major currencies.



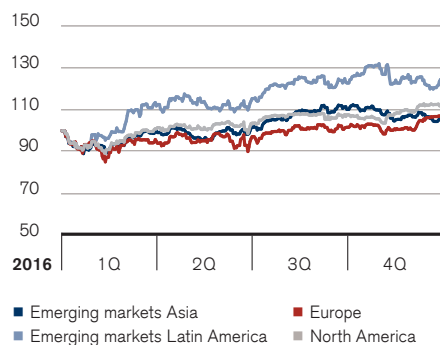
Source: Datastream, Credit Suisse

## Equity markets

Equity markets closed higher in 2016 with bank stocks outperforming global equity markets. Volatility remained at subdued levels.

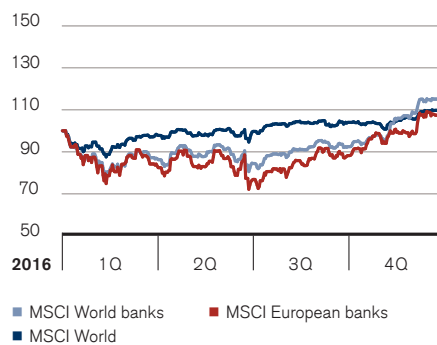
### Performance by region

Index (December 31, 2015 = 100)



### Performance world banks

Index (December 31, 2015 = 100)



### Volatility

%



Source: Datastream, MSCI Barra, Credit Suisse

Source: Datastream, MSCI Barra, Credit Suisse

Source: Datastream, Credit Suisse

## Credit spreads

After widening significantly at the beginning of the year, credit spreads tightened throughout the year.



Source: Bloomberg, Credit Suisse

After a decline in the first half of the year, government bond yields increased in the second half of 2016, with US Treasury yields increasing significantly following the US presidential election. As a result, the 10-year US Treasury yield increased for the full year (refer to the charts under "Yield curves"). Euro-denominated sovereign bond yields decreased in the first half of the year, but began to increase in the last quarter of the year. Italian sovereign bond yields also increased towards the end of the year, particularly ahead of the Italian constitutional referendum which took place in December. In credits, global credit spreads tightened strongly on better economic momentum and a recovery in commodity prices (refer to the charts under "Credit spreads"), which particularly benefited US high yield bonds. Emerging market bond spreads

tightened, despite widening somewhat following the US presidential election in November.

The US dollar sharply recovered its earlier losses during the year in the final quarter of 2016 and ended the year stronger against the euro and Swiss franc. Expectations of improved US growth and tighter monetary policy drove the interest rate gap in favor of the US dollar following the US presidential election. The value of the Swiss franc against the euro weakened moderately in the first half of 2016, but ended the year slightly stronger overall against the euro. The weakest major currency in 2016 compared to the US dollar was the British pound, which depreciated significantly after the outcome of the UK referendum on EU membership in June. The Japanese yen was the strongest of the G-10 currencies until the US presidential election in November and, following a sharp decline against the US dollar post-election, recorded moderate gains against the US dollar towards the end of December. Commodity currencies such as the Canadian dollar also defended part of their earlier gains against the US dollar as they continued to benefit from supportive oil price developments towards the end of the year. The Brazilian real and Russian ruble outperformed among emerging market currencies, while the Mexican peso and Turkish lira underperformed, partly due to increased political uncertainties.

Commodity markets rebounded in 2016, following sharp losses in previous years. The Credit Suisse Commodities Benchmark gained 15.5% by year-end, with the energy sector turning out to be the best performing market despite a weak start to the year. Industrial metals also had a strong performance, supported by Chinese infrastructure stimulus. Meanwhile, precious metal markets were negatively impacted in the second half of the year due to rising US yields and a stronger US dollar, but finished the year positive. The performance of agricultural markets trailed the other commodity segments by a large margin, finishing the year slightly negative.

**Market volumes (growth in % year on year)**

2016	Global	Europe
Equity trading volume <sup>1</sup>	(11)	(18)
Announced mergers and acquisitions <sup>2</sup>	(17)	(13)
Completed mergers and acquisitions <sup>2</sup>	(10)	9
Equity underwriting <sup>2</sup>	(25)	(39)
Debt underwriting <sup>2</sup>	6	–
Syndicated lending – investment grade <sup>2</sup>	(12)	–

<sup>1</sup> London Stock Exchange, Borsa Italiana, Deutsche Börse and BME. Global also includes ICE and NASDAQ.

<sup>2</sup> Dealogic.

**SECTOR ENVIRONMENT**

World bank stocks underperformed global equity markets in the first half of 2016 but outperformed in the second half of the year, driven by European bank stocks. At the end of 2016, world bank stocks traded 13.7% higher compared to 2015 (refer to the charts under “Equity markets”).

In private banking, market conditions remained challenging in light of the political and macroeconomic uncertainties with respect to the impact of the outcome of the UK referendum on EU

membership and the US presidential election, the persistent low interest rate environment and the uncertainty concerning central banks’ monetary policies going forward. The sector continues to face significant structural pressure as it adapts to industry-specific regulatory changes, tax regularization, and anti-money-laundering initiatives. In particular, regulatory requirements for investment advisory services continue to increase, including in the areas of client suitability and appropriateness of advice, information, and documentation.

In investment banking, global equity trading volumes decreased compared to 2015, mainly driven by lower trading volumes in Europe. Compared to 2015, global announced mergers & acquisitions (M&A) volumes were down by 17%. Global completed M&A volumes were also lower, despite higher volumes in Europe. Global equity underwriting volumes decreased 25%, strongly impacted by lower volumes in Europe, which were down 39% compared to 2015. Global debt underwriting volumes increased by 6% compared to 2015. US fixed income volumes increased compared to 2015, mainly driven by stronger mortgage-backed securities volumes.

# Credit Suisse

In 2016, we recorded a net loss attributable to shareholders of CHF 2,710 million. Diluted loss per share was CHF 1.32 and the return on equity attributable to shareholders was (6.1)%. As of the end of 2016, our Basel III CET1 ratio was 11.5% on a look-through basis.

## Results

	in / end of			% change	
	2016	2015	2014	16 / 15	15 / 14
<b>Statements of operations (CHF million)</b>					
Net interest income	7,562	9,299	9,034	(19)	3
Commissions and fees	11,092	12,044	13,051	(8)	(8)
Trading revenues	313	1,340	2,026	(77)	(34)
Other revenues	1,356	1,114	2,131	22	(48)
<b>Net revenues</b>	<b>20,323</b>	<b>23,797</b>	<b>26,242</b>	(15)	(9)
<b>Provision for credit losses</b>	<b>252</b>	<b>324</b>	<b>186</b>	(22)	74
Compensation and benefits	10,572	11,546	11,334	(8)	2
General and administrative expenses	9,770	8,574	9,534	14	(10)
Commission expenses	1,455	1,623	1,561	(10)	4
Goodwill impairment	0	3,797	0	(100)	–
Restructuring expenses	540	355	–	52	–
Total other operating expenses	11,765	14,349	11,095	(18)	29
<b>Total operating expenses</b>	<b>22,337</b>	<b>25,895</b>	<b>22,429</b>	(14)	15
<b>Income/(loss) from continuing operations before taxes</b>	<b>(2,266)</b>	<b>(2,422)</b>	<b>3,627</b>	(6)	–
Income tax expense	441	523	1,405	(16)	(63)
<b>Income/(loss) from continuing operations</b>	<b>(2,707)</b>	<b>(2,945)</b>	<b>2,222</b>	(8)	–
Income from discontinued operations	0	0	102	–	(100)
<b>Net income/(loss)</b>	<b>(2,707)</b>	<b>(2,945)</b>	<b>2,324</b>	(8)	–
Net income/(loss) attributable to noncontrolling interests	3	(1)	449	–	–
<b>Net income/(loss) attributable to shareholders</b>	<b>(2,710)</b>	<b>(2,944)</b>	<b>1,875</b>	(8)	–
of which from continuing operations	(2,710)	(2,944)	1,773	(8)	–
of which from discontinued operations	0	0	102	–	(100)
<b>Statement of operations metrics (%)</b>					
Return on regulatory capital	(4.7)	(4.5)	6.3	–	–
Cost/income ratio	109.9	108.8	85.5	–	–
Effective tax rate	(19.5)	(21.6)	38.7	–	–
<b>Earnings per share (CHF)</b>					
Basic earnings/(loss) per share	(1.32)	(1.73)	1.05	(24)	–
Diluted earnings/(loss) per share	(1.32)	(1.73)	1.04	(24)	–
<b>Return on equity (%)</b>					
Return on equity attributable to shareholders	(6.1)	(6.8)	4.4	–	–
Return on tangible equity attributable to shareholders <sup>1</sup>	(6.9)	(8.4)	5.4	–	–
<b>Balance sheet statistics (CHF million)</b>					
Total assets	819,861	820,805	921,462	0	(11)
Risk-weighted assets <sup>2</sup>	268,045	289,946	284,248	(8)	2
Leverage exposure <sup>2</sup>	950,763	987,628	1,149,656	(4)	(14)
<b>Number of employees (full-time equivalents)</b>					
Number of employees	47,170	48,210	45,840	(2)	5

<sup>1</sup> 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.

<sup>2</sup> Disclosed on a look-through basis.

## RESULTS SUMMARY

### 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 US Department of Justice (DOJ) regarding our legacy ◉ residential mortgage-backed securities (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.

### 2015 results

In 2015, Credit Suisse reported a net loss attributable to shareholders of CHF 2,944 million, including a goodwill impairment charge of CHF 3,797 million, compared to net income attributable to shareholders of CHF 1,875 million in 2014.

## 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 settlement with the DOJ 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 reassessment 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 28 – Tax" in V – Consolidated financial statements – Credit Suisse Group for further information.

### RMBS settlement

In January 2017, Credit Suisse reached a final settlement with the DOJ regarding its legacy RMBS business – a business conducted through 2007. The settlement releases Credit Suisse from potential civil claims by the DOJ related to its securitization, underwriting, issuance and sale of RMBS. Under the terms of the settlement, in January 2017, Credit Suisse paid a civil monetary penalty of USD 2.48 billion to the DOJ. In addition, Credit Suisse will provide consumer relief totaling USD 2.8 billion within five years post settlement. These 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. In the fourth quarter of 2016, Credit Suisse recorded a litigation provision of USD 1,990 million in the Strategic Resolution Unit, in addition to its existing provisions of USD 550 million against this matter which were recorded in prior periods.

### Subsequent event

In March 2017, we increased our existing litigation provision by CHF 300 million in our Strategic Resolution Unit to reflect a settlement in principle to resolve the RMBS matter with the National Credit Union Administration Board (NCUA). At the Group level, this resulted in an after tax charge of CHF 272 million in respect of our previously reported 2016 financial results and our BIS look-through CET 1 ratio is 11.5%.

► Refer to "Note 39 – Litigation" in V – 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
<b>2016 (CHF million)</b>									
<b>Net revenues</b>	<b>5,759</b>	<b>4,698</b>	<b>3,597</b>	<b>5,497</b>	<b>1,972</b>	<b>71</b>	<b>21,594</b>	<b>(1,271)</b>	<b>20,323</b>
<b>Provision for credit losses</b>	<b>79</b>	<b>20</b>	<b>26</b>	<b>(3)</b>	<b>20</b>	<b>(1)</b>	<b>141</b>	<b>111</b>	<b>252</b>
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
<b>Total operating expenses</b>	<b>3,655</b>	<b>3,557</b>	<b>2,846</b>	<b>5,452</b>	<b>1,691</b>	<b>759</b>	<b>17,960</b>	<b>4,377</b>	<b>22,337</b>
<b>Income/(loss) before taxes</b>	<b>2,025</b>	<b>1,121</b>	<b>725</b>	<b>48</b>	<b>261</b>	<b>(687)</b>	<b>3,493</b>	<b>(5,759)</b>	<b>(2,266)</b>
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 <sup>1</sup>	65,669	35,252	34,605	51,713	18,027	17,338	222,604	45,441	268,045
Leverage exposure <sup>1</sup>	252,889	94,092	108,926	284,143	45,571	59,374	844,995	105,768	950,763
<b>2015 (CHF million)</b>									
<b>Net revenues</b>	<b>5,721</b>	<b>4,552</b>	<b>3,839</b>	<b>6,826</b>	<b>1,787</b>	<b>561</b>	<b>23,286</b>	<b>511</b>	<b>23,797</b>
<b>Provision for credit losses</b>	<b>138</b>	<b>5</b>	<b>35</b>	<b>10</b>	<b>0</b>	<b>(1)</b>	<b>187</b>	<b>137</b>	<b>324</b>
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
of which goodwill impairment	0	0	756	2,661	380	0	3,797	0	3,797
of which restructuring expenses	42	36	3	96	22	0	199	156	355
<b>Total operating expenses</b>	<b>3,908</b>	<b>3,824</b>	<b>3,427</b>	<b>8,747</b>	<b>2,101</b>	<b>862</b>	<b>22,869</b>	<b>3,026</b>	<b>25,895</b>
<b>Income/(loss) before taxes</b>	<b>1,675</b>	<b>723</b>	<b>377</b>	<b>(1,931)</b>	<b>(314)</b>	<b>(300)</b>	<b>230</b>	<b>(2,652)</b>	<b>(2,422)</b>
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 <sup>1</sup>	60,352	32,880	26,835	62,838	16,150	18,467	217,522	72,424	289,946
Leverage exposure <sup>1</sup>	238,180	101,628	98,632	276,656	40,898	63,090	819,084	168,544	987,628
<b>2014 (CHF million)</b>									
<b>Net revenues</b>	<b>5,912</b>	<b>4,942</b>	<b>3,335</b>	<b>7,426</b>	<b>2,109</b>	<b>680</b>	<b>24,404</b>	<b>1,838</b>	<b>26,242</b>
<b>Provision for credit losses</b>	<b>94</b>	<b>12</b>	<b>40</b>	<b>7</b>	<b>(1)</b>	<b>1</b>	<b>153</b>	<b>33</b>	<b>186</b>
Compensation and benefits	1,905	2,207	1,425	3,038	1,187	358	10,120	1,214	11,334
Total other operating expenses	1,889	1,463	970	2,367	412	296	7,397	3,698	11,095
of which general and administrative expenses	1,586	1,166	721	1,847	410	288	6,018	3,516	9,534
<b>Total operating expenses</b>	<b>3,794</b>	<b>3,670</b>	<b>2,395</b>	<b>5,405</b>	<b>1,599</b>	<b>654</b>	<b>17,517</b>	<b>4,912</b>	<b>22,429</b>
<b>Income/(loss) before taxes</b>	<b>2,024</b>	<b>1,260</b>	<b>900</b>	<b>2,014</b>	<b>511</b>	<b>25</b>	<b>6,734</b>	<b>(3,107)</b>	<b>3,627</b>
Return on regulatory capital	16.8	29.0	13.1	11.7	27.4	–	15.0	–	6.3
Cost/income ratio	64.2	74.3	71.8	72.8	75.8	–	71.8	–	85.5
Total assets	215,688	94,267	105,574	337,443	13,839	24,440	791,251	130,211	921,462
Goodwill	613	1,581	2,290	3,138	1,022	0	8,644	0	8,644
Risk-weighted assets <sup>1</sup>	58,403	32,629	25,896	60,290	12,167	16,354	205,739	78,509	284,248
Leverage exposure <sup>1</sup>	241,520	87,032	137,843	372,949	39,954	18,810	898,108	251,548	1,149,656

<sup>1</sup> Disclosed on a look-through basis.

**2015 RESULTS****Net revenues**

Compared to 2014, net revenues of CHF 23,797 million decreased 9%, primarily reflecting lower net revenues in the Strategic Resolution Unit, Global Markets, International Wealth Management, Investment Banking & Capital Markets and Swiss Universal Bank, partially offset by higher net revenues in Asia Pacific. Net revenues in the Strategic Resolution Unit decreased primarily due to higher valuation adjustments and lower revenues from noncontrolling interests without significant economic interest. The valuation adjustments in 2015 primarily reflected mark-to-market losses on our legacy investment banking portfolio and the restructuring of our former Asset Management division. Net revenues in Global Markets declined, reflecting challenging trading conditions, low levels of client activity and decreased issuance activity. Net revenues in International Wealth Management decreased, with lower asset management fees following the change in fund management from Hedging-Griffo to a new venture in Brazil, Verde Asset Management S.A., in which we have a significant investment, significantly lower performance fees and carried interest and lower other revenues, partially offset by higher net interest income. Lower net revenues in Investment Banking & Capital Markets reflected lower debt underwriting revenues on lower leveraged finance revenues and significant mark-to-market losses related to its underwriting commitments and lower equity underwriting revenues, partially offset by higher advisory revenues. Net revenues in Swiss Universal Bank decreased slightly, mainly driven by larger gains from the sale of real estate in 2014, the impact of the deconsolidation of the cards issuing business in 2015, and lower transaction-based revenues, partially offset by higher net interest income. Net revenues in Asia Pacific were higher, reflecting a strong performance in 2015, particularly in equity sales and trading and from the  ultra-high-net-worth individual (UHNWI) and  high-net-worth individual (HNWI) client business.

**Provision for credit losses**

In 2015, we recorded provision for credit losses of CHF 324 million, primarily reflecting provisions of CHF 138 million in Swiss Universal Bank, provisions of CHF 137 million in the Strategic Resolution Unit and provisions of CHF 35 million in Asia Pacific.

**Total operating expenses**

Compared to 2014, total operating expenses of CHF 25,895 million were up 15%, primarily reflecting the significant goodwill impairment charge of CHF 3,797 million in 2015. In addition, we incurred CHF 355 million of restructuring expenses in 2015 in connection with our announced strategy, of which CHF 309 million related to compensation and benefits expenses.

**Goodwill**

The strategic direction, structure and organization that we announced on October 21, 2015 required an impairment assessment of the carrying value of our goodwill position in the fourth quarter of 2015, the most significant component of which arose from the acquisition of Donaldson, Lufkin & Jenrette Inc. in 2000. Upon performance of that assessment, we recorded a goodwill impairment charge of CHF 3,797 million in the fourth quarter of 2015, which was recognized across three business divisions in relation to our investment banking activities: Global Markets (CHF 2,661 million), Asia Pacific (CHF 756 million) and Investment Banking & Capital Markets (CHF 380 million). The goodwill impairment charge did not impact our Basel III common equity tier 1 (CET1) capital or leverage ratios on a look-through basis.

**Income tax expense**

In 2015, we recorded income tax expense of CHF 523 million. The Credit Suisse effective tax rate was (21.6)% in 2015, compared to 38.7% in 2014. The effective tax rate for 2015 mainly reflected the non-deductible goodwill impairment and additional tax charges from changes in tax law and rates in the UK and New York City. These impacts were partially offset by tax benefits from the geographical mix of results and reassessment of deferred tax balances, mainly in Hong Kong. It also reflected changes in valuation allowances against deferred tax assets, mainly in the UK and Switzerland. Overall, net deferred tax assets increased CHF 95 million to CHF 6,125 million during 2015.

## 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
<b>2016 (CHF million)</b>									
<b>Net revenues</b>	<b>5,759</b>	<b>4,698</b>	<b>3,597</b>	<b>5,497</b>	<b>1,972</b>	<b>71</b>	<b>21,594</b>	<b>(1,271)</b>	<b>20,323</b>
Real estate gains	(366)	(54)	0	0	0	0	(420)	(4)	(424)
Losses on business sales	0	0	0	0	0	52	52	6	58
<b>Net revenues adjusted</b>	<b>5,393</b>	<b>4,644</b>	<b>3,597</b>	<b>5,497</b>	<b>1,972</b>	<b>123</b>	<b>21,226</b>	<b>(1,269)</b>	<b>19,957</b>
<b>Provision for credit losses</b>	<b>79</b>	<b>20</b>	<b>26</b>	<b>(3)</b>	<b>20</b>	<b>(1)</b>	<b>141</b>	<b>111</b>	<b>252</b>
<b>Total operating expenses</b>	<b>3,655</b>	<b>3,557</b>	<b>2,846</b>	<b>5,452</b>	<b>1,691</b>	<b>759</b>	<b>17,960</b>	<b>4,377</b>	<b>22,337</b>
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)
<b>Total operating expenses adjusted</b>	<b>3,576</b>	<b>3,515</b>	<b>2,793</b>	<b>5,228</b>	<b>1,663</b>	<b>752</b>	<b>17,527</b>	<b>1,563</b>	<b>19,090</b>
<b>Income/(loss) before taxes</b>	<b>2,025</b>	<b>1,121</b>	<b>725</b>	<b>48</b>	<b>261</b>	<b>(687)</b>	<b>3,493</b>	<b>(5,759)</b>	<b>(2,266)</b>
Total adjustments	(287)	(12)	53	224	28	59	65	2,816	2,881
<b>Adjusted income/(loss) before taxes</b>	<b>1,738</b>	<b>1,109</b>	<b>778</b>	<b>272</b>	<b>289</b>	<b>(628)</b>	<b>3,558</b>	<b>(2,943)</b>	<b>615</b>
Adjusted return on regulatory capital (%)	14.2	23.1	14.8	2.0	11.9	–	8.6	–	1.3
<b>2015 (CHF million)</b>									
<b>Net revenues</b>	<b>5,721</b>	<b>4,552</b>	<b>3,839</b>	<b>6,826</b>	<b>1,787</b>	<b>561</b>	<b>23,286</b>	<b>511</b>	<b>23,797</b>
Fair value on own debt	–	–	–	–	–	(298)	(298)	–	(298)
Real estate gains	(95)	0	0	0	0	0	(95)	0	(95)
Gains on business sales	(23)	(11)	0	0	0	0	(34)	0	(34)
<b>Net revenues adjusted</b>	<b>5,603</b>	<b>4,541</b>	<b>3,839</b>	<b>6,826</b>	<b>1,787</b>	<b>263</b>	<b>22,859</b>	<b>511</b>	<b>23,370</b>
<b>Provision for credit losses</b>	<b>138</b>	<b>5</b>	<b>35</b>	<b>10</b>	<b>0</b>	<b>(1)</b>	<b>187</b>	<b>137</b>	<b>324</b>
<b>Total operating expenses</b>	<b>3,908</b>	<b>3,824</b>	<b>3,427</b>	<b>8,747</b>	<b>2,101</b>	<b>862</b>	<b>22,869</b>	<b>3,026</b>	<b>25,895</b>
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)
<b>Total operating expenses adjusted</b>	<b>3,841</b>	<b>3,520</b>	<b>2,662</b>	<b>5,759</b>	<b>1,699</b>	<b>862</b>	<b>18,343</b>	<b>2,580</b>	<b>20,923</b>
<b>Income/(loss) before taxes</b>	<b>1,675</b>	<b>723</b>	<b>377</b>	<b>(1,931)</b>	<b>(314)</b>	<b>(300)</b>	<b>230</b>	<b>(2,652)</b>	<b>(2,422)</b>
Total adjustments	(51)	293	765	2,988	402	(298)	4,099	446	4,545
<b>Adjusted income/(loss) before taxes</b>	<b>1,624</b>	<b>1,016</b>	<b>1,142</b>	<b>1,057</b>	<b>88</b>	<b>(598)</b>	<b>4,329</b>	<b>(2,206)</b>	<b>2,123</b>
Adjusted return on regulatory capital (%)	13.4	21.7	20.4	6.7	4.6	–	10.0	–	4.0
<b>2014 (CHF million)</b>									
<b>Net revenues</b>	<b>5,912</b>	<b>4,942</b>	<b>3,335</b>	<b>7,426</b>	<b>2,109</b>	<b>680</b>	<b>24,404</b>	<b>1,838</b>	<b>26,242</b>
Fair value on own debt	–	–	–	–	–	(543)	(543)	–	(543)
Real estate gains	(414)	0	0	0	0	0	(414)	0	(414)
Gains on business sales	(24)	(77)	0	0	0	0	(101)	0	(101)
<b>Net revenues adjusted</b>	<b>5,474</b>	<b>4,865</b>	<b>3,335</b>	<b>7,426</b>	<b>2,109</b>	<b>137</b>	<b>23,346</b>	<b>1,838</b>	<b>25,184</b>
<b>Provision for credit losses</b>	<b>94</b>	<b>12</b>	<b>40</b>	<b>7</b>	<b>(1)</b>	<b>1</b>	<b>153</b>	<b>33</b>	<b>186</b>
<b>Total operating expenses</b>	<b>3,794</b>	<b>3,670</b>	<b>2,395</b>	<b>5,405</b>	<b>1,599</b>	<b>654</b>	<b>17,517</b>	<b>4,912</b>	<b>22,429</b>
Major litigation provisions	0	(51)	0	(60)	0	0	(111)	(2,325)	(2,436)
<b>Total operating expenses adjusted</b>	<b>3,794</b>	<b>3,619</b>	<b>2,395</b>	<b>5,345</b>	<b>1,599</b>	<b>654</b>	<b>17,406</b>	<b>2,587</b>	<b>19,993</b>
<b>Income/(loss) before taxes</b>	<b>2,024</b>	<b>1,260</b>	<b>900</b>	<b>2,014</b>	<b>511</b>	<b>25</b>	<b>6,734</b>	<b>(3,107)</b>	<b>3,627</b>
Total adjustments	(438)	(26)	0	60	0	(543)	(947)	2,325	1,378
<b>Adjusted income/(loss) before taxes</b>	<b>1,586</b>	<b>1,234</b>	<b>900</b>	<b>2,074</b>	<b>511</b>	<b>(518)</b>	<b>5,787</b>	<b>(782)</b>	<b>5,005</b>
Adjusted return on regulatory capital (%)	13.1	28.4	13.1	12.0	27.4	–	12.9	–	8.7

## 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.



## EMPLOYEES

As of December 31, 2016, we had 47,170 employees worldwide, of which 17,020 were in Switzerland and 30,150 were abroad.

The number of employees decreased by 1,040 compared to the end of 2015. The decrease was primarily the result of our cost efficiency initiatives, the right-sizing of business activities, especially in Global Markets and the Strategic Resolution Unit, partially offset by an increase in growing our business in Asia Pacific and an expansion in corporate functions, driven by increases relating to our risk management and compliance functions.

## Employees

end of	2016	2015
<b>Employees</b>		
Swiss Universal Bank	13,140	13,400
International Wealth Management	10,300	9,750
Asia Pacific	6,980	6,590
Global Markets	11,530	12,000
Investment Banking & Capital Markets	3,090	2,810
Strategic Resolution Unit	1,830	3,200
Corporate Center	300	460
<b>Total employees</b>	<b>47,170</b>	<b>48,210</b>
of which Switzerland	17,020	17,400
of which all other regions	30,150	30,810

Based on full-time equivalents.

## REGULATORY CAPITAL

As of the end of 2016, our CET1 ratio was 11.5% and our risk-weighted assets were CHF 268.0 billion, both on a look-through basis.

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

## INFORMATION AND DEVELOPMENTS

### Format of presentation

In managing the 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.

### 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 the leverage exposure. Return on regulatory capital is calculated using income 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 2016 (CHF billion, except where indicated)

Shareholders' equity		41.9
Return on equity	(6.1)%	
Tangible shareholders' equity		36.8
Return on tangible shareholders' equity	(6.9)%	5.1
Regulatory capital		33.3
Return on regulatory capital	(4.7)%	3.5

### Capital distribution proposal

Our Board of Directors will propose to the shareholders at the Annual General Meeting on April 28, 2017, a distribution of CHF 0.70 per share out of capital contribution reserves for the financial year 2016. 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 or, subject to any legal restrictions applicable in shareholders' home jurisdictions, in new Credit Suisse Group shares at the option of the shareholder.

### 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 issues 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. Shareholders' equity also includes, as additional paid-in capital, the excess tax benefits/charges that arise at the time of settlement of share-based awards.

► Refer to "Compensation" in IV – Corporate Governance and Compensation for further information.

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

► Refer to "Tax benefits associated with share-based compensation" in Note 28 – Tax in V – 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 Corporate Center based on their respective requirements and other relevant measures.

In the ongoing process of implementing the Group's strategy across our six business divisions, in the second quarter of 2016, the Group recalibrated its methodology for the allocation of these corporate function costs to the operating expenses of the divisions, including a retroactive adjustment for the first quarter of 2016.

#### Funding

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

As part of the ongoing process of implementing the Group's strategy across our six business divisions, in the second quarter of 2016, the Group retroactively recalibrated, with effect as of the beginning of the first quarter of 2016, its methodology for allocating funding costs across the Group to incorporate net stable funding ratio requirements.

► Refer to "Funding" in "Note 5 – Segment information" in V – 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. Certain private equity investments which are measured at fair value based on their published net asset values are no longer categorized within the fair value hierarchy.

► Refer to "Note 1 – Summary of significant accounting policies" and "Note 35 – Financial instruments" in V – 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 2016, 39% 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 9.6 billion to CHF 23.4 billion as of the end of 2016, primarily reflecting net sales, mainly in loans held-for sale, net settlements, mainly in trading assets, and net transfers out of level 3 assets, mainly in loans and loans held-for-sale, partially offset by the foreign exchange translation impact, mainly in trading assets and loans.

Our level 3 assets, excluding assets attributable to noncontrolling interests and assets of consolidated variable interest entities (VIEs) that are not risk-weighted assets under the Basel

framework, were CHF 23.0 billion, compared to CHF 29.3 billion as of the end of 2015. As of the end of 2016, these assets comprised 3% of total assets and 7% of total assets measured at fair value, both adjusted on the same basis, compared to 4% and 9%, respectively, as of the end of 2015.

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.

## **CORE RESULTS**

### **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, primarily 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.

### **2015 results**

In 2015, Core Results net revenues of CHF 23,286 million decreased 5% compared to 2014, primarily reflecting lower net revenues in Global Markets, International Wealth Management, Investment Banking & Capital Markets and Swiss Universal Bank, partially offset by higher net revenues in Asia Pacific. Provision for credit losses was CHF 187 million, mainly reflecting net provisions of CHF 138 million in Swiss Universal Bank and CHF 35 million in Asia Pacific. Total operating expenses of CHF 22,869 million were up 31% compared to 2014, primarily reflecting the goodwill impairment charge of CHF 3,797 million in 2015 and a 17% increase in general and administrative expenses.

## Core Results by business activity

in							2016	2015	2014
(CHF million)	Swiss Universal Bank	International Wealth Management	Asia Pacific	Global Markets	Investment Banking & Capital Markets	Corporate Center	Core Results	Core Results	Core Results
<b>Related to private banking</b>									
Net revenues	3,704	3,371	1,374	–	–	–	8,449	8,098	8,345
of which net interest income	1,801	1,308	602	–	–	–	3,711	3,221	2,786
of which recurring	971	1,093	302	–	–	–	2,366	2,523	2,732
of which transaction-based	564	922	486	–	–	–	1,972	2,225	2,323
Provision for credit losses	39	20	32	–	–	–	91	72	76
Total operating expenses	2,471	2,510	970	–	–	–	5,951	6,266	5,869
<b>Income before taxes</b>	<b>1,194</b>	<b>841</b>	<b>372</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,407</b>	<b>1,760</b>	<b>2,400</b>
<b>Related to corporate &amp; institutional banking</b>									
Net revenues	2,055	–	–	–	–	–	2,055	2,025	1,922
of which net interest income	1,083	–	–	–	–	–	1,083	987	884
of which recurring	475	–	–	–	–	–	475	467	452
of which transaction-based	548	–	–	–	–	–	548	593	612
Provision for credit losses	40	–	–	–	–	–	40	89	34
Total operating expenses	1,184	–	–	–	–	–	1,184	1,136	1,111
<b>Income before taxes</b>	<b>831</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>831</b>	<b>800</b>	<b>777</b>
<b>Related to investment banking</b>									
Net revenues	–	–	2,223	5,497	1,972	–	9,692	11,274	11,833
of which fixed income sales and trading	–	–	635	2,516	–	–	3,151	3,894	4,284
of which equity sales and trading	–	–	1,314	2,181	–	–	3,495	4,610	4,243
of which underwriting and advisory <sup>1</sup>	–	–	402	970	2,095	–	3,467	3,178	3,659
Provision for credit losses	–	–	(6)	(3)	20	–	11	27	42
Total operating expenses	–	–	1,876	5,452	1,691	–	9,019	13,459	8,676
<b>Income before taxes</b>	<b>–</b>	<b>–</b>	<b>353</b>	<b>48</b>	<b>261</b>	<b>–</b>	<b>662</b>	<b>(2,212)</b>	<b>3,115</b>
<b>Related to asset management</b>									
Net revenues	–	1,327	–	–	–	–	1,327	1,328	1,624
Total operating expenses	–	1,047	–	–	–	–	1,047	1,146	1,207
<b>Income before taxes</b>	<b>–</b>	<b>280</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>280</b>	<b>182</b>	<b>417</b>
<b>Related to corporate center</b>									
Net revenues	–	–	–	–	–	71	71	561	680
Provision for credit losses	–	–	–	–	–	(1)	(1)	(1)	1
Total operating expenses	–	–	–	–	–	759	759	862	654
<b>Loss before taxes</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(687)</b>	<b>(687)</b>	<b>(300)</b>	<b>25</b>
<b>Total</b>									
Net revenues	5,759	4,698	3,597	5,497	1,972	71	21,594	23,286	24,404
Provision for credit losses	79	20	26	(3)	20	(1)	141	187	153
Total operating expenses	3,655	3,557	2,846	5,452	1,691	759	17,960	22,869	17,517
<b>Income/(loss) before taxes</b>	<b>2,025</b>	<b>1,121</b>	<b>725</b>	<b>48</b>	<b>261</b>	<b>(687)</b>	<b>3,493</b>	<b>230</b>	<b>6,734</b>

<sup>1</sup> 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.

**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 segment 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:

- Neue Aargauer Bank AG, with banking activity in the Swiss canton of Aargau, which is managed as part of Swiss Universal Bank;
- BANK-now SA, with private credit and car leasing activity in Switzerland, which is managed as part of Swiss Universal Bank;
- financing vehicles of the Group, which include special purpose vehicles for various funding activities of the Group, including for the purpose of raising capital; 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 41 – Subsidiary guarantee information" in V – Consolidated financial statements – Credit Suisse Group for further information on the Bank.

**Comparison of consolidated statements of operations**

in	Group			Bank		
	2016	2015	2014	2016	2015	2014
<b>Statements of operations (CHF million)</b>						
Net revenues	20,323	23,797	26,242	19,802	23,211	25,589
Total operating expenses	22,337	25,895	22,429	22,354	25,873	22,503
<b>Income/(loss) from continuing operations before taxes</b>	<b>(2,266)</b>	<b>(2,422)</b>	<b>3,627</b>	<b>(2,768)</b>	<b>(2,938)</b>	<b>2,961</b>
Income tax expense	441	523	1,405	357	439	1,299
<b>Income/(loss) from continuing operations</b>	<b>(2,707)</b>	<b>(2,945)</b>	<b>2,222</b>	<b>(3,125)</b>	<b>(3,377)</b>	<b>1,662</b>
Income from discontinued operations	0	0	102	0	0	102
<b>Net income/(loss)</b>	<b>(2,707)</b>	<b>(2,945)</b>	<b>2,324</b>	<b>(3,125)</b>	<b>(3,377)</b>	<b>1,764</b>
Net income/(loss) attributable to noncontrolling interests	3	(1)	449	(6)	(7)	445
<b>Net income/(loss) attributable to shareholders</b>	<b>(2,710)</b>	<b>(2,944)</b>	<b>1,875</b>	<b>(3,119)</b>	<b>(3,370)</b>	<b>1,319</b>

**Comparison of consolidated balance sheets**

end of	Group			Bank
	2016	2015	2016	2015
<b>Balance sheet statistics (CHF million)</b>				
Total assets	819,861	820,805	802,322	803,931
Total liabilities	777,550	775,787	760,571	759,241

**Capitalization and indebtedness**

end of	Group			Bank
	2016	2015	2016	2015
<b>Capitalization and indebtedness (CHF million)</b>				
Due to banks	22,800	21,054	23,066	21,460
Customer deposits	355,833	342,705	344,578	331,700
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	33,016	46,598	33,016	46,598
Long-term debt	193,315	197,608	187,325	192,094
Other liabilities	172,586	167,822	172,586	167,389
<b>Total liabilities</b>	<b>777,550</b>	<b>775,787</b>	<b>760,571</b>	<b>759,241</b>
Total equity	42,311	45,018	41,751	44,690
<b>Total capitalization and indebtedness</b>	<b>819,861</b>	<b>820,805</b>	<b>802,322</b>	<b>803,931</b>

**BIS capital metrics**

end of	Group			Bank
	2016	2015	2016	2015
<b>Capital and risk-weighted assets (CHF million)</b>				
CET1 capital	36,576	42,072	35,177	40,013
Tier 1 capital	48,865	53,063	46,782	50,570
Total eligible capital	55,728	62,682	53,703	60,242
Risk-weighted assets	271,372	294,950	263,769	286,947
<b>Capital ratios (%)</b>				
CET1 ratio	13.5	14.3	13.3	13.9
Tier 1 ratio	18.0	18.0	17.7	17.6
Total capital ratio	20.5	21.3	20.4	21.0

**Dividends from the Bank to the Group**

for the financial year	2016	2015	2014	2013	2012
<b>Dividends (CHF million)</b>					
Dividends	10 <sup>1</sup>	10	10	10	10

<sup>1</sup> The Bank's total share capital is fully paid and consisted of 4,399,680,200 registered shares as of December 31, 2016. 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.

# Swiss Universal Bank

In 2016, we reported income before taxes of CHF 2,025 million and net revenues of CHF 5,759 million. Income before taxes increased 21% compared to 2015, reflecting stable net revenues, lower total operating expenses and lower provision for credit losses.

## RESULTS SUMMARY

### 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, lower fees from foreign exchange client business and lower sales and trading revenues, 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.

## Divisional results

	in / end of			% change	
	2016	2015	2014	16 / 15	15 / 14
<b>Statements of operations (CHF million)</b>					
<b>Net revenues</b>	<b>5,759</b>	<b>5,721</b>	<b>5,912</b>	1	(3)
<b>Provision for credit losses</b>	<b>79</b>	<b>138</b>	<b>94</b>	(43)	47
Compensation and benefits	1,937	1,985	1,905	(2)	4
General and administrative expenses	1,375	1,597	1,586	(14)	1
Commission expenses	283	284	303	0	(6)
Restructuring expenses	60	42	–	43	–
Total other operating expenses	1,718	1,923	1,889	(11)	2
<b>Total operating expenses</b>	<b>3,655</b>	<b>3,908</b>	<b>3,794</b>	(6)	3
<b>Income before taxes</b>	<b>2,025</b>	<b>1,675</b>	<b>2,024</b>	21	(17)
<b>Statement of operations metrics (%)</b>					
Return on regulatory capital	16.5	13.8	16.8	–	–
Cost/income ratio	63.5	68.3	64.2	–	–
<b>Economic risk capital and return</b>					
Average economic risk capital (CHF million)	5,564	5,119	5,288	9	(3)
Pre-tax return on average economic risk capital (%) <sup>1</sup>	36.5	32.8	38.5	–	–
<b>Number of employees and relationship managers</b>					
Number of employees (full-time equivalents)	13,140	13,400	12,540	(2)	7
Number of relationship managers	1,970	2,060	2,060	(4)	0

<sup>1</sup> Calculated using a return excluding interest costs for allocated goodwill.

## Divisional results (continued)

	in / end of			% change	
	2016	2015	2014	16 / 15	15 / 14
<b>Net revenues (CHF million)</b>					
Private Banking	3,704	3,696	3,990	0	(7)
Corporate & Institutional Banking	2,055	2,025	1,922	1	5
<b>Net revenues</b>	<b>5,759</b>	<b>5,721</b>	<b>5,912</b>	<b>1</b>	<b>(3)</b>
<b>Net revenue detail (CHF million)</b>					
Net interest income	2,884	2,757	2,377	5	16
Recurring commissions and fees	1,446	1,569	1,671	(8)	(6)
Transaction-based revenues	1,112	1,313	1,462	(15)	(10)
Other revenues	317	82	402	287	(80)
<b>Net revenues</b>	<b>5,759</b>	<b>5,721</b>	<b>5,912</b>	<b>1</b>	<b>(3)</b>
<b>Provision for credit losses (CHF million)</b>					
New provisions	150	205	163	(27)	26
Releases of provisions	(71)	(67)	(69)	6	(3)
<b>Provision for credit losses</b>	<b>79</b>	<b>138</b>	<b>94</b>	<b>(43)</b>	<b>47</b>
<b>Balance sheet statistics (CHF million)</b>					
Total assets	228,363	220,359	215,688	4	2
Net loans	165,685	162,717	163,694	2	(1)
of which Private Banking	115,277	—	—	—	—
Risk-weighted assets	65,669	60,352	58,403	9	3
Leverage exposure	252,889	238,180	241,520	6	(1)

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.

### 2015 results

In 2015, we reported income before taxes of CHF 1,675 million and net revenues of CHF 5,721 million. Compared to 2014, net revenues decreased slightly, mainly driven by larger gains from the sale of real estate in 2014, the impact of the deconsolidation of the cards issuing business in 2015, primarily reflected in recurring commissions and fees, and lower transaction-based revenues, partially offset by higher net interest income. The decrease in transaction-based revenues reflected lower brokerage and product issuing fees and lower fees from foreign exchange client business, partially offset by an extraordinary dividend from our ownership interest in SIX Group AG. Net interest income increased, reflecting improved loan margins on stable average loan volumes, partially offset by lower deposit margins on slightly higher average deposit volumes. Provision for credit losses was CHF 138 million in 2015 on a net loan portfolio of CHF 162.7 billion. Total operating expenses increased slightly, reflecting higher salary expenses due

to a recalibration of Swiss holiday accruals, restructuring expenses in connection with the implementation of the new strategy, higher professional services fees and litigation provisions, partially offset by lower expenses due to the deconsolidation of the cards issuing business.

Adjusted income before taxes of CHF 1,624 million increased slightly compared to 2014.

### Capital and leverage metrics

At the end of 2016, we reported risk-weighted assets of CHF 65.7 billion, an increase of CHF 5.3 billion compared to the end of 2015. This increase was driven by methodology changes, including the phase-in of the Swiss mortgage multipliers, partially offset by various optimization measures. Leverage exposure was CHF 252.9 billion, reflecting an increase of 6.2% compared to the end of 2015, driven by increased high-quality liquid assets (HQLA) and business growth.



## Reconciliation of adjusted results

	Private Banking			Corporate & Institutional Banking			Swiss Universal Bank		
in	2016	2015	2014	2016	2015	2014	2016	2015	2014
<b>Adjusted results (CHF million)</b>									
<b>Net revenues</b>	<b>3,704</b>	<b>3,696</b>	<b>3,990</b>	<b>2,055</b>	<b>2,025</b>	<b>1,922</b>	<b>5,759</b>	<b>5,721</b>	<b>5,912</b>
Real estate gains	(366)	(95)	(414)	0	0	0	(366)	(95)	(414)
Gains on business sales	0	(10)	(24)	0	(13)	0	0	(23)	(24)
<b>Adjusted net revenues</b>	<b>3,338</b>	<b>3,591</b>	<b>3,552</b>	<b>2,055</b>	<b>2,012</b>	<b>1,922</b>	<b>5,393</b>	<b>5,603</b>	<b>5,474</b>
<b>Provision for credit losses</b>	<b>39</b>	<b>49</b>	<b>60</b>	<b>40</b>	<b>89</b>	<b>34</b>	<b>79</b>	<b>138</b>	<b>94</b>
<b>Total operating expenses</b>	<b>2,471</b>	<b>2,772</b>	<b>2,683</b>	<b>1,184</b>	<b>1,136</b>	<b>1,111</b>	<b>3,655</b>	<b>3,908</b>	<b>3,794</b>
Restructuring expenses	(51)	(33)	–	(9)	(9)	–	(60)	(42)	–
Major litigation provisions	0	(25)	0	(19)	0	0	(19)	(25)	0
<b>Adjusted total operating expenses</b>	<b>2,420</b>	<b>2,714</b>	<b>2,683</b>	<b>1,156</b>	<b>1,127</b>	<b>1,111</b>	<b>3,576</b>	<b>3,841</b>	<b>3,794</b>
<b>Income before taxes</b>	<b>1,194</b>	<b>875</b>	<b>1,247</b>	<b>831</b>	<b>800</b>	<b>777</b>	<b>2,025</b>	<b>1,675</b>	<b>2,024</b>
Total adjustments	(315)	(47)	(438)	28	(4)	0	(287)	(51)	(438)
<b>Adjusted income before taxes</b>	<b>879</b>	<b>828</b>	<b>809</b>	<b>859</b>	<b>796</b>	<b>777</b>	<b>1,738</b>	<b>1,624</b>	<b>1,586</b>
Adjusted return on regulatory capital (%)	–	–	–	–	–	–	14.2	13.4	13.1

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

## PRIVATE BANKING

### 2016 RESULTS

Income before taxes of CHF 1,194 million increased 36% compared to 2015, driven by lower total operating expenses, while net revenues were stable. Adjusted income before taxes of CHF 879 million increased 6% compared to 2015.

#### Net revenues

Compared to 2015, net revenues of CHF 3,704 million were stable, with higher gains from the sale of real estate in 2016 reflected in other revenues and slightly higher net interest income, partially offset by lower transaction-based revenues and the impact of the deconsolidation of the cards issuing business. Net interest income of CHF 1,801 million was slightly higher, reflecting improved loan margins on slightly higher average loan volumes, partially offset by lower deposit margins on stable average deposit volumes. Transaction-based revenues of CHF 564 million decreased 22% with lower brokerage and product issuing fees, lower fees from foreign exchange client business and decreased sales and trading revenues. Recurring commissions and fees of CHF 971 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 slightly lower, reflecting lower security account and custody services fees and lower investment product management fees, partially offset by higher investment advisory fees. Adjusted net revenues of CHF 3,338 million were 7% lower compared to 2015.

#### Provision for credit losses

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

In 2016, Private Banking 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 2,471 million decreased 11%, primarily reflecting lower general and administrative expenses and decreased compensation and benefits. General and administrative expenses of CHF 975 million were 20% 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 professional services fees and increased contractor services fees. Compensation and benefits of CHF 1,258 million decreased 5%, primarily reflecting lower allocated corporate function costs and lower deferred compensation expenses from prior-year awards. Adjusted total operating expenses of CHF 2,420 million were 11% lower compared to 2015.

## Results – Private Banking

	2016	2015	in 2014	% change	
				16 / 15	15 / 14
<b>Statements of operations (CHF million)</b>					
<b>Net revenues</b>	<b>3,704</b>	<b>3,696</b>	<b>3,990</b>	0	(7)
<b>Provision for credit losses</b>	<b>39</b>	<b>49</b>	<b>60</b>	(20)	(18)
Compensation and benefits	1,258	1,327	1,255	(5)	6
General and administrative expenses	975	1,221	1,218	(20)	0
Commission expenses	187	191	210	(2)	(9)
Restructuring expenses	51	33	–	55	–
Total other operating expenses	1,213	1,445	1,428	(16)	1
<b>Total operating expenses</b>	<b>2,471</b>	<b>2,772</b>	<b>2,683</b>	(11)	3
<b>Income before taxes</b>	<b>1,194</b>	<b>875</b>	<b>1,247</b>	36	(30)
<b>Statement of operations metrics (%)</b>					
Cost/income ratio	66.7	75.0	67.2	–	–
<b>Net revenue detail (CHF million)</b>					
Net interest income	1,801	1,770	1,493	2	19
Recurring commissions and fees	971	1,102	1,219	(12)	(10)
Transaction-based revenues	564	720	850	(22)	(15)
Other revenues	368	104	428	254	(76)
<b>Net revenues</b>	<b>3,704</b>	<b>3,696</b>	<b>3,990</b>	0	(7)
<b>Margins on assets under management (bp)</b>					
Gross margin <sup>1</sup>	154	148	156	–	–
Net margin <sup>2</sup>	50	35	49	–	–
<b>Number of relationship managers</b>					
Number of relationship managers	1,490	1,570	1,580	(5)	(1)

<sup>1</sup> Net revenues divided by average assets under management.

<sup>2</sup> Income before taxes divided by average assets under management.

### 2015 RESULTS

Income before taxes of CHF 875 million decreased 30% compared to 2014, driven by lower net revenues and slightly higher total operating expenses, partially offset by lower provision for credit losses. Adjusted income before taxes of CHF 828 million increased slightly compared to 2014.

#### Net revenues

Compared to 2014, net revenues of CHF 3,696 million were 7% lower, mainly driven by larger gains from the sale of real estate in 2014 reflected in other revenues, the impact of the deconsolidation of the cards issuing business and lower transaction-based revenues, partially offset by higher net interest income. Transaction-based revenues of CHF 720 million decreased 15% with lower brokerage and product issuing fees and lower fees from foreign exchange client business, partially offset by the extraordinary dividend from SIX Group. Recurring commissions and fees of CHF 1,102 million decreased 10% primarily due to the deconsolidation of the cards issuing business. Excluding the related net impact of CHF 118 million, recurring commissions and fees were stable, reflecting higher investment advisory fees, offset by lower security account and custody services fees. Net interest income of CHF 1,770 million was 19% higher, reflecting improved

loan margins on stable average loan volumes, partially offset by lower deposit margins on slightly higher average deposit volumes. Adjusted net revenues of CHF 3,591 million were stable compared to 2014.

#### Provision for credit losses

In 2015, Private Banking recorded provision for credit losses of CHF 49 million compared to CHF 60 million in 2014. The provision was primarily related to our consumer finance business.

#### Total operating expenses

Compared to 2014, total operating expenses of CHF 2,772 million increased slightly, primarily reflecting higher compensation and benefits and the restructuring expenses of CHF 33 million in 2015. Compensation and benefits of CHF 1,327 million increased 6%, primarily reflecting higher salary expenses due to the holiday accrual recalibration and higher discretionary compensation expenses. General and administrative expenses of CHF 1,221 million were stable compared to 2014 with higher litigation provisions and professional services fees, offset by lower expenses due to the deconsolidation of the cards issuing business. Adjusted total operating expenses of CHF 2,714 million were stable compared to 2014.

**MARGINS****Gross margin**

Our gross margin was 154 basis points in 2016, six basis points higher compared to 2015 on slightly lower average assets under management and stable net revenues. On the basis of adjusted net revenues, our gross margin was 138 basis points, six basis points lower compared to 2015.

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

**Net margin**

Our net margin was 50 basis points in 2016, 15 basis points higher compared to 2015 on lower total operating expenses and slightly lower average assets under management. On the basis of adjusted income before taxes, our net margin was 36 basis points, three basis points higher compared to 2015.

**ASSETS UNDER MANAGEMENT**

As of the end of **2016**, assets under management of CHF 242.9 billion were stable compared to the end of 2015. Net asset outflows of CHF 1.7 billion mainly reflected terminated relationships with certain external asset managers, and the regularization of client assets of CHF 2.0 billion.

As of the end of **2015**, assets under management of CHF 241.0 billion were CHF 17.6 billion lower compared to the end of 2014, reflecting the reclassification of CHF 15.8 billion of assets under management to assets under custody within client assets due to the introduction of an updated assets under management policy in 2015 and unfavorable foreign exchange-related movements, partially offset by net new assets of CHF 3.2 billion and favorable market movements. The net new assets reflected inflows primarily from ◻ UHNWI, ◻ HNWI, ◻ affluent and retail clients.

**Assets under management – Private Banking**

	in / end of			% change	
	2016	2015	2014	16 / 15	15 / 14
<b>Assets under management (CHF billion)</b>					
Assets under management	242.9	241.0	258.6	0.8	(6.8)
Average assets under management	241.2	249.0	255.4	(3.1)	(2.5)
<b>Assets under management by currency (CHF billion)</b>					
USD	41.8	40.5	41.1	3.2	(1.5)
EUR	36.3	31.5	40.7	15.2	(22.6)
CHF	153.3	153.0	164.1	0.2	(6.8)
Other	11.5	16.0	12.7	(28.1)	26.0
<b>Assets under management</b>	<b>242.9</b>	<b>241.0</b>	<b>258.6</b>	<b>0.8</b>	<b>(6.8)</b>
<b>Growth in assets under management (CHF billion)</b>					
Net new assets	(1.7)	3.2	3.8	–	–
Other effects	3.6	(20.8)	10.6	–	–
of which market movements	3.0	(2.6)	6.1	–	–
of which foreign exchange	0.4	(4.0)	3.7	–	–
of which other	0.2	(14.2)	0.8	–	–
<b>Growth in assets under management</b>	<b>1.9</b>	<b>(17.6)</b>	<b>14.4</b>	<b>–</b>	<b>–</b>
<b>Growth in assets under management (%)</b>					
Net new assets	(0.7)	1.2	1.6	–	–
Other effects	1.5	(8.0)	4.3	–	–
<b>Growth in assets under management</b>	<b>0.8</b>	<b>(6.8)</b>	<b>5.9</b>	<b>–</b>	<b>–</b>

## CORPORATE & INSTITUTIONAL BANKING

### Results – Corporate & Institutional Banking

	in			% change	
	2016	2015	2014	16 / 15	15 / 14
<b>Statements of operations (CHF million)</b>					
<b>Net revenues</b>	<b>2,055</b>	<b>2,025</b>	<b>1,922</b>	1	5
<b>Provision for credit losses</b>	<b>40</b>	<b>89</b>	<b>34</b>	(55)	162
Compensation and benefits	679	658	650	3	1
General and administrative expenses	400	376	368	6	2
Commission expenses	96	93	93	3	0
Restructuring expenses	9	9	–	0	–
Total other operating expenses	505	478	461	6	4
<b>Total operating expenses</b>	<b>1,184</b>	<b>1,136</b>	<b>1,111</b>	4	2
<b>Income before taxes</b>	<b>831</b>	<b>800</b>	<b>777</b>	4	3
<b>Statement of operations metrics (%)</b>					
Cost/income ratio	57.6	56.1	57.8	–	–
<b>Net revenue detail (CHF million)</b>					
Net interest income	1,083	987	884	10	12
Recurring commissions and fees	475	467	452	2	3
Transaction-based revenues	548	593	612	(8)	(3)
Other revenues	(51)	(22)	(26)	132	(15)
<b>Net revenues</b>	<b>2,055</b>	<b>2,025</b>	<b>1,922</b>	1	5
<b>Number of relationship managers</b>					
Number of relationship managers	480	490	480	(2)	2

#### 2016 RESULTS

Income before taxes of CHF 831 million increased 4% compared to 2015, driven by lower provision for credit losses, partially offset by higher total operating expenses.

#### Net revenues

Compared to 2015, net revenues of CHF 2,055 million were stable, reflecting higher net interest income and slightly higher recurring commissions and fees, partially offset by lower transaction-based revenues and lower other revenues. Net interest income of CHF 1,083 million increased 10%, driven by improved loan margins on stable average loan volumes, partially offset by higher deposit margins on lower average deposit volumes. Recurring commissions and fees of CHF 475 million were slightly higher, reflecting higher fees from lending activities and increased banking services fees, partially offset by slightly lower security account and custody services fees. Transaction-based revenues of CHF 548 million decreased 8%, driven by lower sales and trading revenues, 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. Adjusted net revenues of CHF 2,055 million increased slightly compared to 2015.

#### Provision for credit losses

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

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

#### Total operating expenses

Compared to 2015, total operating expenses of CHF 1,184 million increased 4%, primarily reflecting higher general and administrative expenses and slightly higher compensation and benefits. General and administrative expenses of CHF 400 million were 6% higher, mainly driven by higher litigation provisions and professional services fees, partially offset by lower allocated corporate function costs. Compensation and benefits of CHF 679 million were slightly 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 1,156 million were slightly higher compared to 2015.

## 2015 RESULTS

Income before taxes of CHF 800 million increased slightly compared to 2014, driven by higher net revenues, partially offset by higher provision for credit losses and slightly higher total operating expenses.

### Net revenues

Compared to 2014, net revenues of CHF 2,025 million increased 5%, reflecting higher net interest income and slightly higher recurring commissions and fees, partially offset by slightly lower transaction-based revenues. Net interest income of CHF 987 million increased 12%, driven by improved loan margins on stable average loan volumes, partially offset by lower deposit margins on slightly higher average deposit volumes. Recurring commissions and fees of CHF 467 million increased slightly, reflecting higher investment product management fees and higher security account and custody services fees, partially offset by lower discretionary mandate management fees and lower revenues from wealth structuring solutions. Transaction-based revenues of CHF 593 million decreased slightly, with lower sales and trading revenues and lower corporate advisory fees.

### Provision for credit losses

In 2015, Corporate & Institutional Banking recorded provision for credit losses of CHF 89 million compared to CHF 34 million in 2014. The increase in provision for credit losses reflected a small number of individual cases.

### Total operating expenses

Compared to 2014, total operating expenses of CHF 1,136 million increased slightly, primarily reflecting the restructuring expenses of CHF 9 million in 2015 and slightly higher general and administrative expenses. General and administrative expenses of CHF 376 million increased slightly, primarily driven by higher professional services fees. Compensation and benefits of CHF 658 million were stable, with higher salary expenses due to the holiday accrual recalibration, offset by lower discretionary compensation expenses. Adjusted total operating expenses of CHF 1,127 million were stable compared to 2014.

## ASSETS UNDER MANAGEMENT

As of the end of **2016**, assets under management of CHF 288.6 billion were CHF 12.8 billion higher compared to the end of 2015, driven by favorable market movements and net new assets of CHF 4.3 billion.

As of the end of **2015**, assets under management of CHF 275.8 billion remained stable as net new assets, primarily from Swiss pension funds, of CHF 10.6 billion and favorable market movements were offset by a reclassification of CHF 8.3 billion of assets under management to assets under custody within client assets due to the introduction of the updated assets under management policy in 2015 and unfavorable foreign exchange-related movements.



# International Wealth Management

In 2016, we reported income before taxes of CHF 1,121 million and net revenues of CHF 4,698 million. Income before taxes increased 55% compared to 2015, primarily reflecting lower general and administrative expenses, due to lower litigation provisions, and higher net revenues in Private Banking.

## RESULTS SUMMARY

### 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 sales and trading revenues, 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.

## Divisional results

	in / end of			% change	
	2016	2015	2014	16 / 15	15 / 14
<b>Statements of operations (CHF million)</b>					
<b>Net revenues</b>	<b>4,698</b>	<b>4,552</b>	<b>4,942</b>	3	(8)
<b>Provision for credit losses</b>	<b>20</b>	<b>5</b>	<b>12</b>	300	(58)
Compensation and benefits	2,119	2,115	2,207	0	(4)
General and administrative expenses	1,145	1,429	1,166	(20)	23
Commission expenses	239	244	297	(2)	(18)
Restructuring expenses	54	36	–	50	–
Total other operating expenses	1,438	1,709	1,463	(16)	17
<b>Total operating expenses</b>	<b>3,557</b>	<b>3,824</b>	<b>3,670</b>	(7)	4
<b>Income before taxes</b>	<b>1,121</b>	<b>723</b>	<b>1,260</b>	55	(43)
<b>Statement of operations metrics (%)</b>					
Return on regulatory capital	23.3	15.4	29.0	–	–
Cost/income ratio	75.7	84.0	74.3	–	–
<b>Economic risk capital and return</b>					
Average economic risk capital (CHF million)	3,785	3,288	3,051	15	8
Pre-tax return on average economic risk capital (%) <sup>1</sup>	30.6	22.8	42.4	–	–
<b>Number of employees (full-time equivalents)</b>					
Number of employees	10,300	9,750	9,210	6	6

<sup>1</sup> Calculated using a return excluding interest costs for allocated goodwill.

## Divisional results (continued)

	in / end of			% change	
	2016	2015	2014	16 / 15	15 / 14
<b>Net revenues (CHF million)</b>					
Private Banking	3,371	3,224	3,318	5	(3)
Asset Management	1,327	1,328	1,624	0	(18)
<b>Net revenues</b>	<b>4,698</b>	<b>4,552</b>	<b>4,942</b>	<b>3</b>	<b>(8)</b>
<b>Net revenue detail (CHF million)</b>					
Net interest income	1,308	1,006	904	30	11
Recurring commissions and fees	1,914	1,965	2,232	(3)	(12)
Transaction- and performance-based revenues	1,426	1,607	1,745	(11)	(8)
Other revenues	50	(26)	61	–	–
<b>Net revenues</b>	<b>4,698</b>	<b>4,552</b>	<b>4,942</b>	<b>3</b>	<b>(8)</b>
<b>Provision for credit losses (CHF million)</b>					
New provisions	55	37	18	49	106
Releases of provisions	(35)	(32)	(6)	9	433
<b>Provision for credit losses</b>	<b>20</b>	<b>5</b>	<b>12</b>	<b>300</b>	<b>(58)</b>
<b>Balance sheet statistics (CHF million)</b>					
Total assets	91,083	96,085	94,267	(5)	2
Net loans	44,965	40,084	39,225	12	2
of which Private Banking	44,952	–	–	–	–
Risk-weighted assets	35,252	32,880	32,629	7	1
Leverage exposure	94,092	101,628	87,032	(7)	17

### 2015 results

In 2015, we reported income before taxes of CHF 723 million and net revenues of CHF 4,552 million. Compared to 2014, net revenues decreased, with lower asset management fees following the change in fund management from Hedging-Griffo to a new venture in Brazil, Verde Asset Management, in which we have a significant investment, significantly lower performance fees and carried interest and lower other revenues, partially offset by higher net interest income. The decrease in other revenues primarily reflected a gain on the sale of the local affluent and upper affluent business in Italy recognized in 2014. Higher net interest income reflected slightly higher loan margins on higher average loan volumes, partially offset by lower deposit margins on higher average deposit volumes. Provision for credit losses was CHF 5 million in 2015 on a net loan

portfolio of CHF 40.1 billion. Total operating expenses increased, reflecting higher litigation provisions and restructuring expenses, partially offset by lower discretionary compensation expenses.

Adjusted income before taxes of CHF 1,016 million decreased 18% compared to 2014.

### Capital and leverage metrics

At the end of 2016, we reported risk-weighted assets of CHF 35.3 billion, an increase of CHF 2.4 billion compared to the end of 2015, mainly driven by business growth and methodology changes. Leverage exposure was CHF 94.1 billion, a decrease of CHF 7.5 billion compared to the end of 2015, mainly due to a change in the regulatory scope of consolidation, partially offset by credit volume growth.

## Reconciliation of adjusted results

	Private Banking			Asset Management			International Wealth Management		
in	2016	2015	2014	2016	2015	2014	2016	2015	2014
<b>Adjusted results (CHF million)</b>									
<b>Net revenues</b>	<b>3,371</b>	<b>3,224</b>	<b>3,318</b>	<b>1,327</b>	<b>1,328</b>	<b>1,624</b>	<b>4,698</b>	<b>4,552</b>	<b>4,942</b>
Real estate gains	(54)	0	0	0	0	0	(54)	0	0
Gains on business sales	0	(11)	(77)	0	0	0	0	(11)	(77)
<b>Adjusted net revenues</b>	<b>3,317</b>	<b>3,213</b>	<b>3,241</b>	<b>1,327</b>	<b>1,328</b>	<b>1,624</b>	<b>4,644</b>	<b>4,541</b>	<b>4,865</b>
<b>Provision for credit losses</b>	<b>20</b>	<b>5</b>	<b>12</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>20</b>	<b>5</b>	<b>12</b>
<b>Total operating expenses</b>	<b>2,510</b>	<b>2,678</b>	<b>2,463</b>	<b>1,047</b>	<b>1,146</b>	<b>1,207</b>	<b>3,557</b>	<b>3,824</b>	<b>3,670</b>
Restructuring expenses	(47)	(32)	–	(7)	(4)	–	(54)	(36)	–
Major litigation provisions	12	(268)	(51)	0	0	0	12	(268)	(51)
<b>Adjusted total operating expenses</b>	<b>2,475</b>	<b>2,378</b>	<b>2,412</b>	<b>1,040</b>	<b>1,142</b>	<b>1,207</b>	<b>3,515</b>	<b>3,520</b>	<b>3,619</b>
<b>Income before taxes</b>	<b>841</b>	<b>541</b>	<b>843</b>	<b>280</b>	<b>182</b>	<b>417</b>	<b>1,121</b>	<b>723</b>	<b>1,260</b>
Total adjustments	(19)	289	(26)	7	4	0	(12)	293	(26)
<b>Adjusted income before taxes</b>	<b>822</b>	<b>830</b>	<b>817</b>	<b>287</b>	<b>186</b>	<b>417</b>	<b>1,109</b>	<b>1,016</b>	<b>1,234</b>
Adjusted return on regulatory capital (%)	–	–	–	–	–	–	23.1	21.7	28.4

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

## PRIVATE BANKING

### 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.

## Results – Private Banking

	in / end of			% change	
	2016	2015	2014	16 / 15	15 / 14
<b>Statements of operations (CHF million)</b>					
<b>Net revenues</b>	<b>3,371</b>	<b>3,224</b>	<b>3,318</b>	5	(3)
<b>Provision for credit losses</b>	<b>20</b>	<b>5</b>	<b>12</b>	300	(58)
Compensation and benefits	1,463	1,413	1,441	4	(2)
General and administrative expenses	827	1,053	815	(21)	29
Commission expenses	173	180	207	(4)	(13)
Restructuring expenses	47	32	–	47	–
Total other operating expenses	1,047	1,265	1,022	(17)	24
<b>Total operating expenses</b>	<b>2,510</b>	<b>2,678</b>	<b>2,463</b>	(6)	9
<b>Income before taxes</b>	<b>841</b>	<b>541</b>	<b>843</b>	55	(36)
<b>Statement of operations metrics (%)</b>					
Cost/income ratio	74.5	83.1	74.2	–	–
<b>Net revenue detail (CHF million)</b>					
Net interest income	1,308	1,006	904	30	11
Recurring commissions and fees	1,093	1,161	1,276	(6)	(9)
Transaction- and performance-based revenues	922	1,049	1,062	(12)	(1)
Other revenues	48	8	76	500	(89)
<b>Net revenues</b>	<b>3,371</b>	<b>3,224</b>	<b>3,318</b>	5	(3)
<b>Margins on assets under management (bp)</b>					
Gross margin <sup>1</sup>	112	107	107	–	–
Net margin <sup>2</sup>	28	18	27	–	–
<b>Number of relationship managers</b>					
Number of relationship managers	1,140	1,180	1,180	(3)	0

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.

<sup>1</sup> Net revenues divided by average assets under management.

<sup>2</sup> Income before taxes divided by average assets under management.

## 2015 RESULTS

Income before taxes of CHF 541 million decreased 36% compared to 2014, reflecting higher total operating expenses and slightly lower net revenues. Adjusted income before taxes of CHF 830 million increased slightly compared to 2014.

### Net revenues

Compared to 2014, net revenues of CHF 3,224 million were slightly lower, reflecting lower recurring commissions and fees and lower other revenues, partially offset by higher net interest income. Recurring commissions and fees of CHF 1,161 million decreased 9% with lower investment product management fees primarily from Hedging-Griffo, lower security account and custody services fees, a decline in banking services fees and included the impact of lower assets under management, partially offset by higher revenues from wealth structuring solutions. Other revenues of CHF 8 million decreased CHF 68 million primarily due to the gain of CHF 55 million on the sale of the local affluent and upper affluent

business in Italy and a gain of CHF 22 million related to the partial sale of our investment in Euroclear in 2014. 2015 included a gain of CHF 11 million on the partial sale of our investment in Euroclear. Net interest income of CHF 1,006 million increased 11%, reflecting slightly higher loan margins on higher average loan volumes, partially offset by lower deposit margins on higher average deposit volumes. Transaction- and performance-based revenues of CHF 1,049 million were stable, reflecting the extraordinary dividend from SIX Group, higher performance fees and higher fees from foreign exchange client business, offset by lower brokerage and product issuing fees and lower corporate advisory fees related to integrated solutions. Adjusted net revenues of CHF 3,213 million were stable compared to 2014.

### Provision for credit losses

Private Banking recorded provision for credit losses of CHF 5 million in 2015, compared to CHF 12 million in 2014.

### Total operating expenses

Compared to 2014, total operating expenses of CHF 2,678 million increased 9%, reflecting higher general and administrative expenses and the restructuring expenses in 2015, partially offset by slightly lower compensation and benefits. General and administrative expenses increased 29% to CHF 1,053 million, mainly driven by higher litigation provisions. Compensation and benefits of CHF 1,413 million were slightly lower, reflecting lower discretionary compensation expenses, partially offset by higher salary expenses due to a recalibration of Swiss holiday accruals. Adjusted total operating expenses of CHF 2,378 million were stable compared to 2014.

### MARGINS

#### Gross margin

Our gross margin was 112 basis points in 2016, five basis points higher compared to 2015, mainly reflecting higher net interest income and higher other revenues, reflecting the gain on the sale of real estate, partially offset by lower transaction- and performance-based revenues and lower recurring commissions and fees. On the basis of adjusted net revenues, our gross margin was 110 basis points in 2016, three basis points higher compared to 2015.

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

### Net margin

Our net margin was 28 basis points in 2016, ten basis points higher compared to 2015, reflecting lower total operating expenses and higher net revenues. On the basis of adjusted income before taxes, our net margin was 27 basis points in 2016, one basis point lower compared to 2015.

### ASSETS UNDER MANAGEMENT

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.

As of the end of **2015**, assets under management of CHF 289.6 billion were CHF 34.1 billion lower compared to the end of 2014, reflecting unfavorable foreign exchange-related movements, a reclassification of CHF 11.1 billion of assets under management to assets under custody within client assets due to the introduction of the updated assets under management policy in 2015 and net asset outflows of CHF 3.0 billion, partially offset by favorable market movements. The net asset outflows mainly reflected the impact of regularization and pricing changes on cash deposits.

### Assets under management – Private Banking

	in / end of			% change	
	2016	2015	2014	16 / 15	15 / 14
<b>Assets under management (CHF billion)</b>					
Assets under management	323.2	289.6	323.7	11.6	(10.5)
Average assets under management	300.3	301.3	309.4	(0.3)	(2.6)
<b>Assets under management by currency (CHF billion)</b>					
USD	149.0	137.6	148.8	8.3	(7.5)
EUR	93.2	92.7	99.2	0.5	(6.6)
CHF	21.0	22.4	23.2	(6.2)	(3.4)
Other	60.0	36.9	52.5	62.6	(29.7)
<b>Assets under management</b>	<b>323.2</b>	<b>289.6</b>	<b>323.7</b>	<b>11.6</b>	<b>(10.5)</b>
<b>Growth in assets under management (CHF billion)</b>					
Net new assets	15.6	(3.0)	7.3	–	–
Other effects	18.0	(31.1)	18.6	–	–
of which market movements	10.1	8.3	9.2	–	–
of which foreign exchange	7.8	(20.5)	13.5	–	–
of which other	0.1	(18.9)	(4.1)	–	–
<b>Growth in assets under management</b>	<b>33.6</b>	<b>(34.1)</b>	<b>25.9</b>	<b>–</b>	<b>–</b>
<b>Growth in assets under management (%)</b>					
Net new assets	5.4	(0.9)	2.5	–	–
Other effects	6.2	(9.6)	6.2	–	–
<b>Growth in assets under management</b>	<b>11.6</b>	<b>(10.5)</b>	<b>8.7</b>	<b>–</b>	<b>–</b>

## ASSET MANAGEMENT

### 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.

### Results – Asset Management

	in / end of			% change	
	2016	2015	2014	16 / 15	15 / 14
<b>Statements of operations (CHF million)</b>					
<b>Net revenues</b>	<b>1,327</b>	<b>1,328</b>	<b>1,624</b>	0	(18)
<b>Provision for credit losses</b>	<b>0</b>	<b>0</b>	<b>0</b>	–	–
Compensation and benefits	656	702	766	(7)	(8)
General and administrative expenses	318	376	351	(15)	7
Commission expenses	66	64	90	3	(29)
Restructuring expenses	7	4	–	75	–
Total other operating expenses	391	444	441	(12)	1
<b>Total operating expenses</b>	<b>1,047</b>	<b>1,146</b>	<b>1,207</b>	(9)	(5)
<b>Income before taxes</b>	<b>280</b>	<b>182</b>	<b>417</b>	54	(56)
<b>Statement of operations metrics (%)</b>					
Cost/income ratio	78.9	86.3	74.3	–	–
<b>Net revenue detail (CHF million)</b>					
Management fees	891	873	859	2	2
Performance and placement revenues	208	164	262	27	(37)
Investment and partnership income	228	291	503	(22)	(42)
<b>Net revenues</b>	<b>1,327</b>	<b>1,328</b>	<b>1,624</b>	0	(18)
of which recurring commissions and fees	821	804	956	2	(16)
of which transaction- and performance-based revenues	504	558	683	(10)	(18)
of which other revenues	2	(34)	(15)	–	127

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.



## 2015 RESULTS

Income before taxes of CHF 182 million decreased 56% compared to 2014, driven by lower net revenues, partially offset by lower total operating expenses.

### Net revenues

Compared to 2014, net revenues of CHF 1,328 million decreased 18%, mainly driven by lower investment and partnership income and lower performance and placement revenues. The decrease of CHF 212 million in investment and partnership income to CHF 291 million mainly reflected lower asset management fees following the change in fund management from Hedging-Griffo to Verde Asset Management and lower annual performance revenues from a single manager hedge fund. Performance and placement revenues decreased 37% to CHF 164 million, driven by lower placement fees, lower performance fees and investment-related losses in 2015 compared to gains in 2014. Management fees of CHF 873 million were slightly higher.

### Total operating expenses

Compared to 2014, total operating expenses of CHF 1,146 million decreased 5%, reflecting lower compensation and benefits, partially offset by higher general and administrative expenses. Compensation and benefits of CHF 702 million decreased 8%,

reflecting lower salary expenses, mainly driven by the change in fund management from Hedging-Griffo to Verde Asset Management and lower discretionary compensation expenses, partially offset by higher deferred compensation expenses from prior-year awards. General and administrative expenses of CHF 376 million were 7% higher, mainly due to higher professional services fees.

## ASSETS UNDER MANAGEMENT

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.

As of the end of **2015**, assets under management of CHF 321.3 billion were CHF 16.1 billion higher compared to the end of 2014, reflecting net new assets of CHF 26.5 billion partially offset by unfavorable foreign exchange-related movements. Net new assets reflected inflows primarily from traditional products, including inflows from a joint venture in emerging markets and in index solutions and credit products.

## Assets under management – Asset Management

	in / end of			% change	
	2016	2015	2014	16 / 15	15 / 14
<b>Assets under management (CHF billion)</b>					
Traditional investments	159.9	172.2	167.3	(7.1)	2.9
Alternative investments	121.3	110.4	107.7	9.9	2.5
Investments and partnerships	40.4	38.7	30.2	4.4	28.1
<b>Assets under management</b>	<b>321.6</b>	<b>321.3</b>	<b>305.2</b>	0.1	5.3
Average assets under management	317.5	312.4	292.8	1.6	6.7
<b>Assets under management by currency (CHF billion)</b>					
USD	95.9	88.1	89.0	8.9	(1.0)
EUR	36.6	42.1	42.2	(13.1)	(0.2)
CHF	140.7	148.9	140.7	(5.5)	5.8
Other	48.4	42.2	33.3	14.7	26.7
<b>Assets under management</b>	<b>321.6</b>	<b>321.3</b>	<b>305.2</b>	0.1	5.3
<b>Growth in assets under management (CHF billion)</b>					
Net new assets <sup>1</sup>	5.6	26.5	6.5	–	–
Other effects	(5.3)	(10.4)	28.6	–	–
of which market movements	7.6	0.7	16.1	–	–
of which foreign exchange	3.9	(8.0)	9.3	–	–
of which other	(16.8)	(3.1)	3.2	–	–
<b>Growth in assets under management</b>	<b>0.3</b>	<b>16.1</b>	<b>35.1</b>	–	–
<b>Growth in assets under management (%)</b>					
Net new assets	1.7	8.7	2.4	–	–
Other effects	(1.6)	(3.4)	10.6	–	–
<b>Growth in assets under management</b>	<b>0.1</b>	<b>5.3</b>	<b>13.0</b>	–	–

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

# Asia Pacific

In 2016, we reported income before taxes of CHF 725 million and net revenues of CHF 3,597 million. Income before taxes increased 92% compared to 2015, mainly reflecting lower total operating expenses, partially offset by lower net revenues. Adjusted income before taxes was CHF 778 million in 2016.

## RESULTS SUMMARY

### 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 Investment Banking in 2015, partially offset by lower net revenues, particularly in equity sales and trading. Lower revenues in equity sales and trading were primarily driven by decreased client activity, particularly in Greater China. Private Banking revenues were higher, primarily reflecting

increases in net interest income. Underwriting and advisory revenues improved significantly compared to 2015, with strong client activity in advisory, equity and debt underwriting. 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.

## Divisional results

	in / end of			% change	
	2016	2015	2014	16 / 15	15 / 14
<b>Statements of operations (CHF million)</b>					
<b>Net revenues</b>	<b>3,597</b>	<b>3,839</b>	<b>3,335</b>	(6)	15
<b>Provision for credit losses</b>	<b>26</b>	<b>35</b>	<b>40</b>	(26)	(13)
Compensation and benefits	1,665	1,557	1,425	7	9
General and administrative expenses	836	790	721	6	10
Commission expenses	292	321	249	(9)	29
Goodwill impairment	0	756	–	(100)	–
Restructuring expenses	53	3	–	–	–
Total other operating expenses	1,181	1,870	970	(37)	93
<b>Total operating expenses</b>	<b>2,846</b>	<b>3,427</b>	<b>2,395</b>	(17)	43
<b>Income before taxes</b>	<b>725</b>	<b>377</b>	<b>900</b>	92	(58)
<b>Statement of operations metrics (%)</b>					
Return on regulatory capital	13.7	6.7	13.1	–	–
Cost/income ratio	79.1	89.3	71.8	–	–
<b>Economic risk capital and return</b>					
Average economic risk capital (CHF million)	4,147	3,405	3,184	22	7
Pre-tax return on average economic risk capital (%) <sup>1</sup>	17.6	11.1	28.3	–	–
<b>Number of employees (full-time equivalents)</b>					
Number of employees	6,980	6,590	5,910	6	12

<sup>1</sup> Calculated using a return excluding interest costs for allocated goodwill.

## Divisional results (continued)

	in / end of			% change	
	2016	2015	2014	16 / 15	15 / 14
<b>Net revenues (CHF million)</b>					
Private Banking	1,374	1,178	1,037	17	14
Investment Banking	2,223	2,661	2,298	(16)	16
<b>Net revenues</b>	<b>3,597</b>	<b>3,839</b>	<b>3,335</b>	<b>(6)</b>	<b>15</b>
<b>Provision for credit losses (CHF million)</b>					
New provisions	72	74	50	(3)	48
Releases of provisions	(46)	(39)	(10)	18	290
<b>Provision for credit losses</b>	<b>26</b>	<b>35</b>	<b>40</b>	<b>(26)</b>	<b>(13)</b>
<b>Balance sheet statistics (CHF million)</b>					
Total assets	97,221	85,929	105,574	13	(19)
Net loans	40,134	35,905	32,916	12	9
of which Private Banking	33,405	—	—	—	—
Risk-weighted assets	34,605	26,835	25,896	29	4
Leverage exposure	108,926	98,632	137,843	10	(28)

## 2015 results

In 2015, we reported income before taxes of CHF 377 million and net revenues of CHF 3,839 million. Compared to 2014, income before taxes decreased 58%, reflecting higher total operating expenses, partially offset by higher net revenues reflecting a strong performance in 2015, particularly in equity sales and trading and from the UHNWI and HNWI client business. Higher revenues in equity sales and trading were driven by increased client activity and favorable trading conditions. Private Banking revenues were higher, reflecting increases in net interest income, transaction-based revenues and recurring commissions and fees. Lower fixed income sales and trading revenues were primarily driven by financing, partially offset by an increase in developed markets rates products. Underwriting and advisory revenues declined compared to strong 2014 results, which included a significant client transaction, driven by a slowdown in underwriting activity due to unfavorable market conditions. Compared to 2014, total operating expenses of CHF 3,427 million increased 43%, reflecting the goodwill impairment charge in Investment Banking, increased compensation expenses driven by growth-related higher headcount, higher commission expenses and higher general and administrative expenses. Adjusted income before taxes of CHF 1,142 million increased 27% compared to 2014.

## Capital and leverage metrics

As of the end of 2016, we reported risk-weighted assets of CHF 34.6 billion, an increase of CHF 7.8 billion compared to the end of 2015, mainly due to market risk allocation refinements, increases in commercial lending in line with our strategy and methodology changes. Leverage exposure was CHF 108.9 billion, reflecting an increase of CHF 10.3 billion compared to the end of 2015. This increase was primarily driven by increased HQLA, increases in commercial lending in line with our strategy and the foreign exchange impact from the strengthening of the US dollar against the Swiss franc, partially offset by lower inventory levels reflecting subdued market conditions and a reduction of positions, including the ongoing transfer of the systematic market making business to the Asset Management business of International Wealth Management.

## Reconciliation of adjusted results

in	Private Banking			Investment Banking			Asia Pacific		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
<b>Adjusted results (CHF million)</b>									
<b>Net revenues</b>	<b>1,374</b>	<b>1,178</b>	<b>1,037</b>	<b>2,223</b>	<b>2,661</b>	<b>2,298</b>	<b>3,597</b>	<b>3,839</b>	<b>3,335</b>
<b>Provision for credit losses</b>	<b>32</b>	<b>18</b>	<b>4</b>	<b>(6)</b>	<b>17</b>	<b>36</b>	<b>26</b>	<b>35</b>	<b>40</b>
<b>Total operating expenses</b>	<b>970</b>	<b>816</b>	<b>723</b>	<b>1,876</b>	<b>2,611</b>	<b>1,672</b>	<b>2,846</b>	<b>3,427</b>	<b>2,395</b>
Goodwill impairment	0	0	0	0	(756)	0	0	(756)	0
Restructuring expenses	(4)	(1)	–	(49)	(2)	–	(53)	(3)	–
Major litigation provisions	0	(6)	0	0	0	0	0	(6)	0
<b>Adjusted total operating expenses</b>	<b>966</b>	<b>809</b>	<b>723</b>	<b>1,827</b>	<b>1,853</b>	<b>1,672</b>	<b>2,793</b>	<b>2,662</b>	<b>2,395</b>
<b>Income before taxes</b>	<b>372</b>	<b>344</b>	<b>310</b>	<b>353</b>	<b>33</b>	<b>590</b>	<b>725</b>	<b>377</b>	<b>900</b>
Total adjustments	4	7	0	49	758	0	53	765	0
<b>Adjusted income before taxes</b>	<b>376</b>	<b>351</b>	<b>310</b>	<b>402</b>	<b>791</b>	<b>590</b>	<b>778</b>	<b>1,142</b>	<b>900</b>
Adjusted return on regulatory capital (%)	–	–	–	–	–	–	14.8	20.4	13.1

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

## PRIVATE BANKING

### 2016 RESULTS

Income before taxes of CHF 372 million increased 8% compared to 2015, primarily reflecting higher net revenues, partially offset by higher total operating expenses and higher provision for credit losses. Adjusted income before taxes of CHF 376 million increased 7% compared to 2015.

#### Net revenues

Net revenues of CHF 1,374 million increased 17% compared to 2015, mainly due to higher net interest income. 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. Recurring commissions and fees increased 16% to CHF 302 million, primarily reflecting higher other commissions and fees, which included the positive impact of an adjustment relating to treasury allocations, higher investment product management fees, higher wealth structuring solutions fees and higher investment advisory fees. Transaction-based revenues increased 7% to CHF 486 million, mainly due to higher corporate advisory fees arising from integrated solutions, partially offset by lower brokerage and product issuing fees.

#### Provision for credit losses

The Private Banking loan portfolio primarily comprises ► lombard loans, mainly backed by listed securities.

In 2016, Private Banking recorded a provision for credit losses of CHF 32 million, compared to a provision for credit losses of CHF 18 million in 2015. The higher 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 970 million increased 19% compared to 2015, mainly reflecting higher compensation and benefits and higher general and administrative expenses. Compensation and benefits increased 25% to CHF 652 million, primarily driven by higher salary expenses reflecting growth-related higher headcount. General and administrative expenses increased 9% to CHF 267 million, mainly due to higher occupancy expenses and higher product development and solution expenses, partially offset by lower litigation provisions.

## Results – Private Banking

	in / end of			% change	
	2016	2015	2014	16 / 15	15 / 14
<b>Statements of operations (CHF million)</b>					
<b>Net revenues</b>	<b>1,374</b>	<b>1,178</b>	<b>1,037</b>	17	14
<b>Provision for credit losses</b>	<b>32</b>	<b>18</b>	<b>4</b>	78	350
Compensation and benefits	652	522	455	25	15
General and administrative expenses	267	244	228	9	7
Commission expenses	47	49	40	(4)	23
Restructuring expenses	4	1	–	300	–
Total other operating expenses	318	294	268	8	10
<b>Total operating expenses</b>	<b>970</b>	<b>816</b>	<b>723</b>	19	13
<b>Income before taxes</b>	<b>372</b>	<b>344</b>	<b>310</b>	8	11
<b>Statement of operations metrics (%)</b>					
Cost/income ratio	70.6	69.3	69.7	–	–
<b>Net revenue detail (CHF million)</b>					
Net interest income	602	445	389	35	14
Recurring commissions and fees	302	260	237	16	10
Transaction-based revenues	486	456	411	7	11
Other revenues	(16)	17	0	–	–
<b>Net revenues</b>	<b>1,374</b>	<b>1,178</b>	<b>1,037</b>	17	14
<b>Margins on assets under management (bp)</b>					
Gross margin <sup>1</sup>	86	79	76	–	–
Net margin <sup>2</sup>	23	23	23	–	–
<b>Number of relationship managers</b>					
Number of relationship managers	640	580	510	10	14

Net interest income includes a term spread credit on deposit funding and a term spread charge on loans. Recurring commissions and fees includes investment product management and discretionary mandate fees. Transaction-based revenues arise mainly from brokerage and product issuing fees, foreign exchange fees from client transactions and corporate advisory fees. Other revenues primarily include gains and losses on credit hedges that generally offset corresponding increases or releases of provision for credit losses.

<sup>1</sup> Net revenues divided by average assets under management.

<sup>2</sup> Income before taxes divided by average assets under management.

## 2015 RESULTS

Income before taxes of CHF 344 million increased 11% compared to 2014, primarily reflecting higher net revenues, partially offset by higher total operating expenses and higher provision for credit losses. Adjusted income before taxes of CHF 351 million increased 13% compared to 2014.

## Net revenues

Net revenues of CHF 1,178 million increased 14% compared to 2014, mainly due to higher net interest income, transaction-based revenues and recurring commissions and fees. Net interest income increased 14% to CHF 445 million, reflecting higher loan and deposit margins on higher average loan and deposit volumes. Transaction-based revenues increased 11% to CHF 456 million, mainly due to higher fees from the foreign exchange client business and higher brokerage and product issuing fees, partially offset by lower corporate advisory fees arising from integrated solutions. Recurring commissions and fees increased 10% to CHF 260 million, primarily reflecting higher discretionary mandate management fees, wealth structuring solution fees and investment product management fees.

## Provision for credit losses

In 2015, Private Banking recorded a provision for credit losses of CHF 18 million, compared to CHF 4 million in 2014. The increase in provision for credit losses reflected a small number of individual cases and was offset by gains from related credit hedges recorded in other revenues.

## Total operating expenses

Total operating expenses of CHF 816 million increased 13% compared to 2014, mainly reflecting higher compensation and benefits and higher general and administrative expenses. Compensation and benefits increased 15% to CHF 522 million, primarily driven by higher salary and discretionary compensation expenses reflecting growth-related higher headcount. General and administrative expenses increased 7% to CHF 244 million, mainly due to higher litigation provisions and other administrative and infrastructure expenses.

**MARGINS****Gross margin**

Our gross margin was 86 basis points in 2016, seven basis points higher compared to 2015, mainly reflecting higher net interest income, partially offset by a 6.3% increase in average assets under management.

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

**Net margin**

Our net margin was 23 basis points in 2016, stable compared to 2015, mainly reflecting higher net revenues, partially offset by higher total operating expenses.

**ASSETS UNDER MANAGEMENT**

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.

As of the end of **2015**, assets under management were stable at CHF 150.4 billion compared to the end of 2014 as net new assets of CHF 17.8 billion were offset by a reclassification of CHF 9.1 billion assets under management to assets under custody within client assets due to the introduction of an updated assets under management policy in 2015 as well as unfavorable market and foreign exchange-related movements. Net new assets reflected inflows primarily from Greater China and South East Asia markets.

**Assets under management – Private Banking**

	in / end of			% change	
	2016	2015	2014	16 / 15	15 / 14
<b>Assets under management (CHF billion)</b>					
Assets under management	166.9	150.4	150.5	11.0	(0.1)
Average assets under management	159.5	150.0	137.0	6.3	9.5
<b>Assets under management by currency (CHF billion)</b>					
USD	82.5	66.5	57.9	24.1	14.9
EUR	4.6	4.7	5.4	(2.1)	(13.0)
CHF	2.0	2.3	2.0	(13.0)	15.0
Other	77.8	76.9	85.2	1.2	(9.7)
<b>Assets under management</b>	<b>166.9</b>	<b>150.4</b>	<b>150.5</b>	<b>11.0</b>	<b>(0.1)</b>
<b>Growth in assets under management (CHF billion)</b>					
Net new assets	13.6	17.8	17.5	–	–
Other effects	2.9	(17.9)	11.7	–	–
of which market movements	1.0	(4.9)	2.4	–	–
of which foreign exchange	4.8	(3.4)	10.4	–	–
of which other	(2.9)	(9.6)	(1.1)	–	–
<b>Growth in assets under management</b>	<b>16.5</b>	<b>(0.1)</b>	<b>29.2</b>	<b>–</b>	<b>–</b>
<b>Growth in assets under management (%)</b>					
Net new assets	9.0	11.8	14.4	–	–
Other effects	2.0	(11.9)	9.7	–	–
<b>Growth in assets under management</b>	<b>11.0</b>	<b>(0.1)</b>	<b>24.1</b>	<b>–</b>	<b>–</b>

2016 net new assets and total assets under management updated since the 4Q16 Earnings Release to reflect a correction.



## INVESTMENT BANKING

**2016 RESULTS**

Income before taxes increased CHF 320 million to CHF 353 million compared to 2015, primarily reflecting the absence of the goodwill impairment charge of CHF 756 million in 2015, partially offset by lower net revenues. Adjusted income before taxes of CHF 402 million decreased 49% compared to 2015.

**Net revenues**

Net revenues of CHF 2,223 million decreased 16% compared to 2015, primarily due to lower equity sales and trading revenues, partially offset by higher underwriting and advisory revenues. Equity sales and trading revenues decreased 30% to CHF 1,314 million, mainly due to decreases in systematic market making and derivatives, 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, and the positive net fair value impact in derivatives from an impaired loan portfolio in recovery management of CHF 54 million. Underwriting and advisory revenues increased 38% to CHF 402 million, due to higher advisory, equity and debt underwriting fees resulting from increased market activity and higher share of wallet, which refers to our share of the overall fee pool for the respective products. Fixed income sales and trading revenues increased 4% to CHF 635 million, mainly due to 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, partially offset by lower revenues from emerging markets rates products.

**Provision for credit losses**

In 2016, Investment Banking recorded a release of provision for credit losses of CHF 6 million, compared to a provision for credit losses of CHF 17 million in 2015.

**Total operating expenses**

Total operating expenses of CHF 1,876 million decreased 28% compared to 2015, mainly reflecting the absence of the goodwill impairment charge of CHF 756 million in 2015, partially offset by higher restructuring expenses. Commission expenses decreased 10% to CHF 245 million, primarily reflecting lower client trading volumes in equities. Compensation and benefits decreased slightly to CHF 1,013 million, mainly due to lower discretionary compensation expenses and lower deferred compensation expenses from prior-year awards, partially offset by higher salary expenses reflecting growth-related hires in the advisory, underwriting and financing businesses. Restructuring expenses increased CHF 47 million to CHF 49 million, reflecting ongoing cost management initiatives. General and administrative expenses increased 4% to CHF 569 million, mainly due to higher expenses for contractors, outsourced services and consultants, partially offset by lower litigation provisions. Adjusted total operating expenses of CHF 1,827 million were stable compared to 2015.

**Results – Investment Banking**

	in / end of			% change	
	2016	2015	2014	16 / 15	15 / 14
<b>Statements of operations (CHF million)</b>					
<b>Net revenues</b>	<b>2,223</b>	<b>2,661</b>	<b>2,298</b>	(16)	16
<b>Provision for credit losses</b>	<b>(6)</b>	<b>17</b>	<b>36</b>	–	(53)
Compensation and benefits	1,013	1,035	970	(2)	7
General and administrative expenses	569	546	493	4	11
Commission expenses	245	272	209	(10)	30
Goodwill impairment	0	756	–	(100)	–
Restructuring expenses	49	2	–	–	–
Total other operating expenses	863	1,576	702	(45)	125
<b>Total operating expenses</b>	<b>1,876</b>	<b>2,611</b>	<b>1,672</b>	(28)	56
<b>Income before taxes</b>	<b>353</b>	<b>33</b>	<b>590</b>	–	(94)
<b>Statement of operations metrics (%)</b>					
Cost/income ratio	84.4	98.1	72.8	–	–
<b>Net revenue detail (CHF million)</b>					
Fixed income sales and trading	635	608	653	4	(7)
Equity sales and trading	1,314	1,872	1,383	(30)	35
Underwriting and advisory	402	292	397	38	(26)
Other revenues	(128)	(111)	(135)	15	(18)
<b>Net revenues</b>	<b>2,223</b>	<b>2,661</b>	<b>2,298</b>	(16)	16

Fixed income sales and trading includes developed markets rates products, financing, emerging markets rates products and credit trading. Equity sales and trading includes cash equities, derivatives, prime services and systematic market making. Underwriting and advisory includes debt and equity underwriting and advisory and other fees. Other revenues primarily include integrated solutions revenues paid to other businesses.

**2015 RESULTS**

Income before taxes of CHF 33 million decreased 94% compared to 2014, primarily reflecting the goodwill impairment charge of CHF 756 million in 2015, partially offset by higher net revenues reflecting a strong performance in 2015, particularly in equity sales and trading. Adjusted income before taxes of CHF 791 million increased 34% compared to 2014.

**Net revenues**

Net revenues of CHF 2,661 million increased 16% compared to 2014, mainly reflecting higher equity sales and trading revenues, partially offset by lower underwriting and advisory revenues and lower fixed income sales and trading revenues. Equity sales and trading revenues increased 35% to CHF 1,872 million, reflecting increased client activity and favorable trading conditions, primarily in derivatives and systematic market making. Underwriting and advisory revenues decreased 26% to CHF 292 million, reflecting declines in IPO and related follow-on activities, M&A transactions and the impact of a significant client transaction in 2014. Fixed income sales and trading revenues decreased 7% to CHF 608 million, primarily driven by financing activities, partially offset by an increase in rates products driven by increased client activity.

**Provision for credit losses**

In 2015, Investment Banking recorded a provision for credit losses of CHF 17 million, compared to a provision for credit losses of CHF 36 million in 2014. Provision for credit losses decreased, mainly reflecting additional provisions on existing impaired loans in 2015 compared to new impaired loans in 2014.

**Total operating expenses**

Total operating expenses of CHF 2,611 million increased 56% compared to 2014, mainly reflecting the goodwill impairment charge in Investment Banking in 2015, increased compensation expenses driven by growth-related higher headcount, higher commission expenses and higher general and administrative expenses. Compensation and benefits increased 7% to CHF 1,035 million, driven by higher deferred compensation expenses from prior-year awards and higher salary and discretionary compensation expenses reflecting growth-related higher headcount. Commission expenses increased 30% to CHF 272 million, primarily reflecting higher client trading volumes in equities. General and administrative expenses increased 11% to CHF 546 million, mainly due to higher litigation provisions, higher other administrative expenses and increased training and consulting expenses. Adjusted total operating expenses of CHF 1,853 million increased 11% compared to 2014.

# Global Markets

In 2016, Global Markets reported income before taxes of CHF 48 million and net revenues of CHF 5,497 million. Net revenues declined 19% compared to 2015, as challenging trading conditions resulted in reduced client activity.

## RESULTS SUMMARY

### 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. Equities revenues declined 20%, credit revenues declined 18% and solutions revenues declined 19%. 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.

## Divisional results

	in / end of			% change	
	2016	2015	2014	16 / 15	15 / 14
<b>Statements of operations (CHF million)</b>					
<b>Net revenues</b>	<b>5,497</b>	<b>6,826</b>	<b>7,426</b>	(19)	(8)
<b>Provision for credit losses</b>	<b>(3)</b>	<b>10</b>	<b>7</b>	–	43
Compensation and benefits	2,725	3,105	3,038	(12)	2
General and administrative expenses	2,001	2,322	1,847	(14)	26
Commission expenses	509	563	520	(10)	8
Goodwill impairment	0	2,661	0	(100)	–
Restructuring expenses	217	96	–	126	–
Total other operating expenses	2,727	5,642	2,367	(52)	138
<b>Total operating expenses</b>	<b>5,452</b>	<b>8,747</b>	<b>5,405</b>	(38)	62
<b>Income/(loss) before taxes</b>	<b>48</b>	<b>(1,931)</b>	<b>2,014</b>	–	–
<b>Statement of operations metrics (%)</b>					
Return on regulatory capital	0.4	(11.2)	11.7	–	–
Cost/income ratio	99.2	128.1	72.8	–	–
<b>Economic risk capital and return</b>					
Average economic risk capital (CHF million)	9,928	12,372	11,325	(20)	9
Pre-tax return on average economic risk capital (%) <sup>1</sup>	0.9	(14.9)	18.6	–	–
<b>Balance sheet statistics (CHF million, except where indicated)</b>					
Total assets	239,700	234,276	337,443	2	(31)
Risk-weighted assets	51,713	62,838	60,290	(18)	4
Risk-weighted assets (USD)	50,556	63,527	60,922	(20)	4
Leverage exposure	284,143	276,656	372,949	3	(26)
Leverage exposure (USD)	277,787	279,691	376,857	(1)	(26)
<b>Number of employees (full-time equivalents)</b>					
Number of employees	11,530	12,000	10,930	(4)	10

<sup>1</sup> Calculated using a return excluding interest costs for allocated goodwill.

## Divisional results (continued)

	in			% change	
	2016	2015	2014	16 / 15	15 / 14
<b>Net revenue detail (CHF million)</b>					
Equities	1,839	2,295	2,387	(20)	(4)
Credit	2,463	2,996	3,587	(18)	(16)
Solutions	1,364	1,686	1,645	(19)	2
Other	(169)	(151)	(193)	12	(22)
<b>Net revenues</b>	<b>5,497</b>	<b>6,826</b>	<b>7,426</b>	<b>(19)</b>	<b>(8)</b>

## Reconciliation of adjusted results

	Global Markets		
in	2016	2015	2014
<b>Adjusted results (CHF million)</b>			
<b>Net revenues</b>	<b>5,497</b>	<b>6,826</b>	<b>7,426</b>
<b>Provision for credit losses</b>	<b>(3)</b>	<b>10</b>	<b>7</b>
<b>Total operating expenses</b>	<b>5,452</b>	<b>8,747</b>	<b>5,405</b>
Goodwill impairment	0	(2,661)	0
Restructuring expenses	(217)	(96)	–
Major litigation provisions	(7)	(231)	(60)
<b>Adjusted total operating expenses</b>	<b>5,228</b>	<b>5,759</b>	<b>5,345</b>
<b>Income/(loss) before taxes</b>	<b>48</b>	<b>(1,931)</b>	<b>2,014</b>
Total adjustments	224	2,988	60
<b>Adjusted income/(loss) before taxes</b>	<b>272</b>	<b>1,057</b>	<b>2,074</b>
Adjusted return on regulatory capital (%)	2.0	6.7	12.0

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

## 2015 results

In 2015, we reported a loss before taxes of CHF 1,931 million, including the goodwill impairment charge of CHF 2,661 million, and net revenues of CHF 6,826 million. Net revenues declined 8% compared to 2014, reflecting challenging trading conditions, low levels of client activity and decreased issuance activity. Revenues from our credit business declined 16%, equities declined 4% and solutions increased 2%. Total operating expenses were CHF 8,747 million, up 62% compared to 2014, and included the goodwill impairment charge of CHF 2,661 million. Adjusted income before taxes was CHF 1,057 million in 2015, compared to CHF 2,074 million in 2014.

## Capital and leverage metrics

At the end of 2016, we reported risk-weighted assets of USD 50.6 billion, below our year-end 2016 target of USD 60 billion. Risk-weighted assets decreased 20% compared to 2015 primarily reflecting business reductions. Leverage exposure was USD 277.8 billion, which was below our year-end 2016 target of USD 290 billion. Leverage exposure was stable compared to 2015.

## 2016 RESULTS

## Equities

Equities revenues of CHF 1,839 million declined 20%, compared to 2015, reflecting challenging operating conditions. 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. In addition, underwriting revenues declined, primarily due to reduced industry-wide issuance activity.

## Credit

Credit revenues of CHF 2,463 million declined 18%, compared to 2015, primarily due to lower securitized products revenues as we significantly reduced our risk and capital profile. This was partially offset by higher global credit product revenues, reflecting improved leveraged finance trading activity due to a significant rebound in US high yield and loan trading.

## Solutions

Solutions revenues of CHF 1,364 million declined 19%, compared to 2015, reflecting lower equity derivatives revenues mainly due to decreased structured and flow derivatives reflecting lower volatility, partially offset by improved convertibles revenues. Global macro products revenues 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, partially offset by improved Brazil trading 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 cost related to our risk, regulatory and compliance infrastructure. In addition, we incurred restructuring expenses of CHF 217 million. Adjusted total operating expenses decreased 9%.

### **2015 RESULTS**

#### **Equities**

Equities revenues of CHF 2,295 million declined 4% compared to 2014, primarily driven by weak cash equities performance due to difficult trading conditions in Latin America, where we have a strong market position, and lower underwriting revenues. These declines were partially offset by higher systematic market making revenues, reflecting increased market volatility. We also had slightly increased prime services revenues despite significantly reduced leverage exposure, reflecting continued progress on our client portfolio optimization strategy.

#### **Credit**

Credit revenues of CHF 2,996 million declined 16% compared to 2014, primarily driven by weak performance across global credit products and securitized products. During the second half of 2015, a significant widening in US high yield spreads, comparable

to peak 2011 levels, resulted in reduced client activity and low levels of market liquidity. As a result, global credit products revenues declined significantly, primarily due to subdued leveraged finance trading activity given challenging market conditions. Underwriting revenues declined, primarily due to weak debt underwriting revenues, reflecting lower leveraged finance activity in the US, partially offset by higher investment-grade revenues. In addition, securitized products revenues decreased, driven by lower non-agency and agency performance, partially offset by improved asset finance revenues.

#### **Solutions**

Solutions revenues of CHF 1,686 million increased 2% compared to 2014, primarily due to higher global macro products revenues, reflecting improved US rates performance from increased client activity following the US Federal Reserve rate hike. This increase was partially offset by lower equity derivatives results, reflecting lower convertibles and fund-linked products performance, while structured and flow derivatives increased. In addition, emerging markets revenues declined, reflecting weak performance across all regions, particularly in Latin America, and in our financing business.

#### **Provision for credit losses**

Global Markets recorded a provision for credit losses of CHF 10 million in 2015 and CHF 7 million in 2014.

#### **Total operating expenses**

Compared to 2014, total operating expenses of CHF 8,747 million increased 62%, primarily due to the goodwill impairment charge of CHF 2,661 million in 2015. Compensation and benefits increased 2%, reflecting the foreign exchange impact of the strengthening of the US dollar against the Swiss Franc and higher salaries. In US dollars, compensation and benefits declined 3%, reflecting lower deferred compensation expenses from prior-year awards and lower discretionary compensation expenses. General and administrative expenses increased, reflecting increased investments in our risk, regulatory and compliance infrastructure and higher litigation provisions. In addition, we incurred restructuring expenses of CHF 96 million. Adjusted total operating expenses increased 8%.

# Investment Banking & Capital Markets

In 2016, Investment Banking & Capital Markets reported income before taxes of CHF 261 million and net revenues of CHF 1,972 million. Net revenues increased 10% compared to 2015, outperforming the industry-wide fee pool which was down 7%. Profitability was positively impacted by an improved share of wallet and increased debt underwriting and advisory revenues.

## RESULTS SUMMARY

### 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.

## Divisional results

	in / end of			% change	
	2016	2015	2014	16 / 15	15 / 14
<b>Statements of operations (CHF million)</b>					
<b>Net revenues</b>	<b>1,972</b>	<b>1,787</b>	<b>2,109</b>	10	(15)
<b>Provision for credit losses</b>	<b>20</b>	<b>0</b>	<b>(1)</b>	–	100
Compensation and benefits	1,237	1,265	1,187	(2)	7
General and administrative expenses	424	432	410	(2)	5
Commission expenses	2	2	2	–	–
Goodwill impairment	0	380	0	(100)	–
Restructuring expenses	28	22	–	27	–
Total other operating expenses	454	836	412	(46)	103
<b>Total operating expenses</b>	<b>1,691</b>	<b>2,101</b>	<b>1,599</b>	(20)	31
<b>Income/(loss) before taxes</b>	<b>261</b>	<b>(314)</b>	<b>511</b>	–	–
<b>Statement of operations metrics (%)</b>					
Return on regulatory capital	10.7	(15.4)	27.4	–	–
Cost/income ratio	85.8	117.6	75.8	–	–
<b>Economic risk capital and return</b>					
Average economic risk capital (CHF million)	4,652	3,717	3,259	25	14
Pre-tax return on average economic risk capital (%) <sup>1</sup>	5.7	(8.4)	15.7	–	–
<b>Balance sheet statistics (CHF million, except where indicated)</b>					
Total assets	20,784	18,712	13,839	11	35
Risk-weighted assets	18,027	16,150	12,167	12	33
Risk-weighted assets (USD)	17,624	16,327	12,294	8	33
Leverage exposure	45,571	40,898	39,954	11	2
Leverage exposure (USD)	44,552	41,347	40,373	8	2
<b>Number of employees (full-time equivalents)</b>					
Number of employees	3,090	2,810	2,440	10	15

<sup>1</sup> Calculated using a return excluding interest costs for allocated goodwill.



## Divisional results (continued)

	in			% change	
	2016	2015	2014	16 / 15	15 / 14
<b>Net revenue detail (CHF million)</b>					
Debt underwriting	934	809	1,032	15	(22)
Equity underwriting	312	376	494	(17)	(24)
Advisory and other fees	849	748	616	14	21
Other	(123)	(146)	(33)	(16)	342
<b>Net revenues</b>	<b>1,972</b>	<b>1,787</b>	<b>2,109</b>	<b>10</b>	<b>(15)</b>

## Reconciliation of adjusted results

	Investment Banking & Capital Markets		
in	2016	2015	2014
<b>Adjusted results (CHF million)</b>			
<b>Net revenues</b>	<b>1,972</b>	<b>1,787</b>	<b>2,109</b>
<b>Provision for credit losses</b>	<b>20</b>	<b>–</b>	<b>(1)</b>
<b>Total operating expenses</b>	<b>1,691</b>	<b>2,101</b>	<b>1,599</b>
Goodwill impairment	0	(380)	0
Restructuring expenses	(28)	(22)	–
<b>Adjusted total operating expenses</b>	<b>1,663</b>	<b>1,699</b>	<b>1,599</b>
<b>Income/(loss) before taxes</b>	<b>261</b>	<b>(314)</b>	<b>511</b>
Total adjustments	28	402	0
<b>Adjusted income before taxes</b>	<b>289</b>	<b>88</b>	<b>511</b>
Adjusted return on regulatory capital (%)	11.9	4.6	27.4

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

### 2015 results

In 2015, we reported a loss before taxes of CHF 314 million, including the goodwill impairment charge of CHF 380 million, and net revenues of CHF 1,787 million. Net revenues declined 15% compared to 2014. Debt underwriting revenues of CHF 809 million were down 22% on lower leveraged finance revenues and significant mark-to-market losses related to our underwriting commitments. Equity underwriting revenues of CHF 376 million were down 24%, primarily reflecting a decrease in the industry-wide fee pool for IPOs. Advisory revenues of CHF 748 million were up 21%, driven by an increase in the industry-wide fee pool. 2015 results also reflected mark-to-market losses in our corporate lending portfolio recognized in other revenues. Total operating expenses of CHF 2,101 million were up 31% compared to 2014, primarily reflecting the goodwill impairment charge, higher compensation and benefits and restructuring expenses in 2015. Adjusted income before taxes was CHF 88 million in 2015, compared to CHF 511 million in 2014.

### Capital and leverage metrics

At the end of 2016, risk-weighted assets were USD 17.6 billion, an increase of USD 1.3 billion compared to the end of 2015. The change was driven by increased ownership of the Corporate Bank and methodology changes, partially offset by reduced underwriting exposure. We reported leverage exposure of USD 44.6 billion,

an increase of USD 3.2 billion compared to the end of 2015. The change in leverage exposure was also driven by increased ownership of the Corporate Bank, partially offset by reductions in underwriting exposure

## 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.

### 2015 RESULTS

#### Advisory and other fees

Revenues from advisory and other fees of CHF 748 million increased 21% compared to 2014, driven by a higher number of completed M&A transactions, reflecting an increase in the industry-wide fee pool.

#### Debt underwriting

Debt underwriting revenues of CHF 809 million decreased 22% compared to 2014, primarily driven by lower leveraged finance revenues and significant mark-to-market losses related to our

underwriting commitments. Leveraged finance revenues were lower on reduced leveraged loan activity amid significant market volatility.

#### Equity underwriting

Equity underwriting revenues of CHF 376 million decreased 24% compared to 2014, driven by lower revenues from IPOs, reflecting declines in industry-wide issuance activity. Revenues from follow-on offerings were higher despite a decrease in industry-wide activity, driven by share of wallet gains.

#### Total operating expenses

Total operating expenses of CHF 2,101 million increased CHF 502 million compared to 2014, mainly reflecting the goodwill impairment charge of CHF 380 million, higher compensation and benefits and restructuring expenses of CHF 22 million in 2015. Compensation and benefits increased 7% to CHF 1,265 million as a result of market-based salary increases and investment in strategic hires as part of our growth strategy. These increases were partially offset by a decrease in discretionary compensation expenses. General and administrative expenses increased 5% to CHF 432 million, primarily driven by investments in our risk and compliance infrastructure. On an adjusted basis, total operating expenses increased 6% to CHF 1,699 million in 2015.

### 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
	2016	2015	YoY
<b>Global advisory and underwriting revenues (USD million)</b>			
Global advisory and underwriting revenues	3,771	3,460	9
of which advisory and other fees	1,046	872	20
of which debt underwriting	1,967	1,702	16
of which equity underwriting	758	886	(14)

# Strategic Resolution Unit

In 2016, the Strategic Resolution Unit reported a loss before taxes of CHF 5,759 million, including significant litigation provisions of CHF 2,792 million, primarily related to the RMBS settlements. The division decreased its risk-weighted assets by USD 28.8 billion and its leverage exposure by USD 67.0 billion compared to the end of 2015.

## RESULTS SUMMARY

### 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.

## Divisional results

	in / end of			% change	
	2016	2015	2014	16 / 15	15 / 14
<b>Statements of operations (CHF million)</b>					
<b>Net revenues</b>	<b>(1,271)</b>	<b>511</b>	<b>1,838</b>	–	(72)
of which from noncontrolling interests without significant economic interest	27	11	427	145	(97)
<b>Provision for credit losses</b>	<b>111</b>	<b>137</b>	<b>33</b>	(19)	315
Compensation and benefits	612	1,168	1,214	(48)	(4)
General and administrative expenses	3,590	1,539	3,516	133	(56)
of which litigation provisions	2,792	417	2,536	–	(84)
Commission expenses	54	163	182	(67)	(10)
Restructuring expenses	121	156	–	(22)	–
Total other operating expenses	3,765	1,858	3,698	103	(50)
<b>Total operating expenses</b>	<b>4,377</b>	<b>3,026</b>	<b>4,912</b>	45	(38)
of which from noncontrolling interests without significant economic interest	23	22	32	5	(31)
<b>Loss before taxes</b>	<b>(5,759)</b>	<b>(2,652)</b>	<b>(3,107)</b>	117	(15)
of which from noncontrolling interests without significant economic interest	4	(11)	395	–	–
<b>Balance sheet statistics (CHF million)</b>					
Total assets	80,297	100,823	130,211	(20)	(23)
Risk-weighted assets	45,441	72,424	78,509	(37)	(8)
Risk-weighted assets (USD)	44,425	73,218	79,332	(39)	(8)
Leverage exposure	105,768	168,544	251,548	(37)	(33)
Leverage exposure (USD)	103,402	170,393	254,184	(39)	(33)
<b>Number of employees (full-time equivalents)</b>					
Number of employees	1,830	3,200	4,360	(43)	(27)

## Divisional results (continued)

	in			% change	
	2016	2015	2014	16 / 15	15 / 14
<b>Net revenue detail (CHF million)</b>					
Restructuring of select onshore businesses	154	757	911	(80)	(17)
Legacy cross-border and small markets businesses	194	291	403	(33)	(28)
Restructuring of former Asset Management division	(90)	(109)	167	(17)	–
Legacy investment banking portfolio	(1,253)	(281)	283	346	–
Legacy funding costs	(315)	(251)	(219)	25	15
Other	12	93	(134)	(87)	–
Noncontrolling interests without significant economic interest	27	11	427	145	(97)
<b>Net revenues</b>	<b>(1,271)</b>	<b>511</b>	<b>1,838</b>	<b>–</b>	<b>(72)</b>

## Reconciliation of adjusted results

	Strategic Resolution Unit		
in	2016	2015	2014
<b>Adjusted results (CHF million)</b>			
<b>Net revenues</b>	<b>(1,271)</b>	<b>511</b>	<b>1,838</b>
Real estate gains	(4)	0	0
Losses on business sales	6	0	0
<b>Adjusted net revenues</b>	<b>(1,269)</b>	<b>511</b>	<b>1,838</b>
<b>Provision for credit losses</b>	<b>111</b>	<b>137</b>	<b>33</b>
<b>Total operating expenses</b>	<b>4,377</b>	<b>3,026</b>	<b>4,912</b>
Restructuring expenses	(121)	(156)	–
Major litigation provisions	(2,693)	(290)	(2,325)
<b>Adjusted total operating expenses</b>	<b>1,563</b>	<b>2,580</b>	<b>2,587</b>
<b>Loss before taxes</b>	<b>(5,759)</b>	<b>(2,652)</b>	<b>(3,107)</b>
Total adjustments	2,816	446	2,325
<b>Adjusted loss before taxes</b>	<b>(2,943)</b>	<b>(2,206)</b>	<b>(782)</b>

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

## 2015 results

We reported a loss before taxes of CHF 2,652 million compared to CHF 3,107 million in 2014. In 2015, we reported an adjusted loss before taxes of CHF 2,206 million, compared to CHF 782 million in 2014.

Net revenues of CHF 511 million included net revenues relating to the restructuring of our select onshore businesses and our legacy cross-border and small markets businesses, partially offset by overall funding costs and valuation adjustments, primarily driven by mark-to-market losses on our legacy investment banking portfolio, and the restructuring of our former Asset Management division. Provision for credit losses was CHF 137 million in 2015, primarily relating to the restructuring of our select onshore businesses. Total operating expenses were CHF 3,026 million in 2015, including CHF 1,539 million of general and administrative expenses, of which CHF 417 million were litigation provisions, and CHF 1,168 million of compensation and benefits.

In 2015, we reported adjusted total operating expenses of CHF 2,580 million, compared to CHF 2,587 million in 2014.

## Capital and leverage metrics

At the end of 2016, we reported risk-weighted assets of USD 44.4 billion, a decrease of USD 28.8 billion compared to the end of 2015. The decrease was driven by a broad range of transactions, including the sale of loan portfolios and cash credit assets, in addition to a large number of unwinds, restructurings and compressions across our global macro products and credit derivative products. Leverage exposure was USD 103.4 billion at the end of 2016, reflecting a decrease of USD 67.0 billion compared to the end of 2015. The decrease was primarily driven by the execution of a purchase and sale agreement on the entire credit derivative swap portfolio and the sale or run-off of loans mainly relating to our legacy US private banking business.

In the fourth quarter of 2016, certain derivative positions in the Strategic Resolution Unit received regulatory approval to apply updated capital models and as a result were transferred to our Global Markets division. Additionally, the division completed the sale to an institutional investor of a significant portfolio of senior loans to certain global private equity and asset management companies and the Global Markets division entered into a co-investment agreement with such institutional investor. Pursuant to the terms of this transaction, Global Markets will, among other things,

originate new loan facilities and hold a minority interest in the transferred loans and any newly originated facilities. The combined impact on risk-weighted assets and leverage exposure for Global Markets was USD 3 billion and USD 8 billion, respectively.

## **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. Adjusted total operating expenses were CHF 1,563 million in 2016, compared to CHF 2,580 million in 2015, a decline of 39%.

## **2015 RESULTS**

### **Net revenues**

We reported net revenues of CHF 511 million in 2015 compared to CHF 1,838 million in 2014. The decrease was primarily driven by higher valuation adjustments and lower revenues from noncontrolling interests without significant economic interest. Valuation adjustments in 2015 primarily reflected mark-to-market losses on our legacy investment banking portfolio and the restructuring of our former Asset Management division.

### **Provision for credit losses**

Provision for credit losses was CHF 137 million in 2015 compared to CHF 33 million in 2014, the increase was primarily related to the restructuring of our select onshore businesses, including our legacy US private banking business.

### **Total operating expenses**

Total operating expenses decreased from CHF 4,912 million in 2014 to CHF 3,026 million in 2015, mainly due to lower litigation provisions. Litigation provisions decreased from CHF 2,536 million in 2014 to CHF 417 million in 2015. Litigation provisions in 2014 included CHF 1,618 million relating to the final settlement of all outstanding US cross-border matters and CHF 841 million primarily in connection with mortgage-related matters. Total operating expenses in 2015 included CHF 156 million of restructuring expenses and costs of CHF 262 million to meet requirements related to the settlements with US authorities regarding US cross-border matters. Adjusted total operating expenses were CHF 2,580 million in 2015, which was stable when compared to 2014.

# Corporate Center

Corporate Center includes parent company operations such as Group financing, expenses for projects sponsored by the Group and certain expenses and revenues that have not been allocated to the segments. It also includes consolidation and elimination adjustments required to eliminate intercompany revenues and expenses.

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. Beginning in the fourth quarter of 2016, responsibility for the management of

certain segment-specific IT infrastructure and operations costs was transferred directly to the segments resulting in lower expense allocations from the Corporate Center to the segments. Prior periods for Corporate Center-related expense allocations have been restated to conform to the current presentation.

## Corporate Center results

	in / end of			% change	
	2016	2015	2014	16 / 15	15 / 14
<b>Statements of operations (CHF million)</b>					
<b>Net revenues</b>	<b>71</b>	<b>561</b>	<b>680</b>	(87)	(18)
<b>Provision for credit losses</b>	<b>(1)</b>	<b>(1)</b>	<b>1</b>	0	–
Compensation and benefits	277	351	358	(21)	(2)
General and administrative expenses	399	465	288	(14)	61
Commission expenses	76	46	8	65	475
Restructuring expenses	7	0	–	–	–
Total other operating expenses	482	511	296	(6)	73
<b>Total operating expenses</b>	<b>759</b>	<b>862</b>	<b>654</b>	(12)	32
<b>Income/(loss) before taxes</b>	<b>(687)</b>	<b>(300)</b>	<b>25</b>	129	–
<b>Balance sheet statistics (CHF million)</b>					
Total assets	62,413	64,621	24,440	(3)	164
Risk-weighted assets <sup>1</sup>	17,338	18,467	16,354	(6)	13
Leverage exposure <sup>1</sup>	59,374	63,090	18,810	(6)	235

<sup>1</sup> Disclosed on a look-through basis.

### 2016 results

In 2016, Corporate Center recorded a loss before taxes of CHF 687 million compared to CHF 300 million in 2015. Compensation and benefits mainly reflected fair value adjustments on certain deferred compensation plans not allocated to the segments and certain deferred compensation retention awards relating to Global Markets and Investment Banking & Capital Markets, which are intended to support the restructuring of the Group through the end of 2017. General and administrative expenses primarily reflected costs associated with the evolution of our legal entity structure to meet developing and future regulatory requirements. Other revenues include required elimination adjustments associated with trading in own shares.

### 2015 results

In 2015, Corporate Center recorded a loss before taxes of CHF 300 million compared to income before taxes of CHF 25 million in 2014, primarily reflecting lower fair value gains from movements in own credit spreads of CHF 298 million in 2015, compared to CHF 543 million in 2014, and higher expenses in connection with the legal entity program in 2015.



## Corporate Center results (continued)

			in	% change	
	2016	2015	2014	16 / 15	15 / 14
<b>Net revenue detail (CHF million)</b>					
Treasury results	(160)	69	(78)	–	–
Fair value impact from movements in own credit spreads <sup>1</sup>	0	298	543	(100)	(45)
Other	231	194	215	19	(10)
<b>Net revenues</b>	<b>71</b>	<b>561</b>	<b>680</b>	<b>(87)</b>	<b>(18)</b>

<sup>1</sup> We early adopted certain sections of ASU 2016-01 which require that changes in fair value relating to the instrument-specific credit risk of fair value option-elected financial liabilities be presented separately in accumulated other comprehensive income. Therefore, fair value gains or losses from movements in own credit spreads are no longer recorded in the Corporate Center beginning in the first quarter of 2016.

## Corporate Center – expenses before and after service allocation to divisions

			in	% change	
	2016	2015	2014	16 / 15	15 / 14
<b>Statements of expenses (CHF million)</b>					
Compensation and benefits	2,571	2,571	2,578	0	0
General and administrative expenses	2,978	3,439	3,085	(13)	11
Commission expenses	76	46	8	65	475
Restructuring expenses	166	106	–	57	–
Total other operating expenses	3,220	3,591	3,093	(10)	16
<b>Total operating expenses before allocations to divisions</b>	<b>5,791</b>	<b>6,162</b>	<b>5,671</b>	<b>(6)</b>	<b>9</b>
Net allocation to divisions	5,032	5,300	5,017	(5)	6
of which Swiss Universal Bank	1,021	1,217	1,122	(16)	8
of which International Wealth Management	789	798	890	(1)	(10)
of which Asia Pacific	669	648	605	3	7
of which Global Markets	1,732	1,698	1,564	2	9
of which Investment Banking & Capital Markets	279	262	231	6	13
of which Strategic Resolution Unit	542	677	605	(20)	12
<b>Total operating expenses</b>	<b>759</b>	<b>862</b>	<b>654</b>	<b>(12)</b>	<b>32</b>

# Assets under management

As of the end of 2016, assets under management were CHF 1,251.1 billion, 3.0% higher compared to the end of 2015, primarily driven by net new assets of CHF 26.8 billion, favorable foreign exchange-related and market movements.

## 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 and made refinements during 2016 as it relates to structural effect considerations.

## Assets under management and client assets

	end of			% change	
	2016	2015	2014	16 / 15	15 / 14
<b>Assets under management (CHF billion)</b>					
Swiss Universal Bank – Private Banking	242.9	241.0	258.6	0.8	(6.8)
Swiss Universal Bank – Corporate & Institutional Banking	288.6	275.8	275.9	4.6	0.0
International Wealth Management – Private Banking	323.2	289.6	323.7	11.6	(10.5)
International Wealth Management – Asset Management	321.6	321.3	305.2	0.1	5.3
Asia Pacific – Private Banking	166.9 <sup>3</sup>	150.4	150.5	11.0	(0.1)
Strategic Resolution Unit	13.7	27.3	144.0	(49.8)	(81.0)
Assets managed across businesses <sup>1</sup>	(105.8)	(91.3)	(89.2)	15.9	2.4
<b>Assets under management</b>	<b>1,251.1</b>	<b>1,214.1</b>	<b>1,368.7</b>	<b>3.0</b>	<b>(11.3)</b>
of which discretionary assets	404.3	410.1	429.1	(1.4)	(4.4)
of which advisory assets	846.8	804.0	939.6	5.3	(14.4)
<b>Client assets (CHF billion)<sup>2</sup></b>					
Swiss Universal Bank – Private Banking	273.2	266.2	266.5	2.6	(0.1)
Swiss Universal Bank – Corporate & Institutional Banking	393.1	377.1	375.5	4.2	0.4
International Wealth Management – Private Banking	423.4	400.0	429.2	5.9	(6.8)
International Wealth Management – Asset Management	321.6	321.3	305.2	0.1	5.3
Asia Pacific – Private Banking	202.8	169.8	157.1	19.4	8.1
Strategic Resolution Unit	19.8	110.4	159.8	(82.1)	(30.9)
Assets managed across businesses <sup>1</sup>	(105.8)	(91.3)	(89.2)	15.9	2.4
<b>Client assets<sup>2</sup></b>	<b>1,528.1</b>	<b>1,553.5</b>	<b>1,604.1</b>	<b>(1.6)</b>	<b>(3.2)</b>

<sup>1</sup> Represents assets managed by Asset Management within International Wealth Management for the other businesses.

<sup>2</sup> 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.

<sup>3</sup> Updated since the 4Q16 Earnings Release to reflect a correction.

## Growth in assets under management

in	2016	2015	2014
<b>Growth in assets under management (CHF billion)</b>			
<b>Net new assets from continuing operations</b>	<b>26.8</b>	<b>46.9</b>	<b>29.9</b>
Net new assets from discontinued operations	0.0	0.0	(2.0)
<b>Net new assets</b>	<b>26.8</b>	<b>46.9</b>	<b>27.9</b>
of which Swiss Universal Bank – Private Banking	(1.7)	3.2	3.8
of which Swiss Universal Bank – Corporate & Institutional Banking	4.3	10.6	5.5
of which International Wealth Management – Private Banking	15.6	(3.0)	7.3
of which International Wealth Management – Asset Management <sup>1</sup>	5.6	26.5	6.5
of which Asia Pacific – Private Banking	13.6 <sup>3</sup>	17.8	17.5
of which Strategic Resolution Unit	(8.5)	(4.0)	(9.6)
of which assets managed across businesses <sup>2</sup>	(2.1)	(4.2)	(3.1)
<b>Other effects from continuing operations</b>	<b>10.2</b>	<b>(201.5)</b>	<b>90.2</b>
Other effects from discontinued operations	0.0	0.0	(27.0)
<b>Other effects</b>	<b>10.2</b>	<b>(201.5)</b>	<b>63.2</b>
of which Swiss Universal Bank – Private Banking	3.6	(20.8)	10.6
of which Swiss Universal Bank – Corporate & Institutional Banking	8.5	(10.7)	20.4
of which International Wealth Management – Private Banking	18.0	(31.1)	18.6
of which International Wealth Management – Asset Management	(5.3)	(10.4)	28.6
of which Asia Pacific – Private Banking	2.9 <sup>3</sup>	(17.9)	11.7
of which Strategic Resolution Unit	(5.1)	(112.7)	(13.4)
of which assets managed across businesses <sup>2</sup>	(12.4)	2.1	(13.3)
<b>Growth in assets under management from continuing operations</b>	<b>37.0</b>	<b>(154.6)</b>	<b>120.1</b>
Growth in assets under management from discontinued operations	0.0	0.0	(29.0)
<b>Growth in assets under management</b>	<b>37.0</b>	<b>(154.6)</b>	<b>91.1</b>
of which Swiss Universal Bank – Private Banking	1.9	(17.6)	14.4
of which Swiss Universal Bank – Corporate & Institutional Banking	12.8	(0.1)	25.9
of which International Wealth Management – Private Banking	33.6	(34.1)	25.9
of which International Wealth Management – Asset Management <sup>1</sup>	0.3	16.1	35.1
of which Asia Pacific – Private Banking	16.5 <sup>3</sup>	(0.1)	29.2
of which Strategic Resolution Unit	(13.6)	(116.7)	(23.0)
of which assets managed across businesses <sup>2</sup>	(14.5)	(2.1)	(16.4)

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

<sup>2</sup> Represents assets managed by Asset Management within International Wealth Management for the other businesses.

<sup>3</sup> Updated since the 4Q16 Earnings Release to reflect a correction.

## 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 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.

**2015 results**

As of the end of 2015, assets under management were CHF 1,214.1 billion, a decrease of CHF 154.6 billion compared to the end of 2014. The decrease was mainly driven by the transfer of our US domestic private banking business to Wells Fargo, the CHF 46.4 billion reclassification of assets under management to assets under custody within client assets due to the introduction of the updated assets under management policy in 2015 and unfavorable foreign exchange-related movements, partially offset by net new assets of CHF 46.9 billion and favorable market movements.

Net new assets of CHF 46.9 billion mainly reflected net new assets of CHF 26.5 billion in the Asset Management business of

International Wealth Management, with inflows primarily from traditional products, including inflows from a joint venture in emerging markets and in index solutions and credit products, net new assets of CHF 17.8 billion in the Private Banking business of Asia Pacific, reflecting inflows primarily from Greater China and South East Asia markets and net new assets of CHF 10.6 billion in the Corporate & Institutional Banking business of Swiss Universal Bank, primarily from Swiss pension funds.

► Refer to "Swiss Universal Bank", "International Wealth Management" and "Asia Pacific" in II – Operating and financial review and "Note 38 – Assets under management" in V – Consolidated financial statements – Credit Suisse Group for further information for 2016 and 2015.

**Growth in assets under management (continued)**

in	2016	2015	2014
<b>Growth in assets under management (%)</b>			
<b>Net new assets from continuing operations</b>	<b>2.2</b>	<b>3.4</b>	<b>2.4</b>
Net new assets from discontinued operations	0.0	0.0	(6.9)
<b>Net new assets</b>	<b>2.2</b>	<b>3.4</b>	<b>2.2</b>
of which Swiss Universal Bank – Private Banking	(0.7)	1.2	1.6
of which Swiss Universal Bank – Corporate & Institutional Banking	1.6	3.8	2.2
of which International Wealth Management – Private Banking	5.4	(0.9)	2.5
of which International Wealth Management – Asset Management <sup>1</sup>	1.7	8.7	2.4
of which Asia Pacific – Private Banking	9.0 <sup>3</sup>	11.8	14.4
of which Strategic Resolution Unit	(31.1)	(2.8)	(5.8)
of which assets managed across businesses <sup>2</sup>	2.3	4.7	4.3
<b>Other effects from continuing operations</b>	<b>0.8</b>	<b>(14.7)</b>	<b>7.2</b>
Other effects from discontinued operations	0.0	0.0	106.9
<b>Other effects</b>	<b>0.8</b>	<b>(14.7)</b>	<b>4.9</b>
of which Swiss Universal Bank – Private Banking	1.5	(8.0)	4.3
of which Swiss Universal Bank – Corporate & Institutional Banking	3.0	(3.8)	8.2
of which International Wealth Management – Private Banking	6.2	(9.6)	6.2
of which International Wealth Management – Asset Management	(1.6)	(3.4)	10.6
of which Asia Pacific – Private Banking	2.0 <sup>3</sup>	(11.9)	9.7
of which Strategic Resolution Unit	(18.7)	(78.2)	(8.0)
of which assets managed across businesses <sup>2</sup>	13.6	(2.3)	18.3
<b>Growth in assets under management from continuing operations</b>	<b>3.0</b>	<b>(11.3)</b>	<b>9.6</b>
Growth in assets under management from discontinued operations	0.0	0.0	100.0
<b>Growth in assets under management</b>	<b>3.0</b>	<b>(11.3)</b>	<b>7.1</b>
of which Swiss Universal Bank – Private Banking	0.8	(6.8)	5.9
of which Swiss Universal Bank – Corporate & Institutional Banking	4.6	0.0	10.4
of which International Wealth Management – Private Banking	11.6	(10.5)	8.7
of which International Wealth Management – Asset Management <sup>1</sup>	0.1	5.3	13.0
of which Asia Pacific – Private Banking	11.0 <sup>3</sup>	(0.1)	24.1
of which Strategic Resolution Unit	(49.8)	(81.0)	(13.8)
of which assets managed across businesses <sup>2</sup>	15.9	2.4	22.6

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

<sup>2</sup> Represents assets managed by Asset Management within International Wealth Management for the other businesses.

<sup>3</sup> Updated since the 4Q16 Earnings Release to reflect a correction.

# 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 V – 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 35 – Financial instruments” in V – 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. VIEs may be sponsored by Credit Suisse, unrelated third parties or clients. Application of the accounting requirements for consolidation of VIEs, including ongoing reassessment of VIEs for possible consolidation, may require the exercise of significant management judgment.

► Refer to “Note 1 – Summary of significant accounting policies” and “Note 34 – Transfers of financial assets and variable interest entities” in V – 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 39 – Litigation" in V – 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 19 – Loans, allowance for loan losses and credit quality" in V – 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 19 – Loans, allowance for loan losses and credit quality" in V – 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 March 23, 2016, the Group announced a number of strategic measures affecting the Global Markets and Strategic Resolution Unit segments, including business exits, and other business reductions in Global Markets. During the second quarter of 2016, these strategic measures were implemented together with additional actions that also impacted the Group's other business segments. The Group determined that these changes constituted triggering events. The Group's reporting units were not changed as a result of this announcement and remain defined as follows: Swiss Universal Bank – Private Banking, Swiss Universal Bank – Corporate & Institutional Banking, International Wealth Management – Private Banking, International Wealth Management – Asset Management, Asia Pacific – Private Banking, Asia Pacific – Investment Banking, Global Markets, Investment Banking & Capital Markets and 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, the first step of the 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, the second step of the quantitative goodwill impairment test, measuring the amount of an impairment loss, if any, has to be performed.

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 first step of 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 or the first step 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, 2016, such residual equity was equal to CHF 5,389 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 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. If the second step of the goodwill impairment test is required, the implied fair value of the relevant reporting unit's goodwill is compared with the carrying value of that goodwill. If the carrying value exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to that excess. The loss recognized as a goodwill impairment cannot exceed the carrying value of that goodwill. The implied fair value of goodwill is calculated in the same manner as the amount of goodwill recognized in a business combination and, as such, the current fair value of a reporting unit is assigned to all of the assets and liabilities of that unit (including any unrecognized intangible assets, but excluding goodwill) as if the reporting unit had been acquired in a business combination. An independent valuation expert would likely be engaged to assist in the valuation of the reporting unit's unrecognized intangible assets.

Goodwill is tested for impairment before and immediately after a reorganization of reporting units. As a result, the goodwill impairment test was performed as of March 31, 2016 under the old business structure as well as under the modified structure that was announced on March 23, 2016. The goodwill impairment analysis performed as of June 30, 2016 considered the impact from the additional actions in the second quarter of 2016 and the Group concluded that the estimated fair value for all of its reporting units with goodwill substantially exceeded their related carrying values and that no impairment was necessary.

Based on its goodwill impairment analysis performed as of December 31, 2016, 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, 2016.

The Group engaged the services of an independent valuation specialist to assist in the valuation of the Global Markets reporting unit as of March 31, 2016 and December 31, 2016 and in the valuation of the Investment Banking & Capital Markets reporting unit as of December 31, 2016. 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 21 – Goodwill" in V – 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 28 – Tax" in V – 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. US tax law allows for a 20-year carry-forward period for net operating losses, Swiss tax law allows for a seven-year carry-forward period for net operating losses and the

UK tax law allows for an unlimited carry-forward period for net operating losses.

► Refer to "Note 28 – Tax" in V – 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 are 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 accumulated other comprehensive income/(loss) (AOCI).

The projected benefit obligation (PBO) of our total defined benefit pension plans included CHF 979 million related to our assumption for future salary increases as of December 31, 2016 and 2015. 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 1,708 million for 2016, compared to CHF 839 million for 2015.

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 2016 and 2015 was 3.50% and 4.00%, respectively, for the Swiss plans and 5.07% and 6.00%, respectively, for the international plans. In 2016, 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 153 million and net pension expense for the international plans would have decreased/increased CHF 33 million.

The discount rate used in determining the benefit obligation is 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. The discount rate used for Swiss plans decreased 0.05 percentage points from 0.90% as of December 31, 2015, to 0.85% as of December 31, 2016, mainly due to a decrease in Swiss bond market rates. The average discount rate used for international plans decreased 0.95 percentage points from 4.05% as of December 31, 2015, to 3.10% as of December 31, 2016, mainly due to a decrease in bond market rates. The discount rate affects both the pension expense and the PBO. For the year ended December 31, 2016, a one percentage point decline in the discount rate for the Swiss plans would have resulted in an increase in the PBO of CHF 1,666 million and an increase in pension expense of CHF 40 million, and a one percentage point increase in the discount rate would have resulted in a decrease in the PBO of CHF 1,494 million and a decrease in the pension expense of CHF 60 million. A one percentage point decline in the discount rate for the international plans as of December 31, 2016 would have resulted in an increase in the PBO of CHF 728 million and an increase in pension expense of CHF 63 million, and a one percentage point increase in the discount rate would have resulted in a decrease in the PBO of CHF 582 million and a decrease in the pension expense of CHF 31 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, 2016, was approximately 10 years for the Swiss plans and 3 to 21 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, 2016, 2015 and 2014 was CHF 291 million, CHF 350 million and CHF 102 million, respectively. The amortization of recognized

actuarial losses and prior service cost for defined benefit pension plans for the year ending December 31, 2017, which is assessed at the beginning of the year, is expected to be CHF 212 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 2017.

► Refer to "Note 31 – Pension and other post-retirement benefits" in V – 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 2016, if the Bank had accounted for the Group plan as a defined benefit plan, the expected long-term rate of return used to

determine the expected return on plan assets as a component of the net periodic benefit costs would have been 3.50%. In 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 5.07%.

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. For the year ended December 31, 2016, if the Bank had accounted for the Group plan as a defined benefit plan, the discount rate used in the measurement of the benefit obligation and net periodic benefit costs would have been 0.85% and 0.90%, respectively. For the year ended December 31, 2016, the weighted-average discount rates used in the measurement of the benefit obligation and the net periodic benefit costs for the international single-employer defined benefit pension plans were 3.10% and 4.05%, respectively. 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 728 million and an increase in pension expense of CHF 63 million, and a one percentage point increase in the discount rate would have resulted in a decrease in PBO of CHF 582 million and a decrease in pension expense by CHF 31 million.

The Bank does not recognize any amortization of actuarial losses and prior service cost for the Group pension plan. 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, 2016, 2015 and 2014 was CHF 41 million, CHF 84 million and CHF 52 million, respectively. The amortization of recognized actuarial losses and prior service cost for the year ending December 31, 2017, which is assessed at the beginning of the year, is expected to be CHF 48 million, net of tax.

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## **Treasury, Risk, Balance sheet and Off-balance sheet**

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# Liquidity and funding management

During 2016, 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 are now focusing 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. 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 of Directors, who define our risk tolerance, including liquidity risk, and set parameters for the balance sheet and funding usage of our businesses. The Board of Directors 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 in effect, should always be at least 100%. Following an observation period which began in 2012, the NSFR will become a minimum standard on January 1, 2018, at which time banks will be required to comply with disclosure requirements prescribed by the BCBS and implemented by national regulators.

### 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. 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 [www.credit-suisse.com/regulatorydisclosures](http://www.credit-suisse.com/regulatorydisclosures) for additional information.

In 2014, FINMA published reporting instructions that required us to report the NSFR to FINMA. The reports were submitted on a quarterly basis from the fourth quarter of 2014 through the second quarter of 2015, and have been submitted on a monthly basis thereafter. The reporting instructions are generally aligned with the final BCBS NSFR requirements.

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 ◉ NSFR is not effective until 2018, 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 the NSFR and the internal liquidity barometer as the basis for our funds transfer pricing policy.

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 allows us to manage liquidity to a desired profile under stress in order to be able to continue to pursue activities for a period of time (also known as a liquidity horizon) without changing business plans during times of Credit Suisse-specific or market-wide stress. 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 started to allocate the majority of the balance sheet usage related to a portfolio of HQLA managed by our Treasury function 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 arising from the portfolio of assets.

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;
- Availability of secured funding becomes subject to significant over-collateralization;
- Capital markets, certificates of deposit and ◉ commercial paper markets will not be available;
- 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 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. During the course of 2015 we aligned our internal stress level haircut calculation for the Treasury-managed liquidity pool to 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					2016	2015
	Swiss franc	US dollar	Euro	Other currencies	Total	Total
<b>Liquid assets (CHF million)</b>						
Cash held at central banks	61,720	24,682	8,291	3,601	98,294	72,475
Securities	3,235	61,836	4,627	21,982	91,680	101,561
<b>Liquid assets <sup>1</sup></b>	<b>64,955</b>	<b>86,518</b>	<b>12,918</b>	<b>25,583</b>	<b>189,974</b>	<b>174,036</b>

<sup>1</sup> Reflects a pre-cancellation view.

As of December 31, 2016, our liquidity pool managed by Treasury had an HQLA value of CHF 190.0 billion. The liquidity pool consisted of CHF 98.3 billion of cash held at major central banks, primarily the SNB, the Fed and the ECB, and CHF 91.7 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, 2016, the portfolio that is not managed by Treasury had a market value of CHF 34.9 billion, consisting of CHF 9.9 billion of high-grade bonds and CHF 25.0 billion of highly liquid equity securities. Under our internal model, an average stress-level haircut of 17% 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 have been 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. 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.

For disclosure purposes our LCR is calculated using a three-month average. As of the end of 2016, our LCR average was 202%, representing HQLA of CHF 190.6 billion and net cash outflows of CHF 94.3 billion. The ratio reflects a conservative liquidity position leading up to the final settlement with the DOJ related to

our legacy RMBS business as well as our efforts to ensure that Group entities meet applicable local liquidity requirements.

The increase in the LCR compared to 2015 was driven by the increase in HQLA, reflecting higher deposits at central banks, and lower cash outflows.

The significant reduction in total cash outflows reflected (i) lower levels of secured wholesale funding, (ii) reductions in additional requirements (related to credit and liquidity facilities) and

(iii) decreased weighted unsecured wholesale funding (including maturing debt). The reduction in secured wholesale funding was consistent across all quarters in 2016. Cash outflows from other contractual funding obligations and other cash inflows both increased compared to the end of 2015, but these had a minimal net impact, as they primarily reflected symmetric treatment related to open and failed trades balances.

### Liquidity coverage ratio – Group

end of	2016		2015
	Unweighted value <sup>1</sup>	Weighted value <sup>2</sup>	Weighted value <sup>2</sup>
<b>High-quality liquid assets (CHF million)</b>			
<b>High-quality liquid assets <sup>3</sup></b>	–	<b>190,642</b>	<b>175,306</b>
<b>Cash outflows (CHF million)</b>			
Retail deposits and deposits from small business customers	150,044	18,811	19,362
Unsecured wholesale funding	205,036	74,763	86,619
Secured wholesale funding	–	63,312	86,778
Additional requirements	200,553	46,434	60,988
Other contractual funding obligations	66,300	66,300	49,946
Other contingent funding obligations	264,146	6,279	3,313
<b>Total cash outflows</b>	–	<b>275,899</b>	<b>307,006</b>
<b>Cash inflows (CHF million)</b>			
Secured lending	127,475	80,759	95,418
Inflows from fully performing exposures	57,726	30,234	31,104
Other cash inflows	70,618	70,618	52,011
<b>Total cash inflows</b>	–	<b>181,611</b>	<b>178,533</b>
<b>Liquidity coverage ratio</b>			
High-quality liquid assets (CHF million)	–	190,642	175,306
Net cash outflows (CHF million)	–	94,288	128,473
<b>Liquidity coverage ratio (%)</b>	–	<b>202</b>	<b>136</b>

Calculated using a three-month average.

<sup>1</sup> Calculated as outstanding balances maturing or callable within 30 days.

<sup>2</sup> Calculated after the application of haircuts for high-quality liquid assets or inflow and outflow rates.

<sup>3</sup> 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 14% as of the end of 2016, compared to 13% as of the end of 2015, 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 312 billion as of the end of 2016, an increase of 2% compared to CHF 305 billion as of the end of 2015, reflecting a small increase in the customer deposit base in the private banking and corporate & institutional banking businesses in 2016. 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.

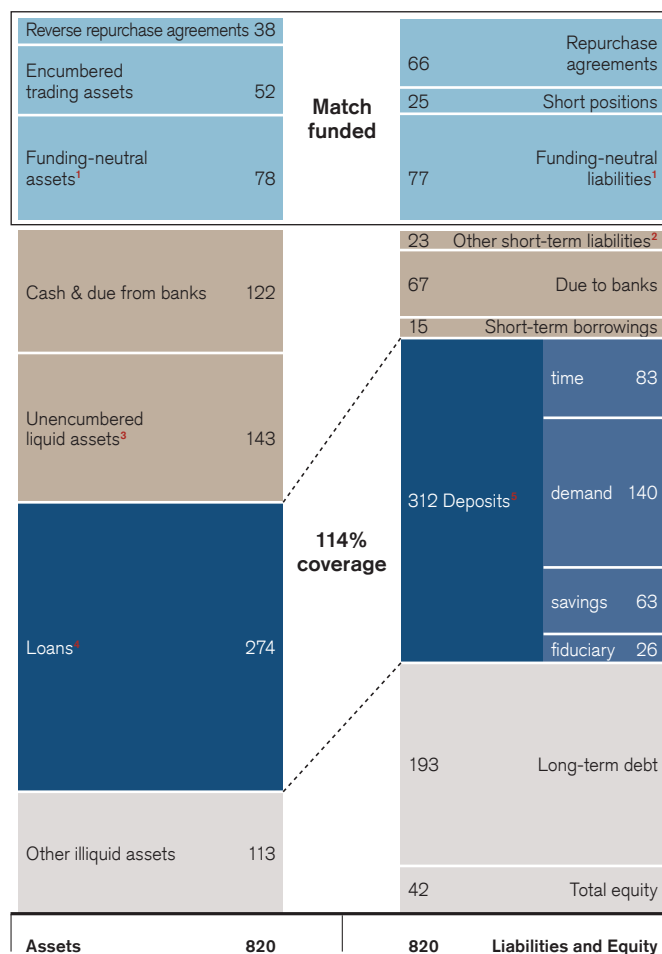
► Refer to the chart "Balance sheet funding structure" and "Balance sheet" in Balance sheet, off-balance sheet and other contractual obligations for further information.

### 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.

### Balance sheet funding structure

as of December 31, 2016 (CHF billion)



<sup>1</sup> Primarily includes brokerage receivables/payables, positive/negative replacement values and cash collateral.

<sup>2</sup> Primarily includes excess of funding neutral liabilities (brokerage payables) over corresponding assets.

<sup>3</sup> Primarily includes unencumbered trading assets, unencumbered investment securities and excess reverse repurchase agreements, after haircuts.

<sup>4</sup> Excludes loans with banks.

<sup>5</sup> Excludes due to banks and certificates of deposit.

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 expect our funding cost, which is allocated to the divisions, to increase as a result of Swiss "Too Big to Fail" requirements, as well as other banking industry regulatory requirements.

We continually manage the impact of funding spreads through careful management of our liability maturity mix and opportunistic issuance of debt. The effect of funding spreads on interest expense depends on many factors, including 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 2016. 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 III – Treasury, Risk, Balance sheet and Off-balance sheet – Balance sheet, off-balance sheet and other contractual obligations and "Note 33 – Guarantees and commitments" in V – Consolidated financial statements – Credit Suisse Group for further information on contractual maturities of guarantees and commitments.

#### Contractual maturity of assets and liabilities

end of 2016	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
<b>Assets (CHF million)</b>							
Cash and due from banks	113,546	739	1,901	92	0	4,883	121,161
Interest-bearing deposits with banks	0	383	218	135	6	30	772
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	50,325	53,295	18,851	10,009	2,081	278	134,839
Securities received as collateral, at fair value	32,178	386	0	0	0	0	32,564
Trading assets, at fair value	165,150	0	0	0	0	0	165,150
Investment securities	17	86	0	482	1,224	680	2,489
Other investments	846	3	0	0	166	5,762	6,777
Net loans	10,364	53,807	29,204	42,832	89,729	50,040	275,976
Premises and equipment	0	0	0	0	0	4,711	4,711
Goodwill	0	0	0	0	0	4,913	4,913
Other intangible assets	0	0	0	0	0	213	213
Brokerage receivables	33,431	0	0	0	0	0	33,431
Other assets	18,878	2,106	4,434	3,755	4,027	3,665	36,865
<b>Total assets</b>	<b>424,735</b>	<b>110,805</b>	<b>54,608</b>	<b>57,305</b>	<b>97,233</b>	<b>75,175</b>	<b>819,861</b>
<b>Liabilities (CHF million)</b>							
Due to banks	7,286	5,081	4,354	5,272	637	170	22,800
Customer deposits	229,898	23,966	51,705	45,730	4,363	171	355,833
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	13,456	9,804	5,658	1,291	2,762	45	33,016
Obligation to return securities received as collateral, at fair value	32,178	386	0	0	0	0	32,564
Trading liabilities, at fair value	44,930	0	0	0	0	0	44,930
Short-term borrowings	0	3,246	6,293	5,846	0	0	15,385
Long-term debt	53	4,615	5,314	22,487	90,709	70,137	193,315
Brokerage payables	39,852	0	0	0	0	0	39,852
Other liabilities	28,610	6,628	1,506	773	1,729	609	39,855
<b>Total liabilities</b>	<b>396,263</b>	<b>53,726</b>	<b>74,830</b>	<b>81,399</b>	<b>100,200</b>	<b>71,132</b>	<b>777,550</b>



## 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 market 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 Hypothekar-institute, 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 2016, excluding structured notes.

### Debt issuances and redemptions

in 2016	Senior	Senior bail-in	Sub-ordinated	Long-term debt
<b>Long-term debt (CHF billion, notional value)</b>				
<b>Issuances</b>	<b>9.4</b>	<b>6.9</b>	<b>0</b>	<b>16.3</b>
of which unsecured	7.2	6.9	0	14.1
of which secured <sup>1</sup>	2.2	0	0	2.2
<b>Maturities / Redemptions</b>	<b>10.7</b>	<b>0</b>	<b>2.2</b>	<b>12.9</b>
of which unsecured	8.7	0	2.2	10.9
of which secured <sup>1</sup>	2.0	0	0	2.0

Excludes structured notes.

<sup>1</sup> Includes covered bonds.

As of the end of 2016, we had outstanding long-term debt of CHF 193.3 billion, which included senior and subordinated instruments. We had CHF 59.5 billion and CHF 19.5 billion of structured notes and covered bonds outstanding, respectively, as of the end of 2016 compared to CHF 54.8 billion and CHF 19.5 billion, respectively, as of the end of 2015.

As of the end of 2016, the weighted average maturity of long-term debt was 5.3 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 25 – Long-term debt" in V – Consolidated financial statements – Credit Suisse Group for further information.

Short-term borrowings increased 77% to CHF 15.4 billion as of the end of 2016 compared to CHF 8.7 billion in 2015, mainly due to an increase in ◉ commercial paper issuances during 2016.

► Refer to "Capital 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 even of 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, 2016, net cash provided by operating activities of continuing operations was CHF 26.8 billion, primarily reflecting a decrease in trading assets and liabilities and a decrease in other assets, partially offset by a decrease in other liabilities. 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, 2016, net cash used in investing activities from continuing operations was CHF 8.0 billion, primarily due to an increase in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions, 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 2016, net cash provided by financing activities of continuing operations was CHF 8.8 billion, mainly reflecting the issuance of long-term debt, the sale of treasury shares and an increase in due to banks and customer deposits, partially offset by the repayment of long-term debt, the repurchase of treasury shares and a decrease in central bank funds purchased, securities sold under ◉ repurchase agreements and securities lending transactions.

## 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 0.5 billion, CHF 2.2 billion and CHF 2.9 billion, respectively, as of December 31, 2016, 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. In January 2016, Moody's Investors Service downgraded the senior long-term debt ratings of Credit Suisse AG and Credit Suisse Group AG by one notch. In May 2016, Fitch Ratings downgraded the senior long-term debt rating of Credit Suisse Group AG by one notch and affirmed Credit Suisse AG's senior long-term debt rating. In December 2016, Moody's Investors Service upgraded the senior long-term debt ratings of Credit Suisse AG and Credit Suisse Group AG by one notch.

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 2016, our BIS CET1 ratio was 13.5% and 11.5% on a look-through basis. Our BIS tier 1 leverage ratio was 5.1% and 4.4% 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 approach (A-IRB). Under the A-IRB 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.

For calculating the capital requirements for market risk, the internal models approach, the standardized measurement method and the standardized approach are used.

Non-counterparty risk arises from holdings of premises and equipment, real estate and investments in real estate entities.

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.

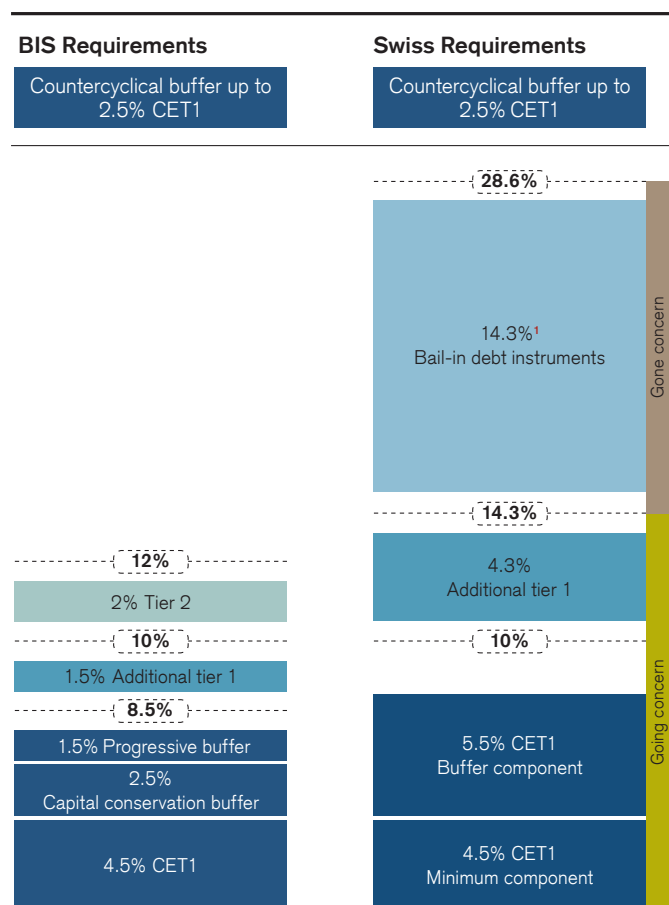
References to phase-in and look-through included herein refer to Basel III capital requirements and Swiss Requirements. Phase-in reflects that, for the years 2014 – 2018, there will be a five-year (20% per annum) phase-in of goodwill, other intangible assets and other capital deductions (e.g., certain 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 are 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



<sup>1</sup> 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  $\rho$  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-SIB). The Financial Stability Board (FSB)

has identified Credit Suisse as a G-SIB and currently requires Credit Suisse to maintain a 1.5% progressive buffer.

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	2016	2017	2018	2019
<b>Capital ratios</b>				
CET1	4.5%	4.5%	4.5%	4.5%
Capital conservation buffer	0.625% <sup>1</sup>	1.250% <sup>1</sup>	1.875% <sup>1</sup>	2.5%
Progressive buffer for G-SIB	0.375% <sup>1</sup>	0.750% <sup>1</sup>	1.125% <sup>1</sup>	1.5%
<b>Total CET1</b>	<b>5.5%</b>	<b>6.5%</b>	<b>7.5%</b>	<b>8.5%</b>
Additional tier 1	1.5%	1.5%	1.5%	1.5%
<b>Tier 1</b>	<b>7.0%</b>	<b>8.0%</b>	<b>9.0%</b>	<b>10.0%</b>
Tier 2	2.0%	2.0%	2.0%	2.0%
<b>Total capital</b>	<b>9.0%</b>	<b>10.0%</b>	<b>11.0%</b>	<b>12.0%</b>
Phase-in deductions from CET1 <sup>2</sup>	60.0% <sup>1</sup>	80.0% <sup>1</sup>	100.0%	100.0%
Capital instruments subject to phase-out	Phased out over a 10-year horizon beginning 2013 through 2022			

<sup>1</sup> Indicates phase-in period.

<sup>2</sup> 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, will be subject to two different minimum requirements for loss-absorbing capacity: G-SIBs must hold sufficient capital that absorbs current operating losses to ensure continuity of service (going concern requirement) and they must issue sufficient debt instruments to fund restructuring 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 the 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

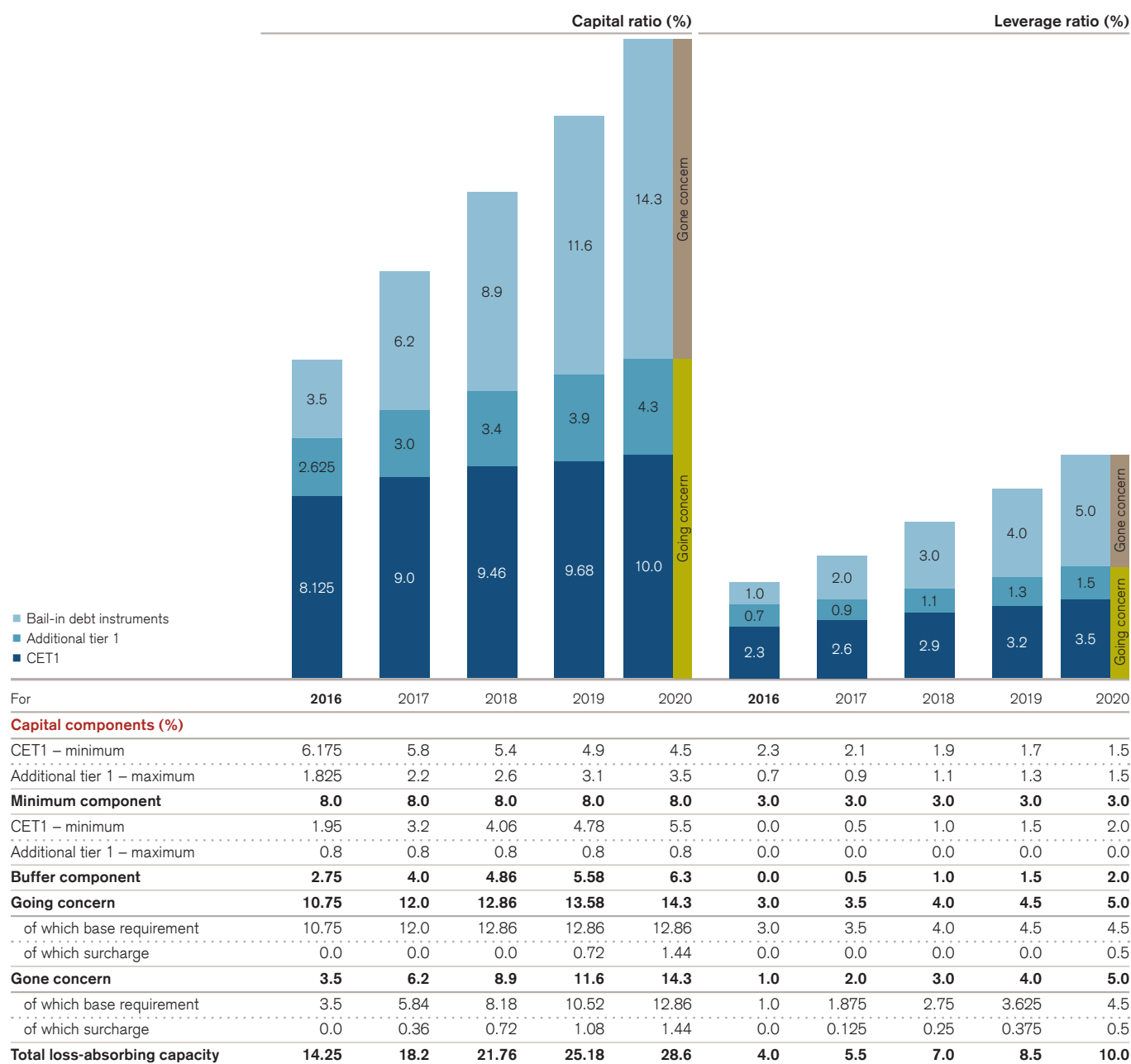
The Capital Adequacy Ordinance provides for a number of grandfathering provisions with regard to the qualification of previously issued additional tier 1 capital instruments and tier 2 capital instruments:

- 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



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 2016, the Swiss countercyclical buffer for the Group and the Bank was CHF 401 million and CHF 328 million, respectively, which is equivalent to 0.1% and 0.1% of CET1 capital. As of the end of 2016, the required extended countercyclical buffer for the Group and the Bank were insignificant.

► Refer to "Swiss capital and leverage metrics" for 2016 and 2015 results.



### 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 (FINMA Decree) 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.

Within the Basel framework for FINMA regulatory capital purposes, we implemented risk measurement models, including an ◉ incremental risk charge (IRC), stressed ◉ Value-at-Risk (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 2016, 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 January 2016, the BCBS issued its final paper on the fundamental review of the trading book. The paper comprises a detailed set of principles for a comprehensive revision of the market risk framework, which becomes effective January 1, 2019.

In April 2016, the BCBS published revised standards for the measurement of interest rate risk in the banking book (IRRBB). The revised IRRBB framework continues to outline a Pillar 2 supervisory review approach under the Basel framework but provides more guidance on the banks' management process and requires additional disclosures as of year-end 2017.

In July 2016, the BCBS published an updated standard for the regulatory capital treatment of securitization exposures, which will become effective in January 2018. The new standard includes the regulatory capital treatment for "simple, transparent and comparable" (STC) securitizations. It sets forth additional criteria for differentiating the capital treatment of STC securitizations from that of other securitization transactions. Reduced minimum capital requirements will apply to securitizations that comply with the STC criteria.

In October 2016, the BCBS published an amendment to the Basel III standard on the definition of capital, which becomes effective January 1, 2019. The new standard requires internationally active banks to deduct from their tier 2 capital TLAC holdings issued by other G-SIBs that do not otherwise qualify as regulatory capital, subject to certain thresholds.

In December 2016, FINMA finalized revisions to the capital requirements of credit risk that are closely aligned with the Basel framework. These revisions relate to equity investments in funds and central counterparty positions and provide a new standardized approach for counterparty credit risk for derivatives. The revised credit risk framework became effective January 1, 2017, however FINMA permits banks a one-year transition period in order to achieve compliance with its terms. Credit Suisse has elected to make use of the transition period and will implement this new credit risk framework on January 1, 2018. In addition to the finalization of this framework, FINMA published revisions with respect to securitizations in the banking book that will become effective on January 1, 2018.

### FINMA Decree

The SNB has designated the Group as a financial group of systemic importance under applicable Swiss law. Following that designation, ◉ FINMA issued the 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, risk diversification and disclosure requirements for the Bank parent company. To facilitate the application of these requirements within the Group and to allow Credit Suisse to continue its central treasury policy, the FINMA Decree also references forms of relief granted by FINMA within its stated authority that are designed to prevent the application of requirements at the Bank parent company level from effectively increasing the regulatory capital requirements applicable to the Group, notwithstanding all reasonable efforts by the Group to avoid such a situation.

FINMA also requires certain capital disclosures at the Bank parent company level, which can be found on our website. In addition, the FINMA Decree requires the disclosure of the following requirements:

- **New approach to stand-alone capital requirements:** Withdrawal of the previously granted form of relief for funding that the Bank parent company provides to Group subsidiaries. The new approach results in an increase in RWA at the Bank parent company level.
- **Regulatory capital requirement:** Risk-weighted capital requirement of 14%, of which at least 10% must be held in the form of CET1 capital. This measure at the Bank parent company level is different from the going concern and gone concern requirements set out by FINMA at the Group level.
- **Equal treatment of direct and indirect investments:** Direct and indirect investments in Group subsidiaries that are active in the financial sector and are held by the Bank parent company are treated equally. Directly and indirectly held investments in Group subsidiaries up to a bank-specific threshold set by FINMA are risk-weighted at 200%. Amounts above the threshold are deducted 50% from CET1 capital and 50% from total eligible capital. The deduction approach is similar to the treatment of capital instruments under Basel III and continues the previously applicable treatment under Swiss regulations. This measure may have the effect of changing RWA and/or total eligible capital. Depending on the calibration of the threshold, investments in Group subsidiaries require total eligible capital in a range between 28% (if all investments are risk-weighted) and 100% (if all investments are deducted from total eligible capital).

Overall, withdrawal of previous forms of relief, the introduction of stricter requirements and the provision of new forms of relief avoid a situation in which requirements at the Bank parent company would effectively dictate requirements at the Group level and, as such, effectively lead to higher capital ratios at the Bank parent company level.

## ISSUANCES AND REDEMPTIONS

### Issuances

#### Bail-in instruments

The following bail-in instruments were issued in 2016:

- USD 1.0 billion floating rate senior notes due 2021;
- USD 1.5 billion 3.45% senior notes due 2021;
- USD 2.0 billion 4.55% senior notes due 2026;
- USD 2.0 billion 3.80% senior notes due 2023; and
- GBP 500 million 2.75% senior notes due 2025.

The following bail-in instruments were issued in 2017:

- USD 1.75 billion 3.574% senior note due 2023; and
- USD 2.25 billion 4.282% senior note due 2028.

### Other issuances

In the second quarter of 2016, the Group issued 133 million common shares in the amount of CHF 1,667 million in connection with a scrip dividend, deferred share-based compensation and earn-out payments relating to the acquisition of our interest in York Capital Management, LLC.

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.

### Redemptions

In the first quarter of 2016, in connection with the settlement of certain outstanding Contingent Capital Awards (CCA), instruments in the amounts of USD 503 million and CHF 59 million were no longer recognized as additional tier 1 capital.

In the third quarter of 2016, Credit Suisse redeemed USD 2.0 billion of 7.875% high-trigger tier 2 instruments.

In the fourth quarter of 2016, Credit Suisse redeemed the remaining outstanding principal balance of tier 2 capital instruments subject to phase-out in the amount USD 58 million.

In the first quarter of 2017, Credit Suisse redeemed CHF 750 million 7.125% high-trigger tier 2 capital instruments.

### 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 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, 2016:


- 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, 2016:

- 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 6.7 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 2.5%, both as of the end of 2016.


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 11.8 billion and the Higher Trigger Capital Ratio was 4.3%, both as of the end of 2016.

► Refer to the table "BIS capital metrics – Group" for further information on the BIS metrics used to calculate such measures.

### BIS capital metrics – Group

end of	Phase-in			Look-through		
	2016	2015	% change	2016	2015	% change
<b>Capital and risk-weighted assets (CHF million)</b>						
CET1 capital	36,576	42,072	(13)	30,783	32,938	(7)
Tier 1 capital	48,865	53,063	(8)	41,879	44,601	(6)
Total eligible capital	55,728	62,682	(11)	46,758	51,425	(9)
Risk-weighted assets	271,372	294,950	(8)	268,045	289,946	(8)
<b>Capital ratios (%)</b>						
CET1 ratio	13.5	14.3	–	11.5	11.4	–
Tier 1 ratio	18.0	18.0	–	15.6	15.4	–
Total capital ratio	20.5	21.3	–	17.4	17.7	–

### BIS CAPITAL METRICS

Our CET1 ratio was 13.5% as of the end of 2016 compared to 14.3% as of the end of 2015, reflecting lower CET1 capital and lower  RWA. Our tier 1 ratio was stable at 18.0% as of the end of 2016 compared to the end of 2015. Our total capital ratio was 20.5% as of the end of 2016 compared to 21.3% as of the end of 2015.

CET1 capital was CHF 36.6 billion as of the end of 2016 compared to CHF 42.1 billion as of the end of 2015, mainly reflecting an additional annual 20% phase-in of regulatory deductions from CET1 (from 40% to 60%), 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 60% to 40%), pursuant to phase-in requirements. CET1 capital was also affected by a net loss attributable to

shareholders, the cash component of a dividend accrual and the net regulatory impact of losses on fair-valued financial liabilities due to changes in own credit risk. These decreases were partially offset by the issuance of common shares and a positive foreign exchange impact.

Additional tier 1 capital increased to CHF 12.3 billion as of the end of 2016 compared to CHF 11.0 billion as of the end of 2015, mainly due to an additional annual 20% phase-in of regulatory deductions (from 60% to 40%), including goodwill, other intangible assets and other capital deductions, the net regulatory impact of losses on fair-valued financial liabilities due to changes in own credit risk and the positive foreign exchange impact. These increases were partially offset by the settlement of CCA instruments that were recognized as additional tier 1 capital.

## Eligible capital – Group

end of	Phase-in			Look-through		
	2016	2015	% change	2016	2015	% change
<b>Eligible capital (CHF million)</b>						
<b>Total shareholders' equity</b>	<b>41,897</b>	<b>44,382</b>	(6)	<b>41,897</b>	<b>44,382</b>	(6)
Regulatory adjustments <sup>1</sup>	(694)	(459)	51	(694)	(459)	51
<b>Adjustments subject to phase-in</b>						
Accounting treatment of defined benefit pension plans	1,246	2,132	(42)	–	–	–
Common share capital issued by subsidiaries and held by third parties	83	89	(7)	–	–	–
Goodwill <sup>2</sup>	(2,919)	(1,906)	53	(4,864)	(4,765)	2
Other intangible assets <sup>2</sup>	(42)	(28)	50	(70)	(71)	(1)
Deferred tax assets that rely on future profitability	(2,120)	(1,262)	68	(3,534)	(3,155)	12
Shortfall of provisions to expected losses	(299)	(234)	28	(498)	(584)	(15)
Gains/(losses) due to changes in own credit on fair-valued liabilities	435	(185)	–	724	(463)	–
Defined benefit pension assets <sup>2</sup>	(479)	(244)	96	(798)	(611)	31
Investments in own shares	(1)	(8)	(88)	(2)	(21)	(90)
Other adjustments <sup>3</sup>	11	(2)	–	20	(5)	–
Deferred tax assets from temporary differences (threshold-based)	(542)	(203)	167	(1,398)	(1,310)	7
<b>Adjustments subject to phase-in</b>	<b>(4,627) <sup>4</sup></b>	<b>(1,851)</b>	150	<b>(10,420)</b>	<b>(10,985)</b>	(5)
<b>CET1 capital</b>	<b>36,576</b>	<b>42,072</b>	(13)	<b>30,783</b>	<b>32,938</b>	(7)
High-trigger capital instruments (7% trigger)	6,000	6,562	(9)	6,000	6,562	(9)
Low-trigger capital instruments (5.125% trigger)	5,096	5,101	0	5,096	5,101	0
<b>Additional tier 1 instruments</b>	<b>11,096</b>	<b>11,663</b>	(5)	<b>11,096</b>	<b>11,663</b>	(5)
Additional tier 1 instruments subject to phase-out <sup>5</sup>	2,899	2,616	11	–	–	–
Deductions from additional tier 1 capital	(1,706) <sup>6</sup>	(3,288)	(48)	–	–	–
<b>Additional tier 1 capital</b>	<b>12,289</b>	<b>10,991</b>	12	<b>11,096</b>	<b>11,663</b>	(5)
<b>Tier 1 capital</b>	<b>48,865</b>	<b>53,063</b>	(8)	<b>41,879</b>	<b>44,601</b>	(6)
High-trigger capital instruments (7% trigger)	698	2,682	(74)	698	2,682	(74)
Low-trigger capital instruments (5% trigger)	4,181	4,142	1	4,181	4,142	1
<b>Tier 2 instruments</b>	<b>4,879</b>	<b>6,824</b>	(29)	<b>4,879</b>	<b>6,824</b>	(29)
Tier 2 instruments subject to phase-out	2,083	2,970	(30)	–	–	–
Deductions from tier 2 capital	(99)	(175)	(43)	–	–	–
<b>Tier 2 capital</b>	<b>6,863</b>	<b>9,619</b>	(29)	<b>4,879</b>	<b>6,824</b>	(29)
<b>Total eligible capital</b>	<b>55,728</b>	<b>62,682</b>	(11)	<b>46,758</b>	<b>51,425</b>	(9)

<sup>1</sup> Includes regulatory adjustments not subject to phase-in, including a cumulative dividend accrual.

<sup>2</sup> Net of deferred tax liability.

<sup>3</sup> Includes cash flow hedge reserve.

<sup>4</sup> Reflects 60% phase-in deductions, including goodwill, other intangible assets and certain deferred tax assets, and 40% of an adjustment primarily for the accounting treatment of pension plans pursuant to phase-in requirements.

<sup>5</sup> Includes hybrid capital instruments that are subject to phase-out.

<sup>6</sup> Includes 40% of goodwill and other intangible assets (CHF 2.0 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.

Tier 2 capital was CHF 6.9 billion as of the end of 2016 compared to CHF 9.6 billion as of the end of 2015, mainly due to the redemption of the high-trigger tier 2 instruments and the impact of the prescribed amortization requirement as instruments move closer to their maturity date.

Total eligible capital as of the end of 2016 was CHF 55.7 billion compared to CHF 62.7 billion as of the end of 2015, primarily

reflecting decreases in CET1 capital and tier 2 capital, partially offset by an increase in additional tier 1 capital.

As of the end of 2016, the look-through CET1 ratio was 11.5% compared to 11.4% as of the end of 2015. As of the end of 2016, the look-through total capital ratio was 17.4% compared to 17.7% as of the end of 2015.

## Capital movement – Group

end of	Phase-in		Look-through	
	2016	2015	2016	2015
<b>CET1 capital (CHF million)</b>				
<b>Balance at beginning of period</b>	<b>42,072</b>	<b>43,322</b>	<b>32,938</b>	<b>28,576</b>
Net loss attributable to shareholders	(2,710)	(2,944)	(2,710)	(2,944)
Foreign exchange impact	446 <sup>1</sup>	(1,127)	413	(1,111)
Impact of deductions relating to phase-in requirements	(2,777)	(3,356)	0	0
Issuance of common shares	717 <sup>2</sup>	5,832 <sup>3</sup>	717	5,832
Regulatory adjustment of goodwill and intangible assets, net of deferred tax liability	1	1,536	1	3,840
Regulatory adjustment of own credit on fair-valued financial liabilities	(429)	(69)	3	(173)
Other	(744) <sup>4</sup>	(1,122)	(579)	(1,082)
<b>Balance at end of period</b>	<b>36,576</b>	<b>42,072</b>	<b>30,783</b>	<b>32,938</b>
<b>Additional tier 1 capital (CHF million)</b>				
<b>Balance at beginning of period</b>	<b>10,991</b>	<b>6,482</b>	<b>11,663</b>	<b>11,316</b>
Foreign exchange impact	372	9	274	6
Impact of deductions relating to phase-in requirements	1,096	1,827	0	0
Redemptions	(505)	(29)	(505)	0
Regulatory adjustment of goodwill and intangible assets, net of deferred tax liability	0	2,304	0	0
Regulatory adjustment of own credit on fair-valued financial liabilities	446	(97)	0	0
Other	(111)	495	(336)	341
<b>Balance at end of period</b>	<b>12,289</b>	<b>10,991</b>	<b>11,096</b>	<b>11,663</b>
<b>Tier 2 capital (CHF million)</b>				
<b>Balance at beginning of period</b>	<b>9,619</b>	<b>10,947</b>	<b>6,824</b>	<b>6,984</b>
Foreign exchange impact	73	(272)	51	(167)
Impact of deductions relating to phase-in requirements	59	57	0	0
Redemptions	(2,005)	(338)	(1,946)	0
Other	(883) <sup>5</sup>	(775)	(50)	7
<b>Balance at end of period</b>	<b>6,863</b>	<b>9,619</b>	<b>4,879</b>	<b>6,824</b>
<b>Eligible capital (CHF million)</b>				
<b>Balance at end of period</b>	<b>55,728</b>	<b>62,682</b>	<b>46,758</b>	<b>51,425</b>

<sup>1</sup> Includes US GAAP cumulative translation adjustments and the foreign exchange impact on regulatory CET1 adjustments.

<sup>2</sup> Represents the issuance of common shares in connection with the deferred share-based compensation and earn-out payments relating to the acquisition of our interest in York Capital Management, LLC, net of related fees and taxes which were recorded in additional paid-in-capital.

<sup>3</sup> Represents the issuance of common shares in the amount of CHF 6.0 billion, net of related fees and taxes which were recorded in additional paid-in-capital.

<sup>4</sup> Includes the impact of a dividend accrual, which includes the assumption that 60% of the proposed dividend is distributed in shares, the net effect of share-based compensation and pensions and a change in other regulatory adjustments (e.g., certain deferred tax assets).

<sup>5</sup> 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, operational and non-counterparty-risk 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. 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. Non-counterparty-risk RWA primarily reflect the capital requirements for our premises and equipment.

RWA decreased 8% to CHF 271.4 billion as of the end of 2016 from CHF 295.0 billion as of the end of 2015, primarily driven by a reduction in risk levels in credit risk and market risk.

These movements were partially offset by increases resulting from methodology and policy changes primarily in credit risk, the foreign exchange impact and model and parameter updates in credit risk, market risk and operational risk.

Excluding the foreign exchange impact, the decrease in **credit risk** was primarily driven by movements in risk levels attributable to book size, partially offset by increases related to external methodology and policy changes and model and parameter updates. The decrease in risk levels resulted mainly from the wind-down of non-core businesses in the Strategic Resolution Unit and Global Markets and increased hedging benefits. This was partially offset by increases in commercial lending in Asia Pacific and International Wealth Management. External methodology and policy changes were mainly related to an additional phase-in of the multiplier on income producing real estate (IPRE) and the mortgage multiplier within Swiss Universal Bank and the additional phase-in of a multiplier on certain investment banking corporate exposures. External methodology and policy changes were also related to the phase-in impact of a new FINMA requirement to treat share-backed lending without personal guarantees as corporate exposures, which was introduced in the third quarter of 2016. The increases due to model and parameter updates were primarily due to an update of the credit conversion factor applied to private banking loans in Swiss Universal Bank and International Wealth Management as well as loss given default (LGD) updates in Global Markets, Investment Banking & Capital Markets and the Corporate Center.

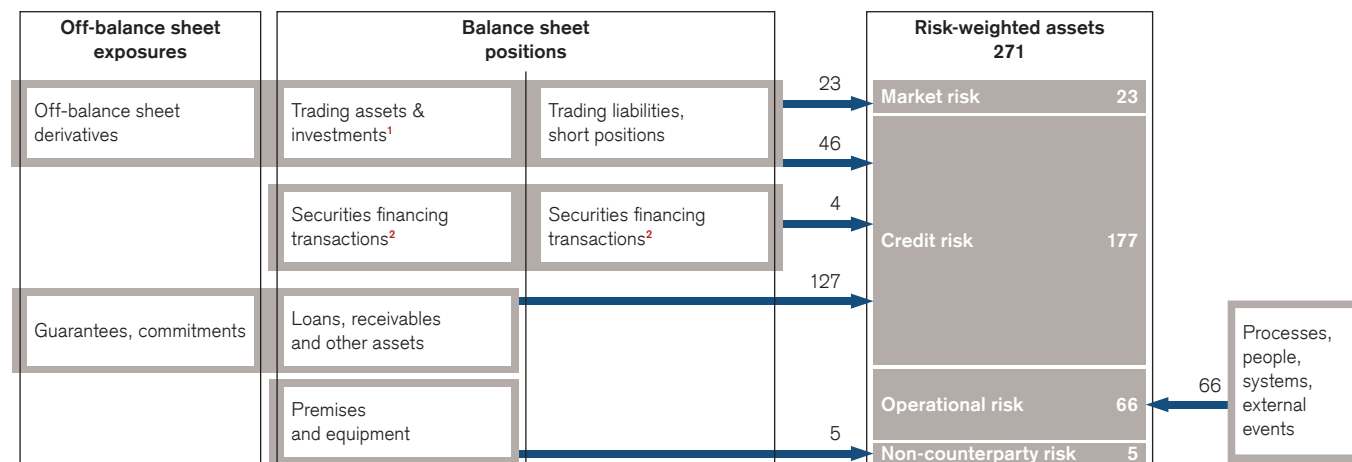
## Risk-weighted assets – Group

end of	Swiss Universal Bank	International Wealth Management	Asia Pacific	Global Markets	Investment Banking & Capital Markets	Strategic Resolution Unit	Corporate Center	Group
<b>2016 (CHF million)</b>								
Credit risk	52,409	21,460	19,886	29,523	15,280	22,028	16,114	<b>176,700</b>
Market risk	888	992	8,808	8,755	172	3,567	66	<b>23,248</b>
Operational risk	12,068	12,523	5,836	13,393	2,575	19,660	0	<b>66,055</b>
Non-counterparty risk	304	277	75	42	0	186	4,485	<b>5,369</b>
<b>Risk-weighted assets – phase-in</b>	<b>65,669</b>	<b>35,252</b>	<b>34,605</b>	<b>51,713</b>	<b>18,027</b>	<b>45,441</b>	<b>20,665</b>	<b>271,372</b>
Look-through adjustment	–	–	–	–	–	–	(3,327)	<b>(3,327)</b>
<b>Risk-weighted assets – look-through</b>	<b>65,669</b>	<b>35,252</b>	<b>34,605</b>	<b>51,713</b>	<b>18,027</b>	<b>45,441</b>	<b>17,338</b>	<b>268,045</b>
<b>2015 (CHF million)</b>								
Credit risk	47,989	18,653	15,214	33,955	12,856	45,739	18,792	<b>193,198</b>
Market risk	801	858	4,744	15,986	112	7,129	169	<b>29,799</b>
Operational risk	11,240	13,115	6,812	12,839	3,182	19,250	0	<b>66,438</b>
Non-counterparty risk	322	254	65	58	0	306	4,510	<b>5,515</b>
<b>Risk-weighted assets – phase-in</b>	<b>60,352</b>	<b>32,880</b>	<b>26,835</b>	<b>62,838</b>	<b>16,150</b>	<b>72,424</b>	<b>23,471</b>	<b>294,950</b>
Look-through adjustment	–	–	–	–	–	–	(5,004)	<b>(5,004)</b>
<b>Risk-weighted assets – look-through</b>	<b>60,352</b>	<b>32,880</b>	<b>26,835</b>	<b>62,838</b>	<b>16,150</b>	<b>72,424</b>	<b>18,467</b>	<b>289,946</b>



## Risk-weighted assets – Group

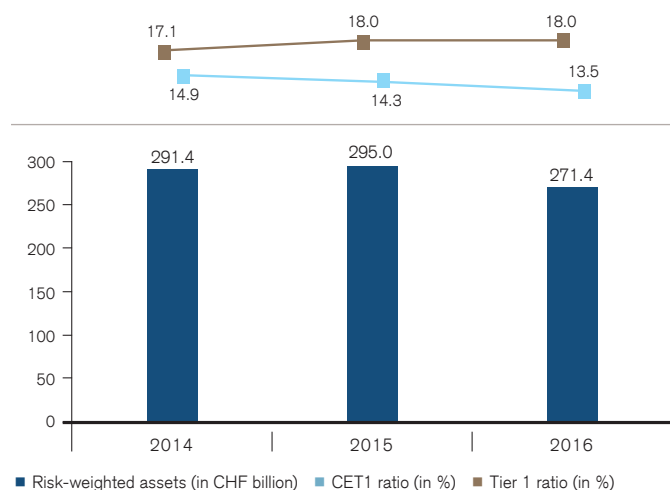
as of December 31, 2016 (CHF billion)



<sup>1</sup> Includes primarily trading assets, investment securities and other investments.

<sup>2</sup> 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 a decrease in risk levels, partially offset by increases in model and parameter updates. The movement in risk levels was primarily due to business reductions in Global Markets and the Strategic Resolution Unit, partially offset by increased business in Asia Pacific as we execute our strategy. The increase in model and parameter updates was primarily due to updates of market data and stressed spreads, primarily in Global Markets.

The movement in **operational risk** was mainly driven by internal methodology and policy changes, partially offset by increases due to model and parameter updates. The decrease in internal methodology and policy changes in Global Markets was related to the purchase of an insurance policy in the second quarter of 2016. FINMA approved this policy as part of the AMA capital model. This decrease was partially offset by a CHF 0.7 billion increase in the Strategic Resolution Unit due to model and parameter updates as a result of the RMBS settlement with the DOJ regarding our legacy RMBS business. In addition, there was a refinement in the allocation among segments to reflect the new organizational structure.

## Risk-weighted asset movement by risk type – Group

2016 (CHF million)	Swiss Universal Bank	International Wealth Management	Asia Pacific	Global Markets	Investment Banking & Capital Markets	Strategic Resolution Unit	Corporate Center	Total
<b>Credit risk</b>								
Balance at beginning of period	47,989	18,653	15,214	33,955	12,856	45,739	18,792	193,198
Foreign exchange impact	755	258	511	251	701	947	420	3,843
Movements in risk levels	(223)	1,751	4,709	(12,877)	420	(20,650)	(3,341)	(30,211)
of which credit risk – book size <sup>1</sup>	(2,781)	1,275	821	(5,551)	(237)	(22,711)	(3,449)	(32,633)
of which credit risk – book quality <sup>2</sup>	2,558	476	3,888	(7,326)	657	2,061	108	2,422
Model and parameter updates <sup>3</sup>	295	144	(1,628)	5,592	475	(3,154)	241	1,965
Methodology and policy changes – internal <sup>4</sup>	14	138	(736)	2,136	267	(814)	(3)	1,002
Methodology and policy changes – external <sup>5</sup>	3,579	516	1,816	466	561	(40)	5	6,903
Balance at end of period – phase-in	52,409	21,460	19,886	29,523	15,280	22,028	16,114	176,700
<b>Market risk</b>								
Balance at beginning of period	801	858	4,744	15,986	112	7,129	169	29,799
Foreign exchange impact	8	25	109	213	(14)	147	(2)	486
Movements in risk levels	(126)	182	3,759	(9,278)	72	(3,804)	(13)	(9,208)
Model and parameter updates <sup>3</sup>	230	(68)	231	1,071	1	94	(4)	1,555
Methodology and policy changes – internal <sup>4</sup>	(25)	(5)	(35)	763	1	1	(84)	616
Balance at end of period – phase-in	888	992	8,808	8,755	172	3,567	66	23,248
<b>Operational risk</b>								
Balance at beginning of period	11,240	13,115	6,812	12,839	3,182	19,250	0	66,438
Movements in risk levels	688	(837)	(2,033)	3,069	(637)	(250)	0	0
Model and parameter updates <sup>3</sup>	109	213	44	(317)	23	660	0	732
Methodology and policy changes – internal <sup>4</sup>	31	32	1,013	(2,198)	7	0	0	(1,115)
Balance at end of period – phase-in	12,068	12,523	5,836	13,393	2,575	19,660	0	66,055
<b>Non-counterparty risk</b>								
Balance at beginning of period	322	254	65	58	0	306	4,510	5,515
Movements in risk levels	(18)	23	10	(16)	0	(120)	(25)	(146)
Balance at end of period – phase-in	304	277	75	42	0	186	4,485	5,369
<b>Total</b>								
Balance at beginning of period	60,352	32,880	26,835	62,838	16,150	72,424	23,471	294,950
Foreign exchange impact	763	283	620	464	687	1,094	418	4,329
Movements in risk levels	321	1,119	6,445	(19,102)	(145)	(24,824)	(3,379)	(39,565)
Model and parameter updates <sup>3</sup>	634	289	(1,353)	6,346	499	(2,400)	237	4,252
Methodology and policy changes – internal <sup>4</sup>	20	165	242	701	275	(813)	(87)	503
Methodology and policy changes – external <sup>5</sup>	3,579	516	1,816	466	561	(40)	5	6,903
Balance at end of period – phase-in	65,669	35,252	34,605	51,713	18,027	45,441	20,665	271,372
Look-through adjustment <sup>6</sup>	–	–	–	–	–	–	(3,327)	(3,327)
Balance at end of period – look-through	65,669	35,252	34,605	51,713	18,027	45,441	17,338	268,045

<sup>1</sup> Represents changes in portfolio size.<sup>2</sup> Represents changes in average risk weighting across credit risk classes.<sup>3</sup> Represents movements arising from updates to models and recalibrations of parameters.<sup>4</sup> Represents internal changes impacting how exposures are treated.<sup>5</sup> Represents externally prescribed regulatory changes impacting how exposures are treated.<sup>6</sup> 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**

Beginning in the first quarter of 2015, Credit Suisse 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 is based on the BIS leverage ratio framework and consists of period-end balance sheet assets and prescribed regulatory adjustments.

The look-through leverage exposure was CHF 950.8 billion as of the end of 2016, a decrease of 4% compared to CHF 987.6 billion as of the end of 2015. The decrease was primarily related to the Strategic Resolution Unit and was mainly due to a reduction in derivative transactions resulting in lower adjustments on derivative financial instruments and the wind-down of trades resulting in lower adjustments on off-balance sheet transactions. In addition, higher reversals of securities received as collateral, which are excluded from the leverage exposure, resulted in higher adjustments on securities financing transactions.

► 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**

	2016	2015
<b>Look-through leverage exposure (CHF million)</b>		
Swiss Universal Bank	252,889	238,180
International Wealth Management	94,092	101,628
Asia Pacific	108,926	98,632
Global Markets	284,143	276,656
Investment Banking & Capital Markets	45,571	40,898
Strategic Resolution Unit	105,768	168,544
Corporate Center	59,374	63,090
<b>Leverage exposure</b>	<b>950,763</b>	<b>987,628</b>

**BIS leverage ratios – Group**

The tier 1 leverage ratio was 5.1% as of the end of 2016, with a CET1 component of 3.8%. On a look-through basis, the tier 1 leverage ratio was 4.4%, with a CET1 component of 3.2%.

The CET1 leverage ratio was 3.8% as of the end of 2016 compared to 4.2% as of the end of 2015, reflecting the lower CET1 capital and lower leverage exposure. The tier 1 leverage ratio of 5.1% decreased from 5.3% as of the end of 2015, primarily reflecting the decrease in tier 1 capital.

**Leverage exposure components – Group**

end of	Phase-in			Look-through		
	2016	2015	% change	2016	2015	% change
<b>Leverage exposure (CHF million)</b>						
<b>Balance sheet assets</b>	<b>819,861</b>	<b>820,805</b>	0	<b>819,861</b>	<b>820,805</b>	0
<b>Adjustments</b>						
Difference in scope of consolidation and tier 1 capital deductions <sup>1</sup>	(9,316)	(10,553)	(12)	(15,620)	(16,431)	(5)
Derivative financial instruments	88,656	104,353	(15)	88,656	104,353	(15)
Securities financing transactions	(22,766)	(16,214)	40	(22,766)	(16,214)	40
Off-balance sheet	80,632	95,115	(15)	80,632	95,115	(15)
<b>Total adjustments</b>	<b>137,206</b>	<b>172,701</b>	(21)	<b>130,902</b>	<b>166,823</b>	(22)
<b>Leverage exposure</b>	<b>957,067</b>	<b>993,506</b>	(4)	<b>950,763</b>	<b>987,628</b>	(4)

<sup>1</sup> 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**

end of	Phase-in			Look-through		
	2016	2015	% change	2016	2015	% change
<b>Capital and leverage exposure (CHF million)</b>						
CET1 capital	36,576	42,072	(13)	30,783	32,938	(7)
Tier 1 capital	48,865	53,063	(8)	41,879	44,601	(6)
Leverage exposure	957,067	993,506	(4)	950,763	987,628	(4)
<b>Leverage ratios (%)</b>						
CET1 leverage ratio	3.8	4.2	–	3.2	3.3	–
Tier 1 leverage ratio	5.1	5.3	–	4.4	4.5	–

## SWISS CAPITAL AND LEVERAGE METRICS

### Swiss capital metrics

► Refer to "Swiss Requirements" for further information on Swiss regulatory requirements.

As of the end of 2016, our Swiss CET1 ratio was 13.4%, our going concern capital ratio was 19.3%, our gone concern capital ratio was 9.8% and our TLAC ratio was 29.1%.

On a look-through basis, as of the end of 2016, our Swiss CET1 capital was CHF 30.6 billion and our Swiss CET1 ratio was 11.4%. Our going concern capital was CHF 42.4 billion and our going concern capital ratio was 15.8%. Our gone concern capital was CHF 26.3 billion and our gone concern capital ratio was 9.8%. Our total loss-absorbing capacity was CHF 68.8 billion and our TLAC ratio was 25.6%.

► Refer to "Capital management" in III – Treasury, Risk, Balance sheet and Off-balance sheet in the Credit Suisse Annual Report 2015 for previously reported periods.

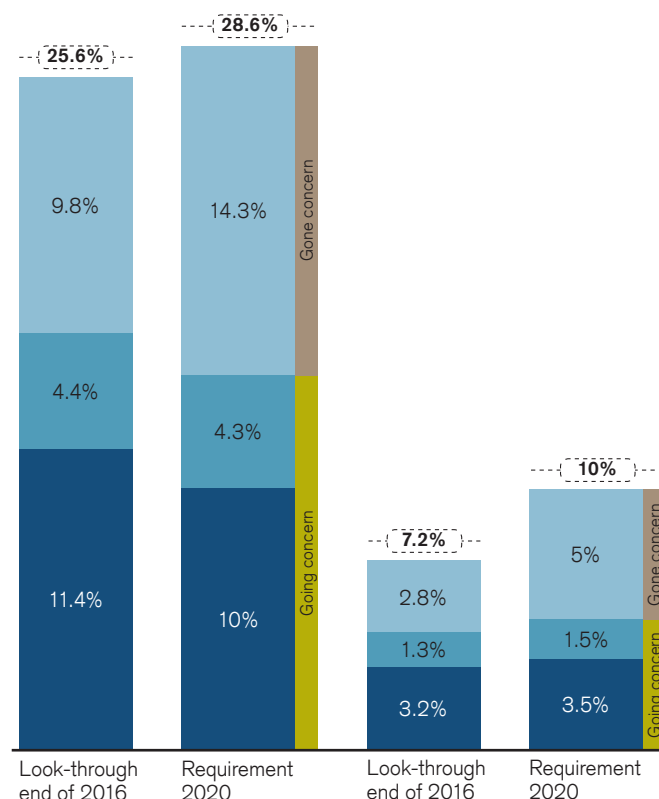
### Swiss capital metrics – Group

	Phase-in	Look-through
end of	2016	2016
<b>Swiss capital and risk-weighted assets (CHF million)</b>		
Swiss CET1 capital	36,417	30,616
Going concern capital	52,392	42,410
Gone concern capital	26,783	26,340
Total loss-absorbing capacity	79,175	68,750
Swiss risk-weighted assets	272,090	268,762
<b>Swiss capital ratios (%)</b>		
Swiss CET1 ratio	13.4	11.4
Going concern capital ratio	19.3	15.8
Gone concern capital ratio	9.8	9.8
TLAC ratio	29.1	25.6

## Swiss capital and leverage ratios for Credit Suisse

### Capital ratio

### Leverage ratio



■ CET1 ■ Additional tier 1 ■ Bail-in debt instruments

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 and risk-weighted assets – Group

end of	Phase-in 2016	Look-through 2016
<b>Swiss capital (CHF million)</b>		
CET1 capital – BIS	36,576	30,783
Swiss regulatory adjustments <sup>1</sup>	(159)	(167)
<b>Swiss CET1 capital</b>	<b>36,417</b>	<b>30,616</b>
Additional tier 1 high-trigger capital instruments	6,000	6,000
Grandfathered capital instruments	9,975	5,794
of which additional tier 1 low-trigger capital instruments	5,096	5,096
of which tier 2 high-trigger capital instruments	698	698
of which tier 2 low-trigger capital instruments	4,181	0
<b>Swiss additional tier 1 capital</b>	<b>15,975</b>	<b>11,794</b>
<b>Going concern capital</b>	<b>52,392</b>	<b>42,410</b>
Bail-in debt instruments	22,159	22,159
Additional tier 1 instruments subject to phase-out	2,899	0
Tier 2 instruments subject to phase-out	2,083	0
Tier 2 amortization component	1,448	0
Tier 2 low-trigger capital instruments	0	4,181
Deductions	(1,806)	0
<b>Gone concern capital</b>	<b>26,783</b>	<b>26,340</b>
<b>Total loss-absorbing capacity</b>	<b>79,175</b>	<b>68,750</b>
<b>Risk-weighted assets (CHF million)</b>		
Risk-weighted assets – BIS	271,372	268,045
Swiss regulatory adjustments <sup>2</sup>	718	717
<b>Swiss risk-weighted assets</b>	<b>272,090</b>	<b>268,762</b>

<sup>1</sup> Includes adjustments for certain unrealized gains outside the trading book.

<sup>2</sup> Primarily includes differences in the credit risk multiplier.

### Swiss leverage metrics

The leverage exposure used in the Swiss leverage ratio is measured on the same period-end basis as the leverage exposure for the  BIS leverage ratio.

### Swiss leverage metrics – Group


end of	Phase-in 2016	Look-through 2016
<b>Swiss capital and leverage exposure (CHF million)</b>		
Swiss CET1 capital	36,417	30,616
Going concern capital	52,392	42,410
Gone concern capital	26,783	26,340
Total loss-absorbing capacity	79,175	68,750
Leverage exposure	957,067	950,763
<b>Swiss leverage ratios (%)</b>		
Swiss CET1 leverage ratio	3.8	3.2
Going concern leverage ratio	5.5	4.5
Gone concern leverage ratio	2.8	2.8
TLAC leverage ratio	8.3	7.2

Rounding differences may occur.

As of the end of 2016, our Swiss CET1 leverage ratio was 3.8%, our going concern leverage ratio was 5.5%, our gone concern leverage ratio was 2.8% and our TLAC leverage ratio was 8.3%.

On a look-through basis, as of the end of 2016, our Swiss CET1 leverage ratio was 3.2%, our going concern leverage ratio was 4.5%, our gone concern leverage ratio was 2.8% and our TLAC leverage ratio was 7.2%.

### 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	2016	2015	Phase-in % change
<b>Capital and risk-weighted assets (CHF million)</b>			
CET1 capital	35,177	40,013	(12)
Tier 1 capital	46,782	50,570	(7)
Total eligible capital	53,703	60,242	(11)
Risk-weighted assets	263,769	286,947	(8)
<b>Capital ratios (%)</b>			
CET1 ratio	13.3	13.9	–
Tier 1 ratio	17.7	17.6	–
Total capital ratio	20.4	21.0	–

## Eligible capital and risk-weighted assets – Bank

	Phase-in		
end of	2016	2015	% change
<b>Eligible capital (CHF million)</b>			
<b>Total shareholder's equity</b>	<b>40,682</b>	<b>43,406</b>	(6)
Regulatory adjustments <sup>1</sup>	(22)	(5)	340
Adjustments subject to phase-in	(5,483) <sup>2</sup>	(3,388)	62
<b>CET1 capital</b>	<b>35,177</b>	<b>40,013</b>	(12)
Additional tier 1 instruments	10,217 <sup>3</sup>	10,805	(5)
Additional tier 1 instruments subject to phase-out <sup>4</sup>	2,899	2,616	11
Deductions from additional tier 1 capital	(1,511) <sup>5</sup>	(2,864)	(47)
<b>Additional tier 1 capital</b>	<b>11,605</b>	<b>10,557</b>	10
<b>Tier 1 capital</b>	<b>46,782</b>	<b>50,570</b>	(7)
Tier 2 instruments	4,931 <sup>6</sup>	6,865	(28)
Tier 2 instruments subject to phase-out	2,083	2,970	(30)
Deductions from tier 2 capital	(93)	(163)	(43)
<b>Tier 2 capital</b>	<b>6,921</b>	<b>9,672</b>	(28)
<b>Total eligible capital</b>	<b>53,703</b>	<b>60,242</b>	(11)
<b>Risk-weighted assets by risk type (CHF million)</b>			
Credit risk	169,400	185,574	(9)
Market risk	23,198	29,755	(22)
Operational risk	66,055	66,438	(1)
Non-counterparty risk	5,116	5,180	(1)
<b>Risk-weighted assets</b>	<b>263,769</b>	<b>286,947</b>	(8)

<sup>1</sup> Includes regulatory adjustments not subject to phase-in, including a cumulative dividend accrual.

<sup>2</sup> Primarily reflects 60% phase-in deductions, including goodwill, other intangible assets and certain deferred tax assets.

<sup>3</sup> Consists of high-trigger and low-trigger capital instruments. Of this amount, CHF 6.1 billion consists of capital instruments with a capital ratio write-down trigger of 7% and CHF 4.1 billion consists of capital instruments with a capital ratio write-down trigger of 5.125%.

<sup>4</sup> Includes hybrid capital instruments that are subject to phase-out.

<sup>5</sup> Includes 40% of goodwill and other intangible assets (CHF 1.7 billion) and other capital deductions, including gains/(losses) due to changes in own credit risk on fair-valued financial liabilities, that will be deducted from CET1 once Basel III is fully implemented.

<sup>6</sup> Consists of high-trigger and low-trigger capital instruments. Of this amount, CHF 0.8 billion consists of capital instruments with a capital ratio write-down trigger of 7% and CHF 4.2 billion consists of capital instruments with a capital ratio write-down trigger of 5%.

The Bank's CET1 ratio was 13.3% as of the end of 2016 compared to 13.9% as of the end of 2015, reflecting lower CET1 capital and RWA. The Bank's tier 1 ratio was 17.7% as of the end of 2016 compared to 17.6% as of the end of 2015. The Bank's total capital ratio was 20.4% as of the end of 2016 compared to 21.0% as of the end of 2015.

CET1 capital was CHF 35.2 billion as of the end of 2016 compared to CHF 40.0 billion as of the end of 2015, mainly reflecting a net loss attributable to shareholder, an additional annual 20% phase-in of regulatory deductions from CET1 (from 40% to 60%), including goodwill, other intangible assets and certain deferred tax assets and the net regulatory impact of losses on fair-valued financial liabilities due to changes in own credit risk. These decreases were partially offset by the issuance of common shares and a positive foreign exchange impact.

Additional tier 1 capital was CHF 11.6 billion as of the end of 2016 compared to CHF 10.6 billion as of the end of 2015, mainly due to an additional annual 20% phase-in of regulatory deductions (from 60% to 40%), including goodwill, other intangible assets and other capital deductions, the net regulatory impact of losses on fair-valued financial liabilities due to changes in own credit risk and a positive foreign exchange impact. These increases were partially offset by the settlement of CCA instruments that were recognized as additional tier 1 capital.

Tier 2 capital was CHF 6.9 billion as of the end of 2016 compared to CHF 9.7 billion as of the end of 2015, mainly due to the redemption of the high-trigger tier 2 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 53.7 billion as of the end of 2016 compared to CHF 60.2 billion as of the end of 2015.

RWA decreased CHF 23.2 billion to CHF 263.8 billion as of the end of 2016 compared to CHF 286.9 billion as of the end of 2015.

## Leverage exposure components – Bank

	Phase-in		
end of	2016	2015	% change
<b>Leverage exposure (CHF million)</b>			
<b>Balance sheet assets</b>	<b>802,322</b>	<b>803,931</b>	0
<b>Adjustments</b>			
Difference in scope of consolidation and tier 1 capital deductions <sup>1</sup>	(11,745)	(13,059)	(10)
Derivative financial instruments	88,878	104,604	(15)
Securities financing transactions	(22,767)	(16,215)	40
Off-balance sheet	79,820	94,312	(15)
<b>Total adjustments</b>	<b>134,186</b>	<b>169,642</b>	(21)
<b>Leverage exposure</b>	<b>936,508</b>	<b>973,573</b>	(4)

<sup>1</sup> 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	2016	2015	% change
<b>Capital and leverage exposure (CHF million)</b>			
CET1 capital	35,177	40,013	(12)
Tier 1 capital	46,782	50,570	(7)
Leverage exposure	936,508	973,573	(4)
<b>Leverage ratios (%)</b>			
CET1 leverage ratio	3.8	4.1	–
Tier 1 leverage ratio	5.0	5.2	–



**Swiss capital and leverage metrics – Bank**

► Refer to "Swiss capital and leverage metrics" for further information.

**Swiss capital metrics – Bank**

	Phase-in
end of	2016
<b>Swiss capital and risk-weighted assets (CHF million)</b>	
Swiss CET1 capital	35,039
Going concern capital	50,188
Gone concern capital	26,985
Total loss-absorbing capacity	77,173
Swiss risk-weighted assets	264,490
<b>Swiss capital ratios (%)</b>	
Swiss CET1 ratio	13.2
Going concern capital ratio	19.0
Gone concern capital ratio	10.2
TLAC ratio	29.2

**Swiss capital and risk-weighted assets – Bank**

	Phase-in
end of	2016
<b>Swiss capital (CHF million)</b>	
CET1 capital – BIS	35,177
Swiss regulatory adjustments <sup>1</sup>	(138)
<b>Swiss CET1 capital</b>	<b>35,039</b>
Additional tier 1 high-trigger capital instruments	6,083
Grandfathered capital instruments	9,065
of which additional tier 1 low-trigger capital instruments	4,134
of which tier 2 high-trigger capital instruments	750
of which tier 2 low-trigger capital instruments	4,181
<b>Swiss additional tier 1 capital</b>	<b>15,149</b>
<b>Going concern capital</b>	<b>50,188</b>
Bail-in debt instruments	22,159
Additional tier 1 instruments subject to phase-out	2,899
Tier 2 instruments subject to phase-out	2,083
Tier 2 amortization component	1,448
Deductions	(1,604)
<b>Gone concern capital</b>	<b>26,985</b>
<b>Total loss-absorbing capacity</b>	<b>77,173</b>
<b>Risk-weighted assets (CHF million)</b>	
Risk-weighted assets – BIS	263,769
Swiss regulatory adjustments <sup>2</sup>	721
<b>Swiss risk-weighted assets</b>	<b>264,490</b>

Rounding differences may occur.

<sup>1</sup> Includes adjustments for certain unrealized gains outside the trading book.

<sup>2</sup> Primarily includes differences in the credit risk multiplier.

**Swiss leverage metrics – Bank**

	Phase-in
end of	2016
<b>Swiss capital and leverage exposure (CHF million)</b>	
Swiss CET1 capital	35,039
Going concern capital	50,188
Gone concern capital	26,985
Total loss-absorbing capacity	77,173
Leverage exposure	936,508
<b>Swiss leverage ratios (%)</b>	
Swiss CET1 leverage ratio	3.7
Going concern leverage ratio	5.4
Gone concern leverage ratio	2.9
TLAC leverage ratio	8.2

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 [www.credit-suisse.com/regulatorydisclosures](http://www.credit-suisse.com/regulatorydisclosures) for additional information.

**SHAREHOLDERS' EQUITY AND SHARE METRICS****Total shareholders' equity****Group**

The Group's total shareholders' equity was CHF 41.9 billion as of the end of 2016 compared to CHF 44.4 billion as of the end of 2015. Total shareholders' equity was negatively impacted by a net loss attributable to shareholders, losses on fair value elected liabilities relating to credit risk, transactions relating to the settlement of share-based compensation awards and dividends paid. These movements were partially offset by an increase in the share-based compensation obligation, foreign exchange-related movements on cumulative translation adjustments, amortization and re-measurement of actuarial gains and losses and prior service costs of the Group's defined pension assets and liabilities as of the end of 2016 and the issuance of common shares, including those in connection with earn-out payments relating to the acquisition of our interest in York Capital Management, LLC.

► Refer to the "Consolidated statements of changes in equity" in V – Consolidated financial statements – Credit Suisse Group for further information on the Group's total shareholders' equity.

**Bank**

The Bank's total shareholder's equity was CHF 40.7 billion as of the end of 2016 compared to CHF 43.4 billion as of the end of 2015. Total shareholder's equity was negatively impacted by a net loss attributable to shareholders, losses on fair value elected liabilities relating to credit risk and transactions relating to the settlement of share-based compensation awards. These movements

were partially offset by an increase in the share-based compensation obligation, capital contributions from the Group and foreign exchange-related movements on cumulative translation adjustments.

► Refer to the "Consolidated statements of changes in equity" in VII – Consolidated financial statements – Credit Suisse (Bank) for further information on the Bank's total shareholder's equity.

**Shareholders' equity and share metrics**

end of	Group			Bank		
	2016	2015	% change	2016	2015	% change
<b>Shareholders' equity (CHF million)</b>						
Common shares	84	78	8	4,400	4,400	0
Additional paid-in capital	32,131	31,925	1	40,700	39,883	2
Retained earnings	25,954	29,139	(11)	8,833	12,427	(29)
Treasury shares, at cost	0	(125)	100	–	–	–
Accumulated other comprehensive income/(loss)	(16,272)	(16,635)	(2)	(13,251)	(13,304)	0
<b>Total shareholders' equity</b>	<b>41,897</b>	<b>44,382</b>	<b>(6)</b>	<b>40,682</b>	<b>43,406</b>	<b>(6)</b>
Goodwill	(4,913)	(4,808)	2	(4,023)	(3,929)	2
Other intangible assets	(213)	(196)	9	(213)	(196)	9
<b>Tangible shareholders' equity<sup>1</sup></b>	<b>36,771</b>	<b>39,378</b>	<b>(7)</b>	<b>36,446</b>	<b>39,281</b>	<b>(7)</b>
<b>Shares outstanding (million)</b>						
Common shares issued	2,089.9	1,957.4	7	4,399.7	4,399.7	0
Treasury shares	0.0	(5.9)	100	–	–	–
<b>Shares outstanding</b>	<b>2,089.9</b>	<b>1,951.5</b>	<b>7</b>	<b>4,399.7</b>	<b>4,399.7</b>	<b>0</b>
<b>Par value (CHF)</b>						
<b>Par value</b>	<b>0.04</b>	<b>0.04</b>	<b>0</b>	<b>1.00</b>	<b>1.00</b>	<b>0</b>
<b>Book value per share (CHF)</b>						
<b>Total book value per share</b>	<b>20.05</b>	<b>22.74</b>	<b>(12)</b>	<b>9.25</b>	<b>9.87</b>	<b>(6)</b>
Goodwill per share	(2.35)	(2.46)	(4)	(0.92)	(0.90)	2
Other intangible assets per share	(0.11)	(0.10)	10	(0.05)	(0.04)	25
<b>Tangible book value per share<sup>1</sup></b>	<b>17.59</b>	<b>20.18</b>	<b>(13)</b>	<b>8.28</b>	<b>8.93</b>	<b>(7)</b>

<sup>1</sup> 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.

We purchased 1,224.5 million treasury shares and sold or re-issued 1,218.2 million treasury shares in 2016, predominantly for market-making purposes and facilitating customer orders. As of December 31, 2016, the Group held no treasury shares.

► Refer to "Impact of share-based compensation on shareholders' equity" in IV – Corporate Governance and Compensation – Compensation – Group compensation for further information.

**Purchases and sales of treasury shares**

	Number of shares (million)	Average price per share (CHF)
<b>2016</b>		
January	52.2	18.91
February	68.4	14.09
March	75.5	14.51
April	123.9	13.89
May	83.8	14.04
June	274.3	12.24
July	132.6	10.85
August	93.5	11.50
September	114.4	13.27
October	58.3	13.24
November	86.4	13.48
December	61.2	15.16
<b>Total purchase of treasury shares</b>	<b>1,224.5</b>	<b>–</b>
<b>Total sale of treasury shares</b>	<b>1,218.2</b>	<b>–</b>

### 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 of Directors 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 of Directors. 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.

Our dividend payment policy seeks to provide investors with a stable and efficient form of capital distribution relative to earnings. The dividend payment made in 2016 for the financial year 2015 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 Board of Directors will propose to the shareholders at the AGM on April 28, 2017 a distribution of CHF 0.70 per share out of capital contribution reserves for the financial year 2016. 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 or, subject to any legal restrictions applicable in shareholders' home jurisdictions, in new Group shares at the option of the shareholder. The ex-dividend date has been set to May 12, 2017.

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 VI – 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 <sup>1</sup>	CHF
<b>Dividend per ordinary share for the financial year</b>		
2015	0.72	0.70
2014	0.75	0.70
2013	0.79	0.70
2012 <sup>2</sup>	0.80	0.75
2011	0.78	0.75

<sup>1</sup> Represents the distribution on each American Depositary Share. For further information, refer to [www.credit-suisse.com/dividend](http://www.credit-suisse.com/dividend).

<sup>2</sup> 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.

### 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 and continued to be a key focus area in 2016. During the year, we focused on aligning the Group risk profile with our strategy. We took measures to significantly reduce exposures in Global Markets and 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.

## KEY RISK DEVELOPMENTS

2016 was a year marked by rising geopolitical uncertainty, particularly in connection with the outcome of the UK referendum on continued EU membership and the US presidential election. The rise in geopolitical risks in developed markets brought increased volatility and select stress episodes to global markets but overall did not result in significant weakness. Certain member states of the eurozone faced significant domestic economic and political challenges.

### The eurozone political climate

On June 23, 2016, voters in the UK voted in favor of leaving the European Union in a non-binding referendum. This caused significant volatility in financial markets, including a substantial decline in global stock prices and a steep devaluation of the British pound, as well as a political crisis in the UK. 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 monitored developments closely and conducted various scenario analyses designed to evaluate potential outcomes, such as possible impacts of the referendum on UK gross domestic product, the British pound and negative interest rates to assess the potential effects on our earnings and capital position. We implemented a number of precautionary measures to help ensure operational and infrastructure stability leading up to and following the referendum. During this time, we successfully managed the overall impact of the referendum on Credit Suisse from an exposure, earnings and liquidity perspective. We experienced substantial trading volumes in the days following the result of the referendum and we suffered no significant operational issues due to our active management of these volume increases.

Increased political uncertainty in Italy following an important referendum on government structure, as well as banking sector solvency concerns in the country, brought some stress to eurozone markets. The events in Italy have so far not led to a significant disruption in financial markets and the economy, however concerns over future reforms in Italy and its continued membership in the eurozone remain. We run a series of market evaluations and stress tests in advance of key political votes in order to mitigate our

market exposures to potential political regime shifts, for example, relating to the upcoming elections in Germany and France in 2017.

### US election and economic policy

The US elected a new president on November 8, 2016. In advance of the election there was increased market uncertainty relating to the policies that the new administration might implement. In the lead-up to the election, we frequently ran a suite of stress scenarios to simulate the potential immediate market reaction, monitoring the outputs with the aim of keeping exposures within our risk appetite. After the election, key assumptions for future US economic policy include potential tax cuts, decreased regulation and greater infrastructure spending coupled with a risk of disruptive foreign trade policies. We continue to assess the range of potential economic and market outcomes which might result from the economic policies of the new US administration through a suite of stress tests and continue to closely monitor the potential impacts on market exposures.

### Cyberattacks

The financial industry continues to face continuously 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 and strengthen our governance, policy and controls framework to escalate issues and mitigate key IT risks. We regularly assess the effectiveness of our key controls and conduct employee training and awareness activities, including for key management personnel, in order to embed a strong risk mitigation culture.

### Brazil

Brazil has been facing a severe recession which has been exacerbated by a political crisis as a consequence of corruption investigations and impeachment proceedings against Brazil's former president. Given the political uncertainties, it was difficult for the Brazilian government to enact measures to address economic and fiscal policy. While Brazil is an important market for Credit Suisse, we reduced our risk appetite in this region during 2016 and continued to carefully monitor our exposure, particularly for our corporate loan portfolio.

### Oil and gas sector and commodities

Following a significant fall in oil and gas prices and considerable volatility, lower prices seen in January 2016 stabilized and subsequently rose during the rest of the year. Exposures to the oil and gas sector are closely monitored, especially those related to exploration and production activities which are most directly impacted by commodity prices. More stable GDP growth in China in 2016 has lifted metals and other commodity prices, however, given the broader commodity price trends which are likely to persist in 2017 we will also continue to closely monitor our exposures to the broader commodity markets.

### Ship finance

Prices in all main shipping segments (bulker, tanker and container) remained under pressure during 2016 due to the combination of a slow-down in global trade and overcapacity in the world fleet, which had built up in the past during periods of high demand. This imbalance between supply and demand resulted in lower revenues for the shipping industry and declining market values for vessels. These market developments increased the risks for our ship finance portfolio. The majority of the positions continue to perform, and we strengthened our credit risk monitoring process in response to the current market situation.

### RISK MANAGEMENT OVERSIGHT

Fundamental to our business is the prudent taking of risk in line with our strategic priorities. The primary objectives of risk management are to protect our financial strength and reputation, while ensuring that capital is well deployed to support business 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 involvement of senior management and the Board of Directors (Board).

To meet the challenges of a volatile market environment and changing regulatory frameworks, we work to continuously strengthen risk management throughout the Group. We have comprehensive risk management processes and sophisticated control systems. We work to limit the impact of negative developments that may arise by carefully managing risk concentrations.

### Risk governance

Effective risk management begins with effective risk governance. Our risk governance framework is based on a “three lines of defense” governance model, where each line has a specific role and 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, and has primary responsibility for ensuring compliance with relevant legal and regulatory requirements and internal controls.

The second line of defense includes functions such as risk management, legal, compliance and product control. It articulates standards and expectations for the management of risk and effectiveness of controls, including advising on applicable legal and regulatory requirements and publishing related policies, and monitors compliance with the same. 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 management information 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

Group / Bank				
Board of Directors Audit Committee   Risk Committee				
Chief Executive Officer Executive Board				
Capital Allocation & Risk Management Committee (CARMC)	Valuation Risk Management Committee (VARMC)	Risk Processes & Standards Committee (RPSC)	Reputational Risk & Sustainability Committee (RRSC)	
Divisional risk management committees¹				
Swiss Universal Bank	Global Markets and Investment Banking & Capital Markets	Asia Pacific	Legal entities <ul style="list-style-type: none"><li>■ Risk boards and management committees for certain significant legal entities with independent governance and oversight</li><li>■ Responsible for assuring local regulatory compliance as well as defining local risk appetite</li></ul>	
International Wealth Management		Strategic Resolution Unit		

<sup>1</sup> 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 Chief Risk Officer (CRO) and the board of directors of significant subsidiaries, in accordance with their respective responsibilities and levels of authority.

► Refer to "Board of Directors" and "Board Committees" in IV – Corporate Governance and Compensation – 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 is a member of the Executive Board and represents the risk management function.

### Executive Board committees

The Capital Allocation & Risk Management Committee (CARMC) is responsible for supervising and directing our risk profile, recommending risk limits at the Group level to the Risk Committee and the Board, establishing and allocating risk limits among the various businesses, and for developing 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 reviews risk exposures and concentrations, defines and implements risk management strategies for the Group businesses and sets and approves risk limits within approved Board limits and other appropriate measures to monitor and manage the risk portfolio within the various Group businesses. In the market & credit risk cycle, the credit portfolio & provisions review committee, a sub-committee of CARMC, reviews the quality of the credit portfolio with a focus on the development of impaired assets and the assessment of related provisions and valuation allowances. The internal control systems cycle monitors and analyzes significant legal and compliance risks, reviews and approves the business continuity program's alignment with the corporate strategy on an annual basis, sets limits, caps and triggers on specific businesses to control significant operational risk exposure, and reviews and assesses the appropriateness and efficiency of the internal control systems, particularly with regards to valuation risks and the new business approval process.

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 requirements.

The Reputational Risk & Sustainability Committee (RRSC) sets policies and reviews processes and significant cases relating to reputational risks and sustainability issues. It also ensures compliance with 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.

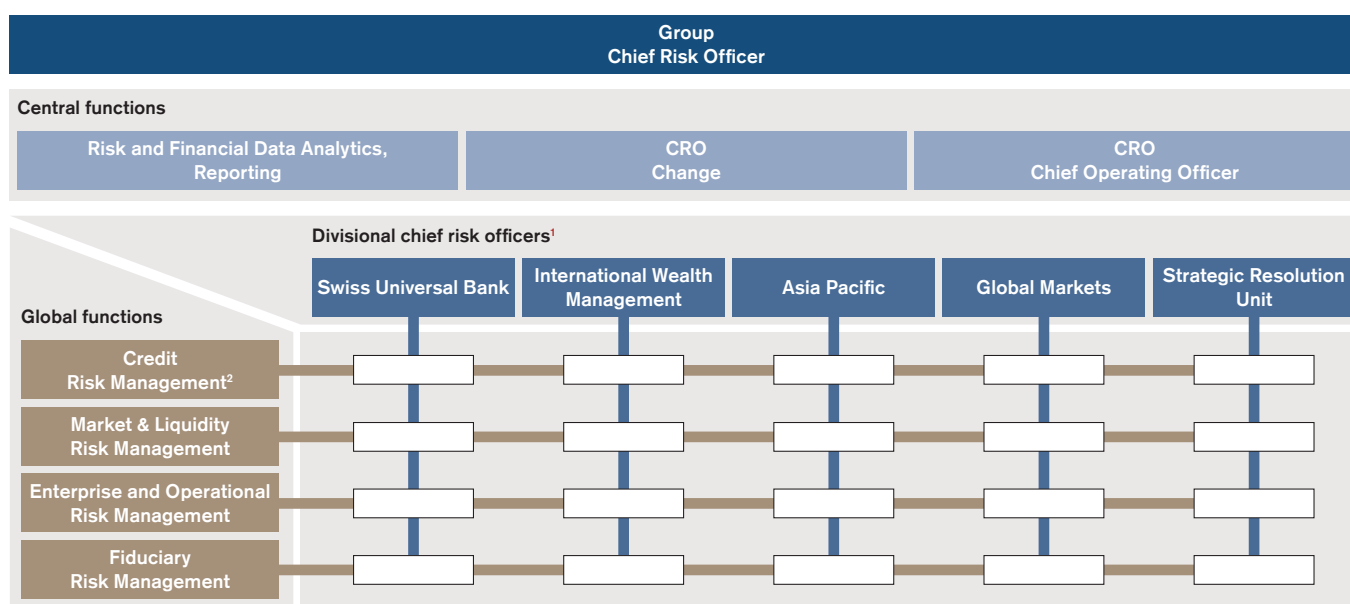
### Risk organization

The risk management function is responsible for providing risk management oversight and establishing an organizational basis to manage risk matters.

Our risk organization has been further reshaped to support the Group's strategy and divisional structure, for example by placing more emphasis on the divisional chief risk officers, who also act as legal entity chief risk officers for the most significant legal entities in their region.



## Risk organization



<sup>1</sup> The role of the legal entity chief risk officer for our most significant legal entities is covered by the role of a divisional chief risk officer.

<sup>2</sup> The role of the divisional chief risk officer of Investment Banking & Capital Markets is covered by the head of the global function Credit Risk Management.

We have adjusted our governance framework by establishing risk management committees for each division. In addition, the divisional chief risk officer organizations developed more granular risk appetite frameworks and reporting capabilities to cover the specific needs of their business divisions. Furthermore, while maintaining the matrix structure from a people and business management perspective, the restructuring improved the Group's cost transparency along our legal entities and divisions. The global risk functions continue to 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 market & liquidity, credit, 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 officer roles for Swiss Universal Bank, International Wealth Management, Asia Pacific, Global Markets, Investment Banking & Capital Markets and the Strategic Resolution Unit are intended to ensure alignment of the risk management function within our divisions. The divisional chief risk officer role for Investment Banking & Capital Markets is covered by the head of the global credit risk management function.

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 generally undertaken by divisional chief risk officers.

The global functions and the divisional/legal entity chief risk officers jointly manage the functional teams.

### Other central functions

Risk and Financial 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 CRO's chief operating officer facilitates business management within the risk management function.

### 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 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 controls 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 and conduct through the Group's Code of Conduct, which provides a clear statement of the ethical values and professional standards expected of our employees and representatives as a basis for maintaining and strengthening our reputation for integrity, fair dealing and measured risk-taking. We have also established a set of business conduct behaviors across the Group that support our desired risk

culture. They are designed to encourage employees to act in ways that reduce the frequency and impact of operational risk incidents, address the root causes of past operational risk incidents in the financial services sector and other relevant industries, and help to prevent and address potential adverse risk incidents in the future. Various 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 Code of Conduct and the set of business conduct behaviors.

► Refer to "Legal, compliance, regulatory and conduct risk" in Risk coverage and management for further information.

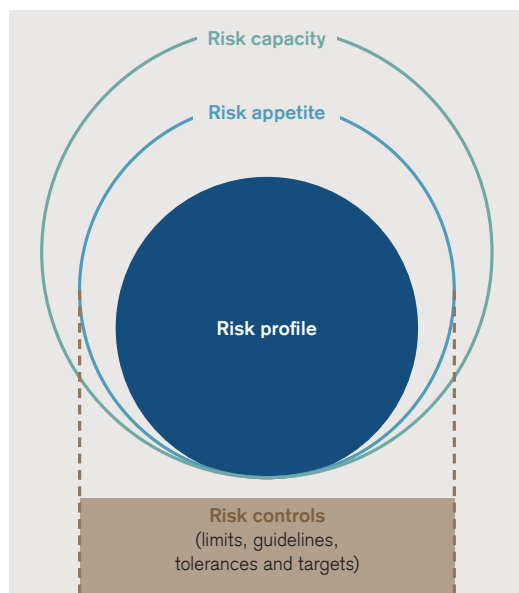
### RISK APPETITE FRAMEWORK

#### 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 controls, 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 controls** 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 controls 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 risk to ensure sustainable performance;
- minimizing reputational risk; and
- managing and controlling business 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 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 controls 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	<ul style="list-style-type: none"> <li>■ Economic risk capital limits</li> <li>■ Liquidity ratios</li> <li>■ Leverage ratios</li> <li>■ Scenario loss limits</li> <li>■ Risk-weighted assets</li> <li>■ Look-through CET1 ratio (post stress testing)</li> </ul>	<ul style="list-style-type: none"> <li>■ Economic risk capital limits</li> <li>■ Market risk limits</li> <li>■ Credit risk limits</li> <li>■ Operational risk tolerance levels</li> </ul>
Selected qualitative aspects	<ul style="list-style-type: none"> <li>■ Compliance with international and local laws and regulations</li> <li>■ Minimizing reputational risk</li> <li>■ Managing and controlling conduct risk</li> <li>■ Compliance with industry guidelines and internal policies</li> <li>■ Managing credit risk</li> </ul>	<ul style="list-style-type: none"> <li>■ Avoidance of concentration risks</li> <li>■ Adherence to suitability and appropriateness requirements</li> <li>■ Operational risk tolerance statements</li> </ul>

### Risk controls

A core aspect of our risk appetite framework is a sound system of integrated risk controls to maintain our risk profile within our overall risk appetite. Our risk appetite framework utilizes a suite of different types of risk controls 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 controls 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 control. We define the following risk control categories:

- *Qualitative controls* represent controls that are used to manage identified but unquantifiable or subjective risks, with compliance assessed by the appropriate level of control authority.
- *Quantitative controls* represent controls that are used to manage identified quantifiable risks and exist in the form of limits, guidelines, tolerances, targets and flags.

Control authority for the risk controls is determined by the relevant approving body and controls 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 control 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 control types. We define the following types of risk controls:

- *Qualitative control statements* are required for all qualitative controls. Qualitative control 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 remedial 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 control 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 control.

With respect to limits, guidelines and tolerances, established criteria are applied in the selection of the appropriate risk control, 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 control 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 control 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 an immediate notification to the chairman 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 2016 and 2015, no Board limits were exceeded.

Dedicated controls 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 controls 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.

While the primary purpose is risk management, risk limits are also useful tools in the identification of trading misconduct and unauthorized trading activities. 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.

## 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
<b>Liquidity and funding risks:</b> 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
<b>Market risk:</b> The risk of financial loss from adverse changes in market prices, including interest rates, credit spreads, foreign exchange, 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
<b>Credit risk:</b> 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
<b>Operational risk:</b> The risk of financial loss arising from inadequate or failed internal processes, people or systems, or from external events.	<ul style="list-style-type: none"> <li>■ Risk and control self-assessments, risk and control indicators, internal and external incident data, economic risk capital, stress testing</li> <li>■ A comprehensive assessment for these risk types is performed both periodically and event-driven.</li> <li>■ The results of the analysis impact management actions such as strategy adjustments, tactical measures, policy adjustments, event-driven crisis guidelines, staff training and individual performance measurement.</li> <li>■ The risk management actions include both precautionary activities to manage risk and issue resolution activities to recover from adverse developments.</li> </ul>
<b>Technology risk:</b> The risk that technology-related failures, such as services outages or information security incidents, may disrupt business.	
<b>Legal, compliance, regulatory and conduct risks:</b> Legal risk is the risk of loss or any other material adverse impact arising from circumstances including the failure to comply with legal obligations, the making of legal challenge or claim against us and our inability to enforce legal rights. Compliance and regulatory risk is the risk from the failure to comply with laws, regulations, rules or market standards, and also includes the risk of negative effects on our activities and strategic initiatives. Conduct risk is the risk that improper behavior or judgment results in negative financial, non-financial and/or reputational harm to our clients, our employees, the Group, or damage to the integrity of the financial markets.	
<b>Reputational risk:</b> 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.	
<b>Fiduciary risk:</b> 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.	
<b>Strategic risk:</b> 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 market, credit, operational and certain other risks and is a key component in our risk appetite framework with limits determined to control aggregate risk. Stress testing captures market, credit and operational 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 2016, we revised the approach to how we treat retrospective changes to economic risk capital reported numbers and their associated trends due to economic risk capital model modifications. Under the new approach, the impact from economic risk capital modifications will be assessed against materiality thresholds to decide whether restatement to prior reported figures is required. Prior-period economic risk capital will be restated if economic risk capital model modifications had a material impact on the Group, divisional or risk-type-specific economic risk capital.

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 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.

► 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 and converted to a 99.97% confidence level for capital management purposes. 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
<b>Fixed income trading</b>	<ul style="list-style-type: none"> <li>■ Foreign exchange rates and volatilities</li> <li>■ Interest rate levels and volatilities</li> <li>■ Commodity prices and volatilities</li> <li>■ Credit spreads and the risk of corporate bond defaults</li> <li>■ Life finance and litigation business activities</li> </ul>
<b>Equity trading &amp; investments</b>	<ul style="list-style-type: none"> <li>■ Equity prices and volatilities</li> <li>■ Non-recourse share-backed financing transactions</li> <li>■ Liquid hedge funds exposures and fund-linked products</li> <li>■ Equity risk arbitrage activities, in particular the risk that an announced merger may not be completed</li> <li>■ Private equity, illiquid hedge funds and other illiquid equity investment exposures</li> </ul>
<b>Private banking corporate &amp; retail lending</b>	<ul style="list-style-type: none"> <li>■ Potential changes in the creditworthiness of counterparty exposures and the risk of counterparty defaults</li> </ul>
<b>International lending &amp; counterparty exposures</b>	<ul style="list-style-type: none"> <li>■ Potential changes in the creditworthiness of counterparty exposures and the risk of counterparty defaults</li> </ul>
<b>Emerging markets country event risk</b>	<ul style="list-style-type: none"> <li>■ Loss due to significant country events</li> <li>■ Simultaneous impact across the Group's exposures in a given country</li> <li>■ Risk of related disturbance in neighboring countries or countries in the same region</li> </ul>
<b>Real estate &amp; structured assets</b>	<ul style="list-style-type: none"> <li>■ Commercial real estate activities and structured assets</li> <li>■ Residential real estate activities and positions in asset-backed securities</li> </ul>

### 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.
- 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.

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 stressed position loss limits to correspond to minimum post-stress capital ratios. Currently, limits are set on the basis of BIS CET1 capital ratios on a phase-in and look-through basis. 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 new scenario focusing on a financial crisis in China and 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 is one of our scenarios 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 severe flight to quality 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 2016, 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 in connection with current events as a proactive risk management tool. For example, we ran a “Surprise Brexit vote” scenario in the period leading up to the UK referendum on continued EU membership.

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 prices. The movements in market prices 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 will be exposed to a number of different market risks. 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 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 for financial reporting purposes.


#### Trading book

Market risks from our trading book relate to our trading activities primarily in Global Markets, 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 array of trading and hedging products, including derivatives such as swaps, futures, options and structured products. Structured products are customized transactions often using combinations of derivatives and are executed to meet specific client or proprietary 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 treasury function is responsible for the modeling and monitoring of the replication portfolios.

### Evaluation and management of market risk

We use market risk measurement and management methods capable of calculating comparable exposures across our many activities and 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 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 evaluation method aims to estimate the potential loss that we can incur due to an adverse market movement over a defined holding period with a specified confidence level. 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. 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. In addition, there is a framework regarding individual counterparty credit limits. 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 the risk management function, 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 2016 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 applied for all financial instruments with adequate price histories. Positions are aggregated by risk category rather than by product. For example, interest rate risk VaR includes the risk of fluctuations in interest rates arising from interest rate, foreign exchange, equity and commodity options, money market and swap transactions and bonds. The use of VaR allows the comparison of risk across different businesses, such as fixed income and equity, and 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 historic market prices. The model is responsive to changes in volatility 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 included 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, except for the confidence level and holding period used and the scope of financial instruments considered.


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 more closely aligned to the way we consider the risks associated with our trading activities. Our VaR used for limit monitoring purposes also uses a two-year historical dataset, a one-day holding period and a 98% confidence level. This measure includes positions from both the trading book and the banking book and also includes securitization positions.

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 trading book market risk capital requirements. Ongoing enhancements to the methodology are subject to regulatory approval or notification depending on their materiality, and the model is subject to regular reviews by both 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 [www.credit-suisse.com/pillar3](http://www.credit-suisse.com/pillar3).

► 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 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 the behavior of 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, but it does not provide any information on the size of losses that could occur beyond that confidence level;
- 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; 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 which are aggregated assuming a zero correlation.

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. Our VaR backtesting process is used to assess the accuracy and performance of our regulatory VaR model, to assess if our regulatory capital is sufficient to absorb actual losses, and to encourage developments to our VaR model. Backtesting involves comparing the results produced by the VaR model with daily trading revenues. Actual daily trading revenues for the purpose of this backtesting are defined as gains and losses arising from our trading activities, including mark-to-market gains and losses, the net cost of funding, and fees and commissions. Actual daily trading revenues do not include 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 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. The subset of actual daily trading revenues is defined on a consistent basis as the gains and losses for the regulatory VaR model but excludes non-market elements such as fees, commissions, non-market-related provisions, gains and losses from intra-day trading, 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 VaR governance 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 is concentrated in our private banking, corporate and institutional as well as investment banking businesses. Credit risk arises from lending products, irrevocable loan commitments, credit guarantees and letters of credit, and results from counterparty exposure arising from ◊ derivatives, foreign exchange and other transactions.

##### 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 covers virtually 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 for consumer loans and for corporates managed on the Swiss platform are regularly reviewed depending on loan type, client segment, collateral or event-driven developments. Internal ratings for all other corporate and institutional credit facilities are reviewed at least annually. 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. During 2016, backtesting has been further improved to (i) include an enhanced historic database, (ii) increase parameter coverage and (iii) account for the changes in the legal entity structure of the Group. Findings from backtesting serve as a key input for any future model enhancements.

For corporates managed on the Swiss platform, consumer loans, and the majority of all other corporate and institutional counterparties, an internal rating or a PD is calculated directly by proprietary statistical rating models. These models are based on internally compiled data comprising both quantitative (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). For 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 corporate and institutional facilities not yet using a statistical rating model, a PD is determined through an internal rating assigned on the basis of a structured expert approach. Internal credit ratings are based on an analysis and evaluation of both quantitative and qualitative factors concentrating on economic trends and financial fundamentals. Credit officers make use of peer analysis, 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+	0.021–0.027	Minimal risk	AA+	AA+	Aa1	Very low risk, long-term stability, repayment sources sufficient under lasting adverse conditions, extremely high medium-term stability
AA	0.027–0.034		AA	AA	Aa2	
AA-	0.034–0.044		AA-	AA-	Aa3	
A+	0.044–0.056	Modest risk	A+	A+	A1	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
A	0.056–0.068		A	A	A2	
A-	0.068–0.097		A-	A-	A3	
BBB+	0.097–0.167	Average risk	BBB+	BBB+	Baa1	Medium to low risk, high short-term stability, adequate substance for medium-term survival, very stable short term
BBB	0.167–0.285		BBB	BBB	Baa2	
BBB-	0.285–0.487		BBB-	BBB-	Baa3	
BB+	0.487–0.839	Acceptable risk	BB+	BB+	Ba1	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
BB	0.839–1.442		BB	BB	Ba2	
BB-	1.442–2.478		BB-	BB-	Ba3	
B+	2.478–4.259	High risk	B+	B+	B1	Increasing risk, limited capability to absorb further unexpected negative developments
B	4.259–7.311		B	B	B2	
B-	7.311–12.550		B-	B-	B3	
CCC+	12.550–21.543	Very high risk	CCC+	CCC+	Caa1	High risk, very limited capability to absorb further unexpected negative developments
CCC	21.543–100.00		CCC	CCC	Caa2	
CCC-	21.543–100.00		CCC-	CCC-	Caa3	
CC	21.543–100.00		CC	CC	Ca	
C	100	Imminent or actual loss	C	C	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.
D1	Risk of default has materialized		D	D		
D2						

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 accounting principles generally accepted in the US (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. Inherent losses in the lending portfolio of the private banking, corporate and institutional businesses are determined based on current internal risk ratings, collateral and exposure structure, applying historical default and loss experience in the ratings and loss parameters. In the investment banking businesses, inherent losses on loans are estimated 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. 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 the mortgage lending portfolios in our private banking, corporate and institutional businesses, 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 in our private banking, corporate and institutional businesses (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 (CRR) function. CRR is a review function independent from credit risk management with

a direct reporting line to the Board's Risk Committee. Its objective is to provide regular assessments of the Group's credit exposures and credit risk management practices. In 2016, CRR further strengthened its global operations. In particular in Switzerland, a new team was established to emphasize the global coverage of the operating model within Swiss Universal Bank and International Wealth Management.

CRR 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 CRR is designated as a review function, and (v) reporting trends and material review recommendations to the Risk Committee and senior management.

#### Operational risk

##### Definition

Operational risk is the risk of financial loss arising from inadequate or failed internal processes, people or systems, or from external events.

##### Sources of operational risk

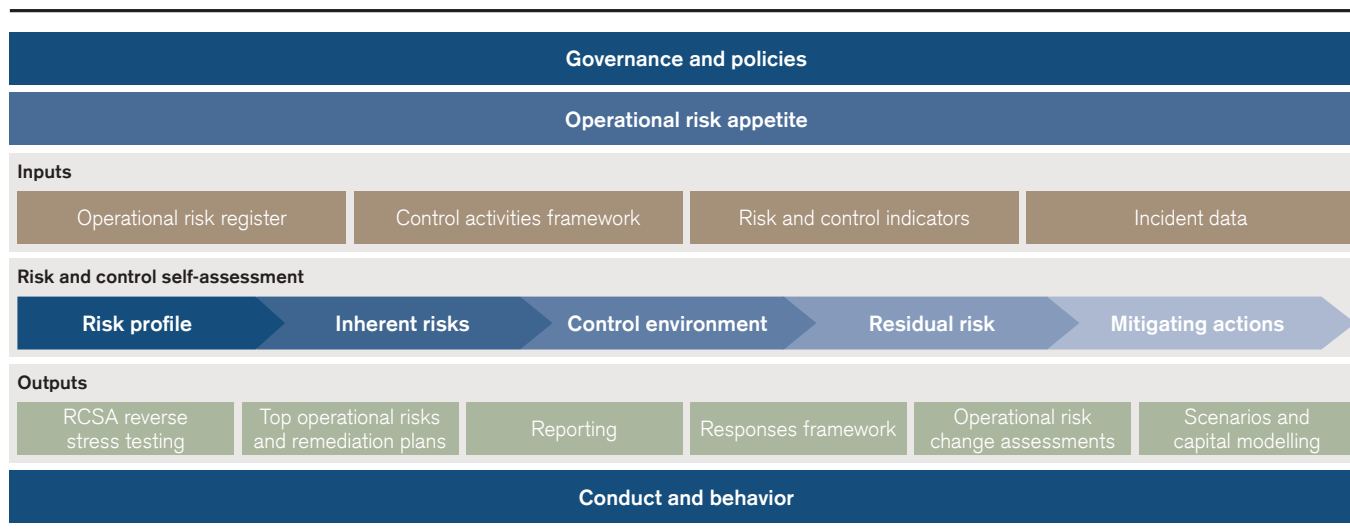
Operational risk is inherent in most aspects of our business, including the systems and processes that support our activities. It comprises a large number of disparate risks that can manifest in a variety of ways. Particularly relevant examples of operational risk include the risk of fraudulent transactions, trade processing errors, business disruptions, failures in regulatory compliance, defective transactions, and unauthorized trading events. Operational risk can arise from human error, inappropriate conduct, failures in systems, processes and controls, or natural and man-made disasters.

#### Evaluation and management of operational risk

##### Operational risk framework

The diverse nature and wide extent of operational risk makes it inherently difficult to measure. We believe that effective management of operational risk requires a common Group-wide operational risk framework that focuses on the early identification, recording, assessment, monitoring, prevention and mitigation of operational risks, as well as timely and meaningful management reporting. We started to introduce our current operational risk framework in 2013, which improved the integration of previously separate operational risk processes, providing a more coherent approach to managing all aspects of the operational risk landscape. Over the past four years, we have redesigned the framework, introducing new components and upgrading existing components with a particular focus on ensuring that the components work well together. The following diagram provides a representation of the main components of our operational risk framework.

## Operational risk framework



The operational risk framework provides a structured approach to managing operational risk. 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 operational risk framework are described below:

- **Governance and policies:** The operational risk framework relies on an effective governance process that establishes clear roles and responsibilities for managing operational risk and defines 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.
- **Operational risk appetite:** This 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 risk appetite in terms of quantitative tolerance levels that apply to operational risk incidents and qualitative statements covering outcomes that should be avoided. They define their risk appetite with the relevant risk management committees in agreement with the operational risk management function.
- **Operational risk register:** The register comprises a catalog of inherent operational risks arising as a consequence of our business activities. It provides a consistent approach for classifying operational risks across the Group which ensures that they are treated consistently by other operational risk framework components using the appropriate processes and tools.
- **Control activities framework:** 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 operational risk framework components, such as in the risk and control self-assessment (RCSA) process.

- **Risk and control indicators:** These are metrics that are used to monitor particular operational risks and controls over time. They may be associated with thresholds that define acceptable performance and provide early warning signals about potential impending issues.
- **Incident data:** We systematically collect, analyze and report data on operational 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.
- **Risk and control self-assessments:** RCSAs are comprehensive, bottom-up assessments of the key operational and compliance risks in each business and control function. They comprise a self-assessment that defines a risk profile based on a Group-wide operational risk taxonomy and classifies risks under a standardized approach, covers 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. The assessments 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 operational risk framework, such as risk and control indicators and incident data, and they generate outputs that are used to manage and monitor risks.

- **RCSA reverse stress testing:** Reverse stress testing is a 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.
- **Top operational risks and remediation plans:** A set of top operational risks are used to highlight the most significant risks to senior management, along with associated risk remediation efforts. Top operational risks are generated using both a top-down assessment by senior management and a bottom-up process that collates the main themes arising from the RCSA process.
- **Reporting:** We produce a wide range of regular management information reports covering the key inputs and outputs of the operational risk framework. These reports are used by senior management to monitor outcomes against agreed targets and tolerance levels.
- **Responses framework:** This provides a structured approach to responding to operational risk incidents and breaches of operational risk appetite. The incident management component includes a defined process for identifying, categorizing, investigating, escalating and remediating incidents. We conduct detailed investigations for significant operational risk incidents. These investigations seek to assess the causes of control failings, establish appropriate remediation actions and ascertain whether events have implications for other businesses. They can result in recommendations to impose restrictions on businesses while risk management processes and controls are improved. The breach component provides a methodology for evaluating breaches of quantitative and qualitative operational 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.
- **Operational risk change assessments:** Operational risk management independently assesses the impact of major change programs on the operational risk profile of the Group. This is designed to ensure that the operational risks of these initiatives are identified, assessed and managed throughout the life of each program using the relevant components of the operational risk framework.
- **Scenarios and capital modelling:** Scenarios are used to identify and measure exposure to a range of adverse events, such as unauthorized trading. These scenarios help businesses assess the suitability of controls in the light of potential losses, and they are also an input to the internal model used by the Group to calculate economic and regulatory capital. These capital charges are allocated to individual businesses for performance

measurement purposes and to incentivize appropriate management actions.

- **Conduct and behavior:** Recognizing that effective operational risk management relies on employees conducting themselves appropriately, several operational risk framework components include assessments of behavior. For example, investigations of incidents typically consider whether employees escalated issues at an appropriately early stage. Risks that have implications for conduct risk can be identified and assessed via the operational risk register and the RCSA process.

In addition to managing and mitigating operational risks under the operational risk framework 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.

We are continuously enhancing our operational risk management practices and have an ongoing program to roll out improvements to each of the components of the operational risk framework and to ensure that the links between individual components work effectively. Potential enhancements are typically tested in one area to check that they deliver the intended benefits before being rolled out across the Group.

In 2016, we commenced the roll-out of our Enterprise Risk and Control Framework (ERCF), which is designed to integrate and harmonize existing risk and control assessment processes relating to non-financial risks, with an initial focus on operational and compliance risks. Implementing the ERCF will be a multi-year initiative that we expect will result in increased standardization of, and better links between, previously separate risk and control processes, which we believe will permit a more comprehensive and integrated approach to the risk management of non-financial risks. As an initial step, we closely coordinated the assessment processes for operational and compliance risks in 2016, resulting in an enhanced RCSA that covers both risk types in a more consistent manner. We also introduced standardized Group-wide role descriptions that define the responsibilities for identifying, assessing, reporting and managing risks across the organization. Finally, we continued to make progress in rolling out a systematic control activities framework as part of the ERCF that applies consistent standards and approaches to the identification, documentation and assessment of key controls across the Group.

#### 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. In 2014, we introduced an enhanced internal model that incorporated developments regarding operational risk measurement methodology and associated regulatory guidance. The revised model for calculating the regulatory capital requirement for operational risk was approved by ◉ FINMA with effect from January 1, 2014. We view the revised model as a significant enhancement to our capability to measure and understand the operational



risk profile of the Group that is also more conservative than the previous approach.

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 2016, we continued the maintenance of our model methodology in order to ensure that it remains appropriate to capture the Group's operational risk profile. We also continued the process of aligning the output of the operational risk model with other key components of the operational risk framework as well as ensuring consistency with the stress scenario framework developed for enterprise-wide risk management purposes.

#### Operational risk governance

Each individual business area takes responsibility for its operational risks and the provision of adequate resources and procedures for the management of those risks. Businesses are supported by designated operational risk teams that are responsible for the implementation of the operational risk management framework, methodologies, tools and reporting within their areas as well as working with management on any operational risk issues that arise. Businesses and relevant control functions meet regularly to discuss operational risk issues and identify required actions to mitigate risks.

The operational risk management function is responsible for the overall design of the operational risk management framework, for operational risk capital modeling and for providing assistance and challenge to business line operational risk teams. It ensures the cohesiveness of policies, tools and practices throughout the Group for operational risk management, specifically with regard to the identification, evaluation, mitigation, monitoring and reporting of relevant operational risks.

Operational risk exposures, metrics, issues and remediation efforts are discussed at the quarterly CARMC meetings covering operational risk and at divisional risk management committees, which have senior staff representatives from all the relevant functions.

#### Technology risk

We operate in a complex technological landscape covering our business model. Ensuring that the 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. As a component of operational risk, technology risk is inherent not only in our IT assets, but also in the people and processes that interact with them. We seek to ensure that the data used to support key business processes and reporting is secure, complete, accurate, timely and meets appropriate quality and integrity standards. We also require our critical IT systems to be secure, resilient and available with the capability, capacity 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 our systems will not operate properly or 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. Although we have these plans in place, our businesses face a wide variety of technology risks including those arising from cyberattacks as well as dependencies on third-party suppliers and the worldwide telecommunications infrastructure.

#### Legal, compliance, regulatory and conduct risks

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

Compliance and regulatory risk is the risk that results 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 is the risk that improper behavior or judgment by our employees or representatives results in negative financial, non-financial and/or reputational harm to our clients, our employees, the Group, or damage to the integrity of the financial markets. Conduct risk may arise from a wide variety of activities and types of behaviors of a business and personal nature. A firm-wide definition of expectations relating to the conduct of our employees and representatives 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.

As part of our risk framework, legal, compliance, regulatory and conduct risks fall within the definition of operational risk. Management of these risks is the responsibility of all our employees.

► Refer to "Risk culture" in Risk management oversight and to "Corporate governance framework" in IV – Corporate Governance and Compensation – Corporate Governance for further information on our Code of Conduct.

### 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 is part of the Group's risk appetite framework to ensure that risk-taking is aligned with the approved risk appetite.

Reputational risk may arise from a variety of sources, including the nature or purpose of a proposed transaction or service, the identity or activity of a controversial 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.

Our policy is to avoid any action, transaction or client relationship that involves the risk of an unacceptable level of damage to our reputation. We have a number of measures to mitigate potential reputational risk.

Reputational risk potentially arising from proposed business transactions and client activity is assessed in the reputational risk review process. The policy 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.

Monitoring investment performance and measuring risks across discretionary client portfolios is central to our oversight program. Areas of focus include:

- Monitoring client investment guidelines or breaches of investment fund obligations to investors. 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 client investments 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 macro-economic 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 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.

## RISK REVIEW AND RESULTS

### Economic risk capital review

#### Methodology and model developments

We regularly review and update our economic risk capital methodology to ensure consistency with our business activities and relevance to our business and financial strategies. In the first six months of 2016, we enhanced our economic risk capital and available economic capital methodology, datasets and model parameters and restated the respective prior-period balances for these updates.

#### Economic risk capital

In the second quarter of 2016, we updated the divisional economic risk capital models to reflect the impact of the accelerated restructuring of the Global Markets business announced on March 23, 2016. During the course of 2016, we also enhanced the position risk methodology and modified the parameters we use in the modeling of our international lending & counterparty exposures to be more granular with respect to transaction ratings relating to regions, industries and products and updated the aggregation approach between international lending exposure and counterparty exposure. The net impact of the 2016 changes and updates on economic risk capital for the Group as of December 31, 2015 was a decrease of CHF 307 million, or 0.8%.

In the fourth quarter of 2016, we enhanced the method used to aggregate risk for our illiquid investments and emerging markets country event exposures in our position risk model. We also updated the parameters of our operational risk model following the annual recalibration of our AMA model. The updated parameters reflected our settlement with the DOJ regarding our legacy RMBS business. For other risks, we revised the measurement of the deferred equity compensation benefit to align it with available economic capital and changed the method used to aggregate risk not in economic risk capital for allocation to the divisions. The cumulative impact of these updates on our economic risk capital measures was immaterial and prior periods have not been restated.

#### Available economic capital

For available economic capital, we enhanced the economic adjustments to include additional granularity, which allows us to recognize the funded status for each of our individual pension plans as opposed to their combined funded status. The net impact of this methodology change on available economic capital for the Group as of December 31, 2015 was an increase of CHF 707 million, or 1.4%.

## Economic risk capital

end of	2016	2015	% change
<b>Available economic capital (CHF million)</b>			
BIS look-through CET1 capital (Basel III)	30,783	32,938	(7)
Economic adjustments <sup>1</sup>	15,166	17,284	(12)
<b>Available economic capital</b>	<b>45,949</b>	<b>50,222</b>	<b>(9)</b>
<b>Position risk (CHF million)</b>			
Fixed income trading <sup>2</sup>	1,270	1,230	3
Equity trading & investments	1,504	1,872	(20)
Private banking corporate & retail lending	2,920	2,751	6
International lending & counterparty exposures	5,784	6,094	(5)
Emerging markets country event risk	1,168	1,544	(24)
Real estate & structured assets <sup>3</sup>	1,188	1,917	(38)
Diversification benefit <sup>4</sup>	(2,495)	(2,762)	(10)
<b>Position risk (99% confidence level for risk management purposes)</b>	<b>11,339</b>	<b>12,646</b>	<b>(10)</b>
<b>Economic risk capital (CHF million)</b>			
Position risk (99.97% confidence level for capital management purposes)	20,299	22,375	(9)
Operational risk	7,720	7,501	3
Other risks <sup>5</sup>	6,628	6,031	10
<b>Economic risk capital</b>	<b>34,647</b>	<b>35,907</b>	<b>(4)</b>
<b>Economic risk capital coverage ratio (%)</b>			
<b>Economic risk capital coverage ratio <sup>6</sup></b>	<b>133</b>	<b>140</b>	<b>–</b>

Prior-period balances are restated for methodology changes and dataset and model parameter updates in order to show meaningful trends.

<sup>1</sup> 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.

<sup>2</sup> This category comprises fixed income trading, foreign exchange, commodity and insurance exposures.

<sup>3</sup> This category comprises commercial and residential real estate (including RMBS and CMBS), ABS exposure, real estate acquired at auction and real estate fund investments.

<sup>4</sup> Reflects the net difference between the sum of the position risk categories and the position risk on the total portfolio.

<sup>5</sup> 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.

<sup>6</sup> Ratio of available economic capital to economic risk capital.

### Available economic capital trends

As of the end of 2016, our available economic capital for the Group was CHF 45.9 billion, a decrease of CHF 4.3 billion from the end of 2015. BIS look-through CET1 capital decreased CHF 2.2 billion, primarily due to the net loss attributable to shareholders' and the cash component of a dividend accrual, partially offset by

the issuance of common shares in the second quarter of 2016 and a favorable foreign exchange impact. Economic adjustments decreased CHF 2.1 billion, mainly due to the redemption of high-trigger tier 2 instruments, partially offset by increased unrealized gains on owned real estate from an increased market value of our Swiss property portfolio.

## Economic risk capital by division

	End of period			Average		
	2016	2015	% change	2016	2015	% change
<b>Economic risk capital by division (CHF million)</b>						
Swiss Universal Bank	5,789	5,233	11	5,564	5,119	9
International Wealth Management	3,816	3,469	10	3,785	3,288	15
Asia Pacific	4,504	3,684	22	4,174	3,405	23
Global Markets	9,295	11,733	(21)	9,928	12,372	(20)
Investment Banking & Capital Markets	5,117	4,068	26	4,652	3,717	25
Strategic Resolution Unit	5,145	7,084	(27)	5,691	6,305	(10)
Corporate Center <sup>1</sup>	981	764	28	1,058	701	51
<b>Economic risk capital</b>	<b>34,647<sup>2</sup></b>	<b>35,907<sup>2</sup></b>	<b>(4)</b>	<b>34,737<sup>3</sup></b>	<b>34,821<sup>3</sup></b>	<b>0</b>

Prior-period balances are restated for methodology changes and dataset and model parameter updates in order to show meaningful trends. The calculation of divisional economic risk capital under the new organization required certain additional assumptions and allocation methods, which may not be required for future periods given the level of information then available.

<sup>1</sup> Includes primarily expense risk, diversification benefits from the divisions and foreign exchange risk between available economic capital and economic risk capital.

<sup>2</sup> Includes a diversification benefit of CHF 0 million and CHF 128 million as of December 31, 2016 and 2015, respectively.

<sup>3</sup> Includes a diversification benefit of CHF 115 million and CHF 86 million as of December 31, 2016 and 2015, respectively.

### Economic risk capital trends

Compared to the end of 2015, our economic risk capital decreased 4% to CHF 34.6 billion as of the end of 2016. Excluding the US dollar translation impact, economic risk capital decreased 5%, mainly due to a 12% decrease in position risk, partially offset by net increases in other risks and operational risk. The decrease in position risk primarily reflected lower risk in real estate & structured assets related to reduced commercial mortgage-backed securities (CMBS) and residential mortgage-backed securities (RMBS) exposures, decreased loan commitments and counterparty risk in international lending & counterparty exposures, decreased risk in equity trading & investments, mainly due to lower private equity and derivatives exposures in Asia and in the US, and reduced exposures relating to Latin America in emerging markets country event risk. Fixed income trading was stable, primarily reflecting reductions in 2016 in our high yield and distressed credit exposures and collateralized loan obligations (CLO), offset by higher interest rate risk from derivatives in the US and Europe. These decreases in position risk were partially offset by increased private banking corporate & retail lending exposures across markets. The increase in other risks was mainly due to increased foreign exchange risk between available economic capital and economic risk capital, reduced benefit from deferred share-based compensation awards and higher pension risk, mainly driven by a change in discount rates in the Swiss pension plan, partially offset by a decrease in risks not included in the position risk framework. The increase in operational risk was mainly driven by the 2016 model recalibration including the settlement with the DOJ regarding our legacy RMBS business.

For Swiss Universal Bank, economic risk capital increased 11% to CHF 5.8 billion, mainly due to higher pension risk.

For International Wealth Management, economic risk capital increased 10% to CHF 3.8 billion, mainly due to higher pension risk and increased private banking corporate & retail lending exposures across markets.

For Asia Pacific, economic risk capital increased 22% to CHF 4.5 billion, mainly due to higher private banking corporate & retail lending exposures and higher international lending & counterparty exposures.

For Global Markets, economic risk capital decreased 21% to CHF 9.3 billion. Excluding the US dollar translation impact, economic risk capital decreased 23%, primarily reflecting decreased real estate & structured assets, lower international lending & counterparty exposures and lower emerging markets country event risk.

For Investment Banking & Capital Markets, economic risk capital increased 26% to CHF 5.1 billion, mainly due to higher international lending & counterparty exposures.


For the Strategic Resolution Unit, economic risk capital decreased 27% to CHF 5.1 billion. Excluding the US dollar translation impact, economic risk capital decreased 29%, mainly due to decreased international lending & counterparty exposures, lower private banking corporate & retail lending exposures and decreased risk in equity trading & investments, mainly due to lower private equity and derivatives exposures in Asia and in the US.

### Market risk review

#### Trading book

##### Development of trading book risks

The tables entitled "One-day, 98% risk management VaR" 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 2016, we updated our VaR model to capture certain higher order risks for inflation-linked derivatives and improved our VaR methodology in order to capture certain higher order risks in the price-yield-relationships for vanilla credit products. These risks were previously included in our  risk not in VaR. We also enhanced the methodology we use to capture

the difference between a traded credit index and its single-name CDS constituents and enhanced the recognition of credit spread risk by using a more specific corporate bond time series in the US and in Europe. Furthermore, we improved the methodology we use to capture the credit spread risk in semi-sovereign positions in emerging markets countries by using more granular time series. 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
<b>Risk management VaR (CHF million)</b>							
<b>2016</b>							
Average	14	28	8	2	16	(35)	33
Minimum	9	20	4	1	10	- <sup>1</sup>	24
Maximum	20	44	18	3	38	- <sup>1</sup>	65
End of period	15	21	7	1	13	(28)	29
<b>2015</b>							
Average	20	36	11	2	23	(43)	49
Minimum	6	31	5	1	16	- <sup>1</sup>	34
Maximum	35	42	22	4	35	- <sup>1</sup>	63
End of period	17	40	9	1	31	(42)	56
<b>2014</b>							
Average	12	32	9	2	18	(31)	42
Minimum	7	28	5	0	13	- <sup>1</sup>	35
Maximum	17	39	17	4	25	- <sup>1</sup>	56
End of period	9	39	7	1	20	(29)	47
<b>Risk management VaR (USD million)</b>							
<b>2016</b>							
Average	14	28	9	2	17	(36)	34
Minimum	9	21	3	1	10	- <sup>1</sup>	23
Maximum	20	44	18	3	38	- <sup>1</sup>	65
End of period	15	21	6	1	13	(28)	28
<b>2015</b>							
Average	20	37	11	2	24	(43)	51
Minimum	6	32	5	1	17	- <sup>1</sup>	40
Maximum	35	42	23	4	35	- <sup>1</sup>	64
End of period	17	40	9	1	32	(42)	57
<b>2014</b>							
Average	13	35	10	2	20	(34)	46
Minimum	7	31	6	0	15	- <sup>1</sup>	39
Maximum	19	41	19	5	27	- <sup>1</sup>	59
End of period	9	40	7	1	20	(30)	47

Excludes risks associated with counterparty and own credit exposures.

<sup>1</sup> 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 <sup>1</sup>	Credit Suisse
<b>Average risk management VaR (CHF million)</b>							
2016	3	2	16	26	13	(27)	33
2015	7	1	18	44	25	(46)	49
2014	15	0	12	44	57	(86)	42
<b>Average risk management VaR (USD million)</b>							
2016	3	2	17	27	14	(29)	34
2015	8	1	19	45	26	(48)	51
2014	17	0	13	48	63	(95)	46

Excludes risks associated with counterparty and own credit exposures. Investment Banking & Capital Markets has only banking book positions. The calculation of divisional average risk management VaR under the new organization required certain additional assumptions and allocation methods, which may not be required for future periods given the level of information then available.

<sup>1</sup> 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.

Average risk management VaR in 2016 decreased 33% from 2015 to USD 34 million. This decrease was mainly driven by lower credit spread risk, reflecting reduced exposures in distressed credit products across credit markets and RMBS and CMBS in the US and in Europe, and reduced equity and interest rate exposures from derivatives in Europe. For Global Markets, average risk management VaR in 2016 decreased, mainly driven by reduced exposures in distressed credit products across credit markets and RMBS and CMBS in the US and in Europe and reduced equity exposures from derivatives in Europe. For the Strategic Resolution Unit, the decrease in average risk management VaR was mainly due to reduced exposures in distressed credit products across credit markets and reduced interest rate exposures. For Swiss Universal Bank, the decrease in average risk management VaR was primarily driven by reduced interest rate exposures from derivatives in Europe. For Asia Pacific, the decrease in average risk management VaR was primarily driven by reduced risk in equity derivatives.

Period-end risk management VaR as of December 31, 2016 decreased 51% to USD 28 million compared to December 31, 2015, mainly driven by lower credit spread risk, reflecting reduced exposures in distressed credit products across credit markets and RMBS and CMBS in the US and in Europe, and reduced equity and interest rate exposures from derivatives in Europe.

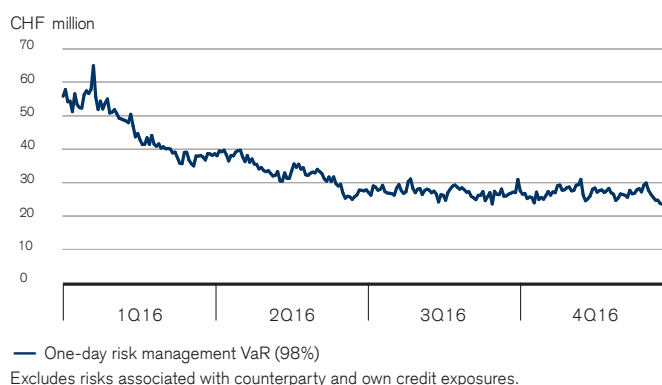
In the 12-month period ending December 31, 2016, we had two backtesting exceptions in our regulatory VaR model, compared to one backtesting exception in the 12-month periods ending December 31, 2015. In the 12-month period ending December 31, 2014, we had no backtesting exceptions in our regulatory VaR model. Since there were fewer than five backtesting exceptions in the rolling 12-month periods ending December 31, 2016, 2015 and 2014, 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 exception over four in the prior rolling 12-month period calculated using a subset of actual daily trading revenues.

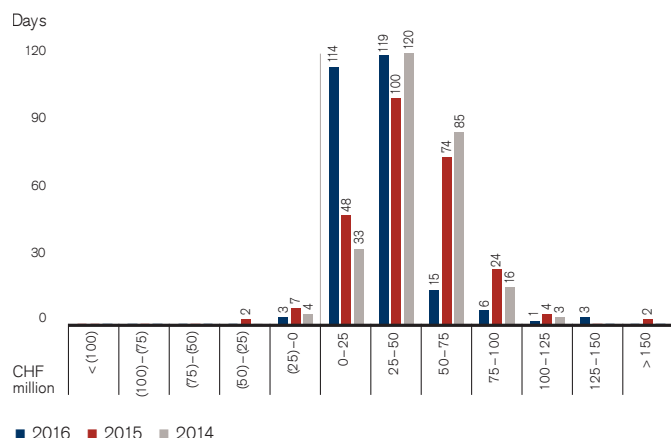
► Refer to "Other requirements" in Capital management – Swiss requirements for further information on the use of our regulatory VaR model in the calculation of trading book market risk capital requirements.

The histogram entitled "Actual daily trading revenues" compares the actual daily trading revenues for 2016 with those for 2015 and 2014. The dispersion of trading revenues indicates the day-to-day volatility in our trading activities. In 2016, we had three trading loss days, each of them with a trading loss not exceeding CHF 25 million, compared to nine trading loss days in 2015, seven of them with a trading loss not exceeding CHF 25 million.

## Daily risk management VaR



## 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. The impact of a one basis point parallel increase in yield curves on the fair value of interest rate-sensitive banking book positions would have been an increase of CHF 4.9 million as of December 31, 2016, compared to an increase of CHF 3.3 million as of December 31, 2015.

## One basis point parallel increase in yield curves by currency – banking book positions

end of	CHF	USD	EUR	GBP	Other	Total
<b>2016 (CHF million)</b>						
Fair value impact of a one basis point parallel increase in yield curves	0.1	3.5	1.3	(0.1)	0.1	4.9
<b>2015 (CHF million)</b>						
Fair value impact of a one basis point parallel increase in yield curves	(1.3)	3.2	0.7	0.0	0.7	3.3

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
<b>2016 (CHF million)</b>						
Increase (+)/decrease (-) in interest rates						
+200 basis points	8	704	257	(18)	36	987
+100 basis points	5	356	131	(11)	18	499
-100 basis points	(8)	(366)	(134)	15	(17)	(510)
-200 basis points	(18)	(740)	(273)	35	(35)	(1,031)
<b>2015 (CHF million)</b>						
Increase (+)/decrease (-) in interest rates						
+200 basis points	(241)	599	110	18	128	614
+100 basis points	(124)	309	58	5	65	313
-100 basis points	130	(327)	(64)	3	(69)	(327)
-200 basis points	266	(674)	(133)	13	(138)	(666)

As of December 31, 2016, 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 0.7 billion as of December 31, 2015. The monthly analysis of the potential impact resulting from a significant change in yield curves indicated that as of the end of 2016 and 2015, the fair value impact of an adverse 200 basis point move in

yield curves and adverse interest rate moves, calibrated to a one-year holding period at a 99% confidence level in relation to the 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 517 million in the value of the banking book portfolio as of December 31, 2016, compared to a decrease of CHF 464 million as of December 31, 2015.

#### 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 would have been a decrease of CHF 0.1 million in the value of the banking book portfolio as of December 31, 2016 and 2015.

#### 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, 2016, the estimated sensitivity implies that a one basis point increase in credit spreads, both counterparty and our own, would have resulted in a CHF 1.0 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 26.0 million gain as of December 31, 2016.

#### 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 V – Consolidated financial statements – Credit Suisse Group – Note 19 – 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 [www.credit-suisse.com/pillar3](http://www.credit-suisse.com/pillar3).

#### Loans and irrevocable loan commitments

The following table provides an overview of loans and irrevocable loan commitments by division 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 and irrevocable loan commitments

end of	2016	2015 <sup>1</sup>	% change
<b>Loans and irrevocable loan commitments (CHF million)</b>			
Gross loans	277,043	274,006	1
Irrevocable loan commitments	116,975	137,653	(15)
<b>Total loans and irrevocable loan commitments</b>	<b>394,018</b>	<b>411,659</b>	<b>(4)</b>
of which Swiss Universal Bank	175,717	171,567	2
of which International Wealth Management	48,527	44,604	9
of which Asia Pacific	44,399	39,227	13
of which Global Markets	67,063	84,970	(21)
of which Investment Banking & Capital Markets	43,145	43,919	(2)
of which Strategic Resolution Unit	14,636	26,672	(45)

<sup>1</sup> Prior period for the divisions has been restated, primarily to reflect the accelerated restructuring of the Global Markets business announced on March 23, 2016.

#### Loans held-for-sale and traded loans

As of December 31, 2016 and 2015, loans held-for-sale included CHF 82 million and CHF 258 million, respectively, of US subprime residential mortgages from consolidated variable interest entities (VIE) and CHF 0 million and CHF 91 million, respectively, of low-grade European residential mortgages from consolidated VIEs. Traded loans included US subprime residential mortgages of CHF 1,152 million and CHF 1,118 million as of December 31, 2016 and 2015, 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 <sup>1</sup>
<b>2016 (CHF million)</b>							
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 <sup>2</sup>	23,301 <sup>3</sup>	27,359 <sup>4</sup>	9,369	5,120	10,029	131,950
<b>Gross loans</b>	<b>166,109</b>	<b>45,153</b>	<b>40,232</b>	<b>9,387</b>	<b>5,393</b>	<b>10,576</b>	<b>277,043</b>
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 <sup>5</sup>	(462)	(89)	(71)	(19)	(24)	(273)	(938)
<b>Net loans</b>	<b>165,685</b>	<b>44,965</b>	<b>40,134</b>	<b>9,360</b>	<b>5,361</b>	<b>10,278</b>	<b>275,976</b>
<b>2015 (CHF million)</b>							
Mortgages	97,529	4,080	1,039	0	0	516	103,164
Loans collateralized by securities	7,799	16,748	11,184	0	554	1,661	37,946
Consumer finance	2,971	434	29	28	1	303	3,766
Consumer	108,299	21,262	12,252	28	555	2,480	144,876
Real estate	23,499	877	321	659	482	601	26,451
Commercial and industrial loans	26,549	16,627	21,220	5,061	3,056	5,185	77,767
Financial institutions	4,031	1,393	1,606	7,306	1,199	5,756	21,334
Governments and public institutions	831	82	585	694	0	1,386	3,578
Corporate & institutional	54,910 <sup>2</sup>	18,979 <sup>3</sup>	23,732 <sup>4</sup>	13,720	4,737	12,928	129,130
<b>Gross loans</b>	<b>163,209</b>	<b>40,241</b>	<b>35,984</b>	<b>13,748</b>	<b>5,292</b>	<b>15,408</b>	<b>274,006</b>
of which held at fair value	81	202	4,724	7,329	2,298	6,186	20,820
Net (unearned income) / deferred expenses	7	(82)	(29)	(13)	(6)	(22)	(145)
Allowance for loan losses <sup>5</sup>	(499)	(75)	(50)	(35)	(6)	(201)	(866)
<b>Net loans</b>	<b>162,717</b>	<b>40,084</b>	<b>35,905</b>	<b>13,700</b>	<b>5,280</b>	<b>15,185</b>	<b>272,995</b>

<sup>1</sup> Includes the Corporate Center, in addition to the business divisions disclosed.

<sup>2</sup> The values of financial collateral and mortgages related to secured loans, considered up to the amount of the related loans, were CHF 11,266 million and CHF 33,515 million, respectively, as of December 31, 2016, and CHF 9,201 million and CHF 33,615 million, respectively, as of December 31, 2015.

<sup>3</sup> The values of financial collateral and mortgages related to secured loans, considered up to the amount of the related loans, were CHF 18,084 million and CHF 1,165 million, respectively, as of December 31, 2016, and CHF 15,951 million and CHF 911 million, respectively, as of December 31, 2015.

<sup>4</sup> The values of financial collateral and mortgages related to secured loans, considered up to the amount of the related loans, were CHF 21,135 million and CHF 175 million, respectively, as of December 31, 2016, and CHF 17,627 million and CHF 244 million, respectively, as of December 31, 2015.

<sup>5</sup> Allowance for loan losses are only based on loans which are not carried at fair value.

Compared to December 31, 2015, gross loans increased CHF 3.0 billion to CHF 277.0 billion as of December 31, 2016, mainly driven by higher commercial and industrial loans and residential mortgages, partially offset by lower loans to financial institutions. Commercial and industrial loans increased CHF 6.0 billion, reflecting increases in International Wealth Management, Asia Pacific, Swiss Universal Bank and Investment Banking & Capital Markets, partially offset by decreases in Global Markets and the Strategic Resolution Unit. The net increase of CHF 1.2 billion in residential mortgages was mainly driven by an increase in Swiss Universal Bank, partially offset by a decrease in International Wealth Management. The net increase of CHF 0.7 billion in loans to governments and public institutions was mainly due to an increase in Asia Pacific and Global Markets.

Loans to financial institutions decreased CHF 3.4 billion, primarily reflecting decreases in Global Markets, Investment Banking & Capital Markets and the Strategic Resolution Unit, partially offset by increases in Asia Pacific and International Wealth Management. A net decrease of CHF 0.7 billion in loans collateralized by securities was mainly driven by decreases in the Strategic Resolution Unit and Swiss Universal Bank, partially offset by increases in International Wealth Management and Asia Pacific. Loans to the real estate sector decreased CHF 0.4 billion, mainly driven by decreases in the Strategic Resolution Unit and Global Markets, partially offset by an increase in International Wealth Management. The foreign exchange impact from the strengthening of the US dollar against the Swiss franc had a favorable impact on gross loans across all divisions.

On a divisional level, increases in gross loans of CHF 4.9 billion in International Wealth Management, CHF 4.2 billion in Asia Pacific and CHF 2.9 billion in Swiss Universal Bank were partially offset by a decrease of CHF 4.8 billion in the Strategic Resolution Unit and CHF 4.4 billion in Global Markets. Gross loans of Investment Banking & Capital Markets were stable compared to December 31, 2015.

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

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%. As of December 31, 2015, 97% of the aggregate Swiss residential mortgage loan portfolio of CHF 102.3 billion had an LTV ratio equal to or lower than 80%. For substantially all Swiss residential mortgage loans originated in 2016 and 2015, 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 <sup>1</sup>
<b>2016 (CHF million)</b>							
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
<b>Gross impaired loans<sup>2</sup></b>	<b>753</b>	<b>324</b>	<b>266</b>	<b>17</b>	<b>0</b>	<b>1,112</b>	<b>2,472</b>
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
<b>2015 (CHF million)</b>							
Non-performing loans	414	94	205	26	2	242	983
Non-interest-earning loans	201	33	3	0	0	35	272
Non-performing and non-interest-earning loans	615	127	208	26	2	277	1,255
Restructured loans	44	52	10	0	0	176	282
Potential problem loans	136	73	11	9	0	207	436
Other impaired loans	180	125	21	9	0	383	718
<b>Gross impaired loans<sup>2</sup></b>	<b>795</b>	<b>252</b>	<b>229</b>	<b>35</b>	<b>2</b>	<b>660</b>	<b>1,973</b>
of which loans with a specific allowance	729	148	227	35	2	469	1,610
of which loans without a specific allowance	66	104	2	0	0	191	363

<sup>1</sup> Includes the Corporate Center, in addition to the business divisions disclosed.

<sup>2</sup> Impaired loans are only based on loans which are not carried at fair value.

### Impaired loans and allowance for loan losses

Compared to December 31, 2015, gross impaired loans increased CHF 0.5 billion to CHF 2.5 billion as of December 31, 2016, mainly driven by increases in non-performing loans and potential problem loans. Non-performing loans increased CHF 253 million, mainly driven by increases in the Strategic Resolution Unit and International Wealth Management. Potential problem loans increased CHF 177 million, mainly driven by increases in the Strategic Resolution Unit and Swiss Universal Bank. Restructured loans increased CHF 76 million, mainly driven by increases in International Wealth Management and the Strategic Resolution Unit.

In the Strategic Resolution Unit, gross impaired loans increased CHF 452 million, primarily driven by several new impairments in ship finance including a single large exposure in the fourth quarter of 2016, partially offset by related repayments and write-offs. In International Wealth Management, gross impaired loans increased

CHF 72 million, primarily driven by ship finance and aviation finance exposures. In Asia Pacific, gross impaired loans increased CHF 37 million, mainly driven by a small number of individually impaired share-based loans in Hong Kong which were impaired due to their collateral values abruptly falling below their loan amounts, partially offset by the repayment of a share-based loan in the first quarter of 2016. In Swiss Universal Bank, gross impaired loans decreased CHF 42 million, mainly driven by write-offs in consumer finance and corporate & institutional loans as well as upgrades to performing loans, partially offset by new impairments across corporate & institutional and consumer loans. In Global Markets, gross impaired loans decreased CHF 18 million, primarily driven by a reduction in impaired loans related to employee investment programs.

► Refer to "Impaired loans" in V – Consolidated financial statements – Credit Suisse Group – Note 19 – 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	<b>Credit Suisse<sup>1</sup></b>
<b>2016 (CHF million)</b>							
<b>Allowance for loan losses at beginning of period<sup>2</sup></b>	<b>499</b>	<b>75</b>	<b>50</b>	<b>35</b>	<b>6</b>	<b>201</b>	<b>866</b>
of which individually evaluated for impairment	366	43	38	15	0	188	650
of which collectively evaluated for impairment	133	32	12	20	6	13	216
Net movements recognized in statements of operations	74	23	14	(7)	15	130	249
Gross write-offs	(122)	(24)	(7)	(10)	(1)	(114)	(278)
Recoveries	8	9	1	1	2	45	66
Net write-offs	(114)	(15)	(6)	(9)	1	(69)	(212)
Provisions for interest	3	2	11	0	0	2	18
Foreign currency translation impact and other adjustments, net	0	4	2	0	2	9	17
<b>Allowance for loan losses at end of period<sup>2</sup></b>	<b>462</b>	<b>89</b>	<b>71</b>	<b>19</b>	<b>24</b>	<b>273</b>	<b>938</b>
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

<sup>1</sup> Includes the Corporate Center, in addition to the business divisions disclosed.

<sup>2</sup> Allowance for loan losses are only based on loans which 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	<b>Total</b>
<b>2016 (CHF million)</b>			
<b>Balance at beginning of period</b>	<b>647</b>	<b>1,326</b>	<b>1,973</b>
New impaired loans	514	1,820	2,334
Increase in existing impaired loans	28	104	132
Reclassifications to performing loans	(201)	(437)	(638)
Repayments <sup>1</sup>	(135)	(455)	(590)
Liquidation of collateral, insurance or guarantee payments	(91)	(202)	(293)
Sales <sup>2</sup>	(9)	(225)	(234)
Write-offs	(91)	(124)	(215)
Foreign currency translation impact and other adjustments, net	0	3	3
<b>Balance at end of period</b>	<b>662</b>	<b>1,810</b>	<b>2,472</b>

<sup>1</sup> Full or partial principal repayments.

<sup>2</sup> 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
<b>2016 (CHF million)</b>			
<b>Balance at beginning of period</b>	<b>216</b>	<b>650</b>	<b>866</b>
of which individually evaluated for impairment	170	480	650
of which collectively evaluated for impairment	46	170	216
Net movements recognized in statements of operations	63	186	249
Gross write-offs	(86)	(192)	(278)
Recoveries	13	53	66
Net write-offs	(73)	(139)	(212)
Provisions for interest	10	8	18
Foreign currency translation impact and other adjustments, net	0	17	17
<b>Balance at end of period</b>	<b>216</b>	<b>722</b>	<b>938</b>
of which individually evaluated for impairment	172	528	700
of which collectively evaluated for impairment	44	194	238

## Loan metrics

end of	Swiss Universal Bank	International Wealth Management	Asia Pacific	Global Markets	Investment Banking & Capital Markets	Strategic Resolution Unit	Credit Suisse <sup>1</sup>
<b>2016 (%)</b>							
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
<b>2015 (%)</b>							
Non-performing and non-interest-earning loans / Gross loans	0.4	0.3	0.7	0.4	0.1	3.0	0.5
Gross impaired loans / Gross loans	0.5	0.6	0.7	0.5	0.1	7.2	0.8
Allowance for loan losses / Gross loans	0.3	0.2	0.2	0.5	0.2	2.2	0.3
Specific allowance for loan losses / Gross impaired loans	46.0	17.1	16.6	42.9	0.0	28.5	32.9

Gross loans and gross impaired loans exclude loans carried at fair value and the allowance for loan losses is only based on loans which are not carried at fair value.

<sup>1</sup> Includes the Corporate Center, in addition to the business 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				2016				2015
	Less than 1 year	1 to 5 years	More than 5 years	Positive replacement value	Less than 1 year	1 to 5 years	More than 5 years	Positive replacement value
due within								
Derivative instruments (CHF billion)								
Interest rate products	15.3	43.9	79.2	138.4	15.0	60.7	94.1	169.8
Foreign exchange products	34.6	17.7	9.6	61.9	30.6	18.9	10.4	59.9
Equity/index-related products	6.0	5.1	1.3	12.4	6.6	5.6	1.3	13.5
Credit derivatives	1.0	4.7	2.4	8.1	2.7	12.4	2.7	17.8
Other products <sup>1</sup>	0.6	0.4	1.5	2.5	0.8	0.9	1.4	3.1
OTC derivative instruments	57.5	71.8	94.0	223.3	55.7	98.5	109.9	264.1
Exchange-traded derivative instruments				11.8				9.6
Netting agreements <sup>2</sup>				(208.2)				(245.1)
Total derivative instruments				26.9				28.6
of which recorded in trading assets				26.8				28.4
of which recorded in other assets				0.1				0.2

<sup>1</sup> Primarily precious metals, commodity, energy and emission products.

<sup>2</sup> 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	2016	2015
<b>Derivative instruments (CHF billion)</b>		
AAA	1.5	1.7
AA	8.0	6.4
A	5.8	7.5
BBB	8.7	8.8
BB or lower	2.2	3.6
<b>OTC derivative instruments</b>	<b>26.2</b>	<b>28.0</b>
Exchange-traded derivative instruments <sup>1</sup>	0.7	0.6
<b>Total derivative instruments<sup>1</sup></b>	<b>26.9</b>	<b>28.6</b>

<sup>1</sup> 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 27 – Offsetting of financial assets and financial liabilities" in V – Consolidated financial statements – Credit Suisse Group for further information on offsetting of derivatives.

► Refer to "Note 32 – Derivatives and hedging activities" in V – 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 tranching 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 as of December 31, 2016 was EUR 2,959 million, 19% lower compared to EUR 3,674 million as of December 31, 2015. Our net exposure to these sovereigns was EUR 531 million, 35% lower compared to EUR 822 million as of December 31, 2015. Our non-sovereign risk-based credit risk exposure in these countries as of December 31, 2016 included net exposures to financial institutions of EUR 1,994 million, 45% lower compared to EUR 3,654 million as of December 31, 2015, and to corporates and other counterparties of EUR 1,311 million, 2% higher compared to EUR 1,282 million as of December 31, 2015.

A significant majority of the purchased credit protection is transacted with banks outside of the disclosed countries. For credit protection purchased from 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 2015 through February 28, 2017, the 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 CCC+ to B- and increased Malta's rating from BBB+ to A-. Fitch increased Cyprus' rating from B+ to BB- and increased Ireland's rating from A- to A. Moody's decreased Croatia's rating from BA1 to BA2 and increased Ireland's rating from BAA1 to A3. 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

	Gross credit risk exposure	Risk mitigation		Net credit risk exposure	Inventory <sup>2</sup>	Net synthetic inventory <sup>3</sup>	Gross	Total credit risk exposure
		CDS	Other <sup>1</sup>					Net
<b>December 31, 2016</b>								
<b>Croatia (EUR million)</b>								
Sovereign	190	0	168	22	0	(67)	190	22
Corporates & other	50	0	0	50	0	0	50	50
<b>Total</b>	<b>240</b>	<b>0</b>	<b>168</b>	<b>72</b>	<b>0</b>	<b>(67)</b>	<b>240</b>	<b>72</b>
<b>Cyprus (EUR million)</b>								
Sovereign	0	0	0	0	4	0	4	4
Financial institutions	61	0	61	0	0	0	61	0
Corporates & other	1,017	0	1,016	1	0	0	1,017	1
<b>Total</b>	<b>1,078</b>	<b>0</b>	<b>1,077</b>	<b>1</b>	<b>4</b>	<b>0</b>	<b>1,082</b>	<b>5</b>
<b>Greece (EUR million)</b>								
Financial institutions	198	0	197	1	0	0	198	1
Corporates & other	1,140	0	1,117	23	2	(1)	1,142	25
<b>Total</b>	<b>1,338</b>	<b>0</b>	<b>1,314</b>	<b>24</b>	<b>2</b>	<b>(1)</b>	<b>1,340</b>	<b>26</b>
<b>Ireland (EUR million)</b>								
Sovereign	33	0	0	33	0	(5)	33	33
Financial institutions	1,154	0	494	660	117	(43)	1,271	777
Corporates & other	1,062	117	608	337	20	(104)	1,082	357
<b>Total</b>	<b>2,249</b>	<b>117</b>	<b>1,102</b>	<b>1,030</b>	<b>137</b>	<b>(152)</b>	<b>2,386</b>	<b>1,167</b>
<b>Italy (EUR million)</b>								
Sovereign	2,644	2,087	173	384	0	(1,478)	2,644	384
Financial institutions	1,095	52	626	417	67	49	1,162	484
Corporates & other	2,956	65	2,490	401	60	(48)	3,016	461
<b>Total</b>	<b>6,695</b>	<b>2,204</b>	<b>3,289</b>	<b>1,202</b>	<b>127</b>	<b>(1,477)</b>	<b>6,822</b>	<b>1,329</b>
<b>Malta (EUR million)</b>								
Financial institutions	42	0	0	42	0	0	42	42
Corporates & other	547	0	546	1	0	0	547	1
<b>Total</b>	<b>589</b>	<b>0</b>	<b>546</b>	<b>43</b>	<b>0</b>	<b>0</b>	<b>589</b>	<b>43</b>
<b>Portugal (EUR million)</b>								
Sovereign	0	0	0	0	68	64	68	68
Financial institutions	328	0	320	8	1	(14)	329	9
Corporates & other	204	0	121	83	33	19	237	116
<b>Total</b>	<b>532</b>	<b>0</b>	<b>441</b>	<b>91</b>	<b>102</b>	<b>69</b>	<b>634</b>	<b>193</b>
<b>Spain (EUR million)</b>								
Sovereign	20	0	0	20	0	(16)	20	20
Financial institutions	1,614	10	933	671	10	(96)	1,624	681
Corporates & other	1,563	10	1,287	266	34	(68)	1,597	300
<b>Total</b>	<b>3,197</b>	<b>20</b>	<b>2,220</b>	<b>957</b>	<b>44</b>	<b>(180)</b>	<b>3,241</b>	<b>1,001</b>
<b>Total (EUR million)</b>								
Sovereign	2,887	2,087	341	459	72	(1,502)	2,959	531
Financial institutions	4,492	62	2,631	1,799	195	(104)	4,687	1,994
Corporates & other	8,539	192	7,185	1,162	149	(202)	8,688	1,311
<b>Total</b>	<b>15,918</b>	<b>2,341</b>	<b>10,157</b>	<b>3,420</b>	<b>416</b>	<b>(1,808)</b>	<b>16,334</b>	<b>3,836</b>

<sup>1</sup> Includes other hedges (derivative instruments), guarantees, insurance and collateral.<sup>2</sup> Represents long inventory positions netted at issuer level.<sup>3</sup> Substantially all of which results from CDS; represents long positions net of short positions.

# Balance sheet, off-balance sheet and other contractual obligations

During 2016, total assets and total liabilities were stable, reflecting a decrease in operating activities offset by the foreign exchange translation impact. As of the end of 2016, total assets were CHF 819.9 billion, total liabilities were CHF 777.6 billion and total equity was CHF 42.3 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 stable at CHF 819.9 billion as of the end of 2016 compared to the end of 2015. Excluding the foreign exchange translation impact, total assets decreased CHF 20.5 billion.

In Swiss francs, trading assets decreased CHF 25.6 billion, or 13%, reflecting decreases in debt securities, equity securities and derivative instruments. A decrease of CHF 1.1 billion, or 3%, in brokerage receivables was mainly due to decreases in failed settlements, margin lending and lower listed derivatives, partially offset by the foreign exchange translation impact. Cash and due from banks increased CHF 28.8 billion, or 31%, mainly driven by higher

cash balances at the Swiss National Bank and the Fed. Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions increased CHF 11.8 billion, or 10%, mainly driven by increases in reverse repurchase transactions with customers, cash collateral in securities borrowing transaction with banks and the foreign exchange translation impact. Net loans were stable. All other assets decreased CHF 17.9 billion, or 17%, including a decrease of CHF 21.2 billion, or 36%, in other assets, primarily reflecting a decline in assets held-for-sale, partially offset by an increase of CHF 4.1 billion, or 14%, in securities received as collateral.

## Balance sheet summary

	end of			% change	
	2016	2015	2014	16 / 15	15 / 14
<b>Assets (CHF million)</b>					
Cash and due from banks	121,161	92,328	79,349	31	16
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	134,839	123,049	163,208	10	(25)
Trading assets	165,150	190,737	241,131	(13)	(21)
Net loans	275,976	272,995	272,551	1	0
Brokerage receivables	33,431	34,542	41,629	(3)	(17)
All other assets	89,304	107,154	123,594	(17)	(13)
<b>Total assets</b>	<b>819,861</b>	<b>820,805</b>	<b>921,462</b>	<b>0</b>	<b>(11)</b>
<b>Liabilities and equity (CHF million)</b>					
Due to banks	22,800	21,054	26,009	8	(19)
Customer deposits	355,833	342,705	369,058	4	(7)
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	33,016	46,598	70,119	(29)	(34)
Trading liabilities	44,930	48,971	72,655	(8)	(33)
Long-term debt	193,315	197,608	177,898	(2)	11
Brokerage payables	39,852	39,452	56,977	1	(31)
All other liabilities	87,804	79,399	103,745	11	(23)
<b>Total liabilities</b>	<b>777,550</b>	<b>775,787</b>	<b>876,461</b>	<b>0</b>	<b>(11)</b>
<b>Total shareholders' equity</b>	<b>41,897</b>	<b>44,382</b>	<b>43,959</b>	<b>(6)</b>	<b>1</b>
Noncontrolling interests	414	636	1,042	(35)	(39)
<b>Total equity</b>	<b>42,311</b>	<b>45,018</b>	<b>45,001</b>	<b>(6)</b>	<b>0</b>
<b>Total liabilities and equity</b>	<b>819,861</b>	<b>820,805</b>	<b>921,462</b>	<b>0</b>	<b>(11)</b>



Total liabilities were stable at CHF 777.6 billion as of the end of 2016. Excluding the foreign exchange translation impact, total liabilities decreased CHF 16.3 billion.

In Swiss francs, customer deposits increased CHF 13.1 billion, or 4%, primarily due to an increase in time deposits and the foreign exchange translation impact. Due to banks increased CHF 1.7 billion, or 8%, mainly driven by an increase in borrowings with banks and increase in time deposits. A decrease of CHF 13.6 billion, or 29%, in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions mainly reflected a decrease in repurchase transactions with customers and banks. Long-term debt decreased CHF 4.3 billion, or 2%, primarily driven by the deconsolidation of certain VIEs as a result of the implementation of ASU 2015-02 as of January 1, 2016, partially offset by the issuances of senior debt and the foreign exchange translation impact. Trading liabilities decreased CHF 4.0 billion, or 8%, reflecting a decrease in derivative instruments and short trading positions, partially offset by the foreign exchange translation impact. Brokerage payables were stable. All other liabilities increased CHF 8.4 billion, or 11%, including increases of CHF 6.7 billion, or 78%, in short-term borrowings and CHF 4.1 billion, or 14%, in obligation to return securities received as collateral, partially offset by a decrease of CHF 2.4 billion, or 6%, 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 32 – Derivatives and hedging activities" in V – Consolidated financial statements – Credit Suisse Group for further information.

► Refer to "Note 35 – Financial instruments" in V – 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 33 – Guarantees and commitments" in V – 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

## Balance sheet, off-balance sheet and other contractual obligations

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 33 – Guarantees and commitments in V – 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 34 – Transfers of financial assets and variable interest entities" in V – Consolidated financial statements – Credit Suisse Group for further information.

From time to time, we 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 increased CHF 12.3 billion in 2016 to CHF 682.1 billion, primarily reflecting increases in customer deposits of CHF 13.1 billion to CHF 355.8 billion, in short-term borrowings of CHF 6.7 billion to CHF 15.4 billion and in due to banks of CHF 1.7 billion to CHF 22.8 billion. The increases were partially offset by decreases in long-term debt of CHF 4.3 billion to CHF 193.3 billion and in trading liabilities of CHF 4.0 billion to CHF 44.9 billion.

► Refer to "Note 25 – Long-term debt" in V – Consolidated financial statements – Credit Suisse Group for further information on long-term debt and the related interest commitments.

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

### Contractual obligations and other commercial commitments

					2016	2015
	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total	Total
Payments due within						
<b>On- and off-balance sheet obligations (CHF million)</b>						
Due to banks	21,993	621	16	170	22,800	21,054
Customer deposits	351,299	3,434	929	171	355,833	342,705
Short-term borrowings	15,385	0	0	0	15,385	8,657
Long-term debt <sup>1</sup>	32,469	58,954	31,765	70,137	193,315 <sup>2</sup>	197,608 <sup>2</sup>
Contractual interest payments <sup>3</sup>	1,088	1,361	455	718	3,622 <sup>4</sup>	4,559
Trading liabilities	44,930	0	0	0	44,930	48,971
Brokerage payables	39,852	0	0	0	39,852	39,452
Operating lease obligations	583	1,071	850	3,273	5,777	6,031
Purchase obligations	284	256	21	3	564	788
<b>Total obligations <sup>5</sup></b>	<b>507,883</b>	<b>65,697</b>	<b>34,026</b>	<b>74,472</b>	<b>682,078</b>	<b>669,825</b>

<sup>1</sup> Refer to "Debt issuances and redemptions" in Liquidity and funding management and "Note 25 – Long-term debt" in V – Consolidated financial statements – Credit Suisse Group for further information on long-term debt.

<sup>2</sup> Includes non-recourse liabilities from consolidated VIEs of CHF 1,759 million and CHF 14,826 million as of December 31, 2016 and 2015, respectively.

<sup>3</sup> 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.

<sup>4</sup> 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 87,007 million, variable rate short-term borrowings of CHF 8,969 million, variable rate interest-bearing deposits and demand deposits of CHF 145,599 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 94,139 million and CHF 9 million, respectively.

<sup>5</sup> Excludes total accrued benefit liability for pension and other post-retirement benefit plans of CHF 516 million and CHF 1,145 million as of December 31, 2016 and 2015, respectively, recorded in other liabilities in the consolidated balance sheets, as the accrued liability does not represent expected liquidity needs. Refer to "Note 31 – Pension and other post-retirement benefits" in V – Consolidated financial statements – Credit Suisse Group for further information on pension and other post-retirement benefits.

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# IV

## Corporate Governance and Compensation

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# Corporate Governance

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 2016, the Group's corporate governance continued to align with the priorities established through the strategic restructuring of the Group's businesses announced in October 2015 and the ongoing program to evolve the Group's legal entity structure. The key corporate governance developments for the Group in 2016 included:

- The implementation of a corporate governance structure in line with Swiss banking regulatory requirements for Credit Suisse (Schweiz) AG, the new Swiss legal entity registered in 2015 as a wholly owned subsidiary of Credit Suisse AG, including the establishment of the board of directors and the executive board and the appointment of Alexandre Zeller as chairman and Thomas Gottstein as CEO of the new entity. Credit Suisse (Schweiz) AG started its business operations as a standalone Swiss bank on November 20, 2016;
- The establishment of the board of directors of Credit Suisse Holdings (USA) Inc., the company that serves as the Group's intermediate holding company (IHC) in the US, in line with regulatory requirements. Group Board of Directors (Board) member Richard E. Thornburgh serves as the chairman of the IHC;
- The election of two new Group Board members, Alexander Gut and Joaquin J. Ribeiro, and the resignation of Sebastian Thrun as Board member at the 2016 Annual General Meeting (AGM). Sebastian Thrun continues to serve as a senior advisor to the Group on innovation and technology matters;
- The review and selection of new Board member candidates for election at the 2017 AGM, in consideration of members stepping down from the Board due to reaching their respective tenure limits or for other reasons;
- The appointment of Brian Chin as new CEO of Global Markets and Executive Board member, effective September 7, 2016, following the accelerated execution of our Global Markets strategy as announced in March 2016; and
- The establishment of a new Group Conduct and Ethics Board (CEB) with oversight by the Executive Board and subject to the overall supervision of the Board, in order to ensure consistently high standards throughout the Group and to further the Group's aim of implementing a culture with responsible conduct and ethics at its core.

► 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. A key development was the publication of the Swiss Federal Council's proposal in November 2016 regarding a revision to Swiss corporate law, which will be reviewed by the Swiss parliament starting in 2017 and includes proposals that impact shareholder meetings, executive compensation and gender diversity at the board and executive board level. A further development was the publication of the new Swiss Financial Market Supervisory Authority FINMA (FINMA) circular 2017/1 "Corporate Governance – Banks" in November 2016, which emphasizes the importance of modern corporate governance and appropriate and efficient risk management for banks; the circular becomes effective on July 1, 2017. The Group's existing corporate governance framework, including its risk management framework, already largely reflects the guidance and standards set forth in this new circular.

► Refer to "Risk management" in III – Treasury, Risk, Balance sheet and Off-balance sheet for further information on risk governance.

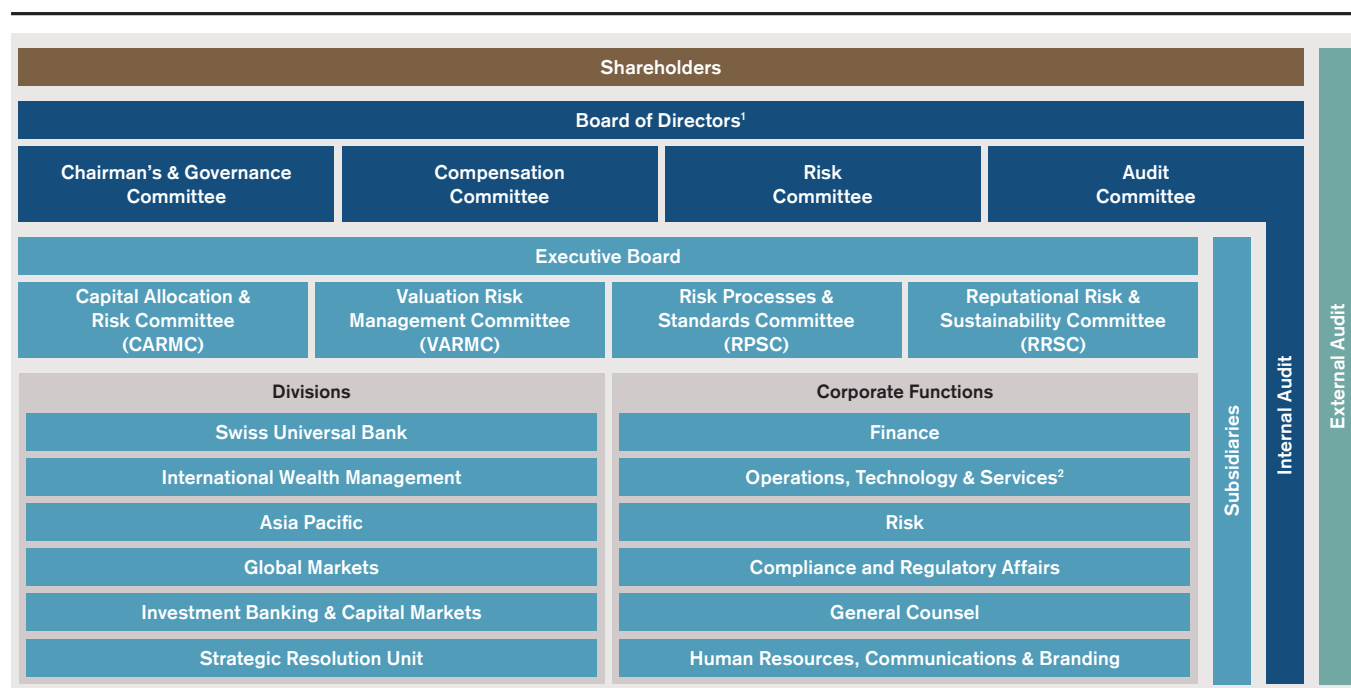
## CORPORATE GOVERNANCE FRAMEWORK

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 independent auditors.

The shareholders elect the members of the Board and the independent 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.

## Corporate Governance Framework



<sup>1</sup> The Board of Directors has also formed as an advisory body, the Innovation & Technology Committee. Refer to "Board committees" for further information.

<sup>2</sup> The Chief Operating Officer (COO) oversees, among others, global operations, information technology and our centers of excellence.

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 [www.credit-suisse.com/governance](http://www.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 October 26, 2016, 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 [www.credit-suisse.com/articles](http://www.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. 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. Our Code of Conduct is available on our website at [www.credit-suisse.com/code](http://www.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: [www.credit-suisse.com/boardcharter](http://www.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 [www.credit-suisse.com/compensationpolicy](http://www.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 Swiss Code of Obligations and the AoA.

Credit Suisse Group AG and Credit Suisse AG are registered companies in Switzerland. The Group's shares are listed on the Swiss Exchange (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 40 – Significant subsidiaries and equity method investments" in V – 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.

► Refer to "[www.credit-suisse.com/code](http://www.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.

► Refer to "[www.credit-suisse.com/responsibility](http://www.credit-suisse.com/responsibility)" for our Corporate Responsibility Report.

### Employee relations

As of December 31, 2016, we had 47,170 employees worldwide, of which 17,020 were in Switzerland and 30,150 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, 2016 was CHF 83,595,895 divided into 2,089,897,378 shares, with a nominal value of CHF 0.04 per share.

► Refer to "Note 16 – Share capital, conditional, conversion and authorized capital of Credit Suisse Group" in VI – 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, 2016, 118,019 shareholders were registered in our share register with 1,271,795,589 shares, representing 61% of the total shares issued. The remaining 39% of shares are not registered in our share register. As of December 31, 2016, 107,432,334 or 5.1%, 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, 2016.

### Distribution of Group shares

end of	2016				2015			
	Number of shareholders	%	Number of shares	%	Number of shareholders	%	Number of shares	%
<b>Distribution of Group shares</b>								
Private investors	114,541	97	165,821,864	8	109,269	97	130,897,618	7
of which Switzerland	104,367	88	146,980,705	7	99,598	88	115,974,393	6
of which foreign	10,174	9	18,841,159	1	9,671	9	14,923,225	1
Institutional investors	3,478	3	1,105,973,725	53	3,669	3	1,014,879,371	52
of which Switzerland	3,040	3	232,035,476	11	3,160	3	208,903,959	11
of which foreign <sup>1</sup>	438	0	873,938,249	42	509	0	805,975,412	41
<b>Shares registered in share register</b>	<b>118,019</b>	<b>100</b>	<b>1,271,795,589</b>	<b>61</b>	<b>112,938</b>	<b>100</b>	<b>1,145,776,989</b>	<b>59</b>
of which Switzerland	107,407	91	379,016,181	18	102,758	91	324,878,352	17
of which Europe	9,595	8	586,277,229	28	9,169	8	552,781,065	28
of which US <sup>1</sup>	148	0	290,750,194	14	173	0	244,415,078	12
of which other	869	1	15,751,985	1	838	1	23,702,494	1
<b>Shares not registered in share register</b>	<b>–</b>	<b>–</b>	<b>818,101,789</b>	<b>39</b>	<b>–</b>	<b>–</b>	<b>811,602,255</b>	<b>41</b>
<b>Total shares issued</b>	<b>–</b>	<b>–</b>	<b>2,089,897,378</b>	<b>100</b>	<b>–</b>	<b>–</b>	<b>1,957,379,244</b>	<b>100</b>

<sup>1</sup> Includes shares issued in the form of ADS.

### Distribution of institutional investors in share register by industry

end of	2016				2015			
	Number of shareholders	%	Number of shares	%	Number of shareholders	%	Number of shares	%
<b>Institutional investors by industry</b>								
Banks	20	0	1,255,503	0	25	0	1,547,448	0
Insurance companies	84	0	11,728,261	1	93	0	10,273,200	1
Pension funds	520	0	56,358,187	3	568	1	46,680,254	2
Investment trusts	360	0	164,705,849	8	399	0	161,850,174	8
Other trusts	579	0	8,320,368	0	646	1	6,883,152	0
Governmental institutions	25	0	604,300	0	34	0	636,040	0
Other <sup>1</sup>	1,761	1	130,483,026	6	1,755	2	121,339,051	6
<b>Direct entries</b>	<b>3,349</b>	<b>3</b>	<b>373,455,494</b>	<b>18</b>	<b>3,520</b>	<b>3</b>	<b>349,209,319</b>	<b>18</b>
<b>Fiduciary holdings</b>	<b>129</b>	<b>0</b>	<b>732,518,231</b>	<b>35</b>	<b>149</b>	<b>0</b>	<b>665,670,052</b>	<b>34</b>
<b>Total institutional investors</b>	<b>3,478</b>	<b>3</b>	<b>1,105,973,725</b>	<b>53</b>	<b>3,669</b>	<b>3</b>	<b>1,014,879,371</b>	<b>52</b>

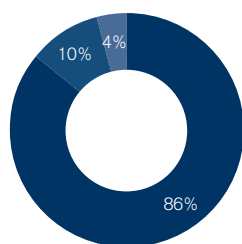
Rounding differences may occur.

<sup>1</sup> 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, 2016 comprised 86% institutional investors, with 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

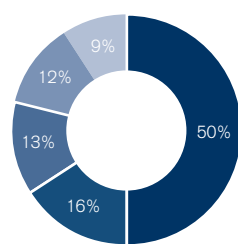
End of 2016



■ Institutional investors  
■ Private investors  
■ Other investors

### Institutional investors by region

End of 2016



■ North America ■ Switzerland  
■ UK & Ireland ■ Europe  
■ Other

### 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, the Compensation Committee Chairman, 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 also receives a quarterly shareholders' letter and 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 [www.credit-suisse.com/investors](http://www.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 their annual consolidated financial statements the identity of any shareholders who own in excess of 5% of their 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 [www.credit-suisse.com/shareholders](http://www.credit-suisse.com/shareholders). Each share entitles the holder to one vote, except as otherwise described below.

► Refer to "Note 3 – Business developments, significant shareholders and subsequent events" in V – 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, 2016, our holdings amounted to 4.21% purchase positions (0.19% registered shares and 4.02% share acquisition rights) and 21.46% sales positions (disposal rights).

### 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 % <sup>1</sup>	Purchase rights %
<b>December 31, 2016 or the most recent notification date</b>				
The Olayan Group (registered entity – Crescent Holding GmbH)	September 16, 2016	111.3	5.41	5.31 <sup>2</sup>
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 <sup>3</sup>
Capital Group Companies, Inc.	January 28, 2017	96.7	4.91	–
Harris Associates L.P.	November 9, 2013 <sup>4</sup>	81.5	5.17	–
BlackRock Inc.	January 25, 2013	38.6	3.01	–
<b>December 31, 2015 or the most recent notification date</b>				
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	–
<b>December 31, 2014 or the most recent notification date</b>				
The Olayan Group (registered entity – Crescent Holding GmbH)	April 6, 2013	88.5	6.70	7.99
Qatar Investment Authority (registered entity – Qatar Holding LLC)	October 31, 2013	82.0	5.20	16.53
Harris Associates L.P.	November 9, 2013	81.5	5.17	–
Norges Bank	June 19, 2014	80.0	5.01	–
Franklin Resources, Inc.	February 25, 2015	67.5	4.20	–
Dodge & Cox	December 19, 2012	63.5	4.96	–
Capital Group Companies, Inc.	January 14, 2015	47.8	2.98	–
BlackRock Inc.	January 25, 2013	38.6	3.01	–

<sup>1</sup> 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.

<sup>2</sup> Consists of 5.26% 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 0.055% from short put options.

<sup>3</sup> Consists of 12.81% 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.

<sup>4</sup> Harris Associates L.P.'s position includes the reportable position (4.96% shareholding as published by the SIX on November 12, 2016) 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 Extraordinary General Meeting (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 of the Board (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 Corporate Governance and Compensation section of the Annual Report) for a consultative vote by shareholders at the 2016 AGM. In accordance with the Swiss Ordinance Against Excessive Compensation with respect to Listed Corporations (Compensation Ordinance), the Group will submit the following Board and Executive Board compensation recommendations for binding votes by shareholders at the 2017 AGM:

- For the Board: a maximum aggregate amount of compensation to be paid to members of the Board for the period from the 2017 to the 2018 AGM;
- For the Executive Board: an aggregate amount of variable compensation in the form of short-term incentive awards to be awarded to Executive Board members for the 2016 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 2017 to the 2018 AGM; and
- For the Executive Board: a maximum aggregate amount of variable compensation in the form of long-term incentive awards to be granted to Executive Board members for the 2017 financial year.

In line with current practice, the Group will continue to submit the compensation report for a consultative vote by shareholders.

► Refer to "Board compensation proposed for approval at the 2017 AGM" and "Executive Board compensation proposed for approval at the 2017 AGM" in Compensation – Board of Directors Compensation and – Executive Board Compensation, respectively, 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 2016 AGM granted discharge to the members of the Board and the Executive Board for the 2015 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 provision" in Compensation – Executive Board compensation 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 court order 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 13 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	Chairman's and Governance Committee	Audit Committee	Compensation Committee	Risk Committee
<b>December 31, 2016</b>						
Urs Rohner, Chairman	2009	Independent	Chairman	–	–	–
Jassim Bin Hamad J.J. Al Thani	2010	Not independent	–	–	–	–
Iris Bohnet	2012	Independent	–	–	Member	–
Noreen Doyle, Vice-Chair, Lead Independent Director	2004	Independent	Member	–	–	Member
Alexander Gut	2016	Independent	–	Member	–	–
Andreas N. Koopman	2009	Independent	–	–	Member	Member
Jean Lanier	2005	Independent	Member	–	Chairman	–
Seraina (Maag) Macia	2015	Independent	–	Member	–	–
Kai S. Nargolwala	2013	Independent	–	–	Member	Member
Joaquin J. Ribeiro	2016	Independent	–	Member	–	–
Severin Schwan	2014	Independent	–	–	–	Member
Richard E. Thornburgh, Vice-Chair	2006	Independent	Member	Member	–	Chairman
John Tiner	2009	Independent	Member	Chairman	–	Member

### Board changes

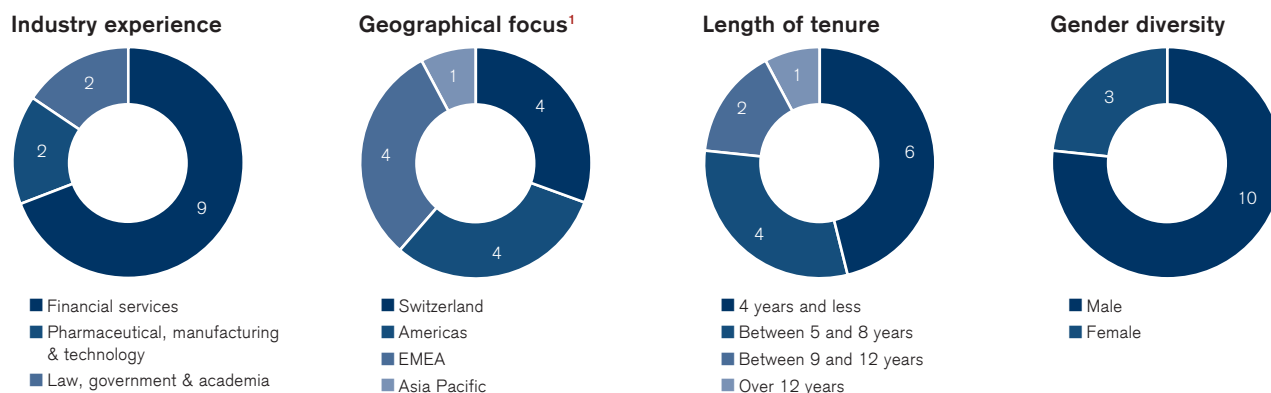
At the 2016 AGM, Alexander Gut and Joaquin J. Ribeiro were elected as new members of the Board and Sebastian Thrun stepped down from the Board. Mr. Thrun continues to advise the Group on innovation and technology matters. The Board proposes Andreas Gottschling and Alexandre Zeller for election as new non-executive Board members at the AGM on April 28, 2017. Mr. Gottschling was previously a member of the management board and chief risk officer (CRO) of Erste Group Bank AG in Vienna. Mr. Zeller was previously chairman of the board of directors of SIX Group AG and joined the board of directors of the Swiss legal entity Credit Suisse (Schweiz) AG and was appointed chairman with effect from October 1, 2016. Noreen Doyle and Jean Lanier, after reaching the respective tenure limits, and Jassim bin Hamad J.J. Al Thani, 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 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 Chairman's and Governance Committee recruits and evaluates candidates for Board membership based on criteria as set forth by the OGR. The Chairman's and Governance Committee may also retain outside consultants with respect to the identification and recruitment of potential new Board members. In assessing candidates, the Chairman's and Governance 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 Chairman's and Governance Committee takes into account independence, diversity, skills and management experience in the context of the needs of the Board to fulfill its responsibilities. The Chairman's and Governance 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



<sup>1</sup> 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 industrial companies in Switzerland and abroad, as well as leading positions in government, academia and international organizations. The Board is composed of individuals with diverse experience, geographical origin and tenure and the necessary expertise in key areas such as financial management, audit, risk management, legal and regulatory affairs, human resources and incentive structures. Gender diversity is an important aspect of Board composition. 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. Besides more formal criteria, consistent with legal and regulatory requirements and the Swiss Code of Best Practice for Corporate Governance, 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 2016, the Board held six meetings in person and ten 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

	Board of Directors <sup>1</sup>	Chairman's and Governance Committee <sup>2</sup>	Audit Committee <sup>3</sup>	Compensation Committee <sup>4</sup>	Risk Committee <sup>5</sup>
<b>in 2016</b>					
Total number of meetings held	16	13	16	10	7
Number of members who missed no meetings	5	3	3	4	4
Number of members who missed one meeting	5	1	3	0	1
Number of members who missed two or more meetings	4	1	0	0	2
Meeting attendance, in %	91	95	92	100	86

<sup>1</sup> The Board consisted of 12 and 13 members at the beginning of the year and the end of the year, respectively, with 2 members joining the Board and 1 member leaving the Board as of the 2016 AGM.

<sup>2</sup> The Chairman's and Governance Committee consisted of five members at the beginning and the end of the year. Meeting attendance was approximated in this case, due to some meetings of the Chairman's and Governance Committee being called on an ad hoc basis, for which no attendance was taken.

<sup>3</sup> The Audit Committee consisted of four members at the beginning of the year and five members at the end of the year.

<sup>4</sup> The Compensation Committee consisted of four members at the beginning and the end of the year.

<sup>5</sup> The Risk Committee consisted of six members at the beginning and the end of the year.

## Mandates

Our Board members and Executive 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.

Board mandates are limited as follows:

- Each member of the Board may assume no more than four other mandates in listed companies; and
- Each member of the Board may assume no more than five mandates in other legal entities, including private non-listed companies.

Executive Board mandates are limited as follows:

- Each member of the Executive Board may assume no more than one other mandate in a listed company; and
- Each member of the Executive Board may assume no more than two other mandates in other legal entities.

The following mandates are exempt from this restriction:

- mandates in legal entities controlled by the Group, such as subsidiary boards;
- mandates in legal entities that are exercised on behalf of the Group, such as business and industry associations; and
- honorary mandates in charitable legal entities.

## Meeting attendance

The members of the Board are encouraged to attend all meetings of the Board and the committees on which they serve.

Board and Executive Board members are each permitted to exercise a maximum of ten mandates on behalf of the Group and a maximum of ten honorary mandates in cultural, educational or charitable legal entities.

No Board or Executive Board member holds mandates in excess of the restrictions described above.

► 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 Chairman's and Governance 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 Swiss Code of Best Practice for Corporate Governance, FINMA and the rules of the NYSE and the Nasdaq Stock Market (Nasdaq) in determining the definition of independence. 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. The length of tenure a Board member has served is not a criterion for independence. Significant shareholder status is also not considered a criterion for independence unless the shareholding exceeds 10% of the Group's share capital. Board members with immediate family members who would not qualify as independent are also not considered independent.

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.

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, 2016, 12 members of the Board were determined by the Board to be independent.

At the time of his election to the Board in 2010, Mr. Bin Hamad J.J. Al Thani was determined not to be independent due to the scope of various business relationships between the Group and Qatar Investment Authority (QIA), a state-owned company that has close ties to the Al Thani family, and between the Group and the Al Thani family. The Group has determined that these various business relationships could constitute a material business relationship.

### 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 Chairman's and Governance 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 Chairman's and Governance 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. Noreen Doyle 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.

Noreen Doyle currently serves as the Lead Independent Director. As Noreen Doyle will not be standing for re-election at the 2017 AGM, the Board will appoint a 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;
- 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;
- is actively involved in 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. 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 evaluation of the Board, which will be conducted during the first quarter of 2017.

## Board – 2016 activities

During 2016, the Board focused on a number of key areas, including but not limited to the activities described below. Specifically, the Board:

- supervised the Group's strategy implementation, with particular focus on the oversight of the accelerated restructuring of Global Markets and the growth of our operations in Asia;
- partnered with management to identify measures which foster a corporate culture based on honesty and integrity across the Group, including the establishment of the new CEB as well as local corporate culture programs at the subsidiary company level;
- focused on corporate governance at the Group's major subsidiaries, which included overseeing the set-up of Credit Suisse (Schweiz) AG, supervising the formation of the board of directors for Credit Suisse Holdings (USA) Inc., and implementing measures to ensure a coordinated approach to corporate governance across the Group, including defining a robust framework for issue escalation and information sharing between the Group and its major subsidiaries;
- established a board leadership event, involving all Group and major subsidiary board members;
- maintained Board-level focus on innovation and technology, dedicating a major part of the Board's annual strategy workshop to the topics of digitization and technology in banking, which included onsite visits to innovative technology companies and discussions with entrepreneurs in the field;
- continued to review the effectiveness of our cybersecurity framework with management through dedicated reviews of our digital security capabilities aimed at preventing cybercrime and by engaging with a leading cybersecurity expert;
- worked closely with management during the settlement proceedings with the DOJ regarding our legacy RMBS business and ultimately approved the terms and conditions of the final settlement, successfully resolving this significant legacy litigation issue; and
- continued to monitor ongoing legal, compliance and regulatory developments, with particular focus on capital and liquidity requirements.

## BOARD COMMITTEES

The Board has four standing committees: the Chairman's and Governance 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 committee chairmen 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.

### Chairman's and Governance Committee

The Chairman's and Governance Committee consists of the Chairman, the Vice-Chairs and the chairmen of the committees of the Board and other members appointed by the Board. It may include non-independent Board members. Our Chairman's and Governance Committee currently consists of five members, all of whom are independent.

The Chairman's and Governance Committee generally meets on a monthly basis and the meetings are also attended by the CEO. It is at the Chairman's discretion to ask other members of management or specialists to attend a meeting.

The Chairman's and Governance 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.



**Chairman's and Governance Committee – 2016 activities**

During 2016, the Chairman's and Governance Committee focused on a number of key areas, including but not limited to the activities described below. Specifically, the Chairman's and Governance Committee:

- focused on supporting the CEO in continuing to deliver on the three-year strategic plan announced in October 2015;
- endorsed the appointment of a new Head of Global Markets by the Board in September 2016;
- supported the Chairman in setting the priorities for the Board's annual strategy workshop in 2016, which was focused on innovation and digitalization in banking;
- provided guidance for the annual performance assessment of the Chairman and the CEO;
- advised on the nominations of Alexandre Zeller and Peter Derendinger as non-executive directors of the new Swiss subsidiary Credit Suisse (Schweiz) AG;
- assessed potential new Board Member candidates during 2016 and recommended that Alexandre Zeller and Andreas Gottschling be proposed as new Board members for election at the 2017 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 chairman 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 chairman.

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 – 2016 activities

During 2016, 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;
- 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, as well as dedicated sessions on specific topics, such as know-your-customer and anti-money laundering requirements, market conduct and global client tax compliance programs;
- conducted a review of the Group's whistleblowing policy and reporting framework, including industry views on best practice;
- held several reviews of the Strategic Resolution Unit, including a review of the principles, governance and controls of business positions transferred into the Strategic Resolution Unit and the Strategic Resolution Unit portfolio status prior to and after the accelerated restructuring of the Global Markets business;
- examined, jointly with the Risk Committee, the circumstances which led to the mark-to-market losses reported in our distressed trading portfolio for the fourth quarter of 2015 and the first quarter of 2016 and commissioned Internal Audit to perform a special review;
- reviewed our approach to conduct risk, jointly with the Risk Committee, in particular for the Asia Pacific division and with respect to emerging regulatory requirements;
- 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 in order to engage with Internal Audit in a more in-depth manner about their risk assessments for the organization and emerging risk and control themes; and
- appointed a new Head of Internal Audit, Rafael Lopez Lorenzo, in the fourth quarter of 2016, due to the retirement of the existing Head of Internal Audit at the end of 2016.

### 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 chairman 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 chairman. 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 2016, the Audit Committee concluded that the Internal Audit function was effective.

### External Audit

The Audit Committee also oversees the work of our external auditor and pre-approves the retention of, and fees paid to, the external auditor for all audit and non-audit services.

► [Refer to "External audit" below for further information.](#)

**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 businesses and the respective management teams and determining and/or recommending to the Board for approval the overall variable compensation pools;
- 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 "Compensation Committee" in Compensation – Group compensation for information on our compensation approach, principles and objectives and outside advisors.

**Compensation Committee – 2016 activities**

During 2016, the Compensation Committee focused on a number of key areas, including but not limited to the activities described below. Specifically, the Compensation Committee:

- oversaw the implementation of the new compensation model for the Executive Board members as communicated in the 2015 Compensation Report, including reviewing the delivery and amount of compensation for Executive Board members in light of the Group's performance, market pay and practices and feedback from shareholders and proxy advisors;
- reviewed and refined the performance metrics for the 2017 Executive Board Long Term Incentive (LTI) awards, reflecting shareholder feedback;
- assessed the Group's performance and determined the compensation pools, including reviewing competitor benchmarking information for the investment banking businesses and approval of a special retention program for those businesses in 2016;
- reviewed the approach to compensation and market practices for the asset management businesses;
- reviewed input from the Group's control functions relevant to the compensation process under the enhanced compensation and risk framework, in line with regulatory guidance;
- reviewed the disciplinary process, including the governance of the new Conduct and Ethics Boards, and its link to performance assessment and compensation determination, as well as the application of malus provisions;
- reviewed the fee levels for members of the Board, in particular for members of the Group's subsidiary boards, taking into account feedback from shareholders and proxy advisors; and
- continued to monitor global regulatory and market trends with respect to compensation at financial institutions and assessing the obligations imposed by the Compensation Ordinance.

### Risk Committee

The Risk Committee consists of at least three members. It may include non-independent members. The chairman of the Audit Committee is generally appointed as one of the members of the Risk Committee. Our Risk Committee currently consists of six 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 certain risk limits and regular risk reports and making recommendations to the Board;
- reviewing and assessing the Group's risk appetite framework;
- 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 – 2016 activities

During 2016, 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 capital adequacy and the allocation of capital to major legal entities and businesses of the Group;
- reviewed the financial plan and endorsed risk appetite and limit requests for 2017;
- 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, including in relation to cybersecurity, the outcome of the UK referendum on continued EU membership and Brazil;
- reviewed changes being implemented in the Group's legal entity structure, including funding plans for subsidiaries and, jointly with the Audit Committee, the status of the supporting technology and operations infrastructure;
- examined, jointly with the Audit Committee, the circumstances which led to the mark-to-market losses reported in

our distressed trading portfolio for the fourth quarter of 2015 and the first quarter of 2016;

- 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;
- closely 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 reviewed the risk management function including processes and organizational structures;
- received regular updates from the CRO change function on the key change programs, including complying with the Basel Committee on Banking Supervision 239 – Principles for effective risk data aggregation and risk reporting; and
- oversaw various regulatory change programs being implemented in line with regulatory expectations.

### Innovation & Technology Committee

The Board established an Innovation & 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. As of April 2016, Sebastian Thrun continued as the Innovation & Technology Committee's chair in his new capacity as senior advisor. Participation in the Innovation & Technology

Committee includes Board members, members of management, internal technology experts and a senior cybersecurity advisor. In 2016, the committee addressed a number of key digital initiatives across several divisions, as well as the Group's cybersecurity framework and IT-related innovation projects. It further examined some of the most recent industry developments in the field of technology-driven innovation.

## BIOGRAPHIES OF THE BOARD MEMBERS

**Urs Rohner**

Born 1959  
Swiss Citizen

Board member since 2009

Chairman of the Board

**Jassim Bin Hamad J.J. Al Thani**

Born 1982  
Qatari Citizen

Board member since 2010

**Professional history**

2004–present	Credit Suisse
	Chairman of the Board and the Chairman's and Governance Committee (2011–present)
	Member of the board of Credit Suisse (Schweiz) AG (Swiss subsidiary) (2015–present)
	Vice-Chair of the Board and member of the Chairman's and Governance 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
Swiss Finance Council, board member
Institute of International Finance, board member
European Banking Group, member
European Financial Services Roundtable, member
University of Zurich Department of Economics, chairman of the advisory board
Lucerne Festival, board of trustees member

**Professional history**

2010–present	Credit Suisse
	Member of the Board
2004–present	Qatar Islamic Bank
	Chairman of the board (2005–present)
	Member of the board (2004–present)
1998–present	Al Mirqab Capital LLC
	CEO (2007–present)
	Member of senior management (1998–2007)

**Education**

1998	Graduated as an Officer Cadet from the Royal Military Academy in England
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**Other activities and functions**

Damaan Islamic Insurance Co. (BEEMA), chairman
QInvest, chairman
Qatar Insurance Company, board member
Qatar Navigation (Milaha), board member

**Iris Bohnet**

Born 1966  
Swiss Citizen

Board member since 2012

### Professional history

2012–present	Credit Suisse
	Member of the Compensation Committee (2012–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
Decision Making and Negotiations Journal, advisory board member

**Noreen Doyle**

Born 1949  
Irish and US Citizen

Board member since 2004

Vice-Chair of the Board  
Lead Independent Director

### Professional history

2004–present	Credit Suisse
	Vice-Chair and Lead Independent Director of the Board (2014–present)
	Member of the Chairman's and Governance Committee (2014–present)
	Member of the Risk Committee (2016–present; 2009–2014; 2004–2007)
	Member of the board of Credit Suisse International and Credit Suisse Securities (Europe) Limited (UK subsidiaries, 2011–present); chair of the boards (2013–present)
	Member of the Audit Committee (2014–2016; 2007–2009)
1992–2005	European Bank for Reconstruction and Development (EBRD)
	First vice president and head of banking (2001–2005)
	Deputy vice president finance and director of risk management (1997–2001)
	Chief credit officer and director of syndications (1994–1997)
	Head of syndications (1992–1994)
Prior to 1992	Bankers Trust Company, Houston, New York and London
	Managing director, European Structured Sales (1990–1992)
	Various positions at management level

### Education

1974	MBA in Finance, Tuck at Dartmouth College, New Hampshire
1971	BA in Mathematics, The College of Mount Saint Vincent, New York

### Other activities and functions

Newmont Mining Corporation, chair
British Bankers' Association (BBA), chair
UK Panel on Takeovers and Mergers, member
Tuck European Advisory Board, member
Marymount International School, London, chair of the board of governors
Sarita Kenedy East Foundation, trustee



**Alexander Gut**

Born 1963

Swiss and British Citizen

Board member since 2016

**Andreas N. Koopmann**

Born 1951

Swiss and French Citizen

Board member since 2009

**Professional history**

2016–present	Credit Suisse
	Member of the Audit Committee (2016–present)
	Member of the board of Credit Suisse (Schweiz) AG (Swiss subsidiary) and chair of the Audit Committee (2016–present)
2007–present	Gut Corporate Finance AG, managing partner
2003–2007	KPMG Switzerland
	Member of the Executive Committee, Switzerland
	Head of Audit Financial Services, Switzerland
	Partner and Head of Audit Financial Services, Zurich
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**

LafargeHolcim Ltd, board member
Adecco Group Ltd., board member and chairman of the nomination and compensation committee
SIHAG Swiss Industrial Holding Ltd, board member

**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–present)
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

**Jean Lanier**

Born 1946  
French Citizen

Board member since 2005

#### Professional history

2005–present	Credit Suisse
	Chairman of the Compensation Committee (2013–present)
	Member of the Chairman's and Governance Committee (2013–present)
	Member of the Compensation Committee (2011–present)
	Member of the Audit Committee (2005–2015)
1990–2004	Euler Hermes Group, Paris
	Chairman of the managing board and group CEO (1998–2004)
	Chairman of the boards of principal subsidiaries (1998–2004)
	Managing director of Euler Group (1997–1998)
	COO and managing director of SFAC (subsequently Euler Hermes SFAC) (1990–1997)
Prior to 1990	Pargesa Group, Paris and Geneva, managing director
	Lambert Brussels Capital Corporation, New York, president
	Paribas Group, various positions, among others: senior vice president of the finance division and senior executive for North America

#### Education

1970	Master of Science in Operations Research and Finance, Cornell University, New York
1969	Master's degree in Engineering, Ecole Centrale des Arts et Manufactures, Paris

#### Other activities and functions

Swiss RE Europe SA, Swiss RE International SE and Swiss RE Europe Holdings SA (subsidiaries of Swiss Re AG), chairman of the board
Fondation Internationale de l'Arche, chairman of the board
L'Arche Long Island, chairman of the board
Association Jean Vanier, board member

**Seraina (Maag) Macia**

Born 1968  
Swiss and Australian Citizen

Board member since 2015

#### Professional history

2015–present	Credit Suisse
	Member of the Audit Committee (2015–present)
2016–present	Hamilton Insurance Group
	CEO Hamilton USA (2016–present)
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

Association of Professional Insurance Women, member
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
	Member of the Compensation Committee (2014–present)
	Member of the Risk Committee (2013–present)
	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
Casino Regulatory Authority in Singapore, board member
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

Mr. Ribeiro currently does not hold directorships in other organizations.
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**Severin Schwan**

Born 1967

Austrian and German Citizen

Board member since 2014

**Richard E. Thornburgh**

Born 1952

US Citizen

Board member since 2006

Vice-Chair of the Board

**Professional history**

2014–present	Credit Suisse
	Member of the Risk Committee (2014–present)
	Member of the board of Credit Suisse (Schweiz) AG (Swiss subsidiary) (2015–present)
1993–present	Roche Group
	CEO (2008–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**

Roche Holding Ltd., board member
International Federation of Pharmaceutical Manufacturers & Associations (IFPMA), vice-president
International Business Leaders Advisory Council for the Mayor of Shanghai, member

**Professional history**

2006–present	Credit Suisse
	Vice-Chair (2014–present)
	Member of the Audit Committee (2011–present)
	Chairman of the Risk Committee (2009–present)
	Member of the Chairman's and Governance Committee (2009–present)
	Member of the Risk Committee (2006–present)
	Member of the board and chair of Credit Suisse Holdings (USA), Inc. and 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
New Star Financial Inc., board member and lead director
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
	Chairman of the Audit Committee (2011–present)
	Member of the Chairman's and Governance 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. and 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

Towergate Insurance, chairman
Tilney, board member
Salcombe Brewery Limited, chairman
The Urology Foundation, chairman

**Honorary Chairman of Credit Suisse Group AG****Rainer E. Gut** Born 1932, Swiss Citizen

Rainer E. Gut 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****Pierre Schreiber****Joan E. Belzer****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. In September 2016, we

announced the appointment of Brian Chin as the new CEO of Global Markets to succeed Timothy O'Hara. 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 other changes in the composition of the Executive Board during 2016. The individual members of the Executive Board are listed in the table below.

**Members of the Executive Board**

	Executive Board member since	Role
<b>December 31, 2016</b>		
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 <sup>1</sup>	2016	Divisional Head
Peter Goerke, Head of Human Resources, Communications & Branding	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

<sup>1</sup> Appointed on September 7, 2016 as a new Executive Board member with immediate effect.

**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):** the CARMC is responsible for supervising and directing our risk profile, recommending risk limits at the Group level to the Risk Committee and the Board, establishing and allocating risk limits among the various businesses, and for developing measures, methodologies and tools to monitor and manage the risk portfolio. CARMC operates in three cycles: the asset & liability management cycle (chaired by the CFO), the market & credit risk cycle (chaired by the CRO) and the internal control systems 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 and approves material changes in major risk management processes and standards, reviews risk management 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.

► Refer to "Risk management" in III – Treasury, risk, Balance sheet and Off-balance sheet for information on our risk management oversight.

During 2016, the Executive Board established a Group CEB for the purposes of providing leadership and establishing expectations on conduct and ethics standards and behaviors for our employees. The Group CEB is co-chaired by the CCRO and the Head of Human Resources, Communication and Branding. The Group CEB is responsible for overseeing how conduct and ethics matters are handled within the divisions and ensuring consistency and alignment of practice across divisions. 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.

**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.

No Executive Board member holds mandates in excess of the restrictions as set forth in our AoA.

► 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 (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
World Economic Forum 2016 in Davos, co-chair



**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. and 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–present) 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)
	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

Galenica Ltd, board member
Swiss Finance Institute (SFI), board of trustees member
Zurich Chamber of Commerce, board member
Association Friends of the Zurich Art Museum, board member

**Brian Chin**

Born 1977  
US Citizen

Member since 2016

CEO Global Markets

**Peter Goerke**

Born 1962  
Swiss Citizen

Member since 2015

Head of Human Resources,  
Communications & Branding

**Professional history**

2003–present	Credit Suisse
	CEO Global Markets (2016–present)
	Member of the board of Credit Suisse Holdings (USA), Inc. and 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
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**Other activities and functions**

Mr. Chin currently does not hold directorships in other organizations.

**Professional history**

2015–present	Credit Suisse
	Head of Human Resources, Communications & Branding
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**

Mr. Goerke currently does not hold directorships in other organizations.



**Thomas P. Gottstein**  
Born 1964  
Swiss Citizen

Member since 2015

CEO Swiss Universal Bank and  
Credit Suisse (Schweiz) AG

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

Opernhaus Zurich, board member
Digitaliswitzerland, association member
Credit Suisse Foundation, trustee
Art Committee, Credit Suisse, committee member
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



**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)

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.
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**David R. Mathers**

Born 1965  
British Citizen

Member since 2010

Chief Financial Officer

**Joachim Oechsli**

Born 1970  
Swiss Citizen

Member since 2014

Chief Risk 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	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

**Professional history**

2014–present	Credit Suisse
	Chief Risk Officer (2014–present)
	Member of the board of Credit Suisse Holdings (USA), Inc. and 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
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**Helman Sitohang**

Born 1965  
Indonesian Citizen

Member since 2015

CEO Asia Pacific

**Lara J. Warner**

Born 1967  
Australian and US Citizen

Member since 2015

Chief Compliance and Regulatory  
Affairs Officer

**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
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**Other activities and functions**

Mr. Sitohang currently does not hold directorships in other organizations.

**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
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**Other activities and functions**

Signac (joint venture between Credit Suisse and Palantir Technologies), board 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

## 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, 2016, 2015 and 2014, 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 shareholdings and loans" and "Executive Board shareholdings, loans and other outstanding awards" in Compensation – Board of Directors Compensation and – Executive Board Compensation, respectively, for a list of 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 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, 2016:

- 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 current Board member Jassim Bin Hamad J.J. Al Thani and our then Board member Aziz R.D. Syriani, respectively, 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, Mr. Syriani retired from the Board and no other person affiliated with The Olayan Group has been elected as a Board member.

► Refer to "Note 30 – Related parties" in V – Consolidated financial statements – Credit Suisse Group for further information on related party transactions.

## EXTERNAL AUDIT

► Refer to "Audit Committee" in 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	2016	2015	% change
<b>Fees paid to external auditors (CHF million)</b>			
Audit services <sup>1</sup>	48.8	45.3	8
Audit-related services <sup>2</sup>	5.5	10.0	(45)
Tax services <sup>3</sup>	1.9	2.2	(14)

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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 2016 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.

## ADDITIONAL 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 January 1, 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 Chairman's and Governance 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 comprised of 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 by-laws 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 2016, 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 1.1 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.

# Compensation

## DEAR SHAREHOLDERS

As the Chairman of the Compensation Committee of the Board (Compensation Committee), I am pleased to present to you the 2016 Compensation Report. Let me briefly highlight some of the focus areas of the Compensation Committee in 2016, the main compensation decisions related to variable incentive compensation awarded for the 2016 financial year, as well as the resolutions which we will submit for binding shareholder votes at this year's AGM.

### Key developments

During the first full year of our three-year strategic plan announced in October 2015, the Compensation Committee closely monitored the progress of the implementation of the Group's strategy, assessed the performance of the Group and divisions against pre-defined objectives and determined the appropriate levels of compensation for our employees in light of the operating results and market environment.

In the first quarter of 2016, the investment banking businesses, namely Global Markets and Investment Banking & Capital Markets, experienced key employee retention issues which resulted from the substantial reductions in their respective variable compensation pools that reflected the disappointing financial performance in 2015. Consequently, the Board of Directors (Board) approved special retention awards which enabled senior management to retain critical staff on a selective basis and to prevent harmful departures during a period of restructuring.

Based on this experience, the Compensation Committee acknowledged that 2016 was an important transition year which involved significant restructuring and re-organization efforts amid challenging market conditions and related uncertainties. Further, in order to remain competitive in the market during periods of transition, a differentiated approach to determining compensation was required. In particular, for divisions engaged in significant investment in building a client-centric operation such as Investment Banking & Capital Markets and Asia Pacific, as well as for Global Markets as a division undergoing substantial restructuring, the variable compensation pools for 2016 were set to ensure that employees who met their performance targets could be compensated in line with the market in order to retain key talent and, in the best interest of shareholders, maintain momentum for the continued execution of the Group's strategy in 2017 and 2018. Overall, the Compensation Committee recognized that the strategy was executed with discipline throughout the Group's organization and that important milestones in terms of cost reduction, reduced risk profile and strengthened capital base were met or surpassed in 2016.

In addition, the Compensation Committee carefully monitored the continued progress of the Group in considering risk and control in connection with performance reviews and the compensation process. Under the enhanced compensation and risk framework

which was introduced in 2016, all divisions were assessed against pre-defined risk measures. Based on the consolidated findings the Compensation Committee applied upward as well as downward adjustments to select divisional variable compensation pools. These adjustments were communicated within the respective divisions to reiterate the correlation between risk and control considerations and pay.

## 2016 Compensation decisions

### Group compensation

The Compensation Committee acknowledged that the 2016 financial results reflected a year of significant transition and that the reported pre-tax loss of CHF 2,266 million included a provision in the fourth quarter of approximately USD 2 billion relating to the settlement with the United States Department of Justice (DOJ). Nevertheless, the businesses made strong progress in achieving their strategic objectives, including reducing their cost base and increasing market share in key client and product segments. For 2016, the Board approved the Compensation Committee's proposal to award total Group variable incentive compensation of CHF 3,093 million. The increase of 6% compared to 2015 reflected the impact of strategic hiring in high growth business areas as well as the previously mentioned market adjustments to particular divisional pools. Total compensation awarded for 2016 increased slightly compared to the previous year, and total compensation expense was 8% lower compared to the previous year, largely due to lower levels of deferred compensation that vested in 2016.

Of the total variable incentive compensation awarded across the Group, 44% was deferred, compared to 43% in 2015.

### Executive Board compensation

To align our Executive Board compensation with the new strategy, a revised compensation structure as outlined in the 2015 Compensation Report was approved and fully implemented in 2016. Accordingly, variable incentive compensation is awarded as Short-Term Incentive (STI) and Long-Term Incentive (LTI) opportunities.

The 2016 STI awards were fully dependent on the performance for the 2016 financial year. Payout levels were determined by quantitative criteria (70% weighting) and qualitative performance objectives (30% weighting). With respect to the quantitative performance criteria the Board approved explicit targets for 2016 with "Threshold", "Target" and "Maximum" performance levels, corresponding to payouts of 25%, 80% and 100%, respectively. Accordingly, achieving the target performance level would result in a payout of 80% of the maximum opportunity, whereas there would be no payout for actual performance below the respective threshold level. The section "Executive Board Compensation" of this report provides further details regarding the performance assessment against quantitative and qualitative criteria which formed the basis for the 2016 STI award recommendations.



The Board's proposal to shareholders is to deliver the 2016 STI awards in the form of 50% immediate cash and 50% deferred cash vesting on the third anniversary of the grant date.

In addition to the 2016 STI awards and subject to the approval of shareholders, we intend to grant 2017 LTI awards contingent upon performance targets that are pre-determined for the three-year period from the beginning of 2017 to the end of 2019. These awards will be delivered in the form of shares in three equal tranches on the third, fourth and fifth anniversary of the grant date.

#### **Board of Directors compensation**

Consistent with the past several years, compensation of the Board of Directors 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 other leading Swiss companies and global financial services firms and, in line with industry practice, are not linked to the financial performance of the Group. The fee structure for members of the Board remained unchanged compared to the previous year, with the exception of the chair fees for the Audit Committee and Risk Committee Chairmen, which have been adjusted downward to better reflect market levels for these roles. Furthermore, the Chairman proposed to voluntarily waive 50% of his chair fee of CHF 1.5 million for the period from the 2016 AGM to the 2017 AGM, and this proposal was approved by the Board.

#### **Annual General Meeting of Shareholders 2017**

In line with the Swiss Ordinance Against Excessive Compensation with respect to Listed Stock Corporations (Compensation Ordinance) and the Group's Articles of Association (AoA), the compensation of the Executive Board and the Board will be submitted for binding shareholder votes at the 2017 Annual General Meeting of Shareholders (AGM). Accordingly, shareholders will be asked to approve:

- Executive Board aggregate variable STI compensation for the 2016 financial year (retrospective vote)
- Maximum aggregate fixed compensation for the Executive Board for the period 2017 AGM to 2018 AGM (prospective vote)
- Maximum aggregate amount of 2017 LTI compensation to be awarded to members of the Executive Board subject to

performance measurement over the three year period from 2017 to 2019, followed by two years of phased vesting and delivery in three installments on the respective third, fourth and fifth anniversaries of the grant date (prospective vote)

- Maximum aggregate compensation for the Board for the period 2017 AGM to 2018 AGM (prospective vote)

The actual fixed compensation paid to the Board and the Executive Board for the period 2016 AGM to 2017 AGM as well as the 2016 LTI compensation granted to members of the Executive Board was within the maximum amounts approved by the shareholders at last year's AGM.

We will continue to submit the entire Compensation Report for a consultative vote as was our practice in the past.

The Compensation Committee is satisfied that this Compensation Report reflects the review process and determination of compensation for 2016. This Compensation Report is in line with the specific remuneration disclosure requirements issued by the Swiss Financial Market Supervisory Authority FINMA (FINMA). In the context of compensation for the Board and the Executive Board, the Compensation Report is in compliance with the respective provisions of the Compensation Ordinance, as confirmed by our auditors KPMG. The activities of the Compensation Committee were executed in accordance with its mandate under the Credit Suisse Organizational Guidelines and Regulations and the Compensation Committee charter.

On behalf of the Compensation Committee, I would like to thank you for your support and feedback, which we will continue to solicit in the context of reviewing and refining our compensation practices to ensure both full compliance with all regulatory requirements as well as alignment with the interests of our shareholders.



Jean Lanier  
Chairman of the Compensation Committee  
Member of the Board of Directors  
March 2017



## Report of the Statutory Auditor

To the General Meeting of Shareholders of Credit Suisse Group AG, Zurich

We have audited the accompanying compensation report dated March 24, 2017 of Credit Suisse Group AG (the "Group") for the year ended December 31, 2016. 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 236 to 248 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, 2016 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 24, 2017

**GROUP COMPENSATION****Compensation policy and objectives**

The objectives of the Group's compensation policy include attracting and retaining employees, and motivating employees to achieve results with integrity and fairness. The compensation policy is designed to support a performance culture which fosters teamwork and collaboration. Furthermore, it aims to promote effective risk management practices consistent with the Group's compliance and control framework. The compensation policy takes into account the capital position and long-term performance of the Group and balances the fixed and variable incentive compensation components to reflect the value and responsibility of the roles that employees perform. The objectives of the compensation policy are framed to achieve an appropriate balance between the interests of employees and shareholders in order to create sustainable value for the Group.

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 adheres to the compensation principles set out by the Group's regulator in Switzerland, the  FINMA, as well as the regulators in other jurisdictions in which the Group operates.

The compensation policy is reviewed regularly and endorsed by the independent Compensation Committee. The compensation policy, as well as periodic updates and revisions, is approved by the Board. The compensation policy is accessible to all employees and is published at [www.credit-suisse.com/compensation](http://www.credit-suisse.com/compensation).

**Compensation Committee**

The Compensation Committee is the supervisory and governing body for compensation policies, practices and plans. It is responsible for determining, reviewing and proposing compensation for the Group and Executive Board for approval by the Board. In accordance with the Swiss Ordinance Against Excessive Compensation with respect to Listed Corporations (Compensation Ordinance) and the Articles of Association (AoA), the shareholders vote annually to approve the compensation of the Board and the Executive Board based on the proposals set forth by the Board. The Compensation Committee consists of at least three members of the Board, all of whom must be independent. The current members are Jean Lanier (chairman), Iris Bohnet, Andreas N. Koopmann and Kai S. Nargolwala. The Board has applied the independence criteria of the Swiss Code of Best Practice for Corporate Governance and the FINMA, and the rules 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 Corporate Governance – Board of Directors for more information on how the Group determines the independence of its Board members.

**Advisers to the Compensation Committee**

The Compensation Committee is authorized to retain outside advisers, at the Group's expense, for the purposes of providing guidance to the Compensation Committee as it carries out its responsibilities. McLagan, a management consulting firm specializing in the benchmarking of performance and reward data for the financial services industry, assists the Compensation Committee in ensuring that the Group's compensation program remains competitive, responsive to regulatory developments and in line with the compensation policy. McLagan has appointed a senior consultant to advise the Compensation Committee. This individual does not provide other services to the Group other than assisting the Compensation Committee. Prior to appointment, the Compensation Committee conducted an independence assessment of this advisor pursuant to the rules of the US Securities and Exchange Commission (SEC) and the listing standards of the NYSE and the Nasdaq.

**Compensation Committee meetings and annual performance review**

The Chairman of the Board (Chairman) and the Chief Executive Officer (CEO) may attend the Compensation Committee meetings, and the Compensation Committee chairman determines the attendance of other Board members, Executive Board members, senior management, compensation advisers and external legal counsel, as appropriate. The Chairman, CEO and senior management do not participate in discussions which relate to their own compensation.

In February of each year, the Compensation Committee meets, with the Chairman and the CEO present, for the primary purpose of reviewing the performance of the Group, the businesses and their respective management teams for the previous year. This provides the basis for a recommendation of the overall variable incentive compensation pools (pools) for the business divisions and corporate functions for approval by the Board. During its annual performance review, the Compensation Committee considers input from the chairmen of the Risk and Audit Committees, who may also attend the Compensation Committee meeting in February. The Risk Committee provides input to the Compensation Committee with respect to risk considerations and the Audit Committee provides input with respect to internal control considerations. The Compensation Committee approves the compensation for the Head of Internal Audit after consulting with the Audit Committee chairman.

The Compensation Committee also considers input from the Group's internal control functions. Specifically this includes contributions from Risk Management, Compliance and Regulatory Affairs, and Internal Audit, regarding control and compliance issues and any breaches of relevant rules and regulations or the Group's Code of Conduct. The Compensation Committee reviews the impact on the recommended amount of variable incentive compensation with respect to individuals who have been subject to the Group's disciplinary processes.

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.

► Refer to “Material Risk Takers and Controllers” in Focus on risk and control – Covered employees (including Material Risk Takers and Controllers) for further information.

During 2016, the Compensation Committee held 10 meetings (including telephone conferences), with the following focus areas:

- implementation of the new compensation model for Executive Board members as communicated in the 2015 Compensation Report, including review of the delivery and amount of compensation for Executive Board members in light of the Group’s performance, market pay and practices and feedback from shareholders and proxy advisors;
- review and refinement of the performance metrics for the 2017 Executive Board long term incentive (LTI) awards, reflecting shareholder feedback;
- assessment of the Group’s performance and determination of compensation pools, including detailed review of competitor benchmarking information for the investment banking businesses and approval of a special retention program for those businesses in 2016;
- review of the approach to compensation and market practices for the asset management businesses;
- review of input from the Group’s control functions relevant to the compensation process under the enhanced compensation and risk framework, in line with regulatory guidance;
- review of the disciplinary process, including the governance of the new Conduct and Ethics Boards, and its link to performance assessment and compensation determination, as well as the application of malus provisions;
- review of fee levels for members of the Board, in particular for members of the Group’s subsidiary boards, taking into account feedback from shareholders and proxy advisors; and
- monitoring of global regulatory and market trends with respect to compensation at financial institutions and assessing the obligations imposed by the Compensation Ordinance.

The Compensation Committee chairman maintains an active dialogue with the Group’s principal regulators about compensation governance and plans. In addition, he engages with shareholders and their representatives regarding the compensation policy and plans.

#### Approval authority

The approval authorities for setting 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 [www.credit-suisse.com/governance](http://www.credit-suisse.com/governance).

Board approval, based on the recommendation of the Compensation Committee, is required to:

- establish or amend the Group’s compensation policy;
- establish or amend the compensation plans;
- determine the pools for the Group and divisions;
- determine compensation for the Executive Board members, including the CEO, subject to the shareholder approval requirement pursuant to the Compensation Ordinance and the AoA; and
- determine compensation of the Board, including the Chairman, subject to the shareholder approval requirement pursuant to the Compensation Ordinance and the AoA.

Compensation Committee approval is required for compensation decisions with respect to:

- the Head of Internal Audit (in consultation with the Audit Committee chairman);
- MRTC; and
- other selected members of management.

#### Impact of regulation on compensation

Many of the Group’s regulators, including FINMA, focus on compensation. Guidance on FINMA practice is primarily set out in FINMA’s Circular on Remuneration Schemes (Circular). Additionally, several regulators, including those in the US, the EU and the UK, impose requirements that differ from, or supplement, the FINMA requirements. Therefore, the Group’s plans comply globally with the Circular and, to the extent local requirements differ from or supplement those standards, plans are adapted locally in the relevant jurisdiction. This generally results in additional terms, conditions and processes being implemented in the relevant locations. The Group continuously monitors regulatory and legislative developments in all applicable jurisdictions, as well as industry best practices in compensation and guidance issued by various regulatory bodies.

#### Determination of 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 methodology to determine the Group and divisional pools takes into account economic contribution, key performance metrics and certain non-financial criteria, including risk and control, compliance and ethical considerations and relative performance compared to peers, as well as the market positioning and trends and the regulatory environment.

Economic contribution is the primary driver and is measured at both the Group and divisional levels as income before taxes and variable incentive compensation expense, after deducting a capital usage charge that is calculated based on regulatory capital. For 2016, 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. The Compensation Committee intends to achieve a more balanced distribution of economic contribution between employees and shareholders over the long term,

subject to Group performance and market conditions. Regulatory capital is defined for the Group as the sum of its divisional components. For economic contribution, the Group and divisional results exclude major litigation provisions and settlements, gains/losses on business sales, real estate gains, restructuring expenses and other significant items as approved by the Compensation Committee.

The pools are determined on an annual basis, with accruals made throughout the year. The Compensation Committee regularly reviews the accruals and related financial information and applies adjustments in exceptional circumstances to ensure that the overall size of the pools is consistent with the Group's compensation objectives, protects the franchise and supports the Group's strategic objectives of delivering stable and profitable returns while growing the core businesses.

When determining the compensation pools for 2016, the Compensation Committee reflected on the significant reductions to the Global Markets and Investment Banking & Capital Markets divisional pools for 2015, following the disappointing performance of the investment banking businesses in 2015. These reductions resulted in serious retention issues in Global Markets and Investment Banking & Capital Markets in the first quarter of 2016, which led the Board to approve special retention awards to prevent harmful departures of critical staff. Based on this experience, the Compensation Committee carefully considered the Group's market positioning and trends in 2015, as well as those expected in 2016. It was agreed that for divisions engaged in significant investment for the purposes of building and expanding a client-centric approach, as well as lines of businesses undergoing substantial restructuring, market positioning and trends would play a key role in the determination of variable incentive compensation. For these divisions, the 2016 pools were set to ensure that employees who met their performance targets could be compensated in line with the market in order to retain key talent and, in the best interest of shareholders, maintain momentum for the continued execution of the Group's strategy in 2017 and 2018. Overall, the Compensation Committee recognized in setting the variable compensation pools for 2016, that the strategy was executed with discipline throughout the Group and that important milestones relating to cost reduction, reduced risk profile, and strengthened capital base were met or surpassed in 2016.

The total amount of the pool for employees working in corporate functions is not linked to the performance of the particular divisions that employees of the corporate functions support or oversee, but takes into account factors such as the Group-wide financial performance, the performance of the individual functions both in terms of achievements and qualitative measures as well as market positioning and trends. Therefore, employees working in the corporate functions, and in particular those performing control functions, are remunerated independently from the performance of the businesses they support or oversee. As with the business divisions, the pool assessment process for corporate functions takes into account risk, control, compliance with policies and regulations, ethical considerations and relative performance compared to peers, as

well as the market and regulatory environment. After the pool has been determined for the corporate functions, a deduction is applied to the pool of each business division, following a consistent allocation approach based on consumption of resources, to fund the pool for the employees of the corporate functions.

Based on collective feedback from the control functions, adjustments may be applied to the divisional pool amounts. Once the pools have been set at the Group and divisional levels, each business division allocates its pool to its business areas, based on the same or similar factors as used to determine the divisional pool. Capital usage and risk are factored into the pools as they are allocated within business areas. This process helps to emphasize to business area managers that capital usage is a significant factor in determining the pool for the business area under their responsibility. The pools are allocated to line managers who award variable incentive compensation on a discretionary basis to employees based on individual and business area performance, subject to the constraints of the pool size.

### **Competitive benchmarking**

The assessment of the economic and competitive environment is another 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, McLagan, 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.

► Refer to "2017 Long-Term Incentive (LTI) awards" in Executive Board Compensation – Type of awards in 2017 for the list of 18 peers used specifically for determining Relative Total Shareholder Return.

### **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. The Group's control functions are independent from the business divisions and include Internal Audit, Compliance and Regulatory Affairs, Risk Management, Finance, and Human Resources, Communications and Branding.

### **Role of control functions and the new Conduct and Ethics Boards**

As part of the process for determining the variable incentive compensation pool levels, senior management of the control functions 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.

In 2016, an enhanced compensation and risk framework was introduced to supplement the existing measures that incorporate risk and control criteria into the determination of pool levels. Under the enhanced framework, the 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. In 2016, Conduct and Ethics Boards (CEBs) were established at the Group level, for the control functions overall, as well as within each business division, replacing the former regional Disciplinary Review Committees. The CEBs review all disciplinary events and decide on disciplinary sanctions proposed by the recommendation teams, which include representatives from the control functions. 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.

### Covered Employees (including Material Risk Takers and Controllers)

#### Material Risk Takers and Controllers

MRTC include employees who, either individually or as part of a group, by virtue of their level of responsibility or authority, are considered capable of causing a potentially material impact on the Group's risk profile. The criteria for classifying individuals as MRTC for the Group are approved by the Board upon recommendation by the Compensation and Risk Committees.

Employees meeting one or more of the following criteria are identified as MRTC:

- members of the Executive Board;
- employees who report directly to a member of the Executive Board: i) in the business divisions, these include employees responsible for managing significant lines of business of the Group and members of divisional management committees; and ii) in Internal Audit, Finance, Risk Management, General Counsel, Compliance and Regulatory Affairs, and Human Resources, Communications & Branding, these include senior control personnel who are responsible for monitoring individuals or groups of individuals who manage material amounts of risk for the Group;
- employees, either individually or as part of a group, with the ability to put material amounts of the Group's capital at risk (these include traders, and others who are authorized to manage, supervise or approve risk exposure that could have a material or significant effect on the Group's financial results);
- the top 150 paid employees across the Group (based on total compensation), regardless of seniority or function;
- all UK managing directors and other employees who, based on the significance of their functions in the UK and the potential

impact of their risk-taking activities for the Group's UK entities, meet the "PRA Code Staff" definition of the Group's UK regulator, the Prudential Regulation Authority (PRA); and

- other individuals, whose roles either individually or as part of a group, have been identified as having a potential impact on the market, reputational or operational risk of the Group.

In 2016, two additional subsets of the UK PRA Code Staff population were introduced by the PRA, namely "risk managers" and "senior managers". Risk managers are individuals identified as having responsibility for managing or supervising risk-taking or significant risk functions for the Group's UK entities. Senior managers are 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. Deferred awards granted to individuals classified as risk managers and senior managers are subject to longer vesting periods than other employees, and all variable compensation awarded to senior managers is subject to clawback over a longer period than other employees classified as PRA Code Staff.

#### Compensation process for Covered Employees

A broader group of employees collectively known as Covered Employees are also subject to the heightened levels of scrutiny over the alignment of their performance and compensation that apply to MRTCs. This population includes all MRTC and all US-based revenue producers in the Global Markets and Investment Banking & Capital Markets divisions, and any other employees identified by specific regulators or regulatory requirements.

Covered Employees and their managers are required to define role-specific risk objectives and to incorporate risk considerations in their performance evaluations when setting variable incentive compensation. The types of risk considered vary by role and include reputational, credit, market, operational, liquidity, and legal and compliance risks. Risk is assessed in the context of both realized and potential risk outcomes.

#### Malus provisions

All deferred compensation awards granted contain provisions that enable the Group to reduce or cancel the awards prior to settlement if the participant engages in certain detrimental conduct ("malus"). Consistent with previous years, deferred awards granted for 2016 enable the Group to reduce or cancel the awards prior to settlement if the conduct of the holder:

- constitutes impermissible disclosure or misuse of Group information, or willful engagement in conduct that is materially detrimental to an interest of the Group;
- evidences serious misbehavior or serious error;
- causes, could cause, or could have caused the Group or any Credit Suisse division or region to suffer a significant downturn in financial performance or regulatory capital base;
- constitutes a significant failure of risk management; or



- is reviewed by the Group's disciplinary conduct, ethics or similar committee or body.

Malus provisions were enforced during the course of 2016.

Performance share awards contain further provisions that can result in a downward adjustment or cancellation of the full balance of deferred awards in the event of future negative business performance. These additional provisions can apply regardless of whether the individual employee in question contributed to that performance.

► Refer to "Compensation design" for further information on deferred compensation.

► Refer to "Performance share awards" in Compensation design – Deferred variable incentive compensation instruments for details of these awards and the performance-based conditions and to the table "Potential downward adjustments of performance share and STI awards" for specific downward adjustments that may be applied.

### Clawback provisions

While malus provisions referenced above only affect deferred awards prior to settlement, regulations enacted by the PRA require additional "clawback" provisions enabling the Group, subject to conditions, to claim back variable incentive compensation even after vesting and distribution to PRA Code Staff.

The clawback provision applies to all variable incentive compensation (including deferred and non-deferred items such as the cash component of variable incentive compensation) granted to PRA Code Staff. The clawback may be enforced by the Group at any time up to seven years from the grant date of the variable incentive compensation (or such longer period, as may be required by applicable law) in the event that:

- the individual participated in or was responsible for conduct which resulted in significant losses to the Group;

- the individual failed to meet appropriate standards of fitness and propriety, assessed by reference to factors including i) honesty, integrity and reputation; ii) competence and capability and iii) financial soundness;
- there is reasonable evidence of misbehavior by the individual or material error made by the individual; or
- the Group or the relevant business unit suffers a material failure of risk management.

For PRA Code Staff in jurisdictions other than the UK, the Group will, as circumstances deem necessary, pursue the application of the above clawback provisions to the extent permitted under local laws. Variable incentive compensation awards granted to employees regulated by the Bank of Italy contain similar clawback provisions.

### Compensation design

The Group's total compensation approach includes fixed and variable incentive compensation. Fixed compensation includes base salary, which reflects seniority, experience, skills and market practice, and role-based allowances for certain employees. Variable incentive compensation is awarded annually based on the assessment and decision of the Board, and is dependent on Group, divisional and individual performance. The percentage mix between fixed and variable incentive compensation varies according to the employee's seniority, business, conditions in the labor market and regulatory requirements.

Variable incentive compensation for 2016 was awarded primarily in the form of cash, share-based awards and Contingent Capital Awards (CCA). Share-based awards and CCA are deferred variable incentive compensation instruments that vest and settle in the future as described further below.

## Employee categories and components of total compensation for 2016

Employee category	Total compensation				
	Fixed compensation	Variable compensation			
		Deferred compensation <sup>1</sup>			
	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 above CHF/USD 250,000			100%		
Employees with total compensation below CHF/USD 250,000					

<sup>1</sup> Deferred compensation is applicable to employees with total compensation of CHF/USD 250,000 or higher.

### 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 PRA Code Staff and other employees identified as risk-takers under EU regulatory requirements. These role-based allowances are determined based on the role and organizational responsibility of the individuals. Subject to certain conditions, 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 and Capital Requirements Regulation (CRD IV). Role-based allowances for 2016 were paid entirely in cash on a non-deferred basis.

### Variable incentive compensation and deferral rates

For 2016, variable incentive compensation was paid in cash unless the total compensation awarded to an employee for 2016 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 which case a portion was paid in cash and the balance was deferred, vesting at a later date.

The deferred portion was defined by a deferral table whereby the portion of deferred compensation increased with higher levels of total compensation. 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 2016, 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. Consistent with 2015, the amount of variable incentive compensation paid in cash for 2016 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. For 2016, 43,412 employees received variable incentive compensation, representing 92% of total employees, of which 939 were classified as MRTC.

► Refer to the table "Number of employees awarded variable incentive and other compensation" for further information.

### Cash

Generally, employees receive the cash portion of their variable incentive compensation at a regular payroll settlement date close to the grant date.

### Commissions

The Group also pays commissions to employees operating in specific areas of the business, in line with market practice. These commissions are calculated based on formulas, and are reviewed regularly to ensure that they remain at competitive levels.

### Blocked share awards

To comply with CRD IV requirements, employees who hold key roles in respect of certain Group subsidiaries in the EU receive shares that are subject to restrictions for 50% of the amount 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 six months to three years from the date of grant, depending on jurisdiction.

### Deferred variable incentive compensation instruments

#### Share awards

Each share award entitles the holder of the award to receive one Group share at the delivery date. Share awards are designed to align the interests of employees and shareholders, as well as comply with the expectations of regulators that a substantial portion of variable incentive compensation should be granted in this form.

Share awards vest over three years with one third of the award 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 and 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. The number of share awards granted for 2016 was determined by dividing the value of the deferred component of the variable incentive compensation to be granted as share awards by the applicable share price of CHF 15.32, based on the average of the last 10 trading days in February, according to the timing and methodology as approved by the Compensation Committee at the beginning of February 2017. The final value of the share awards is solely dependent on the share price at the time of delivery (settlement). While share awards granted between January 1, 2014 and December 31, 2015 do not include the right to receive dividend equivalents, share awards granted after January 1, 2016 include the right to receive dividend equivalents upon vesting. This change in approach is aligned with market practice and ensures that deferred share awards granted to employees carry the same rights and are priced in the same manner as actual Credit Suisse Group AG registered shares. A total of 7,042 employees were granted share awards for 2016.

#### 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 conditions. Performance share awards granted for 2016 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, 2016, or a negative return on equity (ROE) of the Group, which ever 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 and is not linked to the performance of the divisions. The basis for the ROE calculation is determined by the Compensation Committee for the year in which the performance shares are granted and may vary from year to year. For 2016, the calculation was based on adjusted results, which the Compensation Committee considered the most accurate reflection of the operating performance of the businesses. Adjusted results are non-GAAP financial measures that exclude goodwill impairment, real estate transactions,

business sales, restructuring expenses, and major litigation provisions. Outstanding performance share awards granted in previous years until 2015 were subject to a negative adjustment in the event of a negative strategic ROE of the Group. However, following the change in the Group's financial reporting structure, strategic ROE is no longer calculated for performance share awards granted until 2015, and consequently any negative adjustment to them is subject to the discretion of the Compensation Committee. There were no negative adjustments applied to the performance share awards vesting in 2017, given the positive adjusted divisional results and positive adjusted ROE of the Group for 2016.

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

The amount of the potential negative adjustment for a loss at the divisional level, which is applicable to all outstanding performance share awards (including the STI awards of Executive Board members who lead business divisions), is shown in the following table.

### Potential downward adjustments of performance share and STI awards

#### 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)

As in the case of share awards, performance share awards granted between January 1, 2014 and December 31, 2015 do not include the right to receive dividend equivalents, while performance share awards granted after January 1, 2016 include the right to receive dividend equivalents upon vesting. A total of 1,795 employees were granted performance share awards for 2016. Managing directors and almost all employees classified as MRTC received at least 50% of their deferred variable incentive compensation in the form of performance share awards.

#### Contingent Capital Awards (CCA)

CCA are a form of deferred award that have rights and risks similar to those of certain contingent capital instruments issued by the Group in the market, such as the high-trigger contingent convertible capital instruments. CCA are scheduled to vest on the third anniversary of the grant date, other than CCA 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. CCA are expensed over the vesting period. However, because 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. Prior to settlement, CCA provide a conditional right to receive semi-annual cash payments of interest equivalents. The rates depend upon the vesting period and the currency of denomination, as follows:

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

These rates were set in line with market conditions at the time of grant and with existing high-trigger and low-trigger contingent capital instruments that the Group has issued. CCA are not traded in the debt markets. Employees who were awarded compensation in Swiss francs received CCA denominated in Swiss francs, while employees who were awarded compensation in currencies other than Swiss francs received CCA denominated in US dollars.

At settlement, employees will receive either a contingent capital instrument or a cash payment based on the  $\bullet$  fair value of the CCA. The fair value will be determined by the Group. In the case of a cash settlement, the CCA award currency denomination 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 canceled 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.

These terms are similar to those of the outstanding tier 1 high-trigger capital instruments that the Group has issued since 2011. However, unlike the Group's outstanding tier 1 high-trigger instruments, the CCA would not convert into common equity, but would be written down to zero upon a trigger event.

The total CCA awarded for 2016 was CHF 229 million and a total of 5,779 employees received CCA for 2016.

#### Other cash awards

The Group may employ other compensation plans or programs to facilitate competitive hiring practices, support the retention of talent and accommodate local market practices. These special compensation arrangements apply to a select group of individuals due to their specific circumstances, and must be approved by the Compensation Committee. For 2016, this applied to 225 employees.

#### 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. The Group generally applies minimum share ownership requirements, inclusive of unvested awards, as follows:

- Employees in divisional management committees: 50,000 shares; and
- Employees in functional management committees: 20,000 shares.

► Refer to "Minimum share ownership requirements" in Executive Board Compensation – Other aspects of Executive Board compensation for further information on minimum share ownership requirements for Executive Board members.

#### Total compensation awarded

The following table shows the value of total compensation awarded to employees for 2016 and 2015.

### Total compensation awarded

For	2016			2015		
	Unrestricted	Deferred	Total	Unrestricted	Deferred	Total
<b>Fixed compensation (CHF million)</b>						
Salaries	5,728	–	5,728	5,714	–	5,714
Social security	697	–	697	788	–	788
Other	710 <sup>1</sup>	–	710	707 <sup>1</sup>	–	707
<b>Total fixed compensation</b>	<b>7,135</b>	<b>–</b>	<b>7,135</b>	<b>7,209</b>	<b>–</b>	<b>7,209</b>
<b>Variable incentive compensation (CHF million)</b>						
Cash	1,706	–	1,706	1,662	–	1,662
Share awards	37	566	603	12	549	561
Performance share awards	–	451	451	–	429	429
Contingent Capital Awards	–	229	229	–	226	226
Other cash awards	–	104	104	–	42	42
<b>Total variable incentive compensation</b>	<b>1,743</b>	<b>1,350</b>	<b>3,093</b>	<b>1,674</b>	<b>1,246</b>	<b>2,920</b>
<b>Other variable compensation (CHF million)</b>						
Cash severance awards	8	–	8	35	–	35
Cash-based commissions	20	–	20	222	–	222
Other <sup>2</sup>	47	350	397 <sup>3</sup>	27	195	222
<b>Total other variable compensation</b>	<b>75</b>	<b>350</b>	<b>425</b>	<b>284</b>	<b>195</b>	<b>479</b>
<b>Total compensation awarded (CHF million)</b>						
<b>Total compensation awarded</b>	<b>8,953</b>	<b>1,700</b>	<b>10,653</b>	<b>9,167</b>	<b>1,441</b>	<b>10,608</b>
of which guaranteed bonuses	27	35	62	34	49	83

<sup>1</sup> Includes pension and other post-retirement expense of CHF 384 million and CHF 359 million in 2016 and 2015, respectively.

<sup>2</sup> 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.

<sup>3</sup> 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.

Total compensation awarded for 2016 was CHF 10,653 million, slightly higher than the CHF 10,608 million awarded in 2015. Total variable incentive compensation awarded for 2016 was CHF 3,093 million, up 6% compared to 2015, which reflected the impact of strategic hiring in high growth business areas as well as necessary adjustments to certain divisional pools to align compensation levels with the market. Of the total variable incentive compensation awarded across the Group for 2016, 44% was deferred, compared to 43% in 2015, and subject to certain conditions including future service, performance, market and malus criteria.

Cash severance awards relating to terminations of employment of CHF 8 million and CHF 35 million were awarded to 196 and

760 employees and expensed in 2016 and 2015, respectively. In connection with the strategic review of the Group, restructuring expenses were recognized that were not part of total compensation expenses. These restructuring expenses included cash severance expenses of CHF 218 million and CHF 191 million relating to 1,796 and 1,429 employees in 2016 and 2015, respectively. Other awards, including replacement awards, sign-on payments and retention awards, of CHF 397 million and CHF 222 million were paid to 838 and 925 employees in 2016 and 2015, respectively.

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

## Number of employees awarded variable incentive and other compensation

	MRTC <sup>1</sup>	Other employees	2016 Total	MRTC <sup>1</sup>	Other employees	2015 Total
<b>Number of employees awarded variable incentive compensation</b>						
<b>Variable incentive compensation</b>	<b>939</b>	<b>42,473</b>	<b>43,412</b>	<b>835</b>	<b>42,390</b>	<b>43,225</b>
of which cash	939	42,473	43,412	602	42,346	42,948
of which share awards	897	6,145	7,042	802	6,323	7,125
of which performance share awards	890	905	1,795	783	977	1,760
of which Contingent Capital Awards	869	4,910	5,779	782	5,007	5,789
of which other cash awards	49	176	225	61	175	236
<b>Number of employees awarded other variable compensation</b>						
Cash severance awards	1	195	196	10	750	760
Cash-based commissions	–	220	220	–	396	396
Guaranteed bonuses	11	151	162	7	177	184
Other <sup>2</sup>	148	690	838	50	875	925

<sup>1</sup> 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.

<sup>2</sup> 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.

### Compensation awarded to Material Risk Takers and Controllers

The variable compensation awarded to 939 employees classified as MRTC totaled CHF 899 million for 2016, of which CHF 614 million, or 68%, was deferred. MRTC received 50% of their

deferred compensation for 2016 in the form of performance share awards and other awards which are subject to performance-based malus provisions. The total compensation awarded to employees classified as MRTC for 2016 was CHF 1,642 million.

### Compensation awarded to Material Risk Takers and Controllers

For	Unrestricted	Deferred	2016 Total	Unrestricted	Deferred	2015 Total
<b>Fixed compensation (CHF million)</b>						
<b>Total fixed compensation</b>	<b>510</b>	<b>–</b>	<b>510</b>	<b>470</b>	<b>–</b>	<b>470</b>
<b>Variable incentive compensation (CHF million)</b>						
Cash	285	–	285	248	–	248
Share awards	–	199	199	–	176	176
Performance share awards	–	279	279	–	254	254
Contingent Capital Awards	–	108	108	–	104	104
Other cash awards	–	28	28	–	53	53
<b>Total variable incentive compensation</b>	<b>285</b>	<b>614</b>	<b>899</b>	<b>248</b>	<b>587</b>	<b>835</b>
<b>Other variable compensation (CHF million)</b>						
Cash severance awards	1	–	1	8	–	8
Other <sup>1</sup>	17	215	232	2	81	83
<b>Total other variable compensation</b>	<b>18</b>	<b>215</b>	<b>233</b>	<b>10</b>	<b>81</b>	<b>91</b>
<b>Total compensation (CHF million)</b>						
<b>Total compensation</b>	<b>813</b>	<b>829</b>	<b>1,642</b>	<b>728</b>	<b>668</b>	<b>1,396</b>
of which guaranteed bonuses	3	9	12	2	9	11

<sup>1</sup> 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.



## Compensation

**Group compensation and benefits expense**

Compensation and benefits expenses recognized in the current year income statement include salaries, role-based allowances, variable incentive compensation, benefits and employer taxes on compensation. Variable incentive compensation expense generally reflects the cash compensation for the current year, amortization of deferred compensation awards granted in prior years, and

severance, sign-on and commission 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.

In 2016, total compensation expense was 8% lower compared to 2015, mainly due to lower levels of deferred compensation that vested in 2016.

**Group compensation and benefits expense**

in	2016			2015		
	Current compen- sation	Deferred compen- sation	Total	Current compen- sation	Deferred compen- sation	Total
December 31						
<b>Fixed compensation expense (CHF million)</b>						
Salaries	5,728	25	5,753	5,714	37	5,751
Social security <sup>1</sup>	697	–	697	788	–	788
Other <sup>2</sup>	710	–	710	707	–	707
<b>Total fixed compensation expense</b>	<b>7,135</b>	<b>25</b>	<b>7,160</b>	<b>7,209</b>	<b>37</b>	<b>7,246</b>
<b>Variable incentive compensation expense (CHF million)</b>						
Cash	1,706	–	1,706	1,662	–	1,662
Share awards	37	603 <sup>3</sup>	640	12	819 <sup>3</sup>	831
Performance share awards	–	370	370	–	563	563
Contingent Capital Awards	–	235	235	–	430	430
Contingent Capital share Awards	–	30	30	–	–	–
Capital Opportunity Facility Awards	–	13	13	–	16	16
Plus Bond awards	–	5	5	–	22	22
2011 Partner Asset Facility awards <sup>4</sup>	–	–	–	–	2	2
Restricted Cash Awards	–	–	–	–	39	39
2008 Partner Asset Facility awards <sup>4</sup>	–	13	13	–	34	34
Other cash awards	–	335	335	6	410	416
<b>Total variable incentive compensation expense</b>	<b>1,743</b>	<b>1,604</b>	<b>3,347</b>	<b>1,680</b>	<b>2,335</b>	<b>4,015</b>
<b>Other variable compensation expense (CHF million)</b>						
Severance payments	8	–	8	35	–	35
Commissions	20	–	20	222	–	222
Other	37	–	37	28	–	28
<b>Total other variable compensation expense</b>	<b>65</b>	<b>–</b>	<b>65</b>	<b>285</b>	<b>–</b>	<b>285</b>
<b>Total compensation expense (CHF million)</b>						
<b>Total compensation expense</b>	<b>8,943</b>	<b>1,629</b>	<b>10,572</b>	<b>9,174</b>	<b>2,372</b>	<b>11,546</b>

<sup>1</sup> Represents the Group's portion of employees' mandatory social security.

<sup>2</sup> Includes pension and other post-retirement expense of CHF 384 million and CHF 359 million in 2016 and 2015, respectively.

<sup>3</sup> Includes CHF 46 million and CHF 25 million of compensation expense associated with replacement share awards granted in 2016 and 2015, respectively.

<sup>4</sup> Includes the change in the underlying fair value of the indexed assets during the period.

**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 2016 and prior years that were outstanding as of December 31, 2016, with comparative

information for 2015. 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**

in	Deferred compensation		2016	Deferred compensation		2015
	For 2016	For prior-year awards	Total	For 2015	For prior-year awards	Total
<b>Estimated unrecognized compensation expense (CHF million)</b>						
Share awards	565	445 <sup>1</sup>	1,010	521	573 <sup>1</sup>	1,094
Performance share awards	446	119	565	386	165	551
Contingent Capital Awards	218	109	327	259	230	489
Contingent Capital share Awards	—	24	24	—	—	—
Other cash awards	104	181	285	42	176	218
<b>Estimated unrecognized compensation expense</b>	<b>1,333</b>	<b>878</b>	<b>2,211</b>	<b>1,208</b>	<b>1,144</b>	<b>2,352</b>

<sup>1</sup> Includes CHF 43 million and CHF 59 million of estimated unrecognized compensation expense associated with replacement share awards granted to new employees in 2016 and 2015, respectively, not related to prior years.

► Refer to "Discontinued compensation plans" for descriptions of the awards granted in years prior to 2014.

**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.

Prior to 2011, the Group covered its share delivery obligations to employees primarily by purchasing shares in the market. When the Group purchases shares from the market to meet its share delivery obligations, these purchased shares reduce equity by the amount of the purchase price.

For the period 2011-2013, share delivery obligations were covered mainly through issuances of shares from conditional capital. In the second half of 2013, the Group resumed purchasing shares in the market to cover a portion of its share delivery obligations. In 2014, the majority of the Group's share delivery obligations were covered through market purchases and in 2015 share

delivery obligations were fully covered 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. The Group intends to cover its future share delivery obligations through market purchases.

**Share-based awards outstanding**

At the end of 2016, there were 135.1 million share-based awards outstanding, including 86.7 million share awards and 48.4 million performance share awards.

**Subsequent activity**

In early 2017, the Group granted approximately 37.8 million new share awards and 29.7 million new performance share awards with respect to performance in 2016. Further, the Group awarded CHF 229 million of deferred variable incentive compensation in the form of CCA pursuant to the Group's compensation policy.

In the first half of 2017, the Group plans to settle 60.7 million deferred awards from prior years, including 36.5 million share awards and 23.0 million performance share awards. The Group plans to meet this delivery obligation through market purchases.

► Refer to "Regulatory capital and ratios" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital management – BIS Capital Metrics for more information.

**Value changes 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 Capital Opportunity Facility (COF), the 2008 Partner Asset Facility (PAF), CCA and foreign exchange rate movements. Explicit value changes reflect risk adjustments triggered by conditions related to negative performance in the performance share awards or the malus provisions in all deferred awards. The final value of an award will only be determined at settlement.

► Refer to "Discontinued compensation plans" for further information on COF and PAF.

The following table provides a comparison of the fair values of outstanding deferred compensation awards at the end of 2015 and 2016, indicating the value of changes due to implicit and explicit adjustments. For 2016, the change in fair value for the outstanding deferred compensation awards was due to implicit adjustments driven primarily by changes in the Group share price, foreign exchange rate movements and changes in the value of CCA.

**Fair value of outstanding deferred compensation awards**

	Change in value			
in / end	2015	Implicit	Explicit	2016
Share-based awards (CHF per unit)				
Share awards granted for 2013 <sup>1</sup>	21.7	(7.1)	–	14.6
Share awards granted for 2014 <sup>2</sup>	21.7	(7.1)	–	14.6
Share awards granted for 2015 <sup>3</sup>	18.6	(4.0)	–	14.6
Performance share awards granted for 2013 <sup>1</sup>	21.7	(7.1)	–	14.6
Performance share awards granted for 2014 <sup>2</sup>	21.7	(7.1)	–	14.6
Performance share awards granted for 2015 <sup>3</sup>	18.6	(4.0)	–	14.6
Cash-based awards (CHF per unit)				
2008 Partner Asset Facility awards (PAF)	2.46	0.11	–	2.57
Contingent Capital Award for 2013 <sup>1</sup>	1.19	0.18	–	1.37
Contingent Capital Award for 2014 <sup>2</sup>	1.26	0.13	–	1.39
Contingent Capital Award for 2015 <sup>3</sup>	1.00	0.10	–	1.10
Capital Opportunity Facility from converted PAF2 award	1.23	0.13	–	1.36

<sup>1</sup> Represents awards granted in January 2014 for 2013.

<sup>2</sup> Represents awards granted in January 2015 for 2014.

<sup>3</sup> Represents awards granted in January 2016 for 2015.

## EXECUTIVE BOARD COMPENSATION

### Compensation structure and awards

As communicated in the 2015 Compensation Report and fully implemented in 2016, material amendments were made to the Executive Board compensation design to reflect the new organizational structure of the Group, the revised strategic objectives and shareholder feedback, and to provide a more direct link between pay and performance. Under the new structure, the variable incentive compensation for Executive Board members consists of a short-term incentive opportunity (STI Opportunity) and a long-term incentive opportunity (LTI Opportunity), each expressed as a multiple of the respective Executive Board member's base salary. Target and maximum STI and LTI Opportunity levels are determined for Executive Board members by the Compensation Committee and approved by the Board, taking into account benchmark market levels of compensation for each role provided by the Compensation Committee's external compensation adviser, McLagan. At the

end of each performance cycle, the actual payout levels of the STI and LTI Opportunities are determined according to threshold, target and maximum payout levels which are directly linked to performance criteria, and the maximum payout level in each case may not exceed 100% of the opportunity. The assessment of performance against the targets set for the STI and LTI awards and the actual achievements against such performance targets will be disclosed in the Compensation Report at the end of the respective performance cycles.

The STI award is based on the performance of the preceding year and is designed to reward the achievement of annual objectives. The final payout levels of the STI award are linked to the achievement of the pre-determined performance criteria and targets of the preceding year, as approved by the Board. STI awards are paid in the form of 50% immediate cash and 50% deferred cash awards, which vest on the third anniversary of the grant date.

► Refer to the chart "Overview of 2016 Short-Term Incentive awards" and "Types of awards in 2017" for more details.

### Overview of 2016 Short-Term Incentive awards

Key features	Performance Criteria																
<ul style="list-style-type: none"><li>■ Rewards achievement of annual objectives of the Group and the divisions</li><li>■ Maximum opportunity is expressed as a percentage of base salary and may not exceed this level<ul style="list-style-type: none"><li>– For 2016, the maximum opportunity range is between 75% and 225% of base salary</li></ul></li><li>■ Payout levels determined by quantitative and qualitative performance objectives, and defined as % of total opportunity:<ul style="list-style-type: none"><li>– Maximum performance: 100%</li><li>– Target performance: 80%</li><li>– Threshold performance: 25%</li><li>– Below threshold: 0%</li></ul></li><li>■ Delivery as 50% immediate cash payment and 50% deferred cash vesting on third anniversary of grant date</li><li>■ For PRA Code Staff, delivery is as follows:<ul style="list-style-type: none"><li>– 20% immediate cash payment</li><li>– 20% immediate Credit Suisse Group AG registered shares, subject to blocking period of six months</li><li>– 30% deferred cash and 30% deferred shares, vesting in five equal tranches on the third to seventh anniversaries of the grant date</li></ul></li></ul>	<table><tr><th>Performance criteria and weighting (%)</th><th>CEO</th><th>Divisional Head</th><th>Functional Head</th></tr><tr><td><b>Quantitative criteria: Group level</b> (adjusted<sup>1</sup> pre-tax income, CET1 ratio, CET1 leverage ratio)</td><td>70%</td><td>20%</td><td>70%</td></tr><tr><td><b>Quantitative criteria: Divisional level</b> (adjusted<sup>1</sup> pre-tax income, net new assets, risk-weighted assets, leverage exposure, adjusted<sup>1</sup> return on regulatory capital)</td><td>—</td><td>50%</td><td>—</td></tr><tr><td><b>Qualitative criteria</b> (delivery of strategic initiatives, leadership/culture, compliance)</td><td>30%</td><td>30%</td><td>30%</td></tr></table>	Performance criteria and weighting (%)	CEO	Divisional Head	Functional Head	<b>Quantitative criteria: Group level</b> (adjusted <sup>1</sup> pre-tax income, CET1 ratio, CET1 leverage ratio)	70%	20%	70%	<b>Quantitative criteria: Divisional level</b> (adjusted <sup>1</sup> pre-tax income, net new assets, risk-weighted assets, leverage exposure, adjusted <sup>1</sup> return on regulatory capital)	—	50%	—	<b>Qualitative criteria</b> (delivery of strategic initiatives, leadership/culture, compliance)	30%	30%	30%
Performance criteria and weighting (%)	CEO	Divisional Head	Functional Head														
<b>Quantitative criteria: Group level</b> (adjusted <sup>1</sup> pre-tax income, CET1 ratio, CET1 leverage ratio)	70%	20%	70%														
<b>Quantitative criteria: Divisional level</b> (adjusted <sup>1</sup> pre-tax income, net new assets, risk-weighted assets, leverage exposure, adjusted <sup>1</sup> return on regulatory capital)	—	50%	—														
<b>Qualitative criteria</b> (delivery of strategic initiatives, leadership/culture, compliance)	30%	30%	30%														
Delivery and Vesting Timeline (Example of 2016 award granted in January 2017)																	
<table><tr><th>2016</th><th>2017</th><th>2018</th><th>2019</th><th>2020</th></tr><tr><td rowspan="2">STI measurement period</td><td>↑ STI Cash: 50% payable in the first quarter of 2017</td><td></td><td></td><td>↑ STI Deferred Cash: 50% payable in the first quarter of 2020</td></tr><tr><td>↓ STI award</td><td></td><td></td><td></td></tr></table>				2016	2017	2018	2019	2020	STI measurement period	↑ STI Cash: 50% payable in the first quarter of 2017			↑ STI Deferred Cash: 50% payable in the first quarter of 2020	↓ STI award			
2016	2017	2018	2019	2020													
STI measurement period	↑ STI Cash: 50% payable in the first quarter of 2017			↑ STI Deferred Cash: 50% payable in the first quarter of 2020													
	↓ STI award																

<sup>1</sup> 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 the purposes of evaluating the Executive Board's contribution to the achievement of satisfactory financial results for the Group, the Compensation Committee considers the adjusted results to be a more accurate reflection of operating results and therefore a more appropriate basis for the purposes of establishing compensation.

The LTI award is structured to reward the achievement of the Group's long-term business plan, providing closer alignment with the long-term target returns of shareholders. The LTI award is provided in the form of Credit Suisse Group AG registered shares, which vest upon the achievement of pre-defined performance metrics at the end of the three-year performance period. Following the completion of the three-year performance period, the final payout levels of the LTI award are determined by the Compensation Committee (and approved by the Board) based on the achievement of the pre-determined performance metrics. These metrics include the Relative Total Shareholder Return (RTSR) of Credit Suisse Group AG registered shares as a market-determined metric and other internal key performance metrics. Due to the commercial sensitivity of these internal metrics, performance against targets will be disclosed retrospectively. Any portion of the LTI Opportunity awarded is subject to phased vesting, whereby the shares are delivered in three installments over two years following the completion of the performance period on the respective third, fourth and fifth anniversaries of the grant date. Due to the importance of achieving the firm's long-term business objectives, approximately two-thirds of total variable incentive compensation to Executive Board members is granted in the form of LTI awards.

► Refer to the chart "Overview of 2017 Long-Term Incentive awards" and "Types of awards in 2017" for more details.

In 2016, the annual base salary for the CEO was CHF 3.0 million. For Executive Board members based in Switzerland and Singapore, the annual base salary was CHF 2.0 million or the equivalent

amount in local currency, and USD 2.0 million for Executive Board members based in the US. Individuals who were appointed to the Executive Board during 2016 received a base salary at these levels on a pro rata basis with effect from the time of appointment to the Executive Board. Base salaries and role-based allowances paid in 2016 were fully in line with the overall amount of fixed compensation approved by shareholders for members of the Executive Board at the 2015 and 2016 AGMs.

The compensation design described above applies to all Executive Board members, except for Mr. David R. Mathers, who is considered PRA Code Staff and subject to the regulations of the PRA and the European Banking Authority (EBA). In order to comply with the rules and requirements of the PRA and EBA, a portion of this individual's compensation was awarded as a role-based allowance, which was taken into consideration when variable incentive compensation was determined, and a portion of this individual's STI award was granted in the form of a deferred share award, instead of a cash award.

For 2016, the combined STI Opportunity and LTI Opportunity for the CEO was a multiple of four times base salary, and the maximum variable incentive compensation plus base salary was CHF 15.0 million, as shown in the table "2016 Executive Board compensation structure". Similarly, for Executive Board members, the combined STI and LTI Opportunity levels ranged from two to five and a half times base salary depending on the member's role and function, and the maximum variable incentive compensation plus base salary was CHF 13.0 million.

### 2016 Executive Board compensation structure

	Executive Board member				CEO			
	Range of opportunity levels (multiple of base salary)	Base salary (CHF million)	Maximum variable incentive compensation (CHF million)	Maximum total compensation (CHF million) <sup>1</sup>	Maximum opportunity (multiple of base salary)	Base salary (CHF million)	Maximum variable incentive compensation (CHF million)	Maximum total compensation (CHF million) <sup>1</sup>
Short-term incentive award	0.75 – 2.25	2.00	4.50	6.50	1.50	3.00	4.50	7.50
Long-term incentive award	1.25 – 3.25	–	6.50	6.50	2.50	–	7.50	7.50
<b>Total</b>	<b>2.00 – 5.50</b>	<b>2.00</b>	<b>11.00</b>	<b>13.00</b>	<b>4.00</b>	<b>3.00</b>	<b>12.00</b>	<b>15.00</b>

<sup>1</sup> Excluding dividend equivalents, pension and other benefits.

### Governance

Compensation payable to the Executive Board members, including the CEO, is approved by the Board, based on the recommendation of the Compensation Committee. All variable incentive compensation recommendations will be submitted to shareholders as aggregate

numbers per proposal for their binding votes at the AGM in April 2017. In determining its recommendation to the Board, the Compensation Committee assesses the performance of the Executive Board members, including the CEO, based on actual performance compared to pre-defined individual objectives and performance targets.

### Performance evaluation and compensation decisions for 2016

In February 2017, the Compensation Committee completed its performance evaluation for 2016 for the Group and the individual assessments of the Executive Board members. In determining variable compensation, the Compensation Committee reviewed the outcome of the applicable Group and divisional quantitative and qualitative performance metrics relative to the maximum, target and threshold performance levels for each individual. The respective performance levels were pre-defined during the financial planning stages of 2016, specifically for compensation assessment purposes. The performance assessment and payout levels achieved are presented in the table "STI awards: 2016 quantitative performance assessment". Due to the commercially sensitive nature of the internal divisional performance targets, only the Group performance targets that apply to all Executive Board members are disclosed.

### Variable incentive compensation for Executive Board membership during 2016

*2016 results against performance targets for the 2016 STI awards*  
During 2016, the Group strengthened its capital position. Without taking into account the provision of approximately USD 2 billion for the settlement with the DOJ regarding the Group's legacy RMBS business, and an increase in operational risk-weighted assets of approximately CHF 0.7 billion in connection with the RMBS settlement, both of which the Compensation Committee regarded, in its discretion on compensability, as not reflective of underlying operating performance, the Group's look-through CET1 ratio would have been 12.4%, compared to the year-end performance target of 11.0%. Excluding the RMBS settlement provision, the Group's look-through CET1 leverage ratio would have been 3.5%, compared to the year-end performance target of 3.3%. The Group's adjusted pre-tax income of CHF 615 million achieved for 2016 was below the performance target of CHF 1,502 million, primarily reflecting significantly weaker trading results in the Asia Pacific region, particularly in the fourth quarter. Nevertheless, the Group made significant progress during the year in decreasing its fixed cost base and investing in strengthening its client franchises, to increase operating leverage going forward.

Swiss Universal Bank achieved results mostly in line with the target performance levels set for 2016. Adjusted pre-tax income of CHF 1,738 million exceeded the maximum performance level. In terms of capital usage, risk-weighted assets of CHF 66 billion and leverage exposure of CHF 253 billion included investments in growth businesses, and were between the threshold and target performance levels. Private Banking net asset outflows of CHF 2 billion was below the threshold performance level and mainly reflected terminated relationships with certain external asset managers and the regularization of client assets.

International Wealth Management delivered a strong performance in 2016. The Private Banking business achieved adjusted pre-tax income of CHF 822 million, and net new assets of CHF 16 billion, exceeding the respective maximum performance levels for 2016. The Asset Management business increased its adjusted pre-tax income by 54% compared to the previous year to CHF 287 million, albeit below the threshold performance level set for the year. In terms of capital, the division as a whole exceeded its maximum performance levels at the end of the year, with risk-weighted assets of CHF 35 billion and leverage exposure of CHF 94 billion.

Asia Pacific's results reflected a Private Banking business that performed strongly during the year, while the Investment Banking business was adversely impacted by low client trading activity, in particular in the fourth quarter of 2016. Adjusted pre-tax income for 2016 of CHF 778 million was below the threshold performance level, primarily driven by lower trading revenues. Net new assets for the Private Banking business of CHF 14 billion was slightly below the threshold performance level. Overall, Asia Pacific achieved an adjusted return on regulatory capital of 14.8%, which was below the threshold performance level.

Global Markets made strong progress in executing its strategy in 2016, reducing risk-weighted assets to USD 51 billion, exceeding the maximum performance level. The division also successfully lowered its cost base, with adjusted operating expenses of USD 5,295 exceeding the target performance level for the year. In a year of substantial restructuring, the Global Markets businesses remained profitable, with an adjusted return on regulatory capital of 2.0%, albeit lower than the target performance level.

Investment Banking & Capital Markets continued to successfully execute its strategy, improving its share of wallet across all key products and covered client segments during 2016. Adjusted return on regulatory capital for the full year was 11.9%, which was below the threshold performance level. Risk-weighted assets of USD 18 billion at the end of the year exceeded the maximum performance level, and leverage exposure of USD 45 billion was below the threshold performance level.

The Strategic Resolution Unit made significant progress in disposing of legacy positions and exceeded the maximum performance levels for 2016 in terms of profitability, with an adjusted pre-tax loss for 2016 of CHF 2,943 million, and capital usage, with risk weighted assets of CHF 45 billion at the end of the year. Leverage exposure of CHF 106 billion was between the target and maximum performance year-end levels.

The payout levels corresponding to achievement of "Threshold", "Target" and "Maximum" performance levels are shown in "Overview of 2016 Short-Term Incentive awards" and the calculation of the payout level for the financial performance metrics is demonstrated in "STI award payout level calculation".



#### Qualitative assessment for the 2016 STI awards

In the overall performance assessment for the year, qualitative factors carried a 30% weighting for all Executive Board members and included criteria such as successful execution of business strategy, leadership initiatives, talent management, partnerships 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 2016 the Executive Board continued to successfully implement the Group's strategy, reducing the cost base of their respective operations, reallocating resources to higher growth businesses, increasing market share across key products and client segments, while maintaining the focus on clients and supporting the reputation of the Group. The Compensation Committee also noted the strong leadership qualities of the respective divisional and functional heads, the strengthening of control measures within both the business and corporate functions, as well as the promotion of diversity and retention of key talent, amongst other qualitative achievements. Overall, the Compensation Committee determined that each of the Executive Board members had performed effectively in their respective roles, contributing to the strategic positioning of the Group and on the whole, achieving their qualitative targets for the year.

#### STI awards granted for 2016

Taking into account the 2016 results against performance targets as well as the qualitative assessment outlined above, the Compensation Committee recommended an aggregate amount of STI awards of CHF 25.99 million to be granted to the members of the Executive Board comprised of cash, deferred cash and deferred share awards. The aggregate amount represents, on average, 80% of the STI Opportunity set for each Executive Board member.

#### STI award payout level calculation

STI payout levels between Threshold, Target and Maximum levels are calculated as a linear percentage of the award opportunity.

Actual performance	Payout level
Below Threshold	0%
At Threshold	25%
Between Threshold and Target	$25\% + \left[ \left( \frac{\text{Actual} - \text{Threshold}}{\text{Target} - \text{Threshold}} \right) \times 55\% \right]$
Target	80%
Between Target and Maximum	$80\% + \left[ \left( \frac{\text{Actual} - \text{Target}}{\text{Maximum} - \text{Target}} \right) \times 20\% \right]$
At Maximum or above	100%

#### STI awards: 2016 quantitative performance assessment

Performance criteria	Weighting	2016 target	2016 result	Payout level		
				Threshold	Target	Maximum
CEO and functional heads						
Group metrics						
Adjusted pre-tax income (CHF million)	10%	1,502	615	<div><div></div></div>		
CET1 ratio	30%	11.0%	12.4% <sup>1</sup>			<div><div></div></div>
CET1 leverage ratio	30%	3.3%	3.5% <sup>2</sup>			<div><div></div></div>
Total	70%				<div><div></div></div>	

<sup>1</sup> The look-through CET1 ratio, without taking into account the impact of the final DOJ settlement relating to the Group's legacy RMBS business, excludes a provision in the fourth quarter of 2016 of approximately USD 2 billion and an increase in the fourth quarter of 2016 in operational risk-weighted assets of approximately CHF 0.7 billion. The reported look-through CET1 ratio was 11.5%.

<sup>2</sup> The look-through CET1 leverage ratio, without taking into account the impact of the final DOJ settlement relating to the Group's legacy RMBS business, excludes a provision in the fourth quarter of 2016 of approximately USD 2 billion. The reported look-through CET1 leverage ratio was 3.2%.

## STI awards: 2016 quantitative performance assessment

Performance criteria	Weighting	2016 result	Payout level		
			Threshold	Target	Maximum
Divisional heads					
Group metrics					
Adjusted pre-tax income (CHF million)	5%	615	<div></div>		
CET1 ratio	7.5%	12.4% <sup>1</sup>			<div></div>
CET1 leverage ratio	7.5%	3.5% <sup>2</sup>		<div></div>	
Total	20%			<div></div>	
Swiss Universal Bank metrics					
Adjusted pre-tax income (CHF million)	20%	1,738			<div></div>
Private Banking net new assets (CHF billion)	10%	(2)	<div></div>		
Risk-weighted assets (CHF billion)	10%	66	<div></div>		
Leverage exposure (CHF billion)	10%	253	<div></div>	<div></div>	
Total	50%			<div></div>	
International Wealth Management metrics					
Private Banking adjusted pre-tax income (CHF million)	10%	822			<div></div>
Asset Management adjusted pre-tax income (CHF million)	10%	287	<div></div>		
Private Banking net new assets (CHF billion)	10%	16			<div></div>
Risk-weighted assets (CHF billion)	10%	35			<div></div>
Leverage exposure (CHF billion)	10%	94			<div></div>
Total	50%			<div></div>	
Asia Pacific metrics					
Adjusted pre-tax income (CHF million)	20%	778	<div></div>		
Net new assets (CHF billion)	10%	14	<div></div>		
Adjusted return on regulatory capital	20%	14.8%	<div></div>		
Total	50%		<div></div>		
Global Markets metrics					
Adjusted return on regulatory capital	20%	2.0%	<div></div>		
Risk-weighted assets (USD billion)	15%	51			<div></div>
Adjusted operating expenses (USD million)	15%	5,295		<div></div>	
Total	50%			<div></div>	
Investment Banking & Capital Markets metrics					
Adjusted return on regulatory capital	20%	11.9%	<div></div>		
Risk-weighted assets (USD billion)	15%	18			<div></div>
Leverage exposure (USD billion)	15%	45	<div></div>		
Total	50%		<div></div>		
Strategic Resolution Unit metrics					
Adjusted pre-tax income (CHF million)	15%	(2,943)			<div></div>
Risk-weighted assets (CHF billion)	20%	45			<div></div>
Leverage exposure (CHF billion)	15%	106		<div></div>	
Total	50%				<div></div>

<sup>1</sup> The look-through CET1 ratio, without taking into account the impact of the final DOJ settlement relating to the Group's legacy RMBS business, excludes a provision in the fourth quarter of 2016 of approximately USD 2 billion and an increase in the fourth quarter of 2016 in operational risk-weighted assets of approximately CHF 0.7 billion. The reported look-through CET1 ratio was 11.5%.

<sup>2</sup> The look-through CET1 leverage ratio, without taking into account the impact of the final DOJ settlement relating to the Group's legacy RMBS business, excludes a provision in the fourth quarter of 2016 of approximately USD 2 billion. The reported look-through CET1 leverage ratio was 3.2%.

## Executive Board compensation for 2016 (audited)

in	STI awards (Non-deferred) <sup>1</sup>	STI awards (Deferred) <sup>2</sup>	Total STI compen- sation <sup>3</sup>	Salaries and role- based allowances	Dividend equivalents <sup>4</sup>	Pension and similar benefits and other benefits <sup>5</sup>	Total fixed compen- sation	Total compen- sation	LTI awards 2016 fair value (Deferred) <sup>6</sup>	Total compen- sation, including LTI awards <sup>7, 8</sup>
<b>2016 (CHF million, except where indicated; does not include replacement awards)</b>										
13 members	12.81	13.18	<b>25.99</b>	26.99	0.60	2.00	<b>29.59</b>	<b>55.58</b>	26.46	<b>82.04</b>
% of total compensation, including LTI awards			<b>32%</b>				<b>36%</b>		32%	
of which joiners and leavers during 2016 (2 individuals)	2.35	2.35	<b>4.70</b>	2.60	0.00	0.01	<b>2.61</b>	<b>7.31</b>	3.51	<b>10.82</b>
% of total compensation, including LTI awards			<b>44%</b>				<b>24%</b>		32%	
of which CEO: Tidjane Thiam	2.08	2.08	<b>4.17</b>	3.00	0.47	0.21	<b>3.68</b>	<b>7.85</b>	4.05	<b>11.90</b>
% of total compensation, including LTI awards			<b>35%</b>				<b>31%</b>		34%	

<sup>1</sup> 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 PRA Code Staff during 2016.

<sup>2</sup> STI deferred awards for 2016 comprised CHF 11.84 million in deferred cash awards as well as CHF 1.34 million granted as phantom share awards to Mr. Mathers, who was categorized as PRA Code Staff during 2016, and Mr. O'Hara, who ceased to be a member of the Executive Board during 2016.

<sup>3</sup> 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.

<sup>4</sup> 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.

<sup>5</sup> Other benefits consist of housing allowances, expense allowances and relocation allowances.

<sup>6</sup> 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.

<sup>7</sup> 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.

<sup>8</sup> For the total compensation awarded to 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.

## Total Executive Board compensation for 2016

Pursuant to the Group's revised strategic direction and the first full year of implementation of the new Executive Board compensation structure, total compensation awarded to the Executive Board members included fixed compensation and STI awards, as well as the estimated fair value of the LTI awards granted in 2016. Compared to total compensation of CHF 64.20 million awarded for 2015, the CHF 82.04 million awarded for 2016 mainly reflects the inclusion of the forward-looking LTI awards, which were not part of compensation awarded in 2015.

## 2016 total compensation of the CEO and highest paid Executive Board member

In its recommendation to the Board regarding variable incentive compensation for the CEO Mr. Tidjane Thiam, who was also the highest paid Executive Board member, the Compensation Committee, in consultation with the Chairman, considered Mr. Thiam's progress towards the successful execution of the Group's strategy during the first full year of the three-year strategic plan. In particular, the Compensation Committee noted the significant achievement made in reducing the Group's cost base, with net cost savings achieved in 2016 exceeding the target for the year. Further,

Mr. Thiam has led the Group to a stronger capital position. Without taking into account the provision of approximately USD 2 billion for the settlement with the DOJ regarding the Group's legacy RMBS business, and an increase in operational risk-weighted assets of approximately CHF 0.7 billion in connection with the RMBS settlement, the year-end look-through CET1 ratio would have been 12.4% exceeding the performance target level of 11.0%, and the look-through CET1 leverage ratio would have been 3.5% exceeding the year-end target performance level of 3.3%.

In its assessment of Mr. Thiam against the qualitative criteria, the Board considered his sound leadership, careful and measured approach and success in formulating and driving the Group towards one cohesive, client-centric bank, focused on profitable, sustainable and compliant growth. A key element to the successful implementation of the Group's strategy during the year was Mr. Thiam's efforts to drive a change in culture, which emphasizes rewarding performance and ethical conduct, and promotes collaboration in delivering an integrated approach between wealth management and investment banking, placing clients at the center of the Group's value proposition. Mr. Thiam has also improved the operating leverage of the Group, by embedding a focus on cost efficiency and effectiveness throughout the business divisions and

corporate functions. He was also recognized for taking decisive action in changes to management and his personal engagement in resolving significant legacy legal issues. Mr. Thiam was credited with protecting and building the Group's reputation and brand, as demonstrated by his responsiveness to the Group's various regulators who impact many of the Group's activities and will have an influence on the Group's strategy going forward. Mr. Thiam was also recognized for his prudent capital management and the structured and orderly wind-down of legacy assets, which to date has been executed with low cost to shareholders, and has enabled the reinvestment of capital into the more client-centric core businesses in an effort to drive future growth and profitability for the Group.

Overall, the Board considered Mr. Thiam's strong leadership, consistent execution of the Group's communicated strategy, effective delivery of cost efficiencies, principled and ethical conduct, and his role in driving the Group towards a stronger capital position in determining that Mr. Thiam had met his performance targets set for the year.

The Board approved the recommendation of the Compensation Committee to award Mr. Thiam an STI award of CHF 4.17 million comprised of 50% immediate cash and 50% deferred cash vesting on the third anniversary of the grant date. In addition, Mr. Thiam was granted an LTI award with a fair value of CHF 4.05 million at the time of grant, as well as fixed compensation of CHF 3.68 million.

The Group plans to disclose the total realized compensation for the CEO on an annual basis. For 2016, Mr. Thiam did not receive any other realized compensation aside from his salary, dividend equivalents and the 50% immediate cash from the STI award mentioned above.

#### **Compensation for individuals who served on the Executive Board for part of the year**

For Mr. Timothy P. O'Hara, who served on the Executive Board for the first nine months of 2016, the STI award payout level was determined by comparing the full year forecast outcome of the relevant quantitative metrics at the time he ceased to be an Executive Board member, to the pre-defined threshold, target and maximum performance levels, as well as the applicable qualitative considerations. The STI award payout level was then applied to his pre-defined full-year opportunity and pro-rated to reflect the portion of the year during which he served on the Executive Board. The actual STI award granted for 2016 also included the variable incentive compensation awarded to Mr. O'Hara relating to the period during which he was not a member of the Executive Board. This was negotiated in a separation agreement, taking into account the performance of the business, individual contribution and continued services to the Group after ceasing to be a member of the Executive Board.

For the one individual who joined the Executive Board in September 2016, Mr. Brian M. Chin, the STI award payout level was based on the full year outcome of the relevant qualitative and quantitative performance metrics compared to the pre-defined threshold, target and maximum performance levels. The STI award payout level was then applied to his pre-defined full-year opportunity and pro-rated to reflect the portion of the year during which he served on the Executive Board to determine the actual STI award granted for 2016. For the period of 2016 during which Mr. Chin was not a member of the Executive Board, variable incentive compensation was based on the achievement of pre-existing objectives set prior to his promotion to the Executive Board, pursuant to the annual performance appraisal process for employees who do not hold Executive Board positions.

**Executive Board compensation for 2015 (audited)**

in	STI awards (Cash)	STI awards (Deferred) <sup>1</sup>	Total STI compen- sation	Salaries and fixed allowances	Dividend equivalents <sup>2</sup>	Pension and similar benefits and other benefits <sup>3</sup>	Total fixed compen- sation	Total compen- sation <sup>4, 5</sup>	LTI awards 2015 fair value (Deferred) <sup>6</sup>	Total compen- sation, including LTI awards
<b>2015 (CHF million, except where indicated; does not include replacement awards)</b>										
17 members	13.93	20.65	<b>34.58</b>	27.87	0.51	1.23	<b>29.62</b>	<b>64.20</b>	–	<b>64.20</b>
% of total compensation			<b>54%</b>				<b>46%</b>			
of which joiners and leavers during 2015 (12 individuals)	11.41	16.42	<b>27.83</b>	15.27	0.28	0.64	<b>16.19</b>	<b>44.02</b>	–	<b>44.02</b>
% of total compensation			<b>63%</b>				<b>37%</b>			
of which highest paid: Rob Shafir	3.15	3.15	<b>6.30</b>	1.54	0.03	0.01	<b>1.58</b>	<b>7.88</b>	–	<b>7.88</b>
% of total compensation			<b>80%</b>				<b>20%</b>			
of which CEO: Tidjane Thiam	1.14	1.71	<b>2.86</b>	1.58	–	0.13	<b>1.71</b>	<b>4.57</b>	–	<b>4.57</b>
% of total compensation			<b>63%</b>				<b>37%</b>			

<sup>1</sup> STI awards for 2015 comprised CHF 11.4 million Contingent Capital Awards, CHF 8.7 million performance shares as well as CHF 0.55 million granted as blocked shares and performance shares to the Executive Board members who were categorized as PRA Code Staff, including an Executive Board member who is no longer on the Executive Board. The applicable Group share price for all share awards was CHF 19.93.

<sup>2</sup> Share awards granted prior to January 1, 2014 carry the right to an annual payment equal to the dividend payable on each Group share. The dividend equivalents were paid in respect of awards granted in prior years and were delivered in cash, consistent with dividends paid on actual shares.

<sup>3</sup> Other benefits consist of housing allowances, expense allowances and relocation allowances. For the total compensation awarded to members of the Executive Board, the Group made payments of CHF 5.8 million in 2015 and CHF 4.3 million in 2014 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.

<sup>4</sup> For the individuals who joined the Executive Board and the individuals who left the Executive Board during 2015, compensation relating to the period during which they were members of the Executive Board is included in the table above. Compensation for Mr. Thiam includes compensation relating to the period from June 22, 2015 to December 31, 2015; compensation for Mr. Shafir relates to the period from January 1, 2015 to October 21, 2015.

<sup>5</sup> Replacement awards in the form of share awards were granted to Mr. Thiam and Mr. Goerke with the value at grant of CHF 14.3 million and CHF 1.9 million, respectively, to compensate them for the cancellation of deferred awards by their previous employer. Valued at the closing share price of CHF 14.21 on March 17, 2016, the replacement awards amount to CHF 9.6 million and CHF 1.1 million, respectively. These one-time replacement awards do not form part of the compensation in the table above. Considering these payments with their value at grant, the total compensation of the Executive Board and the CEO in 2015 amounted to CHF 80.4 million and CHF 18.9 million, respectively.

<sup>6</sup> In connection with material amendments made to the Executive Board compensation design, as communicated in the 2015 Compensation Report, no LTI awards were granted for 2015.

**Utilization of Executive Board compensation approved at the 2016 AGM**

At the 2016 AGM, shareholders approved an aggregate amount of fixed compensation to be paid to members of the Executive Board for the period from the 2016 AGM to the 2017 AGM of no more than CHF 33 million. By the time of the 2017 AGM, a total of CHF 30.2 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. In line with the Compensation Ordinance and as specified in the AoA, a further 30% of this approved amount, or CHF 9.9 million, may be paid as fixed compensation to new Executive Board members. No additional amount was required in 2016.

At the 2016 AGM, shareholders also approved an aggregate amount of LTI compensation to be granted to members of the Executive Board for the 2016 financial year of no more than CHF 49.0 million. The actual 2016 LTI compensation awarded to members of the Executive Board was within this maximum amount.

**Executive Board compensation proposed for approval at the 2017 AGM**

Pursuant to the Compensation Ordinance and the AoA, the AGM approves on an annual basis the compensation of the Executive

Board, based on a proposal by the Board. The Board may propose that a maximum aggregate amount or maximum partial amounts of compensation components for the Executive Board be approved at the AGM in advance or retroactively for the defined period described in the proposal. Accordingly, the Board will submit the following proposals to the shareholders at the 2017 AGM:

**Approval of the Executive Board aggregate short-term incentive compensation for the 2016 financial year**

The Board proposes that the shareholders approve an aggregate amount of STI compensation to be awarded to members of the Executive Board for the financial year 2016 of CHF 25.99 million. The total amount consists of cash, deferred cash and deferred share awards and reflects the performance achieved for 2016, as specified in the sections "Performance evaluation and compensation decisions for 2016". The proposed amount excludes any legally required employer contributions to social security systems.

**Approval of the Executive Board aggregate fixed compensation for the period from the 2017 AGM to the 2018 AGM**

The Board proposes that the shareholders approve 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. The total amount of fixed compensation consists of base salaries, role-based allowances for members of the Executive Board qualifying as PRA Code Staff, dividend equivalents, and pension and similar benefits. The proposed amount excludes any legally required employer contributions to social security systems.

#### Approval of the Executive Board aggregate long-term incentive compensation for 2017

The Board proposes that the shareholders approve an aggregate amount of LTI compensation to be granted to members of the Executive Board for the 2017 financial year of no more than CHF 52 million. The total amount consists of deferred LTI awards subject to a performance measurement over the financial years 2017, 2018 and 2019, followed by two years of phased vesting and delivery in three installments on the respective third, fourth and fifth anniversaries of the grant date, as specified in the section "Type of awards in 2017". The cap of CHF 52 million represents the maximum amount payable in the form of LTI compensation and is subject to the achievement of all maximum performance levels by all Executive Board members receiving such compensation, as well as a Group RTSR ranking within the top four of the peer group described below. Following the completion of the three-year performance cycle, the shares that have vested carry the right to receive dividend equivalents, except where prohibited by regulation. The proposed amount excludes any legally required employer contributions to social security systems. The increase of CHF 3 million in total maximum LTI compensation proposed for 2017 compared to the maximum amount of CHF 49 million proposed and approved at the 2016 AGM reflects the adjusted market value for certain Executive Board member roles.

► Refer to footnote 6 in the table "Executive Compensation for 2016 (audited)" for a comparison of maximum LTI compensation and fair values.

#### Types of awards in 2017

##### 2017 Short-Term Incentive (STI) awards

Each Executive Board member is provided with an STI Opportunity, which represents the maximum amount payable for its respective STI award. The 2017 STI awards will have the same structure as the 2016 STI awards, and the respective metrics and assessment of performance against the set targets will be disclosed retrospectively in the Compensation Report. Final 2017 STI awards will be subject to shareholder approval at the 2018 AGM.

► Refer to "Overview of 2016 Short-Term Incentive awards" for more details on the structure of STI awards.

##### 2017 Long-Term Incentive (LTI) awards

Each Executive Board member is provided with an LTI Opportunity, which represents the maximum amount payable for its respective LTI award. The LTI Opportunity is structured to reward the achievement of the long-term business plan and the long-term target returns for shareholders. The initial size of the LTI Opportunity is determined at a level that, when combined with the base salary and STI Opportunity for the same calendar year, represents

a competitive level of total compensation for the role of the particular Executive Board member in line with market levels. In setting the design elements of the LTI award, the Compensation Committee examines the competitive landscape annually, including overall compensation levels. The decision to set the maximum LTI Opportunity at 425% of base salary for 2017 was driven by consideration of the market values for certain Executive Board member positions, as provided by the Compensation Committee's independent compensation adviser, McLagan. The maximum LTI Opportunity for the CEO remains unchanged at 250% of base salary, and it is not intended to raise the maximum opportunity for all Executive Board member positions, as evidenced by the moderate increase in the request for total maximum LTI compensation from CHF 49 million to CHF 52 million. The initial LTI Opportunity is defined as a number of Credit Suisse Group AG registered shares calculated on the basis of the Credit Suisse Group share price at the time of grant. The subsequent payout of the LTI award is based on performance outcomes over a period of three years, measured from the beginning of the year for which the award was granted. The distribution of the award takes place on the third, fourth and fifth anniversaries of the grant date.

In its review of the performance metrics used for the 2016 LTI awards, the Compensation Committee considered, in particular, feedback from shareholders, and decided to refine the performance metrics and respective weightings as shown in the chart "Overview of 2017 Long-Term Incentive awards". The weighting of the market-based metric RTSR has been increased to 50% for all Executive Board members, to further reflect the importance of aligning compensation with shareholder returns. For the CEO and functional heads, the remaining 50% weighting is based on a Group cost target (15% weighting), the Group CET1 ratio and CET1 leverage ratio (10%), as well as divisional performance targets (25% weighting), which consist of performance targets relating to the adjusted pre-tax income of Swiss Universal Bank, International Wealth Management and Asia Pacific, the adjusted return on regulatory capital for Global Markets and Investment Banking & Capital Markets, and the adjusted pre-tax loss of the Strategic Resolution Unit. The divisional performance targets have been introduced for the CEO and functional heads, to provide a closer link between compensation and business performance. For divisional heads, the Group cost target, CET1 ratio and CET1 leverage ratio account for a 30% weighting in the quantitative performance assessment, and division-specific metrics such as adjusted pre-tax income or adjusted return on regulatory capital account for the remaining 20% weighting. For the purposes of evaluating the Executive Board's contribution to the achievement of satisfactory financial results for the Group, the Compensation Committee considers the adjusted results to be a more accurate reflection of operating results and therefore a more appropriate basis for the purposes of establishing compensation. 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.



## Overview of 2017 Long-Term Incentive awards

Key features
<ul style="list-style-type: none"> <li>Rewards achievement of long-term business plan and long-term returns for shareholders</li> <li>Maximum opportunity is expressed as a percentage of base salary taking into account role, market experience and geography <ul style="list-style-type: none"> <li>For 2017, the maximum opportunity range is between 125% and 425% of base salary</li> </ul> </li> <li>Payout levels subject to threshold, target and maximum performance outcomes measured against pre-determined Group and divisional targets over three years: <ul style="list-style-type: none"> <li>Maximum performance: 100%</li> <li>Target performance: 80%</li> <li>Threshold performance: 25%</li> <li>Below threshold: 0%</li> </ul> </li> <li>Payout levels with respect to Relative Total Shareholder Return ranking are shown in the chart "Payout levels (RTSR)"</li> <li>Delivery in the form of shares with performance vesting three years from grant date and delivery in three equal tranches on the third, fourth and fifth anniversaries of the grant date</li> </ul>

Performance Criteria <sup>1</sup>																				
<table> <tr> <th>Performance criteria and weighting (%)</th><th>CEO</th><th>Divisional Head</th><th>Functional Head</th></tr> <tr> <td>Relative Total Shareholder Return (RTSR)</td><td>50%</td><td>50%</td><td>50%</td></tr> <tr> <td>CET1 ratio/CET1 leverage ratio</td><td>10%</td><td>10%</td><td>10%</td></tr> <tr> <td>Cost target</td><td>15%</td><td>20%</td><td>15%</td></tr> <tr> <td>Divisional performance</td><td>25%<sup>2</sup></td><td>20%<sup>3</sup></td><td>25%<sup>2</sup></td></tr> </table>	Performance criteria and weighting (%)	CEO	Divisional Head	Functional Head	Relative Total Shareholder Return (RTSR)	50%	50%	50%	CET1 ratio/CET1 leverage ratio	10%	10%	10%	Cost target	15%	20%	15%	Divisional performance	25% <sup>2</sup>	20% <sup>3</sup>	25% <sup>2</sup>
Performance criteria and weighting (%)	CEO	Divisional Head	Functional Head																	
Relative Total Shareholder Return (RTSR)	50%	50%	50%																	
CET1 ratio/CET1 leverage ratio	10%	10%	10%																	
Cost target	15%	20%	15%																	
Divisional performance	25% <sup>2</sup>	20% <sup>3</sup>	25% <sup>2</sup>																	
<div> <div> <div>Payout levels (RTSR)</div> <div>(Credit Suisse Group RTSR ranked vs peers*)</div> <div>Achievement Level - Ranking vs Peers</div> </div> <div> <div>Example of 2017 LTI award</div> </div> </div>																				

<sup>1</sup> Adjusted results are non-GAAP financial measures that exclude goodwill impairment, real estate transactions, business sales, restructuring expenses, and major litigation provisions. For the purposes of evaluating the Executive Board's contribution to the achievement of satisfactory financial results for the Group, the Compensation Committee considers the adjusted results to be a more accurate reflection of operating results and therefore a more appropriate basis for the purposes of establishing compensation.

<sup>2</sup> Divisional performance is measured using the following criteria: (i) adjusted pre-tax income of Swiss Universal Bank, International Wealth Management and Asia Pacific (15% weighting), (ii) adjusted return on regulatory capital for Global Markets and Investment Banking & Capital Markets (5% weighting), and (iii) adjusted pre-tax loss for the Strategic Resolution Unit (5% weighting).

<sup>3</sup> Divisional performance is measured using the following criteria: (i) adjusted pre-tax income and adjusted return on regulatory capital for Swiss Universal Bank, International Wealth Management and Asia Pacific, (ii) adjusted return on regulatory capital for Global Markets and Investment Banking & Capital Markets, and (iii) risk-weighted assets, leverage exposure and adjusted pre-tax loss for the Strategic Resolution Unit.

<sup>4</sup> See "Types of awards in 2017" for complete list of peer group.

In terms of the RTSR metric, a group of 18 peers have been chosen based on size, geographic scope and business mix, to provide the benchmark for comparison of performance. This group 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. RTSR is measured based on a ranked approach and a payout level of 100% requires a Credit Suisse Group TSR ranking within the top four of the peer group, whereas a ranking of eight to ten would result in a payout level of 50%.

► Refer to the "Payout levels (RTSR)" in the chart "Overview of 2017 Long-Term Incentive awards" for more details on payout levels with respect to rankings.

For each of the internal performance targets at the Group and divisional levels, the Board approved "Threshold", "Target" and "Maximum" achievement levels over the 2017-2019 performance cycle, which would result in payouts of 25%, 80%, and 100% of the maximum opportunity amount, respectively. The performance against targets will be disclosed retrospectively.

### Malus and clawback provisions

All deferred compensation awards of Executive Board members are subject to the same malus provisions as other employees. All variable incentive compensation granted to PRA Code Staff is also subject to clawback.

► Refer to "Malus provisions" and "Clawback provisions" in Group compensation for more information.

### Other aspects of Executive Board compensation

#### Minimum share ownership requirements

The Group applies minimum share ownership requirements for members of the Executive Board as follows:

- CEO: 350,000 shares; and
- Other Executive Board members: 150,000 shares.

The thresholds include all Group shares held by or on behalf of these executive employees, including unvested share-based awards. All affected executive employees are restricted from selling shares, or from receiving their share-based awards in the form of cash, until they fulfill the minimum share ownership requirements. The Group prohibits all employees from entering

into transactions to hedge the value of outstanding share-based awards but allows employees to hedge awards that have already vested. Pledging of unvested, or vested and undistributed share-based awards is also prohibited, except with the approval of the Compensation Committee.

#### Cash settlement of share awards

The Executive Board members are permitted to elect, at a pre-defined 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. This cash settlement option does not apply to deferred share-based awards granted to all other employees as of December 31, 2016, which will continue to be settled in the form of Group shares.

#### 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. 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)

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. During 2016, former Executive Board members received total compensation of CHF 8.0 million for services they continued to perform after they stepped down from the Executive Board. A total of CHF 9.7 million was paid during 2016 to former Executive Board members pursuant to non-compete arrangements agreed upon in 2015.

#### Executive Board shareholdings, loans and other outstanding awards

##### 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, 2016.

The value of share-based compensation awards granted to Executive Board members in prior years varies depending on the Group share price and other factors influencing the fair value of the award. The cumulative value of these unvested share-based awards as of December 31, 2016 was on average 26% lower than at the grant date value of the awards.

##### Other outstanding awards

As of December 31, 2016, the outstanding cash-based deferred compensation awards granted to certain Executive Board members in prior years were the 2008 PAF, the COF, CCA, the 2012 and 2013 LTI awards and a deferred cash award granted to Mr. Chin for his former role before joining the Executive Board. The cumulative value of such cash-based awards at their grant dates was CHF 22.64 million compared to CHF 24.24 million as of December 31, 2016. These amounts also include the cash value of dividend equivalents related to unvested share awards at their respective grant dates and at December 31, 2016.

### Executive Board holdings and values of deferred share-based awards by individual

end of	Number of owned shares <sup>1</sup>	Number of unvested share awards	Number of owned shares and unvested share awards	Value of unvested awards at grant (CHF)	Value of unvested awards as of December 31 (CHF)
<b>2016</b>					
Tidjane Thiam	81,927	956,854	1,038,781	19,218,952	13,979,637
James L. Amine	262,706	960,430	1,223,136	17,584,172	13,107,481
Pierre-Olivier Bouée	3,614	342,802	346,416	6,496,732	5,008,337
Romeo Cerutti	286,688	298,820	585,508	5,513,136	4,070,471
Brian Chin	109,013	692,600	801,613	14,516,015	10,118,886
Peter Goerke	17,640	198,863	216,503	3,907,775	2,905,388
Thomas Gottstein	64,318	243,555	307,873	4,577,173	3,430,375
Iqbal Khan	40,282	264,939	305,221	4,916,102	3,753,931
David R. Mathers	70,573	515,650	586,223	9,322,737	7,013,704
Joachim Oechslin	32,345	247,226	279,571	4,759,240	3,521,532
Helman Sitohang	244,895	727,512	972,407	13,138,543	10,045,960
Lara Warner	92,043	277,851	369,894	5,252,574	3,844,714
<b>Total</b>	<b>1,306,044</b>	<b>5,727,102</b>	<b>7,033,146</b>	<b>109,203,151</b>	<b>80,800,416</b>
<b>2015</b>					
Tidjane Thiam	–	677,368	677,368	14,322,470	14,692,112
James L. Amine	118,982	601,098	720,080	13,448,466	13,037,816
Pierre-Olivier Bouée	–	73,307	73,307	1,885,249	1,590,029
Romeo Cerutti	219,539	122,417	341,956	2,727,390	2,655,225
Peter Goerke	–	79,034	79,034	1,843,536	1,714,247
Thomas Gottstein	–	98,344	98,344	2,174,771	2,133,081
Iqbal Khan	13,358	99,516	112,874	2,098,706	2,158,502
David R. Mathers	35,063	215,170	250,233	4,793,822	4,667,037
Joachim Oechslin	17,099	97,982	115,081	2,124,889	2,125,230
Timothy P. O'Hara	29,079	579,567	608,646	13,521,795	12,570,808
Helman Sitohang	5,992	406,124	412,116	9,145,242	8,808,830
Lara Warner	29,313	158,244	187,557	3,658,283	3,432,312
<b>Total</b>	<b>468,425</b>	<b>3,208,171</b>	<b>3,676,596</b>	<b>71,744,619</b>	<b>69,585,229</b>

<sup>1</sup> Includes shares that were initially granted as deferred compensation and have vested.

### 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. Each Executive Board member may be granted individual credit facilities or loans up to a maximum of CHF 20 million. As of December 31, 2016, 2015 and 2014, outstanding loans to Executive Board members amounted to CHF 25 million, CHF 26 million and CHF 5 million, respectively. The number of individuals with outstanding loans at the beginning and the end of 2016 was 7 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 Corporate Governance for further information.

## BOARD OF DIRECTORS COMPENSATION

### Governance

The governance of the compensation to members of the Board is set forth in the AoA and in the OGR. The annual compensation paid to members of the Board, including the Chairman, is approved by the Board, based on the recommendation of the Compensation Committee for the period from the current AGM to the following year's AGM. The total aggregate amount of Board compensation is subject to approval by the shareholders pursuant to the Compensation Ordinance and the AoA. In the case of the Chairman's compensation and the additional fees for the committee chairmen, the Board member concerned does not participate in the recommendation involving his or her own compensation.

### Changes to the Board composition in 2016

At the 2016 AGM, Sebastian Thrun stepped down from the Board and Alexander Gut and Joaquin J. Ribeiro were elected as new members of the Board.

### Basis of determining compensation for the Board

Board members are compensated on the basis of fees, which reflect the respective Board member's 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. Except for the full-time Chairman, all members of the Board receive an annual base board fee of CHF 250,000. As shown in the table below, Board members also receive annual committee fees for each committee membership.

Fees paid to Board members are in the form of cash and Group shares, which 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 base board and committee membership fees are paid 50% in cash and 50% in Group shares in arrears in two equal installments, except for the Chairman and committee chairmen as described below.

### Membership fees

Membership	Annual fee (in CHF)
Board of Directors – base fee	250,000
Audit Committee	150,000
Chairman's and Governance Committee	100,000
Compensation Committee	100,000
Risk Committee	100,000

### Compensation of the Chairman

The Chairman's role is a full time appointment, for which 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 is also eligible to receive benefits from and makes contributions to the Group pension fund in line with local market practice for the Group. 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 of CHF 1.5 million, and this proposal was approved by the Board. 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 chairmen 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 Chairman's and Governance 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 Lead Independent Director and the Vice-Chairs

Noreen Doyle, as Lead Independent Director and Vice-Chair, and Richard E. Thornburgh as Vice-Chair do not receive additional compensation for these roles. Both individuals are members of the Chairman's and Governance Committee, however, for which they receive an annual committee fee of CHF 100,000.

### Compensation of the committee chairmen

Jean Lanier, Richard E. Thornburgh and John Tiner, each in the role of committee chairman of the Compensation, Risk and Audit Committees, respectively, receive chair fees, reflecting the greater responsibility and time commitment required to perform the role of a committee chairman, which is considered to be a significant part-time role. For 2016, the chair fee was CHF 200,000 for the chairman of the Compensation Committee, CHF 580,000 for the chairman of the Audit Committee and CHF 420,000 for the chairman of the Risk Committee. The chair fees for the Audit and Risk Committee Chairmen were adjusted downwards from the prior year to better reflect market levels for these roles and also in consideration of separate fees paid to these individuals for subsidiary board roles. These 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 consider the engagement of the three committee chairmen throughout the year with global 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 chairmen, 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 chairman and large shareholders and shareholder groups, as well as with regulators. 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 (e.g. 16 meetings and calls held during 2016) and the Audit Committee chairman's supervisory role over the Internal Audit function. The Head of Internal Audit has a direct reporting line to the Audit Committee chairman and is required to deliver regular reports to the Audit Committee. The Risk Committee chair fee considers the regular interaction required between the Risk Committee chairman and the Group chief risk officer and other senior managers in the risk management function, as well as his oversight role over the strengthened Credit Risk Review function, which reports directly to him.

► Refer to the table "Members of the Board and Board committees" in *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.

#### **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. The Group's subsidiary companies and respective board members as of December 31, 2016 were as follows:

#### **Credit Suisse (Schweiz) AG**

- Alexandre Zeller, board chair (subject to election at the 2017 AGM of the Group);
- Alexander Gut, board member and audit committee chair;
- Andreas Koopmann, board member;
- Urs Rohner, board member; and
- Severin Schwan, board member.

#### **Credit Suisse International (CSI) / Credit Suisse Securities (Europe) Limited (CSSEL)**

- Noreen Doyle, board chair.

#### **Credit Suisse Holdings (USA) Inc.**

- Richard E. Thornburgh, board chair; and
- John Tiner, board member.

With the exception of the Chairman, Board members may receive separate fees for serving on subsidiary boards, in addition to their Board fees, and are generally paid in cash. These fees are approved by the respective subsidiary boards and are subject to ratification by the Board and 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. In 2016, Board members Alexander Gut, Andreas Koopmann and Severin Schwan did not receive separate fees for their subsidiary board membership of Credit Suisse (Schweiz) AG.

#### **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 2016.

**Board compensation from the 2016 AGM to the 2017 AGM (audited)**

in	Base board fee	Committee fee	Chair fees	Subsidiary board fees	Total compen- sation <sup>1</sup>	Awarded in cash	% of total compen- sation	Awarded in Group shares <sup>2</sup>	% of total compen- sation
<b>2016 (CHF)</b>									
Urs Rohner, Chairman <sup>3</sup>	3,000,000	–	750,000	–	3,980,929	3,230,929	81%	750,000	19%
Jassim Bin Hamad J.J. Al Thani <sup>4</sup>	250,000	–	–	–	250,000	125,000	50%	125,000	50%
Iris Bohnet <sup>4</sup>	250,000	100,000	–	–	350,000	175,000	50%	175,000	50%
Noreen Doyle <sup>4,5</sup>	250,000	200,000	–	252,000	702,000	477,000	68%	225,000	32%
Alexander Gut	250,000	150,000	–	–	400,000	200,000	50%	200,000	50%
Andreas N. Koopmann <sup>4</sup>	250,000	200,000	–	–	450,000	225,000	50%	225,000	50%
Jean Lanier, Chairman of the Compensation Committee <sup>4,6</sup>	250,000	200,000	200,000	–	650,000	325,000	50%	325,000	50%
Seraina (Maag) Macia <sup>4</sup>	250,000	150,000	–	–	400,000	200,000	50%	200,000	50%
Kai S. Nargolwala <sup>4</sup>	250,000	200,000	–	–	450,000	225,000	50%	225,000	50%
Joaquin J. Ribeiro	250,000	150,000	–	–	400,000	200,000	50%	200,000	50%
Severin Schwan <sup>4</sup>	250,000	100,000	–	–	350,000	175,000	50%	175,000	50%
Richard E. Thornburgh, Chairman of the Risk Committee <sup>4,7</sup>	250,000	350,000	420,000	274,510	1,294,510	784,510	61%	510,000	39%
John Tiner, Chairman of the Audit Committee <sup>4,8</sup>	250,000	350,000	560,000	137,255	1,297,255	717,255	55%	580,000	45%
<b>Total</b>	<b>6,000,000</b>	<b>2,150,000</b>	<b>1,930,000</b>	<b>663,765</b>	<b>10,974,694</b>	<b>7,059,694</b>	<b>64%</b>	<b>3,915,000</b>	<b>36%</b>

<sup>1</sup> 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.

<sup>2</sup> As per 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.

<sup>3</sup> 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 to the 2017 AGM of CHF 230,929, including pension and health insurance benefits and lump sum expenses.

<sup>4</sup> All members of the Board are awarded an annual base board fee and a committee fee for their respective committee membership for the period from one AGM to the next, i.e., from April 29, 2016 to April 28, 2017. Except for the Chairman, who receives his base board fee in 12 monthly installments throughout this period, Board member fees are paid in two installments of cash and Group shares, which are made approximately six and twelve months after the AGM respectively. As of the date of the 2017 AGM, these total combined fees will have been paid in cash (60%) and Group shares (40%).

<sup>5</sup> In addition to the base board and committee fees, which were awarded as 50% cash and 50% Group shares, a subsidiary board fee of GBP 200,000 (CHF 252,000) was awarded in cash to Noreen Doyle as a non-executive director and chair of two of the Group's UK subsidiaries, Credit Suisse International and Credit Suisse Securities (Europe) Limited.

<sup>6</sup> In addition to his base board and committee fees, Jean Lanier is awarded a chair fee of CHF 200,000 as Compensation Committee Chairman; the chair fee is awarded as 50% cash and 50% Group shares.

<sup>7</sup> In addition to his base board and committee fees, Richard E. Thornburgh was awarded a chair fee of CHF 420,000 as Risk Committee Chairman; the chair fee was awarded as 50% cash and 50% Group shares. Furthermore, Richard E. Thornburgh was awarded a subsidiary board fee of USD 280,000 (CHF 274,510) in cash as a non-executive director and chair of Credit Suisse Holdings (USA), Inc., a US subsidiary.

<sup>8</sup> In addition to his base board and committee fees, John Tiner was awarded a chair fee of CHF 560,000 as Audit Committee Chairman; the chair fee was awarded as 50% cash and 50% Group shares. Furthermore, John Tiner was awarded a subsidiary board fee of USD 140,000 (CHF 137,255) in cash as a non-executive director and audit and risk committee member of Credit Suisse Holdings (USA), Inc., a US subsidiary.



## Board compensation from the 2015 AGM to the 2016 AGM (audited)

in	Base board fee	Committee fee	Chair fees	Subsidiary board fees	Total compen- sation <sup>1</sup>	Awarded in cash	% of total compen- sation	Awarded in Group shares <sup>2</sup>	% of total compen- sation
<b>2015 (CHF)</b>									
Urs Rohner, Chairman <sup>3</sup>	3,000,000	–	–	–	3,225,956	3,225,956	100%	–	0%
Jassim Bin Hamad J.J. Al Thani <sup>4</sup>	250,000	–	–	–	250,000	125,000	50%	125,000	50%
Iris Bohnet <sup>4, 5</sup>	250,000	100,000	–	–	369,783	194,783	53%	175,000	47%
Noreen Doyle <sup>4, 6</sup>	250,000	250,000	–	280,000	780,000	530,000	68%	250,000	32%
Andreas N. Koopmann <sup>4</sup>	250,000	200,000	–	–	450,000	225,000	50%	225,000	50%
Jean Lanier, Chairman of the Compensation Committee <sup>4, 7</sup>	250,000	200,000	200,000	–	650,000	325,000	50%	325,000	50%
Seraïna (Maag) Macia <sup>4</sup>	250,000	150,000	–	–	400,000	200,000	50%	200,000	50%
Kai S. Nargolwala <sup>4</sup>	250,000	200,000	–	–	450,000	225,000	50%	225,000	50%
Severin Schwan <sup>4</sup>	250,000	100,000	–	–	350,000	175,000	50%	175,000	50%
Richard E. Thornburgh, Chairman of the Risk Committee <sup>4, 8</sup>	250,000	350,000	583,333	116,667	1,300,000	708,333	54%	591,667	46%
Sebastian Thrun <sup>4</sup>	250,000	100,000	–	–	350,000	175,000	50%	175,000	50%
John Tiner, Chairman of the Audit Committee <sup>4, 8</sup>	250,000	350,000	641,667	58,333	1,300,000	679,167	52%	620,833	48%
<b>Total</b>	<b>5,750,000</b>	<b>2,000,000</b>	<b>1,425,000</b>	<b>455,000</b>	<b>9,875,739</b>	<b>6,788,239</b>	<b>69%</b>	<b>3,087,500</b>	<b>31%</b>

<sup>1</sup> At the 2015 AGM, shareholders approved a maximum amount of total compensation to be awarded to Board members until the 2016 AGM of CHF 12 million. For the total compensation awarded to members of the Board, the Group made payments of CHF 0.5 million in 2015 and CHF 0.6 million in 2014 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.

<sup>2</sup> As per December 31, 2015, 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 21.49. The remaining shares will be delivered to Board members at or around the date of the 2016 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.

<sup>3</sup> 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 2015 AGM to the 2016 AGM, the Chairman proposed to voluntarily waive his Chair fee and this proposal was approved by the Board in the context of determining compensation. The total compensation of the Chairman includes benefits received in 2015 of CHF 225,956, which included pension and health insurance benefits and lump sum expenses.

<sup>4</sup> All members of the Board are awarded an annual base board fee and a committee fee for their respective committee membership for the period from one AGM to the next, i.e., from April 23, 2015 to April 29, 2016. Except for the Chairman, who receives his base board fee in 12 monthly installments throughout this period, Board member fees are paid in two installments of cash and Group shares, which are made approximately six and twelve months after the AGM respectively. As of the date of the 2016 AGM, these total combined fees will have been paid in cash (69%) and Group shares (31%).

<sup>5</sup> The total compensation of Iris Bohnet includes a payment of USD 20,000 (CHF 19,783) for a speaking engagement at a Credit Suisse sponsored event.

<sup>6</sup> In addition to the base board and committee fees, which were awarded as 50% cash and 50% Group shares, a subsidiary board fee of GBP 200,000 (CHF 280,000) was awarded in cash to Noreen Doyle as a non-executive director and chair of two of the Group's UK subsidiaries, Credit Suisse International and Credit Suisse Securities (Europe) Limited.

<sup>7</sup> In addition to his base board and committee fees, Jean Lanier is awarded a chair fee of CHF 200,000 as Compensation Committee Chairman; the chair fee is awarded as 50% cash and 50% Group shares.

<sup>8</sup> In addition to their base board and committee fees, Richard E. Thornburgh and John Tiner are each awarded a chair fee and a subsidiary board fee for a combined amount of CHF 700,000. Richard E. Thornburgh is awarded a chair fee of CHF 583,333 as Risk Committee Chairman (50% in cash, 50% in Group shares), and a subsidiary board fee of CHF 116,667 awarded in cash as a non-executive director and chair of the Group's US subsidiary, Credit Suisse Holdings (USA) Inc., to which Mr. Thornburgh was appointed in December 2015. Mr. Thornburgh did not receive separate fees during 2015 as non-executive director of the Group's UK subsidiaries, Credit Suisse International and Credit Suisse Securities (Europe) Limited. Similarly, the fees of Mr. Tiner are also split between his fee as Audit Committee Chairman (50% cash, 50% Group shares) and a subsidiary board fee awarded in cash as non-executive director of the US subsidiary, Credit Suisse Holdings (USA) Inc., to which Mr. Tiner was appointed in December 2015. The subsidiary fee amounts disclosed above are pro-rated from December 2015 until the 2016 AGM; a full-year subsidiary fee of CHF 280,000 is foreseen for the role of Mr. Thornburgh as a non-executive director and chair and CHF 140,000 for Mr. Tiner as a non-executive director of the US subsidiary board respectively.

### Utilization of Board compensation approved at the 2016 AGM

At the 2016 AGM, shareholders approved an aggregate amount of compensation to be paid to members of the Board for the period from the 2016 AGM to the 2017 AGM of CHF 12 million. Of this amount, a total of CHF 11 million will have been paid to Board members by the time of the 2017 AGM, of which CHF 10.3 million related to fees for Board membership and CHF 0.7 million related to fees paid to certain Board members for subsidiary board membership.

### Board compensation proposed for approval at the 2017 AGM

Pursuant to the Compensation Ordinance and the AoA, the AGM approves on an annual basis the compensation of the Board in advance as a maximum amount for the period until the next ordinary AGM. Accordingly, the Board will submit the following proposal to the shareholders at the 2017 AGM:

### Approval of the compensation of the Board for the period from the 2017 AGM to the 2018 AGM

The Board proposes to approve 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 no more than CHF 12.5 million. The total amount consists of base board fees, committee fees, chair fees, subsidiary board fees and (if applicable) pension benefits and other benefits as specified in the section "Board of Directors Compensation". The proposed amount excludes any legally required employer contributions to social security systems. The increase of CHF 0.5 million compared to the prior period is in consideration of the amount of fees to be paid to Board members who are also serving on the boards of the Group's significant subsidiary companies, in particular fees related to board membership for Credit Suisse (Schweiz) AG, for which no separate fees were paid to existing Board members in the period from the 2016 AGM to the 2017 AGM. In addition, as of the 2017 AGM and subject to his election, Mr. Alexandre Zeller, chairman of Credit Suisse (Schweiz) AG, will become a new Board member. Under the rules of the Ordinance and our AoA subsidiary board fees must be included in the maximum amount of compensation of the Board proposed for approval by shareholders at the 2017 AGM, even if these are not directly related to the performance of the respective Board roles. Of the aggregate amount proposed of CHF 12.5 million, no more than approximately CHF 11 million is intended to be paid to Board members for their Board roles and no more than approximately CHF 1.5 million is intended to be paid to Board members for their roles as board members in subsidiary companies.

### Board shareholdings and loans

#### 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, 2016, there were no Board members with outstanding options.

### Board shareholdings by individual

in	2016	2015
<b>December 31 (shares) <sup>1</sup></b>		
Urs Rohner	197,861	244,868
Jassim Bin Hamad J.J. Al Thani	35,809	26,404
Iris Bohnet	38,287	25,120
Noreen Doyle	70,883	52,998
Alexander Gut	7,865	–
Andreas N. Koopmann	81,746	60,944
Jean Lanier	96,318	75,799
Seraina (Maag) Macia	19,700	4,653
Kai S. Nargolwala	226,362	209,434
Joaquin J. Ribeiro	7,865	–
Severin Schwan	82,803	65,601
Richard E. Thornburgh	225,038	194,089
John Tiner	140,910	107,866
<b>Total</b>	<b>1,231,447</b>	<b>1,067,776 <sup>2</sup></b>

<sup>1</sup> Includes Group shares that are subject to a blocking period of up to four years; includes shareholdings of immediate family members.

<sup>2</sup> Excludes 6,850 shares held by Sebastian Thrun as of December 31, 2015, who did not stand for re-election to the Board as of April 27, 2016.

### 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. 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, 2016, 2015 and 2014, outstanding loans to Board members amounted to CHF 10 million, CHF 8 million and CHF 16 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, 2016, 2015 and 2014, 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 Corporate Governance for further information.

**Board loans by individual (audited)**

in	2016	2015
<b>December 31 (CHF)</b>		
Urs Rohner	4,830,000	4,915,000
Alexander Gut	30,000	–
Andreas N. Koopmann	4,195,000	1,775,000
Seraina (Maag) Macia	976,000	984,000
<b>Total</b>	<b>10,031,000</b>	<b>7,674,000</b>

Includes loans to immediate family members and companies, in which the respective Board member has an ownership stake of 50% or higher.

**DISCONTINUED COMPENSATION PLANS**

The Group has discontinued compensation instruments with leverage components. A summary of the principal forms of awards granted in prior years, which have since been discontinued but are still outstanding, are described in the following overview. For certain plans, the Group retains the right to settle the instruments in cash or in shares at its discretion.

**Principal outstanding deferred variable compensation plans**  
**Capital Opportunity Facility (COF)**

- Basis: cash-based;
- Vesting start: 94% vested at the time of conversion in February 2014;
- Vesting end: February 2016;
- Applied to: performance in 2011, as this was derived from the conversion of the 2011 Partner Asset Facility (PAF2);
- General award conditions: 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 the 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. COF awards were obtained in exchange for PAF2 awards. PAF2 awards were linked to a portfolio of the Group's credit exposures, providing risk offset and capital relief up until December 2013. Due to regulatory changes, the capital relief was no longer available after December 31, 2013. 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 either COF or CCA, or a combination thereof;
- Other award conditions or restrictions: COF holders 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;
- Program objective/rationale: providing employees with semi-annual fixed income distributions and a potential return on the reference assets at maturity while transferring risk from the Group to employees thereby contributing to risk reduction and capital efficiency.

**2008 Partner Asset Facility (PAF)**

- Basis: cash-based;
- Vesting start: 2008, 66.7% vested upon grant;
- Vesting end: 33.3% vested in March 2009;
- Applied to: performance in 2008, which included all managing directors and directors in the former Investment Banking division;
- General award conditions: the contractual term of a PAF award is eight years, with the final distribution in 2017. 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 as of December 31, 2008, and those assets cannot be substituted throughout the contractual term of the award or until liquidated;
- Other award conditions or restrictions: PAF holders will receive a semi-annual cash interest payment of the LIBOR plus 250 basis points applied to the notional value of the PAF award granted throughout the contractual term of the award. They 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;
- Program objective/rationale: designed to incentivize senior managers in the former Investment Banking division to effectively manage assets which were a direct result of risk taking in the former Investment Banking division during this period. As a result of the PAF program, 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.

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



# **Consolidated financial statements – Credit Suisse Group**

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## Report of the Independent Registered Public Accounting Firm

### Credit Suisse Group AG, Zurich

We have audited the accompanying consolidated balance sheets of Credit Suisse Group AG and subsidiaries (the "Group") as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2016. These consolidated financial statements are the responsibility of the Group's management and the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Group as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles.

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

KPMG AG

Nicholas Edmonds  
*Licensed Audit Expert  
Auditor in Charge*

Anthony Anzevino  
*Global Lead Partner*

Zurich, Switzerland  
March 24, 2017

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

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# Consolidated financial statements

## Consolidated statements of operations

	Reference to notes	2016	2015	in 2014
<b>Consolidated statements of operations (CHF million)</b>				
Interest and dividend income	6	17,374	19,341	19,061
Interest expense	6	(9,812)	(10,042)	(10,027)
Net interest income	6	7,562	9,299	9,034
Commissions and fees	7	11,092	12,044	13,051
Trading revenues	8	313	1,340	2,026
Other revenues	9	1,356	1,114	2,131
<b>Net revenues</b>		<b>20,323</b>	<b>23,797</b>	<b>26,242</b>
<b>Provision for credit losses</b>	10	<b>252</b>	<b>324</b>	<b>186</b>
Compensation and benefits	11	10,572	11,546	11,334
General and administrative expenses	12	9,770	8,574	9,534
Commission expenses		1,455	1,623	1,561
Goodwill impairment	21	0	3,797	0
Restructuring expenses	13	540	355	–
Total other operating expenses		11,765	14,349	11,095
<b>Total operating expenses</b>		<b>22,337</b>	<b>25,895</b>	<b>22,429</b>
<b>Income/(loss) from continuing operations before taxes</b>		<b>(2,266)</b>	<b>(2,422)</b>	<b>3,627</b>
Income tax expense	28	441	523	1,405
<b>Income/(loss) from continuing operations</b>		<b>(2,707)</b>	<b>(2,945)</b>	<b>2,222</b>
Income from discontinued operations, net of tax	4	0	0	102
<b>Net income/(loss)</b>		<b>(2,707)</b>	<b>(2,945)</b>	<b>2,324</b>
Net income/(loss) attributable to noncontrolling interests		3	(1)	449
<b>Net income/(loss) attributable to shareholders</b>		<b>(2,710)</b>	<b>(2,944)</b>	<b>1,875</b>
of which from continuing operations		(2,710)	(2,944)	1,773
of which from discontinued operations		0	0	102
<b>Basic earnings per share (CHF)</b>				
Basic earnings/(loss) per share from continuing operations	14	(1.32)	(1.73)	0.99
Basic earnings per share from discontinued operations	14	0.00	0.00	0.06
<b>Basic earnings/(loss) per share</b>	14	<b>(1.32)</b>	<b>(1.73)</b>	<b>1.05</b>
<b>Diluted earnings per share (CHF)</b>				
Diluted earnings/(loss) per share from continuing operations	14	(1.32)	(1.73)	0.98
Diluted earnings per share from discontinued operations	14	0.00	0.00	0.06
<b>Diluted earnings/(loss) per share</b>	14	<b>(1.32)</b>	<b>(1.73)</b>	<b>1.04</b>

## Consolidated statements of comprehensive income

	2016	2015	in 2014
<b>Comprehensive income/(loss) (CHF million)</b>			
Net income/(loss)	(2,707)	(2,945)	2,324
Gains/(losses) on cash flow hedges	(20)	16	(20)
Foreign currency translation	515	(1,156)	2,287
Unrealized gains/(losses) on securities	1	(4)	12
Actuarial gains/(losses)	394	(661)	(1,253)
Net prior service credit/(cost)	36	155	(63)
Gains/(losses) on liabilities related to credit risk	(1,043)	–	–
Other comprehensive income/(loss), net of tax	(117)	(1,650)	963
<b>Comprehensive income/(loss)</b>	<b>(2,824)</b>	<b>(4,595)</b>	<b>3,287</b>
Comprehensive income/(loss) attributable to noncontrolling interests	(2)	(19)	540
<b>Comprehensive income/(loss) attributable to shareholders</b>	<b>(2,822)</b>	<b>(4,576)</b>	<b>2,747</b>

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

## Consolidated balance sheets

	Reference to notes	2016	end of 2015
<b>Assets (CHF million)</b>			
Cash and due from banks		121,161	92,328
of which reported at fair value		200	89
of which reported from consolidated VIEs		369	1,693
Interest-bearing deposits with banks		772	867
of which reported at fair value		26	2
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	15	134,839	123,049
of which reported at fair value		87,331	83,565
of which reported from consolidated VIEs		0	53
Securities received as collateral, at fair value		32,564	28,511
of which encumbered		30,762	27,940
Trading assets, at fair value	16	165,150	190,737
of which encumbered		52,322	62,559
of which reported from consolidated VIEs		2,744	2,372
Investment securities	17	2,489	3,090
of which reported at fair value		2,489	3,090
of which reported from consolidated VIEs		511	1,009
Other investments	18	6,777	7,021
of which reported at fair value		4,096	4,237
of which reported from consolidated VIEs		2,006	1,986
Net loans	19	275,976	272,995
of which reported at fair value		19,528	20,820
of which encumbered		132	108
of which reported from consolidated VIEs		284	1,312
allowance for loan losses		(938)	(866)
Premises and equipment	20	4,711	4,644
of which reported from consolidated VIEs		199	327
Goodwill	21	4,913	4,808
Other intangible assets	22	213	196
of which reported at fair value		138	112
Brokerage receivables		33,431	34,542
Other assets	23	36,865	58,017
of which reported at fair value		9,383	25,627
of which encumbered		257	671
of which reported from consolidated VIEs		2,617	14,451
<b>Total assets</b>		<b>819,861</b>	<b>820,805</b>

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

**Consolidated balance sheets (continued)**

	Reference to notes	2016	end of 2015
<b>Liabilities and equity (CHF million)</b>			
Due to banks	24	22,800	21,054
of which reported at fair value		437	482
Customer deposits	24	355,833	342,705
of which reported at fair value		3,576	3,663
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	15	33,016	46,598
of which reported at fair value		19,634	32,398
Obligation to return securities received as collateral, at fair value		32,564	28,511
Trading liabilities, at fair value	16	44,930	48,971
of which reported from consolidated VIEs		18	27
Short-term borrowings		15,385	8,657
of which reported at fair value		4,061	3,112
of which reported from consolidated VIEs		1	81
Long-term debt	25	193,315	197,608
of which reported at fair value		72,868	80,931
of which reported from consolidated VIEs		1,759	14,826
Brokerage payables		39,852	39,452
Other liabilities	23	39,855	42,231
of which reported at fair value		9,493	11,754
of which reported from consolidated VIEs		244	836
<b>Total liabilities</b>		<b>777,550</b>	<b>775,787</b>
Common shares		84	78
Additional paid-in capital		32,131	31,925
Retained earnings		25,954	29,139
Treasury shares, at cost		0	(125)
Accumulated other comprehensive income/(loss)	26	(16,272)	(16,635)
<b>Total shareholders' equity</b>		<b>41,897</b>	<b>44,382</b>
Noncontrolling interests		414	636
<b>Total equity</b>		<b>42,311</b>	<b>45,018</b>
<b>Total liabilities and equity</b>		<b>819,861</b>	<b>820,805</b>

	Reference to notes	2016	end of 2015
<b>Additional share information</b>			
Par value (CHF)		0.04	0.04
Authorized shares <sup>1</sup>		2,797,379,244	2,666,152,845
Common shares issued	26	2,089,897,378	1,957,379,244
Treasury shares	26	0	(5,910,224)
Shares outstanding	26	2,089,897,378	1,951,469,020

<sup>1</sup> 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	Accumu- lated other compre- hensive income/ (loss)	Total share- holders' equity	Non- controlling interests	Total equity
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 <sup>1, 2</sup>	–	–	–	–	–	–	(103)	(103)
Sale of subsidiary shares to noncontrolling interests, not changing ownership <sup>2</sup>	–	–	–	–	–	–	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 <sup>3</sup>	–	162	–	340	–	340
Financial instruments indexed to own shares <sup>4</sup>	–	(164)	–	–	–	(164)	–	(164)
Dividends paid	–	(1,435) <sup>5</sup>	–	–	–	(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
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, net	–	–	–	–	–	–	(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

<sup>1</sup> Distributions to owners in funds include the return of original capital invested and any related dividends.

<sup>2</sup> Transactions with and without ownership changes related to fund activity are all displayed under "not changing ownership".

<sup>3</sup> Includes a net tax charge of CHF (110) million from the excess recognized compensation expense over fair value of shares delivered.

<sup>4</sup> 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.

<sup>5</sup> Paid out of capital contribution reserves.

## Consolidated statements of changes in equity (continued)

	Common shares	Additional paid-in capital	Retained earnings	Treasury shares, at cost	Attributable to shareholders			Total equity
					Accumu- lated other compre- hensive income/ (loss)	Total share- holders' equity	Non- controlling interests	
<b>2014 (CHF million)</b>								
<b>Balance at beginning of period</b>	<b>64</b>	<b>27,853</b>	<b>30,261</b>	<b>(139)</b>	<b>(15,875)</b>	<b>42,164</b>	<b>5,002</b>	<b>47,166</b>
Purchase of subsidiary shares from non-controlling interests, not changing ownership	–	238	–	–	–	238	(2,143)	(1,905)
Sale of subsidiary shares to noncontrolling interests, not changing ownership	–	–	–	–	–	–	39	39
Net income/(loss)	–	–	1,875	–	–	1,875	449	2,324
Total other comprehensive income/(loss), net of tax	–	–	–	–	872	872	91	963
Issuance of common shares	–	297	–	–	–	297	–	297
Sale of treasury shares	–	(15)	–	9,409	–	9,394	–	9,394
Repurchase of treasury shares	–	–	–	(10,197)	–	(10,197)	–	(10,197)
Share-based compensation, net of tax	–	(105)	–	735	–	630	–	630
Financial instruments indexed to own shares	–	(80)	–	–	–	(80)	–	(80)
Dividends paid	–	(1,177)	(53)	–	–	(1,230)	(22)	(1,252)
Changes in redeemable noncontrolling interests	–	2	–	–	–	2	–	2
Changes in scope of consolidation	–	–	–	–	–	–	(2,378)	(2,378)
Other	–	(6)	–	–	–	(6)	4	(2)
<b>Balance at end of period</b>	<b>64</b>	<b>27,007</b>	<b>32,083</b>	<b>(192)</b>	<b>(15,003)</b>	<b>43,959</b>	<b>1,042</b>	<b>45,001</b>

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



## Consolidated statements of cash flows

in	2016	2015	2014
<b>Operating activities of continuing operations (CHF million)</b>			
<b>Net income/(loss)</b>	<b>(2,707)</b>	<b>(2,945)</b>	<b>2,324</b>
(Income)/loss from discontinued operations, net of tax	0	0	(102)
<b>Income/(loss) from continuing operations</b>	<b>(2,707)</b>	<b>(2,945)</b>	<b>2,222</b>
<b>Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities of continuing operations (CHF million)</b>			
Impairment, depreciation and amortization	937	4,889	1,285
Provision for credit losses	252	324	186
Deferred tax provision/(benefit)	(193)	32	684
Share of net income/(loss) from equity method investments	(65)	(134)	134
Trading assets and liabilities, net	21,100	26,245	(5,513)
(Increase)/decrease in other assets	9,611	11,395	6,062
Increase/(decrease) in other liabilities	(1,255)	(22,805)	(23,876)
Other, net	(905)	(1,933)	1,196
Total adjustments	29,482	18,013	(19,842)
<b>Net cash provided by/(used in) operating activities of continuing operations</b>	<b>26,775</b>	<b>15,068</b>	<b>(17,620)</b>
<b>Investing activities of continuing operations (CHF million)</b>			
(Increase)/decrease in interest-bearing deposits with banks	117	349	275
(Increase)/decrease in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	(7,056)	36,964	11,685
Purchase of investment securities	(88)	(376)	(1,060)
Proceeds from sale of investment securities	14	19	930
Maturities of investment securities	363	908	340
Investments in subsidiaries and other investments	(1,403)	(594)	(1,264)
Proceeds from sale of other investments	1,737	1,938	1,553
(Increase)/decrease in loans	(3,745)	(5,446)	(23,604)
Proceeds from sales of loans	2,468	1,579	1,255
Capital expenditures for premises and equipment and other intangible assets	(1,164)	(1,102)	(1,056)
Proceeds from sale of premises and equipment and other intangible assets	55	13	1
Other, net	749	409	606
<b>Net cash provided by/(used in) investing activities of continuing operations</b>	<b>(7,953)</b>	<b>34,661</b>	<b>(10,339)</b>

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

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

in	2016	2015	2014
<b>Financing activities of continuing operations (CHF million)</b>			
Increase/(decrease) in due to banks and customer deposits	10,267	(29,149)	26,040
Increase/(decrease) in short-term borrowings	6,594	(18,148)	3,509
Increase/(decrease) in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	(14,525)	(22,149)	(31,001)
Issuances of long-term debt	52,984	77,858	74,159
Repayments of long-term debt	(47,132)	(49,365)	(36,471)
Issuances of common shares	725	6,035	297
Sale of treasury shares	16,167	18,752	9,394
Repurchase of treasury shares	(16,197)	(19,761)	(10,197)
Dividends paid	(493)	(427)	(1,252)
Other, net	377	186	(1,192)
<b>Net cash provided by/(used in) financing activities of continuing operations</b>	<b>8,767</b>	<b>(36,168)</b>	<b>33,286</b>
<b>Effect of exchange rate changes on cash and due from banks (CHF million)</b>			
<b>Effect of exchange rate changes on cash and due from banks</b>	<b>1,244</b>	<b>(582)</b>	<b>5,790</b>
<b>Net cash provided by/(used in) discontinued operations (CHF million)</b>			
<b>Net cash provided by/(used in) discontinued operations</b>	<b>0</b>	<b>0</b>	<b>(460)</b>
<b>Net increase/(decrease) in cash and due from banks (CHF million)</b>			
<b>Net increase/(decrease) in cash and due from banks</b>	<b>28,833</b>	<b>12,979</b>	<b>10,657</b>
Cash and due from banks at beginning of period	92,328	79,349	68,692
<b>Cash and due from banks at end of period</b>	<b>121,161</b>	<b>92,328</b>	<b>79,349</b>

**Supplemental cash flow information**

in	2016	2015	2014
<b>Cash paid for income taxes and interest (CHF million)</b>			
Cash paid for income taxes	662	1,010	1,502
Cash paid for interest	9,136	10,208	9,527
<b>Assets acquired and liabilities assumed in business acquisitions (CHF million)</b>			
Fair value of assets acquired	0	3	143
Fair value of liabilities assumed	0	0	29
<b>Assets and liabilities sold in business divestitures (CHF million)</b>			
Assets sold	425	35	687
Liabilities sold	383	7	1,084

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 where 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 using the weighted average foreign exchange rate for the year. 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 35 – 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 some of its 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 34 – 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.

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 & institutional loans are disaggregated into the classes of real estate, commercial and industrial loans, financial institutions and governments and public institutions.

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 19 – 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 comprised 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 certain 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 collectibility 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 collectibility 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 amounts received.

► Refer to "Impaired loans" in Note 19 – 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. Gains and losses on loans held-for-sale 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, 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 fixed 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 tangible fixed assets and finite intangible 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. If the asset is considered not to be recoverable, an impairment is recorded in general and administrative expenses to the extent the fair value of the asset is less than its carrying amount. 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.

#### Long-term debt

Total long-term debt is comprised 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.

The Group's long-term debt also includes various equity-linked and other indexed instruments with embedded derivative features, whose 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.

#### Pensions 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 and existing awards modified on or after January 1, 2005, 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. For all outstanding unvested share-based awards as of January 1, 2005, compensation expense is measured based on the original grant date fair value of the award and is recognized over the remaining requisite service period of each award on a straight-line basis.

The Group uses the tax law ordering approach to determine the portion of the total tax expense that relates to windfall tax benefits that are to be recorded in additional paid-in capital. In addition, it elected to use the practical transition option in determining the amount of windfall tax benefits recorded in additional paid-in capital arising on awards that were fully vested prior to January 1, 2005.

Compensation expense for share-based 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 such awards 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. For awards granted to employees eligible for retirement prior to January 1, 2005, the Group's policy is to record compensation expense over the requisite service period.

Certain share-based awards also contain a performance condition, where the number of shares the employee is to receive is dependent on the performance (e.g., net income or return on equity (ROE)) of the Group or a division of the Group. If the employee is also required to provide the service stipulated in the award terms, the amount of compensation expense attributed to the incremental additional units expected to be received at vesting due to this performance condition is estimated on the grant date and subsequent changes in this estimate are recorded in the consolidated statements of operations over the remaining service period.

When awards contain market conditions, where the number of shares the employee receives varies based on changes in the Group share price, the incremental amount of extra shares the employee is expected to receive due to the market condition is estimated on the grant date and the total compensation expense is not adjusted thereafter for changes in the Group share price.

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.

The Group has certain option plans outstanding, primarily related to 1999 and prior years, which include a cash settlement feature. For those plans, liability award accounting is applied until settlement of the awards.

### 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 collectibility 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, then 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 205 – Presentation of Financial Statements

In August 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-15, "Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern" (ASU 2014-15), an update to ASC Topic 205 – Presentation of Financial Statements. The amendments in ASU 2014-15 provide guidance in US GAAP about management's responsibility to evaluate whether there are conditions and events, considered in the aggregate, that raise substantial doubt about an entity's ability to continue as a going concern and to provide related disclosures in the notes to the financial statements. The amendments reduce diversity in the timing and content of such disclosures. The adoption of ASU 2014-15 did not have an impact on the Group's financial position, results of operations and cash flows.

#### ASC Topic 718 – Compensation – Stock Compensation

In June 2014, the FASB issued ASU 2014-12, "Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period" (ASU 2014-12), an update to Accounting Standards Codification (ASC) Topic 718 – Compensation – Stock Compensation. The amendments in ASU 2014-12 require that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. The adoption of ASU 2014-12 on January 1, 2016 did not have a material impact on the Group's financial position, results of operations and cash flows.

#### ASC Topic 810 – Consolidation

In February 2015, the FASB issued ASU 2015-02, "Amendments to the Consolidation Analysis" (ASU 2015-02), an update to ASC



**Topic 810 – Consolidation.** The amendments in ASU 2015-02 rescind the indefinite deferral for certain investment funds, which is included in ASU 2010-10, Consolidation (ASC Topic 810), “Amendments for Certain Investment Funds”. The amendments in ASU 2015-02 also require a re-evaluation as to whether certain legal entities require consolidation under the revised consolidation model, specifically as it relates to whether limited partnerships and similar legal entities are VIEs or voting interest entities, the elimination of the presumption that a general partner controls a partnership, and the consolidation analysis of VIEs, particularly those that have fee arrangements and related party relationships. The adoption of ASU 2015-02 on January 1, 2016 did not have a material impact on the Group’s financial position, results of operations and cash flows.

In August 2014, the FASB issued ASU 2014-13, “Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity” (ASU 2014-13), an update to ASC Topic 810 – Consolidation. ASU 2014-13 applies to reporting entities that are required to consolidate a collateralized financing entity (CFE) under the VIE guidance. These entities may elect to measure the financial assets and the financial liabilities of the CFE at fair value using either ASC Topic 820 – Fair Value Measurements or an alternative provided in ASU 2014-13. When using the measurement alternative provided in this update, the reporting entity should measure both the financial assets and the financial liabilities of the CFE, using the most observable of (i) the fair value of the financial assets and (ii) the fair value of the financial liabilities. The adoption of ASU 2014-13 on January 1, 2016 did not have a material impact on the Group’s financial position, results of operations and cash flows.

#### **ASC Topic 815 – Derivatives and Hedging**

In November 2014, the FASB issued ASU 2014-16, “Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity” (ASU 2014-16), an update to ASC Topic 815 – Derivatives and Hedging. The amendments in ASU 2014-16 clarify that for hybrid financial instruments issued in the form of a share, an entity (an issuer or an investor) should determine the nature of the host contract by considering all stated and implied substantive terms and features of the hybrid financial instrument, weighing each term and feature on the basis of relevant facts and circumstances. The adoption of ASU 2014-16 on January 1, 2016 did not have a material impact on the Group’s financial position, results of operations and cash flows.

#### **ASC Topic 820 – Fair Value Measurement**

In May 2015, the FASB issued ASU 2015-07, “Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)” (ASU 2015-07), an update to ASC Topic 820 – Fair Value Measurement. The amendments in ASU 2015-07 remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value (NAV) per share practical expedient and change

the scope of certain disclosure requirements to those investments for which an entity has elected using that practical expedient. The adoption of ASU 2015-07 on January 1, 2016 resulted in modified disclosures but did not have a material impact on the Group’s financial position, results of operations and cash flows.

#### **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 address certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The amendments primarily affect the accounting for equity investments, financial liabilities under the fair value option and the presentation and disclosure requirements for financial instruments. ASU 2016-01 is effective for annual reporting periods beginning after December 15, 2017, and for the interim periods within those annual reporting periods. Early adoption of the full standard is not permitted; however, certain sections of ASU 2016-01 relating to fair value option-elected financial liabilities can be early adopted in isolation. These amendments to ASU 2016-01 require 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 has early adopted these sections of the update on January 1, 2016. As a result of adoption, a reclassification of a gain from retained earnings to AOCI of CHF 475 million, net of tax, was recorded. The Group is currently evaluating the impact of the adoption of the remaining sections of ASU 2016-01 on the Group’s financial position, results of operations and cash flows.

#### **ASC Topic 835 – Interest**

In April 2015, the FASB issued ASU 2015-03, “Simplifying the Presentation of Debt Issuance Costs” (ASU 2015-03), an update to ASC Subtopic 835-30, “Interest – Imputation of Interest”. Under ASU 2015-03, an entity presents debt issuance costs in the balance sheet as a direct deduction from the related debt liability rather than an asset. The adoption of ASU 2015-03 on January 1, 2016 resulted in a reduction to both total assets and total liabilities of CHF 541 million, however, retrospective application was deemed immaterial and, as such, prior periods were not restated.

#### **Standards to be adopted in future periods**

##### **ASC Topic 230 – Statement of 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 provide guidance regarding classification of certain cash receipts and payments where diversity in practice was observed. ASU 2016-15 is required to be applied retrospectively to all periods presented beginning in the year of adoption. ASU 2016-15 is effective for annual reporting periods beginning after



December 15, 2017, and for the interim periods within those annual reporting periods. Early adoption is permitted, including adoption in an interim period. The Group is currently evaluating the impact of the adoption of ASU 2016-15 on the Group's financial position, results of operations and cash flows.

#### 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, and for the interim periods within those annual reporting periods. Early application will be permitted for annual reporting periods and for the interim periods within those annual reporting periods, beginning after December 15, 2018.

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 because of the new requirement to measure lifetime expected credit losses;
- the point of time in the economic cycle at the adoption date 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.

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 350 – Intangibles – Goodwill and Other

In January 2017, the FASB issued ASU 2017-04, "Simplifying the Test for Goodwill Impairment" (ASU 2017-04), an update to ASC Topic 805 – Business Combinations. ASU 2017-04 simplifies the subsequent measurement of goodwill by eliminating step two from the goodwill impairment test. ASU 2017-04 is effective for annual reporting periods beginning after December 15, 2019, and for the interim periods within those annual reporting periods. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. ASU 2017-04 is to be applied on a prospective basis. The Group does not expect the adoption of ASU 2017-04 to have a material impact on the 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), an update to ASC Topic 606 – Revenue from Contracts with Customers. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU outlines key steps that an entity should follow to achieve the core principle. ASU 2014-09, as amended by ASU 2015-14 "Deferral of the Effective Date", ASU 2016-08 "Principal versus Agent Considerations (Reporting Revenue Gross versus Net)", ASU 2016-10 "Identifying Performance Obligations and Licensing", ASU 2016-11 "Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 EITF Meeting" and ASU 2016-12 "Narrow-Scope Improvements and Practical Expedients" and ASU 2016-20 "Technical Corrections and Improvements", is effective for the annual reporting period beginning after December 15, 2017, and for the interim periods within those annual reporting periods.

The Group has established a cross-functional implementation team and governance structure for the project. The Group's implementation efforts include the identification of revenue within the scope of the guidance, as well as the evaluation of revenue contracts under the new guidance. The guidance does not apply to revenue associated with financial instruments, including loans and securities that are accounted for under other US GAAP guidance. The Group has not yet identified any material changes in the timing and amount of revenue recognition however this evaluation remains ongoing. The new guidance eliminates industry specific guidance and as a result will have an impact on the gross versus net presentation of certain income and expenses, for example

a change from net to gross reporting of underwriting expenses. The Group is currently assessing the impact of these presentation changes. Although implementation efforts are ongoing, the Group does not expect the new revenue recognition guidance to have a material impact on the financial position, results of operations and cash flows.

#### 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 Post-retirement Benefit Cost" (ASU 2017-07), an update to ASC Topic 715 – Compensation – Retirement Benefits. The amendments in ASU 2017-07 require 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 includes the service cost and outside of any subtotal of operating income.

ASU 2017-07 is effective for annual reporting periods beginning after December 15, 2017, and for the interim periods within those annual reporting periods. Early adoption is permitted. The Group is currently evaluating the impact of the adoption of ASU 2017-07 on the Group's financial position, results of operations and 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 provide 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 eliminate the exception for an intra-entity transfer of an asset other than inventory. ASU 2016-16 is 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 is effective for annual reporting periods beginning after December 15, 2017, and for the interim periods within those annual reporting periods. Early adoption is permitted. The Group is currently evaluating the impact of the adoption of ASU 2016-16 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. 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 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 is effective for annual reporting periods beginning after December 15, 2018, and for the interim periods within those annual reporting periods.

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 and is currently evaluating the extent of the impact of the adoption of ASU 2016-02 on the Group's results of operations and cash flows.

### 3 Business developments, significant shareholders and subsequent events

The Group's significant business developments for 2016 as well as the Group's significant shareholders are discussed below.

#### Business developments and significant shareholders

##### Implementation of our strategy

As announced on March 23, 2016, we have implemented additional measures and adjusted financial objectives beyond those announced on October 21, 2015 to further lower our cost base, accelerate the risk-weighted assets and leverage reduction

initiatives in 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.

As also announced, in the second quarter of 2016 the Group consolidated its foreign exchange sales and trading business from

Global Markets into its trading operations within Swiss Universal Bank. The results of the sales and trading business continue to be split between Swiss Universal Bank and International Wealth Management.

A portion of the corporate loan portfolio managed by the Global Markets and Investment Banking & Capital Markets divisions was also transferred to the Strategic Resolution Unit in the second quarter of 2016. These transfers related to client lending relationship exits and exposure types that we do not consider consistent with the announced strategy.

In the second quarter of 2016, we also transferred from Global Markets to the Corporate Center a portfolio of positions containing tax risk to the Group that is managed by the Group's corporate tax function.

As a result of the above strategic actions, prior period segment results have been reclassified to conform to the current presentation. These reclassifications had no impact on the net income/(loss) or the total shareholders' equity of the Group.

#### Credit Suisse (Schweiz) AG

We registered a new Swiss legal entity under the name Credit Suisse (Schweiz) AG in 2015. This new legal entity is a wholly-owned subsidiary of Credit Suisse AG.

Credit Suisse (Schweiz) AG was established to support the realization of the Group's strategic objectives, to further increase its resilience and to meet developing and future regulatory requirements related to the Swiss "Too Big To Fail" regime. The entity received its banking license as of October 14, 2016, and started its business operations as a standalone Swiss bank on November 20, 2016. As licensed Swiss banks, both Credit Suisse AG and Credit Suisse (Schweiz) AG will be subject to the same rules and standards including with respect to client protection, asset segregation and Swiss banking confidentiality.

In line with our strategy, we are also planning a partial IPO of Credit Suisse (Schweiz) AG by the end of 2017, market conditions permitting. Any such IPO would involve the sale of a minority stake and would be subject to, among other things, all necessary approvals and would be intended to generate/raise additional capital for Credit Suisse AG or Credit Suisse (Schweiz) AG.

#### York Capital Management

In November 2010, Credit Suisse's Asset Management business acquired a significant noncontrolling economic interest in York Capital Management (York), a leading global event-driven hedge fund manager, from York's owners. The transaction provided for earn-out payments based on the five-year financial performance by York and has been covered by the issuance of 27 million new shares of Credit Suisse Group AG (approximately 1% of the issued share capital) out of Credit Suisse Group's authorized share capital in accordance with its articles of association on June 27, 2016.

#### Sale of distressed credit portfolio

On May 3, 2016, Credit Suisse announced the signing of a Master Purchase Agreement to sell USD 1.27 billion of credit assets including a part of the Credit Suisse distressed portfolio to TSSP, the credit and special situations platform of TPG, a global private investment firm. The Credit Suisse distressed portfolio purchased by TSSP is comprised of over 270 instruments across asset types and geographies relating to approximately 170 companies.

#### Transfer of US private banking business

In the first quarter of 2016, the Group completed the transfer of its US domestic private banking relationship managers and certain other staff to Wells Fargo's brokerage business, Wells Fargo Advisors.

#### Significant shareholders registered in the share register

end of	2016			2015		
	Number of shares (million)	Total nominal value (CHF million)	Shareholding (%)	Number of shares (million)	Total nominal value (CHF million)	Shareholding (%)
<b>Direct shareholders <sup>1</sup></b>						
Chase Nominees Ltd. <sup>2</sup>	335	13	16.03	313	13	15.99
Nortrust Nominees Ltd. <sup>2</sup>	113	5	5.39	–	–	– <sup>3</sup>
The Bank of New York Mellon <sup>2</sup>	107	4	5.14	–	–	– <sup>3</sup>
Crescent Holding GmbH	107	4	5.10	–	–	– <sup>3</sup>

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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 the following information directly from its shareholders in accordance with the notification requirements of the Swiss

Federal Act on Financial Market Infrastructure and Market Conduct in Securities and Derivatives Trading (FMIA). These shareholders may hold their shareholdings in Group shares through a nominee.

In a disclosure notification that the Group published on September 16, 2016, the Group was notified that as of September 8,

2016, The Olayan Group held 111.3 million shares, or 5.41%, of the registered Group shares issued as of the date of the notified transaction.

In a disclosure notification that the Group published on November 9, 2013, the Group was notified that as of November 4, 2013, Harris Associates L.P. held 81.5 million shares, or 5.17%, of the registered Group shares issued as of the date of the notified transaction. No further disclosure notification was received from Harris Associates L.P. relating to holdings of registered Group shares in 2014, 2015 and 2016.

In a disclosure notification that the Group published on August 30, 2016, the Group was notified that as of August 25, 2016, Capital Group Companies, Inc. held in aggregate 99.2 million registered shares and American Depository Shares or a total of 5.051% 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 January 28, 2017, the Group was

notified that Capital Group Companies, Inc.'s shareholdings and voting rights of Group shares had fallen below the 5% threshold as of January 25, 2017.

In 2016, the Group received disclosure notifications from Norges Bank and Qatar Holding LLC that their holdings of registered Group shares had fallen below the 5% threshold.

#### Subsequent events

In March 2017, the Group increased its existing litigation provision by CHF 300 million in the Strategic Resolution Unit to reflect a settlement in principle to resolve the RMBS matter with the National Credit Union Administration Board (NCUA). At the Group level, this resulted in an after tax charge of CHF 272 million in respect of the Group's previously reported 2016 financial results and its BIS look-through CET 1 ratio is 11.5%.

► Refer to "Note 39 – Litigation" for further information.

## 4 Discontinued operations

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

For operations discontinued in 2014, the revenues, expenses and gains from disposals were included in the results of the relevant segments. The reclassification of these revenues and

expenses from the segment results to discontinued operations for Group reporting was effected through the Corporate Center.

The results of operations of the businesses sold have been reflected in income/(loss) from discontinued operations in the consolidated statements of operations for the relevant periods presented.

### Income/(loss) from discontinued operations

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

## 5 Segment information

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 banking business serves
  - ultra-high-net-worth individuals (UHNWI),
  - high-net-worth individuals,
  - affluent and retail clients.
 The corporate and institutional banking business serves large corporate clients, small and medium-sized enterprises, institutional clients and financial institutions.
- The **International Wealth Management** division 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.
- The **Asia Pacific** division offers integrated private banking and investment banking financial solutions to wealthy individuals, institutional investors and corporate clients in the Asia Pacific region, empowered with the tools of the Group's global resources. The division offers institutional investors access to broader financial markets and differentiated product offerings.
- 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 equities, solutions and credit 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) from continuing operations before taxes

in	2016	2015	2014
<b>Net revenues (CHF million)</b>			
Swiss Universal Bank	5,759	5,721	5,912
International Wealth Management	4,698	4,552	4,942
Asia Pacific	3,597	3,839	3,335
Global Markets	5,497	6,826	7,426
Investment Banking & Capital Markets	1,972	1,787	2,109
Strategic Resolution Unit	(1,271)	511	1,838
Corporate Center	71	561	680
<b>Net revenues</b>	<b>20,323</b>	<b>23,797</b>	<b>26,242</b>
<b>Income/(loss) from continuing operations before taxes (CHF million)</b>			
Swiss Universal Bank	2,025	1,675	2,024
International Wealth Management	1,121	723	1,260
Asia Pacific	725	377	900
Global Markets	48	(1,931)	2,014
Investment Banking & Capital Markets	261	(314)	511
Strategic Resolution Unit	(5,759)	(2,652)	(3,107)
Corporate Center	(687)	(300)	25
<b>Income/(loss) from continuing operations before taxes</b>	<b>(2,266)</b>	<b>(2,422)</b>	<b>3,627</b>

### Total assets

end of	2016	2015
<b>Total assets (CHF million)</b>		
Swiss Universal Bank	228,363	220,359
International Wealth Management	91,083	96,085
Asia Pacific	97,221	85,929
Global Markets	239,700	234,276
Investment Banking & Capital Markets	20,784	18,712
Strategic Resolution Unit	80,297	100,823
Corporate Center	62,413	64,621
<b>Total assets</b>	<b>819,861</b>	<b>820,805</b>



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

in	2016	2015	2014
<b>Net revenues (CHF million)</b>			
Switzerland	8,426	8,548	8,247
EMEA	2,064	3,846	4,358
Americas	7,217	8,470	11,097
Asia Pacific	2,616	2,933	2,540
<b>Net revenues</b>	<b>20,323</b>	<b>23,797</b>	<b>26,242</b>
<b>Income/(loss) from continuing operations before taxes (CHF million)</b>			
Switzerland	2,111	1,746	401
EMEA	(2,460)	(1,464)	(562)
Americas	(1,573)	(2,877)	3,739
Asia Pacific	(344)	173	49
<b>Income/(loss) from continuing operations before taxes</b>	<b>(2,266)</b>	<b>(2,422)</b>	<b>3,627</b>

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

**Total assets by geographic location**

end of	2016	2015
<b>Total assets (CHF million)</b>		
Switzerland	248,496	221,372
EMEA	156,494	162,232
Americas	333,185	355,542
Asia Pacific	81,686	81,659
<b>Total assets</b>	<b>819,861</b>	<b>820,805</b>

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

**6 Net interest income**

in	2016	2015	2014
<b>Net interest income (CHF million)</b>			
Loans	5,628	5,413	5,077
Investment securities	60	65	39
Trading assets	7,483	9,046	9,503
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	2,767	2,625	2,317
Other	1,436	2,192	2,125
Interest and dividend income	17,374	19,341	19,061
Deposits	(1,043)	(884)	(1,045)
Short-term borrowings	(84)	(105)	(119)
Trading liabilities	(3,602)	(3,854)	(3,938)
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	(1,387)	(1,264)	(1,042)
Long-term debt	(3,494)	(3,728)	(3,594)
Other	(202)	(207)	(289)
Interest expense	(9,812)	(10,042)	(10,027)
<b>Net interest income</b>	<b>7,562</b>	<b>9,299</b>	<b>9,034</b>

## 7 Commissions and fees

in	2016	2015	2014
<b>Commissions and fees (CHF million)</b>			
Lending business	1,818	1,578	1,752
Investment and portfolio management	3,209	3,436	3,734
Other securities business	46	65	94
Fiduciary business	3,255	3,501	3,828
Underwriting	1,364	1,644	1,878
Brokerage	3,028	3,648	3,696
Underwriting and brokerage	4,392	5,292	5,574
Other services	1,627	1,673	1,897
<b>Commissions and fees</b>	<b>11,092</b>	<b>12,044</b>	<b>13,051</b>

## 8 Trading revenues

in	2016	2015	2014
<b>Trading revenues (CHF million)</b>			
Interest rate products	6,231	2,965	5,888
Foreign exchange products	(2,529)	(1,121)	(4,398)
Equity/index-related products	(1,796)	(259)	275
Credit products	(2,124)	1	265
Commodity and energy products	177	(46)	(228)
Other products	354	(200)	224
<b>Trading revenues</b>	<b>313</b>	<b>1,340</b>	<b>2,026</b>

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

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.

## 9 Other revenues

in	2016	2015	2014
<b>Other revenues (CHF million)</b>			
Noncontrolling interests without SEI	4	9	436
Loans held-for-sale	(51)	(19)	(4)
Long-lived assets held-for-sale	437 <sup>1</sup>	36	392
Equity method investments	208	243	252
Other investments	0	144	312
Other	758	701	743
<b>Other revenues</b>	<b>1,356</b>	<b>1,114</b>	<b>2,131</b>

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

## 10 Provision for credit losses

in	2016	2015	2014
<b>Provision for credit losses (CHF million)</b>			
Provision for loan losses	249	295	145
Provision for lending-related and other exposures	3	29	41
<b>Provision for credit losses</b>	<b>252</b>	<b>324</b>	<b>186</b>

## 11 Compensation and benefits

in	2016	2015	2014
<b>Compensation and benefits (CHF million)</b>			
Salaries and variable compensation	9,165	10,051	9,884
Social security	697	788	793
Other <sup>1</sup>	710	707	657
<b>Compensation and benefits</b>	<b>10,572</b>	<b>11,546</b>	<b>11,334</b>

<sup>1</sup> Includes pension and other post-retirement expense of CHF 384 million, CHF 359 million and CHF 361 million in 2016, 2015 and 2014, respectively.

## 12 General and administrative expenses

in	2016	2015	2014
<b>General and administrative expenses (CHF million)</b>			
Occupancy expenses	1,004	1,022	1,177
IT, machinery, etc.	1,166	1,268	1,446
Provisions and losses	3,009	1,158	2,783
Travel and entertainment	328	381	353
Professional services	2,984	3,241	2,381
Amortization and impairment of other intangible assets	8	19	24
Other	1,271	1,485	1,370
<b>General and administrative expenses</b>	<b>9,770</b>	<b>8,574</b>	<b>9,534</b>

### 13 Restructuring expenses

In connection with the strategic review of the Group, restructuring expenses of CHF 540 million and CHF 355 million were recognized in 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	2016	2015
<b>Restructuring expenses by segment (CHF million)</b>		
Swiss Universal Bank	60	42
International Wealth Management	54	36
Asia Pacific	53	3
Global Markets	217	96
Investment Banking & Capital Markets	28	22
Strategic Resolution Unit	121	156
Corporate Center	7	0
<b>Total restructuring expenses</b>	<b>540</b>	<b>355</b>

#### Restructuring expenses by type

in	2016	2015
<b>Restructuring expenses by type (CHF million)</b>		
Compensation and benefits-related expenses	385	309
of which severance expenses	218	191
of which accelerated deferred compensation	140	87
of which pension expenses	27	31
General and administrative-related expenses	155	46
<b>Total restructuring expenses</b>	<b>540</b>	<b>355</b>

#### Restructuring provision

	2016			2015		
	Compen- sation and benefits	General and administrative expenses	Total	Compen- sation and benefits	General and administrative expenses	Total
<b>Restructuring provision (CHF million)</b>						
<b>Balance at beginning of period</b>	<b>187</b>	<b>12</b>	<b>199</b>	<b>0</b>	<b>0</b>	<b>0</b>
Net additional charges <sup>1</sup>	218	137	355	191	46	237
Utilization	(188)	(55)	(243)	(4)	(34)	(38)
<b>Balance at end of period</b>	<b>217</b>	<b>94</b>	<b>311</b>	<b>187</b>	<b>12</b>	<b>199</b>

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

## 14 Earnings per share

in	2016	2015	2014
<b>Basic net income/(loss) attributable to shareholders (CHF million)</b>			
<b>Income/(loss) from continuing operations</b>	<b>(2,710)</b>	<b>(2,944)</b>	<b>1,773</b>
Income from discontinued operations, net of tax	0	0	102
<b>Net income/(loss) attributable to shareholders</b>	<b>(2,710)</b>	<b>(2,944)</b>	<b>1,875</b>
Preferred securities dividends	–	–	(53)
<b>Net income/(loss) attributable to shareholders for basic earnings per share</b>	<b>(2,710)</b>	<b>(2,944)</b>	<b>1,822</b>
Available for common shares	(2,713)	(2,958)	1,743
Available for unvested share-based payment awards	3	14	79
<b>Diluted net income/(loss) attributable to shareholders (CHF million)</b>			
<b>Net income/(loss) attributable to shareholders for diluted earnings per share</b>	<b>(2,710)</b>	<b>(2,944)</b>	<b>1,822</b>
Available for common shares	(2,713)	(2,958)	1,743
Available for unvested share-based payment awards	3	14	79
<b>Weighted-average shares outstanding (million)</b>			
<b>Weighted-average shares outstanding for basic earnings per share available for common shares</b>	<b>2,048.4</b>	<b>1,706.3</b>	<b>1,665.1</b>
Dilutive share options and warrants	0.0	0.0	0.8
Dilutive share awards	0.0	0.0	12.2
<b>Weighted-average shares outstanding for diluted earnings per share available for common shares <sup>1</sup></b>	<b>2,048.4 <sup>2</sup></b>	<b>1,706.3 <sup>2</sup></b>	<b>1,678.1</b>
<b>Weighted-average shares outstanding for basic/diluted earnings per share available for unvested share-based payment awards</b>	<b>3.0</b>	<b>25.7</b>	<b>72.7</b>
<b>Basic earnings/(loss) per share available for common shares (CHF)</b>			
Basic earnings/(loss) per share from continuing operations	(1.32)	(1.73)	0.99
Basic earnings per share from discontinued operations	0.00	0.00	0.06
<b>Basic earnings/(loss) per share available for common shares</b>	<b>(1.32)</b>	<b>(1.73)</b>	<b>1.05</b>
<b>Diluted earnings/(loss) per share available for common shares (CHF)</b>			
Diluted earnings/(loss) per share from continuing operations	(1.32)	(1.73)	0.98
Diluted earnings per share from continuing operations	0.00	0.00	0.06
<b>Diluted earnings/(loss) per share available for common shares</b>	<b>(1.32)</b>	<b>(1.73)</b>	<b>1.04</b>

<sup>1</sup> 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 11.3 million, 7.6 million and 8.9 million for 2016, 2015 and 2014, respectively.

<sup>2</sup> Due to the net losses in 2016 and 2015, 3.2 million and 0.9 million, respectively, of weighted-average share options and warrants outstanding and 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.

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

end of	2016	2015
<b>Securities borrowed or purchased under agreements to resell (CHF million)</b>		
Central bank funds sold and securities purchased under resale agreements	81,513	78,474
Deposits paid for securities borrowed	53,326	44,575
<b>Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions</b>	<b>134,839</b>	<b>123,049</b>
<b>Securities lent or sold under agreements to repurchase (CHF million)</b>		
Central bank funds purchased and securities sold under repurchase agreements	26,106	36,754
Deposits received for securities lent	6,910	9,844
<b>Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions</b>	<b>33,016</b>	<b>46,598</b>

○ 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, substantially all of the collateral received that may be sold or repledged has been sold or repledged as of December 31, 2016 and 2015.

## 16 Trading assets and liabilities

end of	2016	2015
<b>Trading assets (CHF million)</b>		
Debt securities	65,668	80,542
Equity securities	63,871	70,961
Derivative instruments <sup>1</sup>	26,782	28,365
Other	8,829	10,869
<b>Trading assets</b>	<b>165,150</b>	<b>190,737</b>
<b>Trading liabilities (CHF million)</b>		
Short positions	24,565	25,485
Derivative instruments <sup>1</sup>	20,365	23,486
<b>Trading liabilities</b>	<b>44,930</b>	<b>48,971</b>

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

### Cash collateral on derivative instruments

end of	2016	2015
<b>Cash collateral – netted (CHF million) <sup>1</sup></b>		
Cash collateral paid	33,429	31,887
Cash collateral received	22,948	21,942
<b>Cash collateral – not netted (CHF million) <sup>2</sup></b>		
Cash collateral paid	5,705	7,921
Cash collateral received	11,497	13,989

<sup>1</sup> Recorded as cash collateral netting on derivative instruments in Note 27 – Offsetting of financial assets and financial liabilities.

<sup>2</sup> Recorded as cash collateral on derivative instruments in Note 23 – Other assets and other liabilities.



## 17 Investment securities

end of	2016	2015
<b>Investment securities (CHF million)</b>		
Securities available-for-sale	2,489	3,090
<b>Total investment securities</b>	<b>2,489</b>	<b>3,090</b>

## Investment securities by type

end of	2016				2015			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
<b>Investment securities by type (CHF million)</b>								
Debt securities issued by Swiss federal, cantonal or local governmental entities	241	18	0	259	273	21	0	294
Debt securities issued by foreign governments	1,309	34	0	1,343	1,382	34	0	1,416
Corporate debt securities	287	0	0	287	285	0	0	285
Residential mortgage-backed securities	497	0	0	497	750	0	0	750
Commercial mortgage-backed securities	14	0	0	14	259	0	0	259
Debt securities available-for-sale	2,348	52	0	2,400	2,949	55	0	3,004
Banks, trust and insurance companies	66	23	0	89	65	20	0	85
Industry and all other	0	0	0	0	1	0	0	1
Equity securities available-for-sale	66	23	0	89	66	20	0	86
<b>Securities available-for-sale</b>	<b>2,414</b>	<b>75</b>	<b>0</b>	<b>2,489</b>	<b>3,015</b>	<b>75</b>	<b>0</b>	<b>3,090</b>

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

in	2016		2015		2014	
	Debt securities	Equity securities	Debt securities	Equity securities	Debt securities	Equity securities
<b>Additional information (CHF million)</b>						
Proceeds from sales	9	4	1	17	915	15
Realized gains	0	0	0	2	17	1
Realized losses	0	0	0	0	(1)	0

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

Debt securities available-for-sale			
end of	Amortized cost	Fair value	Average yield (in %)
<b>2016 (CHF million)</b>			
Due within 1 year	481	482	0.26
Due from 1 to 5 years	1,203	1,239	1.05
Due from 5 to 10 years	146	159	1.12
Due after 10 years	518	520	4.37
<b>Total debt securities</b>	<b>2,348</b>	<b>2,400</b>	<b>1.63</b>

## 18 Other investments

end of	2016	2015
<b>Other investments (CHF million)</b>		
Equity method investments	3,121	2,876
Non-marketable equity securities <sup>1</sup>	1,731	2,000
Real estate held for investment <sup>2</sup>	268	412
Life finance instruments <sup>3</sup>	1,657	1,733
<b>Total other investments</b>	<b>6,777</b>	<b>7,021</b>

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

<sup>2</sup> As of December 31, 2016 and 2015, real estate held for investment included foreclosed or repossessed real estate of CHF 29 million and CHF 38 million, respectively, of which CHF 27 million and CHF 36 million, respectively were related to residential real estate.

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

Non-marketable equity securities 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 NAV per share or its equivalent.

► Refer to "Note 35 – 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 31 million, CHF 21 million and CHF 10 million were recorded in 2016, 2015 and 2014, respectively.

The accumulated depreciation related to real estate held for investment amounted to CHF 386 million, CHF 365 million and CHF 354 million for 2016, 2015 and 2014, respectively.

## 19 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. The transaction rating reflects the expected loss, 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	2016	2015
<b>Loans (CHF million)</b>		
Mortgages	104,335	103,164
Loans collateralized by securities	37,268	37,946
Consumer finance	3,490	3,766
Consumer	145,093	144,876
Real estate	26,016	26,451
Commercial and industrial loans	83,740	77,767
Financial institutions	17,921	21,334
Governments and public institutions	4,273	3,578
Corporate & institutional	131,950	129,130
<b>Gross loans</b>	<b>277,043</b>	<b>274,006</b>
of which held at amortized cost	257,515	253,186
of which held at fair value	19,528	20,820
Net (unearned income)/deferred expenses	(129)	(145)
Allowance for loan losses	(938)	(866)
<b>Net loans</b>	<b>275,976</b>	<b>272,995</b>
<b>Gross loans by location (CHF million)</b>		
Switzerland	158,766	155,771
Foreign	118,277	118,235
<b>Gross loans</b>	<b>277,043</b>	<b>274,006</b>
<b>Impaired loan portfolio (CHF million)</b>		
Non-performing loans	1,236	983
Non-interest-earning loans	265	272
Non-performing and non-interest-earning loans	1,501	1,255
Restructured loans	358	282
Potential problem loans	613	436
Other impaired loans	971	718
<b>Gross impaired loans</b>	<b>2,472</b>	<b>1,973</b>

## Allowance for loan losses

	2016			2015			2014		
	Consumer	Corporate & institutional	Total	Consumer	Corporate & institutional	Total	Consumer	Corporate & institutional	Total
<b>Allowance for loan losses (CHF million)</b>									
<b>Balance at beginning of period</b>	<b>216</b>	<b>650</b>	<b>866</b>	<b>251</b>	<b>507</b>	<b>758</b>	<b>267</b>	<b>602</b>	<b>869</b>
Net movements recognized in statements of operations	63	186	249	66	229	295	66	79	145
Gross write-offs	(86)	(192)	(278)	(118)	(111)	(229)	(108)	(241)	(349)
Recoveries	13	53	66	12	16	28	17	24	41
Net write-offs	(73)	(139)	(212)	(106)	(95)	(201)	(91)	(217)	(308)
Provisions for interest	10	8	18	6	12	18	1	19	20
Foreign currency translation impact and other adjustments, net	0	17	17	(1)	(3)	(4)	8	24	32
<b>Balance at end of period</b>	<b>216</b>	<b>722</b>	<b>938</b>	<b>216</b>	<b>650</b>	<b>866</b>	<b>251</b>	<b>507</b>	<b>758</b>
of which individually evaluated for impairment	172	528	700	170	480	650	202	338	540
of which collectively evaluated for impairment	44	194	238	46	170	216	49	169	218
<b>Gross loans held at amortized cost (CHF million)</b>									
<b>Balance at end of period</b>	<b>145,070</b>	<b>112,445</b>	<b>257,515</b>	<b>144,855</b>	<b>108,331</b>	<b>253,186</b>	<b>142,926</b>	<b>107,582</b>	<b>250,508</b>
of which individually evaluated for impairment <sup>1</sup>	662	1,810	2,472	647	1,326	1,973	582	808	1,390
of which collectively evaluated for impairment	144,408	110,635	255,043	144,208	107,005	251,213	142,344	106,774	249,118

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

## Purchases, reclassifications and sales

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

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

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

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

**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 for consumer loans and for corporates managed on the Swiss platform are regularly reviewed depending on loan type, client segment, collateral or event-driven developments. Internal ratings for all other corporate and institutional credit facilities are reviewed at least annually. For the calculation of internal risk estimates and ◉ risk-weighted assets, a PD is assigned to each loan. For consumer loans, corporates managed on the Swiss platform and the majority of all other corporate and

institutional counterparties, an internal rating or a PD is calculated directly by proprietary statistical rating models. These models are based on internally compiled data comprising both quantitative factors (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). For 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 corporate and institutional facilities, the PD is determined through an internal rating assigned on the basis of a structured expert approach. The PD for each internal rating is calibrated to historic 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. In addition, the Group has elected the ◉ fair value option for the majority of its 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
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 <sup>1</sup>	180,276	51,344	1,480	233,100
2015 (CHF million)				
Mortgages	89,966	12,950	248	103,164
Loans collateralized by securities	36,129	1,679	138	37,946
Consumer finance	1,247	2,272	226	3,745
Consumer	127,342	16,901	612	144,855
Real estate	19,454	6,126	98	25,678
Commercial and industrial loans	32,995	32,365	859	66,219
Financial institutions	12,391	2,965	149	15,505
Governments and public institutions	824	105	0	929
Corporate & institutional	65,664	41,561	1,106	108,331
Gross loans held at amortized cost	193,006	58,462	1,718	253,186
Value of collateral <sup>1</sup>	178,649	48,422	1,063	228,134

<sup>1</sup> Includes the value of collateral up to the amount of the outstanding related loans. For mortgages, the value of collateral is determined at the time of granting the loan and thereafter regularly reviewed according to the 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 borrower, 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
2016 (CHF million)							
Mortgages	102,047	2,053	29	33	173	2,288	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	141,963	2,422	66	74	545	3,107	145,070
Real estate	24,843	631	17	2	63	713	25,556
Commercial and industrial loans	72,002	854	127	131	759	1,871	73,873
Financial institutions	11,536	49	0	0	104	153	11,689
Governments and public institutions	1,268	44	1	0	14	59	1,327
Corporate & institutional	109,649	1,578	145	133	940	2,796	112,445
Gross loans held at amortized cost	251,612	4,000	211	207	1,485	5,903	257,515
2015 (CHF million) <sup>1</sup>							
Mortgages	101,580	1,442	10	0	132	1,584	103,164
Loans collateralized by securities	37,551	214	7	1	173	395	37,946
Consumer finance	3,359	176	36	33	141	386	3,745
Consumer	142,490	1,832	53	34	446	2,365	144,855
Real estate	25,164	456	3	1	54	514	25,678
Commercial and industrial loans	65,051	599	107	69	393	1,168	66,219
Financial institutions	15,266	84	45	2	108	239	15,505
Governments and public institutions	928	1	0	0	0	1	929
Corporate & institutional	106,409	1,140	155	72	555	1,922	108,331
Gross loans held at amortized cost	248,899	2,972	208	106	1,001	4,287	253,186

<sup>1</sup> 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, 2016 and 2015, loans held-to-maturity carried at amortized cost did not include any subprime residential mortgages. Accordingly, impaired loans did not include any subprime residential mortgages. As of December 31, 2016 and 2015, the 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
2016 (CHF million)							
Mortgages	190	11	201	13	40	53	254 <sup>1</sup>
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
2015 (CHF million)							
Mortgages	197	17	214	18	49	67	281 <sup>1</sup>
Loans collateralized by securities	108	27	135	0	3	3	138
Consumer finance	204	23	227	0	1	1	228
Consumer	509	67	576	18	53	71	647
Real estate	53	19	72	0	29	29	101
Commercial and industrial loans	333	136	469	263	319	582	1,051
Financial institutions	88	50	138	1	35	36	174
Corporate & institutional	474	205	679	264	383	647	1,326
Gross impaired loans	983	272	1,255	282	436	718	1,973

<sup>1</sup> As of December 31, 2016 and 2015, CHF 62 million and CHF 68 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 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 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 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 amounts received.

## Gross impaired loan details

end of	2016			2015		
	Recorded investment	Unpaid principal balance	Associated specific allowance	Recorded investment	Unpaid principal balance	Associated specific allowance
<b>Gross impaired loan detail (CHF million)</b>						
Mortgages	211	198	21	209	196	26
Loans collateralized by securities	209	193	54	117	112	15
Consumer finance	177	160	97	221	201	129
Consumer	597	551	172	547	509	170
Real estate	65	59	10	76	72	10
Commercial and industrial loans	1,283	1,250	472	815	796	387
Financial institutions	126	122	46	172	166	83
Governments and public institutions	14	14	0	0	0	0
Corporate & institutional	1,488	1,445	528	1,063	1,034	480
<b>Gross impaired loans with a specific allowance</b>	<b>2,085</b>	<b>1,996</b>	<b>700</b>	<b>1,610</b>	<b>1,543</b>	<b>650</b>
Mortgages	43	43	–	72	71	–
Loans collateralized by securities	14	14	–	21	22	–
Consumer finance	8	8	–	7	7	–
Consumer	65	65	–	100	100	–
Real estate	21	21	–	25	25	–
Commercial and industrial loans	296	296	–	236	236	–
Financial institutions	5	5	–	2	2	–
Corporate & institutional	322	322	–	263	263	–
<b>Gross impaired loans without specific allowance</b>	<b>387</b>	<b>387</b>	<b>–</b>	<b>363</b>	<b>363</b>	<b>–</b>
<b>Gross impaired loans</b>	<b>2,472</b>	<b>2,383</b>	<b>700</b>	<b>1,973</b>	<b>1,906</b>	<b>650</b>
of which consumer	662	616	172	647	609	170
of which corporate & institutional	1,810	1,767	528	1,326	1,297	480

## Gross impaired loan details (continued)

in	2016			2015			2014		
	Average recorded investment	Interest income recognized	Interest income recognized (cash basis)	Average recorded investment	Interest income recognized	Interest income recognized (cash basis)	Average recorded investment	Interest income recognized	Interest income recognized (cash basis)
<b>Gross impaired loan detail (CHF million)</b>									
Mortgages	195	2	1	190	2	2	205	2	2
Loans collateralized by securities	153	1	1	82	0	0	65	1	1
Consumer finance	205	1	1	228	1	1	237	1	1
Consumer	553	4	3	500	3	3	507	4	4
Real estate	72	1	0	74	0	0	75	0	0
Commercial and industrial loans	1,039	10	4	626	7	3	667	10	4
Financial institutions	154	1	0	149	1	1	127	0	0
Governments and public institutions	5	0	0	0	0	0	5	0	0
Corporate & institutional	1,270	12	4	849	8	4	874	10	4
<b>Gross impaired loans with a specific allowance</b>	<b>1,823</b>	<b>16</b>	<b>7</b>	<b>1,349</b>	<b>11</b>	<b>7</b>	<b>1,381</b>	<b>14</b>	<b>8</b>
Mortgages	83	3	0	51	4	0	36	5	0
Loans collateralized by securities	24	0	0	33	0	0	29	1	1
Consumer finance	11	0	0	7	0	0	21	0	0
Consumer	118	3	0	91	4	0	86	6	1
Real estate	31	1	0	12	1	0	9	4	0
Commercial and industrial loans	307	7	1	98	3	1	18	3	0
Financial institutions	5	0	0	4	0	0	0	0	0
Governments and public institutions	5	0	0	0	0	0	0	0	0
Corporate & institutional	348	8	1	114	4	1	27	7	0
<b>Gross impaired loans without specific allowance</b>	<b>466</b>	<b>11</b>	<b>1</b>	<b>205</b>	<b>8</b>	<b>1</b>	<b>113</b>	<b>13</b>	<b>1</b>
<b>Gross impaired loans</b>	<b>2,289</b>	<b>27</b>	<b>8</b>	<b>1,554</b>	<b>19</b>	<b>8</b>	<b>1,494</b>	<b>27</b>	<b>9</b>
of which consumer	671	7	3	591	7	3	593	10	5
of which corporate & institutional	1,618	20	5	963	12	5	901	17	4

## 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. For consumer loans, the trigger to detect an impaired loan is non-payment of interest. Non-payment of interest is also a trigger to detect impaired corporate and institutional loans. In addition, loans to corporates managed on the Swiss platform are regularly reviewed depending on loan 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 included on a watch list. All loans on the watch list are reviewed at least quarterly to determine whether they should be moved to Group recovery management, at which point they are reviewed quarterly for impairment. 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 Group credit risk management at least annually or more frequently depending on the risk profile of the borrower or credit relevant events. For certain 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 at least quarterly 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	2016			2015			2014		
	Number of contracts	Recorded investment – pre-modification	Recorded investment – post-modification	Number of contracts	Recorded investment – pre-modification	Recorded investment – post-modification	Number of contracts	Recorded investment – pre-modification	Recorded investment – post-modification
<b>Restructured loans (CHF million, except where indicated)</b>									
Mortgages	0	0	0	1	13	13	1	4	4
Loans collateralized by securities	0	0	0	1	0	0	0	0	0
Commercial and industrial loans	16	201	201	13	207	210	10	290	238
Financial institutions	0	0	0	1	2	2	0	0	0
<b>Total</b>	<b>16</b>	<b>201</b>	<b>201</b>	<b>16</b>	<b>222</b>	<b>225</b>	<b>11</b>	<b>294</b>	<b>242</b>

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

In 2016, the loan modifications of the Group included extended loan repayment and interest payment terms including the suspension of annual contractual credit limit reductions, cash margin requirements on new trade finance transactions, waiver of covenants, release of cash collateral and corporate guarantees, waiver of interest and margin reductions.

**20 Premises and equipment**

end of	2016	2015
<b>Premises and equipment (CHF million)</b>		
Buildings and improvements	2,197	2,326
Land	328	417
Leasehold improvements	2,164	2,064
Software	6,676	5,908
Equipment	2,119	2,035
<b>Premises and equipment</b>	<b>13,484</b>	<b>12,750</b>
Accumulated depreciation	(8,773)	(8,106)
<b>Total premises and equipment, net</b>	<b>4,711</b>	<b>4,644</b>

**Depreciation and impairment**

in	2016	2015	2014
<b>CHF million</b>			
Depreciation	887	1,012	1,232
Impairment	25	24	23

## 21 Goodwill

### Goodwill

	Swiss Universal Bank	International Wealth Management	Asia Pacific	Global Markets	Investment Banking & Capital Markets	Strategic Resolution Unit	Credit Suisse Group
<b>2016</b>							
<b>Gross amount of goodwill (CHF million)</b>							
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
<b>Accumulated impairment (CHF million)</b>							
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
<b>Net book value (CHF million)</b>							
Net book value	623	1,612	1,546	476	656	0	4,913
<b>2015</b>							
<b>Gross amount of goodwill (CHF million)</b>							
Balance at beginning of period	613	1,581	2,306	3,196	1,030	12	8,738
Foreign currency translation impact	(2)	(7)	(4)	(3)	0	0	(16)
Other	(1)	(1)	(8)	(10)	(3)	0	(23)
Balance at end of period	610	1,573	2,294	3,183	1,027	12	8,699
<b>Accumulated impairment (CHF million)</b>							
Balance at beginning of period	0	0	16	58	8	12	94
Impairment losses	0	0	756	2,661	380	0	3,797
Balance at end of period	0	0	772	2,719	388	12	3,891
<b>Net book value (CHF million)</b>							
Net book value	610	1,573	1,522	464	639	0	4,808

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, 2016 and 2015, the Group's market capitalization was below book value.

On March 23, 2016, the Group announced a number of strategic measures affecting its Global Markets and Strategic Resolution Unit segments, including business exits, and other business reductions in Global Markets. During the second quarter of 2016, these strategic measures were implemented together with additional actions that also impacted the Group's other business segments. The Group determined that these changes constituted triggering events. The Group's reporting units were not changed as a result of this announcement and remain defined as follows: Swiss Universal Bank – Private Banking, Swiss Universal Bank – Corporate & Institutional Banking, International Wealth Management – Private Banking, International Wealth Management – Asset Management, Asia Pacific – Private Banking, Asia Pacific – Investment Banking, Global Markets, Investment Banking & Capital Markets and 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 as of March 31, 2016, under the old business structure as well as under the modified structure that was announced on March 23, 2016. The goodwill impairment analysis performed as of June 30, 2016 considered the impact from the additional actions in the second quarter of



2016 and the Group concluded that the estimated fair value for all of its reporting units with goodwill substantially exceeded their related carrying values and that no impairment was necessary.

Based on its goodwill impairment analysis performed as of December 31, 2016, 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, 2016.

The Group engaged the services of an independent valuation specialist to assist in the valuation of the Global Markets reporting unit as of March 31, 2016 and December 31, 2016 and in the valuation of the Investment Banking & Capital Markets reporting unit as of December 31, 2016. 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.

## 22 Other intangible assets

end of	2016			2015		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
<b>Other intangible assets (CHF million)</b>						
Trade names/trademarks	28	(26)	2	27	(25)	2
Client relationships	50	(14)	36	113	(70)	43
Other	6	(3)	3	5	(2)	3
<b>Total amortizing other intangible assets</b>	<b>84</b>	<b>(43)</b>	<b>41</b>	<b>145</b>	<b>(97)</b>	<b>48</b>
Non-amortizing other intangible assets	172	–	172	148	–	148
of which mortgage servicing rights, at fair value	138	–	138	112	–	112
<b>Total other intangible assets</b>	<b>256</b>	<b>(43)</b>	<b>213</b>	<b>293</b>	<b>(97)</b>	<b>196</b>

### Additional information

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

### Estimated amortization

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

## 23 Other assets and other liabilities

end of	2016	2015
<b>Other assets (CHF million)</b>		
Cash collateral on derivative instruments	5,705	7,921
Cash collateral on non-derivative transactions	1,237	327
Derivative instruments used for hedging	148	186
Assets held-for-sale	8,214	26,061
of which loans <sup>1</sup>	8,062	25,839
of which real estate <sup>2</sup>	122	182
of which long-lived assets	30	40
Assets held for separate accounts	431	1,307
Interest and fees receivable	4,787	5,658
Deferred tax assets	5,828	6,179
Prepaid expenses	394	448
Failed purchases	2,423	2,770
Defined benefit pension and post-retirement plan assets	1,061	825
Other	6,637	6,335
<b>Other assets</b>	<b>36,865</b>	<b>58,017</b>
<b>Other liabilities (CHF million)</b>		
Cash collateral on derivative instruments	11,497	13,989
Cash collateral on non-derivative transactions	369	518
Derivative instruments used for hedging	2	110
Deposits held-for-sale	1,577	0
Provisions	4,077	1,851
of which off-balance sheet risk	88	88
Restructuring liabilities	311	199
Liabilities held for separate accounts	431	1,307
Interest and fees payable	6,039	6,011
Current tax liabilities	636	608
Deferred tax liabilities	129	54
Failed sales	737	1,551
Defined benefit pension and post-retirement plan liabilities	516	1,145
Other	13,534	14,888
<b>Other liabilities</b>	<b>39,855</b>	<b>42,231</b>

<sup>1</sup> Included as of December 31, 2016 and 2015 were CHF 681 million and CHF 1,135 million, respectively, in restricted loans, which represented collateral on secured borrowings, and CHF 0 million and CHF 60 million, respectively, in loans held in trusts, which were consolidated as a result of failed sales under US GAAP.

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

## 24 Deposits

end of	2016			2015		
	Switzer- land	Foreign	Total	Switzer- land	Foreign	Total
<b>Deposits (CHF million)</b>						
Non-interest-bearing demand deposits	2,963	1,645	4,608	3,170	3,779	6,949
Interest-bearing demand deposits	122,053	33,440	155,493	126,735	33,627	160,362
Savings deposits	63,005	2	63,007	62,908	5	62,913
Time deposits	35,718	119,807	155,525 <sup>1</sup>	32,267	101,268	133,535 <sup>1</sup>
<b>Total deposits</b>	<b>223,739</b>	<b>154,894</b>	<b>378,633 <sup>2</sup></b>	<b>225,080</b>	<b>138,679</b>	<b>363,759 <sup>2</sup></b>
of which due to banks	–	–	22,800	–	–	21,054
of which customer deposits	–	–	355,833	–	–	342,705

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

<sup>1</sup> Included CHF 155,458 million and CHF 133,223 million as of December 31, 2016 and 2015, respectively, of the Swiss franc equivalent of individual time deposits greater than USD 100,000 in Switzerland and foreign offices.

<sup>2</sup> Not included as of December 31, 2016 and 2015 were CHF 1 million and CHF 2 million, respectively, of overdrawn deposits reclassified as loans.

## 25 Long-term debt

end of	2016	2015
<b>Long-term debt (CHF million)</b>		
Senior	168,601	157,986
Subordinated	22,955	24,796
Non-recourse liabilities from consolidated VIEs	1,759	14,826
<b>Long-term debt</b>	<b>193,315</b>	<b>197,608</b>
of which reported at fair value	72,868	80,931
of which structured notes	59,544	54,848

## Structured notes by product

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

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.

### Long-term debt by maturities

end of	2017	2018	2019	2020	2021	Thereafter	Total
<b>Group parent company (CHF million)</b>							
<b>Subordinated debt</b>							
Fixed rate	0	290	0	0	0	4,788	5,078
Interest rates (range in %) <sup>1</sup>	–	6.0	–	–	–	6.3–7.5	–
<b>Subtotal – Group parent company</b>	<b>0</b>	<b>290</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,788</b>	<b>5,078</b>
<b>Subsidiaries (CHF million)</b>							
<b>Senior debt</b>							
Fixed rate	12,661	11,329	15,679	9,373	7,696	33,840	90,578
Variable rate	19,168	13,343	7,234	5,648	7,055	25,575	78,023
Interest rates (range in %) <sup>1</sup>	0.0–14.6	0.0–14.2	0.0–13.6	0.1–14.3	0.1–4.0	0.1–8.2	–
<b>Subordinated debt</b>							
Fixed rate	163	10,240	0	1,933	19	5,269	17,624
Variable rate	51	0	202	0	0	0	253
Interest rates (range in %) <sup>1</sup>	1.6–7.0	4.9–13.3	0.8	3.4–7.0	0.0	5.7–8.0	–
<b>Non-recourse liabilities from consolidated VIEs</b>							
Fixed rate	421	255	357	1	30	0	1,064
Variable rate	5	25	0	0	0	665	695
Interest rates (range in %) <sup>1</sup>	3.0–4.0	2.8–3.3	3.0	0.0	3.3–9.3	0.9–10.5	–
<b>Subtotal – Subsidiaries</b>	<b>32,469</b>	<b>35,192</b>	<b>23,472</b>	<b>16,955</b>	<b>14,800</b>	<b>65,349</b>	<b>188,237</b>
<b>Total long-term debt</b>	<b>32,469</b>	<b>35,482</b>	<b>23,472</b>	<b>16,955</b>	<b>14,800</b>	<b>70,137</b>	<b>193,315</b>
of which structured notes	11,116	9,713	5,278	4,964	4,601	23,872	59,544

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

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

The Group and the Bank maintain a shelf registration statement with the US Securities and Exchange Commission (SEC), which allows each entity to issue, from time to time, senior and subordinated debt securities, warrants and guarantees.

► Refer to "Note 41 – 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 and certain finance subsidiaries (guaranteed by 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 Bank maintains a JPY 500 billion Samurai shelf registration statement that allows it to issue, from time to time, senior and subordinated debt securities.

## 26 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	Accumu- lated other compre- hensive income/ (loss)
<b>2016 (CHF million)</b>							
<b>Balance at beginning of period</b>	<b>(15)</b>	<b>(12,615)</b>	<b>60</b>	<b>(4,672)</b>	<b>607</b>	<b>–</b>	<b>(16,635)</b>
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
<b>Balance at end of period</b>	<b>(35)</b>	<b>(12,095)</b>	<b>61</b>	<b>(4,278)</b>	<b>643</b>	<b>(568)</b>	<b>(16,272)</b>
<b>2015 (CHF million)</b>							
<b>Balance at beginning of period</b>	<b>(31)</b>	<b>(11,478)</b>	<b>64</b>	<b>(4,010)</b>	<b>452</b>	<b>–</b>	<b>(15,003)</b>
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)
<b>Balance at end of period</b>	<b>(15)</b>	<b>(12,615)</b>	<b>60</b>	<b>(4,672)</b>	<b>607</b>	<b>–</b>	<b>(16,635)</b>
<b>2014 (CHF million)</b>							
<b>Balance at beginning of period</b>	<b>(11)</b>	<b>(13,674)</b>	<b>52</b>	<b>(2,757)</b>	<b>515</b>	<b>–</b>	<b>(15,875)</b>
Increase/(decrease)	(11)	2,196	25	(1,440)	20	–	790
Increase/(decrease) due to equity method investments	4	0	0	0	0	–	4
Reclassification adjustments, included in net income/(loss)	(13)	0	(13)	187	(83)	–	78
Total increase/(decrease)	(20)	2,196	12	(1,253)	(63)	–	872
<b>Balance at end of period</b>	<b>(31)</b>	<b>(11,478)</b>	<b>64</b>	<b>(4,010)</b>	<b>452</b>	<b>–</b>	<b>(15,003)</b>

Refer to "Note 28 – Tax" and "Note 31 – Pension and other post-retirement benefits" for income tax expense/(benefit) on the movements of accumulated other comprehensive income/(loss).

### Details of significant reclassification adjustments

in	2016	2015	2014
<b>Reclassification adjustments, included in net income/(loss) (CHF million)</b>			
<b>Cumulative translation adjustments</b>			
Reclassification adjustments	<b>79<sup>1</sup></b>	<b>6</b>	<b>0</b>
<b>Actuarial gains/(losses)</b>			
Amortization of recognized actuarial losses <sup>2</sup>	513	472	243
Tax expense/(benefit)	(126)	(103)	(56)
Net of tax	<b>387</b>	<b>369</b>	<b>187</b>
<b>Net prior service credit/(cost)</b>			
Amortization of recognized prior service credit/(cost) <sup>2</sup>	(134)	(110)	(108)
Tax expense/(benefit)	28	27	25
Net of tax	<b>(106)</b>	<b>(83)</b>	<b>(83)</b>

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

<sup>2</sup> These components are included in the computation of total benefit costs. Refer to "Note 31 – Pension and other post-retirement benefits" for further information.

## Additional share information

	2016	2015	2014
<b>Common shares issued</b>			
Balance at beginning of period	1,957,379,244	1,607,168,947	1,596,119,349
Issuance of common shares	132,518,134	350,210,297	11,049,598
of which share-based compensation	30,000,000	0	11,049,598
Balance at end of period	2,089,897,378	1,957,379,244	1,607,168,947
<b>Treasury shares</b>			
Balance at beginning of period	(5,910,224)	(7,666,658)	(5,183,154)
Sale of treasury shares	1,218,245,936	766,096,105	357,696,773
Repurchase of treasury shares	(1,224,501,214)	(808,768,832)	(386,266,557)
Share-based compensation	12,165,502	44,429,161	26,086,280
Balance at end of period	0	(5,910,224)	(7,666,658)
<b>Common shares outstanding</b>			
Balance at end of period	2,089,897,378 <sup>1</sup>	1,951,469,020 <sup>2</sup>	1,599,502,289

<sup>1</sup> 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.

<sup>2</sup> At par value CHF 0.04 each, fully paid. In addition to the treasury shares, a maximum of 680,000,000 unissued shares (conditional, conversion and authorized capital) were available for issuance without further approval of the shareholders. 515,145,579 of these shares were reserved for capital instruments.

## 27 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, that 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 32 – 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 bifurcable 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	2016		2015	
	Derivative assets	Derivative liabilities	Derivative assets	Derivative liabilities
<b>Gross derivatives subject to enforceable master netting agreements (CHF billion)</b>				
OTC-cleared	8.2	7.5	15.7	14.5
OTC	129.1	121.7	153.0	146.5
Exchange-traded	0.1	0.1	0.0	0.0
<b>Interest rate products</b>	<b>137.4</b>	<b>129.3</b>	<b>168.7</b>	<b>161.0</b>
OTC-cleared	0.0	0.0	0.0	0.0
OTC	59.3	69.2	58.1	68.2
Exchange-traded	0.0	0.1	0.3	0.3
<b>Foreign exchange products</b>	<b>59.3</b>	<b>69.3</b>	<b>58.4</b>	<b>68.5</b>
OTC	11.2	11.5	12.0	13.3
Exchange-traded	11.5	13.0	8.9	11.2
<b>Equity/index-related products</b>	<b>22.7</b>	<b>24.5</b>	<b>20.9</b>	<b>24.5</b>
OTC-cleared	2.1	2.3	3.8	4.0
OTC	5.8	6.2	13.5	12.4
<b>Credit derivatives</b>	<b>7.9</b>	<b>8.5</b>	<b>17.3</b>	<b>16.4</b>
OTC	2.2	1.1	2.6	1.5
Exchange-traded	0.0	0.1	0.1	0.1
<b>Other products</b>	<b>2.2</b>	<b>1.2</b>	<b>2.7</b>	<b>1.6</b>
OTC-cleared	10.3	9.8	19.5	18.5
OTC	207.6	209.7	239.2	241.9
Exchange-traded	11.6	13.3	9.3	11.6
<b>Total gross derivatives subject to enforceable master netting agreements</b>	<b>229.5</b>	<b>232.8</b>	<b>268.0</b>	<b>272.0</b>
<b>Offsetting (CHF billion)</b>				
OTC-cleared	(8.5)	(7.8)	(19.0)	(18.5)
OTC	(188.6)	(199.1)	(217.1)	(226.5)
Exchange-traded	(11.1)	(11.9)	(9.0)	(9.9)
<b>Offsetting</b>	<b>(208.2)</b>	<b>(218.8)</b>	<b>(245.1)</b>	<b>(254.9)</b>
of which counterparty netting	(184.7)	(184.7)	(223.0)	(223.0)
of which cash collateral netting	(23.5)	(34.1)	(22.1)	(31.9)
<b>Net derivatives presented in the consolidated balance sheets (CHF billion)</b>				
OTC-cleared	1.8	2.0	0.5	0.0
OTC	19.0	10.6	22.1	15.4
Exchange-traded	0.5	1.4	0.3	1.7
<b>Total net derivatives subject to enforceable master netting agreements</b>	<b>21.3</b>	<b>14.0</b>	<b>22.9</b>	<b>17.1</b>
<b>Total derivatives not subject to enforceable master netting agreements <sup>1</sup></b>	<b>5.6</b>	<b>6.4</b>	<b>5.7</b>	<b>6.5</b>
<b>Total net derivatives presented in the consolidated balance sheets</b>	<b>26.9</b>	<b>20.4</b>	<b>28.6</b>	<b>23.6</b>
of which recorded in trading assets and trading liabilities	26.8	20.4	28.4	23.5
of which recorded in other assets and other liabilities	0.1	0.0	0.2	0.1

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

### 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, substantially all of the collateral received that may be sold or repledged was sold or repledged as of December 31, 2016 and December 31, 2015. 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	2016			2015		
	Gross	Offsetting	Net	Gross	Offsetting	Net
<b>Securities purchased under resale agreements and securities borrowing transactions (CHF billion)</b>						
Securities purchased under resale agreements	99.9	(26.9)	73.0	92.0	(19.6)	72.4
Securities borrowing transactions	24.0	(4.5)	19.5	21.4	(3.9)	17.5
<b>Total subject to enforceable master netting agreements</b>	<b>123.9</b>	<b>(31.4)</b>	<b>92.5</b>	<b>113.4</b>	<b>(23.5)</b>	<b>89.9</b>
<b>Total not subject to enforceable master netting agreements <sup>1</sup></b>	<b>42.2</b>	<b>–</b>	<b>42.2</b>	<b>33.1</b>	<b>–</b>	<b>33.1</b>
<b>Total</b>	<b>166.1</b>	<b>(31.4)</b>	<b>134.7 <sup>2</sup></b>	<b>146.5</b>	<b>(23.5)</b>	<b>123.0 <sup>2</sup></b>

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

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

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

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

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

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	2016				2015			
	Net	Financial instruments <sup>1</sup>	Cash collateral received/pledged <sup>1</sup>	Net exposure	Net	Financial instruments <sup>1</sup>	Cash collateral received/pledged <sup>1</sup>	Net exposure
<b>Financial assets subject to enforceable master netting agreements (CHF billion)</b>								
Derivatives	21.3	6.3	0.0	15.0	22.9	6.2	0.8	15.9
Securities purchased under resale agreements	73.0	73.0	0.0	0.0	72.4	72.4	0.0	0.0
Securities borrowing transactions	19.5	18.6	0.0	0.9	17.5	17.1	0.0	0.4
<b>Total financial assets subject to enforceable master netting agreements</b>	<b>113.8</b>	<b>97.9</b>	<b>0.0</b>	<b>15.9</b>	<b>112.8</b>	<b>95.7</b>	<b>0.8</b>	<b>16.3</b>
<b>Financial liabilities subject to enforceable master netting agreements (CHF billion)</b>								
Derivatives	14.0	3.3	0.0	10.7	17.1	3.4	0.0	13.7
Securities sold under repurchase agreements	22.3	22.3	0.0	0.0	21.8	21.8	0.0	0.0
Securities lending transactions	5.9	5.7	0.0	0.2	7.7	7.4	0.0	0.3
Obligation to return securities received as collateral, at fair value	31.9	30.4	0.0	1.5	19.4	18.5	0.0	0.9
<b>Total financial liabilities subject to enforceable master netting agreements</b>	<b>74.1</b>	<b>61.7</b>	<b>0.0</b>	<b>12.4</b>	<b>66.0</b>	<b>51.1</b>	<b>0.0</b>	<b>14.9</b>

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

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.

## 28 Tax

### Details of current and deferred taxes

in	2016	2015	2014
<b>Current and deferred taxes (CHF million)</b>			
Switzerland	133	28	99
Foreign	501	463	622
<b>Current income tax expense</b>	<b>634</b>	<b>491</b>	<b>721</b>
Switzerland	(125)	196	(321)
Foreign	(68)	(164)	1,005
<b>Deferred income tax expense/(benefit)</b>	<b>(193)</b>	<b>32</b>	<b>684</b>
<b>Income tax expense</b>	<b>441</b>	<b>523</b>	<b>1,405</b>
Income tax expense on discontinued operations	0	0	40
Income tax expense/(benefit) reported in shareholders' equity related to:			
Gains/(losses) on cash flow hedges	(6)	(4)	4
Cumulative translation adjustment	(4)	(14)	(117)
Unrealized gains/(losses) on securities	1	(2)	5
Actuarial gains/(losses)	136	(174)	(375)
Net prior service credit/(cost)	10	37	(11)
Share-based compensation and treasury shares	104	25	71

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

in	2016	2015	2014
<b>Income/(loss) from continuing operations before taxes (CHF million)</b>			
Switzerland	2,111	1,746	401
Foreign	(4,377)	(4,168)	3,226
<b>Income/(loss) from continuing operations before taxes</b>	<b>(2,266)</b>	<b>(2,422)</b>	<b>3,627</b>
<b>Reconciliation of taxes computed at the Swiss statutory rate (CHF million)</b>			
Income tax expense/(benefit) computed at the statutory tax rate of 22%	(499)	(533)	798
Increase/(decrease) in income taxes resulting from			
Foreign tax rate differential	(498)	(715)	314
Non-deductible amortization of other intangible assets and goodwill impairment	1	1,432	6
Other non-deductible expenses	1,540	391	666
Additional taxable income	87	16	4
Lower taxed income	(219)	(276)	(272)
(Income)/loss taxable to noncontrolling interests	(11)	6	(163)
Changes in tax law and rates	145	347	151
Changes in deferred tax valuation allowance	76	(103)	1,064
Change in recognition of outside basis difference	218	262	(450)
Tax deductible impairments of Swiss subsidiary investments	(68)	(258)	(555)
Other	(331)	(46)	(158)
<b>Income tax expense</b>	<b>441</b>	<b>523</b>	<b>1,405</b>

**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.

► Refer to "Note 39 – Litigation" for further information on the Italian tax matters.

**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.

## 2014

**Foreign tax rate differential** of CHF 314 million reflected a foreign tax expense in respect of profits earned in higher tax jurisdictions, mainly Brazil and the US, partially offset by foreign tax rate differential related to profits earned in lower tax jurisdictions, mainly Guernsey and the Bahamas. The total foreign tax expense of CHF 1,627 million was not only impacted by the foreign tax expense based on statutory tax rates but also by tax impacts related to additional reconciling items as explained below.

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

**Lower taxed income** of CHF 272 million included a tax benefit of CHF 84 million related to non-taxable dividend income, CHF 56 million related to non-taxable life insurance income, CHF 35 million in respect of income taxed at rates lower than the statutory tax rate, CHF 34 million related to exempt offshore income and various smaller items.

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

**Changes in deferred tax valuation allowances** of CHF 1,064 million included the net impact of the increase of valuation allowances of CHF 427 million, mainly in respect of six of the Group's operating entities, three in the UK and one in each of Germany, Italy and Switzerland, relating to current year earnings. Additionally, 2014 included an increase in valuation allowance for previously recognized deferred tax assets in respect of two of the Group's operating entities in the UK of CHF 662 million. Also included was a tax benefit of CHF 25 million resulting from the release of valuation allowances on deferred tax assets from one of the Group's operating entities in Spain.

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

**Other** of CHF 158 million included a tax benefit of CHF 189 million following audit closures and tax settlements, together with a benefit of CHF 7 million relating to the decrease of tax contingency accruals, partially offset by CHF 30 million return to accrual adjustments and a tax expense of CHF 27 million relating to non-recoverable foreign and withholding taxes. The remaining balance included various smaller items.

As of December 31, 2016, the Group had accumulated undistributed earnings from foreign subsidiaries of CHF 5.4 billion. No deferred tax liability was recorded in respect of those amounts as these earnings are considered indefinitely reinvested. It is not practicable to estimate the amount of unrecognized deferred tax liabilities for these undistributed foreign earnings.

## Deferred tax assets and liabilities

end of	2016	2015
<b>Deferred tax assets and liabilities (CHF million)</b>		
Compensation and benefits	1,992	2,425
Loans	326	326
Investment securities	469	548
Provisions	1,341	1,718
Derivatives	105	117
Real estate	347	340
Net operating loss carry-forwards	6,548	5,838
Other	119	116
<b>Gross deferred tax assets before valuation allowance</b>	<b>11,247</b>	<b>11,428</b>
Less valuation allowance	(4,188)	(3,905)
<b>Gross deferred tax assets net of valuation allowance</b>	<b>7,059</b>	<b>7,523</b>
Compensation and benefits	(252)	(211)
Loans	(29)	(31)
Investment securities	(267)	(282)
Provisions	(360)	(449)
Business combinations	(1)	(1)
Derivatives	(238)	(187)
Leasing	(8)	(18)
Real estate	(51)	(66)
Other	(154)	(153)
<b>Gross deferred tax liabilities</b>	<b>(1,360)</b>	<b>(1,398)</b>
<b>Net deferred tax assets</b>	<b>5,699</b>	<b>6,125</b>
of which deferred tax assets	5,828	6,179
of which net operating losses	2,178	1,754
of which deductible temporary differences	3,650	4,425
of which deferred tax liabilities	(129)	(54)

The decrease in net deferred tax assets from 2015 to 2016 of CHF 426 million was primarily due to the impact of CHF 750 million in connection with the establishment of Credit Suisse (Schweiz) AG and the tax impacts directly recorded in equity and other comprehensive income, mainly related to the net impact of share-based compensation, pension plan re-measurement and other tax recorded directly in equity of CHF 312 million. These decreases



were partially offset by an increase of deferred tax assets of CHF 176 million from the re-measurement of deferred tax balances in Switzerland and Hong Kong, CHF 254 million related to current year earnings, and foreign exchange translation gains of CHF 206 million, which are included within the currency translation adjustments recorded in AOCI.

The most significant net deferred tax assets arise in the US and Switzerland and these decreased from CHF 5,515 million, net of a valuation allowance of CHF 3,196 million as of the end of 2015, to CHF 5,329 million, net of a valuation allowance of CHF 3,339 million as of the end of 2016.

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 4.2 billion as of December 31, 2016 compared to CHF 3.9 billion as of December 31, 2015.

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

end of 2016	Total
<b>Net operating loss carry-forwards (CHF million)</b>	
Due to expire within 1 year	1,505
Due to expire within 2 to 5 years	3,280
Due to expire within 6 to 10 years	9,826
Due to expire within 11 to 20 years	5,376
<b>Amount due to expire</b>	<b>19,987</b>
Amount not due to expire	17,556
<b>Total net operating loss carry-forwards</b>	<b>37,543</b>

#### Movements in the valuation allowance

in	2016	2015	2014
<b>Movements in the valuation allowance (CHF million)</b>			
<b>Balance at beginning of period</b>	<b>3,905</b>	<b>4,107</b>	<b>2,705</b>
Net changes	283	(202)	1,402
<b>Balance at end of period</b>	<b>4,188</b>	<b>3,905</b>	<b>4,107</b>

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 allows for a 20-year carry-forward period for net operating losses, 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	2016	2015	2014
<b>Tax benefits associated with share-based compensation (CHF million)</b>			
Tax benefits recorded in the consolidated statements of operations <sup>1</sup>	391	448	505
Windfall tax benefits/(shortfall tax charges) recorded in additional paid-in capital	(110)	(28)	(70)
Tax benefits in respect of tax on dividend equivalent payments	0	0	1

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

► Refer to "Note 29 – 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 shareholders' equity as additional paid-in capital and reflected as a financing 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 shareholders' equity to the extent that any shortfalls are lower than the cumulative windfalls, otherwise the tax charge is recognized in the consolidated statements of operations. However, windfall deductions and dividend equivalents aggregating CHF 1.1 billion and CHF 1.1 billion at the end of 2016 and 2015, respectively, did not result in a reduction of income taxes payable because certain entities were in a net operating loss position. When the income tax benefit of these deductions is realized, an estimated CHF 85 million tax benefit will be recorded in retained earnings.

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

#### 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**

	2016	2015	2014
<b>Movements in gross unrecognized tax benefits (CHF million)</b>			
<b>Balance at beginning of period</b>	<b>369</b>	<b>389</b>	<b>423</b>
Increases in unrecognized tax benefits as a result of tax positions taken during a prior period	52	44	2
Decreases in unrecognized tax benefits as a result of tax positions taken during a prior period	(43)	(3)	(47)
Increases in unrecognized tax benefits as a result of tax positions taken during the current period	17	15	39
Decreases in unrecognized tax benefits relating to settlements with tax authorities	(2)	0	(10)
Reductions to unrecognized tax benefits as a result of a lapse of the applicable statute of limitations	(7)	(22)	(24)
Other (including foreign currency translation)	24	(54)	6
<b>Balance at end of period</b>	<b>410</b>	<b>369</b>	<b>389</b>
of which, if recognized, would affect the effective tax rate	410	369	389

**Interest and penalties**

in	2016	2015	2014
<b>Interest and penalties (CHF million)</b>			
Interest and penalties recognized in the consolidated statements of operations	2	13	16
Interest and penalties recognized in the consolidated balance sheets	86	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 116 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: Japan – 2012; Switzerland – 2011; Brazil – 2010; the US – 2010; the UK – 2009; and the Netherlands – 2005.

## 29 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 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 2016 and prior years that was recognized in the consolidated statements of operations during 2016, 2015 and 2014, the total shares delivered, the estimated unrecognized compensation expense for deferred compensation awards granted in 2016 and prior years outstanding as of December 31, 2016 and the remaining requisite service period over which the estimated unrecognized compensation expense will be recognized. The 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 2017 began in 2017 and thus had no impact on the 2016 consolidated financial statements.

### Deferred compensation awards for 2016

In February 2017, 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 above CHF/USD 250,000 or the local currency equivalent.

### Deferred compensation expense

in	2016	2015	2014
<b>Deferred compensation expense (CHF million)</b>			
Share awards	628	852	939
Performance share awards	370	563	611
Contingent Capital Awards	235	430	214
Contingent Capital share awards	30	–	–
Capital Opportunity Facility awards	13	16	13
Plus Bond awards <sup>1</sup>	5	22	36
2011 Partner Asset Facility awards <sup>2</sup>	0	2	7
Restricted Cash Awards	0	39	92
Scaled Incentive Share Units <sup>3</sup>	0	0	(3)
2008 Partner Asset Facility awards <sup>4</sup>	13	34	87
Other cash awards	335	414	404
Discontinued operations	0	0	(8)
<b>Total deferred compensation expense</b>	<b>1,629</b>	<b>2,372</b>	<b>2,392</b>
<b>Total shares delivered (million)</b>			
Total shares delivered	42.1	44.4	37.1

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

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

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

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

### Estimated unrecognized deferred compensation

end of	2016
<b>Estimated unrecognized compensation expense (CHF million)</b>	
Share awards	445
Performance share awards	119
Contingent Capital Awards	109
Contingent Capital share awards	24
Other cash awards	181
<b>Total</b>	<b>878</b>
<b>Aggregate remaining weighted-average requisite service period (years)</b>	
Aggregate remaining weighted-average requisite service period	1.3

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

### Share awards

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

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, are subject to continued employment with the Group, contain restrictive covenants and cancellation provisions and generally vest between zero and five years.

On February 15, 2017, the Group granted 37.8 million share awards with a total value of CHF 566 million. The number of share awards granted to employees was 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 business days ended February 28, 2017. The fair value of each share award was CHF 15.42, the Group share price on the grant date. While share awards granted between January 1, 2014 and December 31, 2015 did not include the right to receive dividend equivalents, share awards granted after January 1, 2016 include the right to receive dividend equivalents, upon vesting. The

estimated unrecognized compensation expense of CHF 565 million was determined based on the fair value of the award on the grant date, includes the current estimate of future forfeitures and will be recognized over the vesting period, subject to early retirement rules.

### Share awards granted for previous years

For compensation year	2016	2015	2014
<b>Share awards granted for previous years</b>			
Shares awarded (million)	37.8	28.8	37.2
Value of shares awarded (CHF million)	566	549	642
Fair value of each share awarded (CHF)	15.42 <sup>1</sup>	18.62 <sup>1</sup>	16.94 <sup>2</sup>

<sup>1</sup> Based on the Group's share price on the grant date.

<sup>2</sup> Based on the Group's share price on the grant date discounted for future expected dividends.

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, 2017, the Group granted 2.5 million blocked shares with a total value of CHF 37 million that vested immediately upon grant, have no future service requirements and were attributed to services performed in 2016.

### Blocked share awards granted for previous years

For compensation year	2016	2015	2014
<b>Blocked share awards granted for previous years</b>			
Shares awarded (million)	2.5	0.6	1.6
Value of shares awarded (CHF million)	37	12	36

### Share award activities

	2016		2015		2014	
	Number of share awards in million	Weighted-average grant-date fair value in CHF	Number of share awards in million	Weighted-average grant-date fair value in CHF	Number of share awards in million	Weighted-average grant-date fair value in CHF
<b>Share awards</b>						
<b>Balance at beginning of period</b>	<b>80.3</b>	<b>21.58</b>	<b>77.1</b>	<b>28.64</b>	<b>72.9</b>	<b>30.09</b>
Granted	39.7	17.47	47.5 <sup>1</sup>	16.67	37.6	27.60
Settled	(37.7)	22.64	(40.3)	29.00	(29.5)	30.43
Forfeited	(9.1)	21.87	(4.0)	24.29	(3.9)	32.20
<b>Balance at end of period</b>	<b>73.2</b>	<b>18.77</b>	<b>80.3</b>	<b>21.58</b>	<b>77.1</b>	<b>28.64</b>
of which vested	8.1	–	4.7	–	6.2	–
of which unvested	65.1	–	75.6	–	70.9	–

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

**Performance share awards**

Members of the Executive Board, 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 until 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 our 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. For 2016, the calculation was based on adjusted results, which the Compensation Committee considered as the most accurate reflection of the operating performance of the businesses. There was no negative adjustment applied to performance share awards granted in 2015 and 2014 given that the 2016 divisional adjusted results and adjusted ROE of the Group were both positive.

Performance share awards granted from 2016 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, 2016, or a negative ROE of the Group, whichever results in a larger adjustment. For employees in corporate functions and the Strategic Resolution Unit, the negative adjustment only applies in the event of a negative ROE of the Group and is not linked to the performance of the divisions. The basis for the ROE calculation may vary from

year to year, depending on the Compensation Committee's determination for the year in which the performance shares are granted.

On February 15, 2017, the Group granted 29.7 million performance share awards with a total value of CHF 451 million. The number of performance share awards granted to employees was 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 business days ended February 28, 2017. The fair value of each performance share award was CHF 15.42, the Group share price on the grant date. While performance share awards granted between January 1, 2014 and December 31, 2015 did not include the right to receive dividend equivalents, performance share awards granted after January 1, 2016 include the right to receive dividend equivalents, upon vesting. The estimated unrecognized compensation expense of CHF 446 million was determined based on the fair value of the award 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.

**Performance share awards granted for previous years**

For compensation year	2016	2015	2014
<b>Performance share awards granted for previous years</b>			
Performance shares awarded (million)	29.7	21.3	30.7
Value of performance shares awarded (CHF million)	451	429	529
Fair value of each performance share awarded (CHF)	15.42 <sup>1</sup>	18.62 <sup>1</sup>	16.94 <sup>2</sup>

<sup>1</sup> Based on the Group's share price on the grant date.

<sup>2</sup> Based on the Group's share price on the grant date discounted for future expected dividends.

**Performance share award activities**

	2016		2015		2014	
	Number of performance share awards in million	Weighted-average grant-date fair value in CHF	Number of performance share awards in million	Weighted-average grant-date fair value in CHF	Number of performance share awards in million	Weighted-average grant-date fair value in CHF
<b>Performance share awards</b>						
<b>Balance at beginning of period</b>	<b>55.9</b>	<b>21.01</b>	<b>48.2</b>	<b>26.89</b>	<b>41.4</b>	<b>25.51</b>
Granted	21.4	18.62	32.5 <sup>1</sup>	16.11	24.3	28.13
Settled	(26.5)	22.67	(23.4)	26.24	(16.0)	25.27
Forfeited	(2.4)	19.64	(1.4)	21.75	(1.5)	26.28
<b>Balance at end of period</b>	<b>48.4</b>	<b>19.11</b>	<b>55.9</b>	<b>21.01</b>	<b>48.2</b>	<b>26.89</b>
of which vested	6.8	–	3.3	–	3.3	–
of which unvested	41.6	–	52.6	–	44.9	–

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

### Contingent Capital Awards

CCA were granted in February 2017, January 2016 and January 2015 as part of the 2016, 2015 and 2014 deferred variable compensation and have rights and risks similar to those of certain contingent capital instruments issued by the Group in the market. CCA are scheduled to vest on the third anniversary of the grant date, other than those granted to individuals classified as risk managers or senior managers under the UK PRA Remuneration Code, where CCA vest on the fifth and seventh anniversaries of the grant date, respectively, and will be expensed over the vesting period. CCA provide a conditional right to receive semi-annual cash payments of interest equivalents until settled, with rates being dependent upon the vesting period and currency of denomination:

- CCA granted in 2017, 2016 and 2015 that are denominated in US dollars and vest three, five and seven years from the date of grant receive interest rate equivalents at a rate of 4.27%, 5.41% and 5.75%, respectively, per annum over the six-month US dollar  $\bullet$  London Interbank Offered Rate (LIBOR);
- CCA granted in 2017, 2016 and 2015 that are denominated in Swiss francs and vest three years from the date of grant receive interest rate equivalents at a rate of 3.17%, 4.23% and 4.85%, respectively, per annum over the six-month Swiss franc LIBOR;
- CCA granted in 2017 that are denominated in Swiss francs and vest five years from the date of grant receive interest rate equivalents at a rate of 3.03% per annum over the six-month Swiss franc LIBOR; and
- CCA granted in 2017 that are denominated in Swiss francs and vest seven years from the date of grant receive interest rate equivalents at a rate of 2.93% per annum over the six-month Swiss franc LIBOR.

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

As CCA qualify as going-concern loss-absorbing capital of the Group, the timing and form of distribution upon settlement is subject to approval by  $\bullet$  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 currency denomination 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 if any of the following trigger events were to occur:

- the Group's reported common equity tier 1 (CET1) ratio falls below 7%; or
- FINMA determines that cancellation of the CCA and other similar contingent capital instruments is necessary, or that the

Group requires public sector capital support, in either case to prevent it from becoming insolvent or otherwise failing.

On February 15, 2017, the Group awarded CHF 229 million of CCA that will be expensed over the vesting period from the grant date. CCA were awarded as deferred variable compensation to managing directors and directors. The estimated unrecognized compensation expense of CHF 218 million was determined based on the fair value of the award on the grant date and includes the current estimated outcome of the relevant performance criteria, the estimated future forfeitures and the expected semi-annual cash payments of interest and will be recognized over the vesting period.

### Contingent Capital Awards granted for previous years

For compensation year	2016	2015	2014
<b>Contingent Capital Awards granted for previous years</b>			
CCA awarded (CHF million)	229	226	360

### 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

	2016
<b>Contingent Capital share awards (million)</b>	
Balance at beginning of period	–
Granted	16.4
Settled	(2.6)
Forfeited	(0.3)
Balance at end of period	13.5
of which vested	1.0
of which unvested	12.5

### Other variable compensation

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 elect 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 elect to receive CCA, with similar terms to the instruments granted as part of the 2013 compensation awards.

In March 2014, 5,084 employees converted their PAF2 holdings of CHF 684 million into CCA (CHF 516 million) and COF (CHF 168 million). 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 have a contractual term of eight years, are fully vested. Each PAF holder will receive 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 will receive 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 will receive 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. Settlement is expected to occur in the first half of 2017.

### Other cash awards

Other cash awards consist of voluntary deferred compensation plans, systematic market making 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 2014, the majority of the Group's share delivery obligations was covered through market purchases and 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. The Group intends to cover its future share delivery obligations through market purchases.

### 30 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 by, 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 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 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, 2016, 2015 and 2014, 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, 2016.

Members of the Board of Directors with loans do not benefit from employee conditions, but are subject to conditions applied to clients with a comparable credit standing. Members of the Board of Directors who were previously employees of the Group may still have outstanding loans that were provided at the time that employee conditions applied to them. Unless otherwise noted, all loans to members of the Board of Directors 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.

##### Executive Board and Board of Directors loans

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

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

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

##### Equity method investees loans

The Group or its subsidiaries grant loans to equity method investees in the normal course of business.

► Refer to "Note 40 – 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	2016	2015	2014
<b>Loans to equity method investees (CHF million)</b>			
<b>Balance at beginning of period</b>	<b>135</b>	<b>13</b>	<b>10</b>
Net borrowings/(repayments)	38	122	3
<b>Balance at end of period</b>	<b>173</b>	<b>135</b>	<b>13</b>

**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, 2016:

- 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 (BCBS) 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 current Board of Directors member Jassim Bin Hamad J.J. Al Thani and the Group's then Board of Directors member Aziz R.D. Syriani, respectively, 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, Mr. Syriani retired from the Board and no other person affiliated with The Olayan Group has been elected as a member of the Board of Directors.

**Liabilities due to own pension funds**

Liabilities due to the Group's own defined benefit pension funds as of December 31, 2016 and 2015 of CHF 521 million and CHF 1,580 million, respectively, were reflected in various liability accounts in the Group's consolidated balance sheets. Certain unconsolidated SPEs wholly owned by the Group had liabilities to the pension funds of the Group with notional values of CHF 53 million and CHF 80 million as of December 31, 2016 and 2015, respectively.

### 31 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 2016, 2015 and 2014, the Group contributed to these plans and recognized as expense CHF 161 million, CHF 157 million and CHF 182 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, 2016 and 2015, the Swiss pension plan comprised 73% and 75%, respectively, of all the Group's employees participating in defined benefit plans, 80% and 81%, 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 (1.25% as of January 1, 2016 and 1.00% as of January 1, 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.

##### Benefit costs of defined benefit plans

The net periodic benefit costs for defined benefit pension and other post-retirement defined benefit plans are the costs of the respective plan for a period during which an employee renders

services. The actual amount to be recognized is determined using the standard actuarial methodology which considers, among other factors, current service cost, interest cost, expected return on plan

assets and the amortization of both prior service cost/(credit) and actuarial losses/(gains) recognized in AOCI.

### Components of total benefit costs

in	Switzerland			Defined benefit pension plans			Other post-retirement defined benefit plans		
				International			International		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
<b>Total benefit costs (CHF million)</b>									
Service costs on benefit obligation	288	298	253	20	21	19	0	0	0
Interest costs on benefit obligation	141	189	338	124	129	134	8	7	7
Expected return on plan assets	(536)	(592)	(547)	(175)	(195)	(178)	0	0	0
Amortization of recognized prior service cost/(credit)	(116)	(85)	(88)	0	0	0	0	(23)	(9)
Amortization of recognized actuarial losses/(gains)	366	351	137	41	84	52	10	14	9
<b>Net periodic benefit costs/(credits)</b>	<b>143</b>	<b>161</b>	<b>93</b>	<b>10</b>	<b>39</b>	<b>27</b>	<b>18</b>	<b>(2)</b>	<b>7</b>
Settlement losses/(gains)	24	24	44	72	(1)	(2)	0	0	0
Curtailment losses/(gains)	(18)	(2)	(9)	0	0	0	0	0	0
Special termination benefits	22	9	17	0	0	0	0	0	0
<b>Total benefit costs/(credits)</b>	<b>171</b>	<b>192</b>	<b>145</b>	<b>82</b>	<b>38</b>	<b>25</b>	<b>18</b>	<b>(2)</b>	<b>7</b>

Total benefit costs reflected in compensation and benefits – other for 2016, 2015 and 2014 were CHF 271 million, CHF 228 million and CHF 177 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 18 million, CHF 2 million and CHF 9 million in 2016, 2015 and 2014, respectively, reflecting the immediate recognition of a credit relating to the years of service no longer expected to be rendered. Additional costs of CHF 24 million, CHF 24 million and CHF 44 million in 2016, 2015 and 2014, 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 22 million, CHF 9 million and CHF 17 million have been recognized in 2016, 2015 and 2014, 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 2016 and 2015, 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 302 million and CHF 179 million reduction in the PBO for the Swiss pension plan in December 2015 and 2016, respectively.



The total net amount recognized in the consolidated balance sheets as of December 31, 2016 and 2015 for the defined benefit pension plans was a net overfunding of CHF 729 million and a net underfunding of CHF 140 million, respectively.

In 2017, the Group expects to contribute CHF 430 million to the Swiss and international defined benefit pension plans and CHF 12 million to other post-retirement defined benefit plans.

### Obligations and funded status of the plans

	Switzerland		Defined benefit pension plans International		Other post-retirement defined benefit plans International	
	2016	2015	2016	2015	2016	2015
in / end of						
<b>PBO (CHF million) <sup>1</sup></b>						
<b>Beginning of the measurement period</b>	<b>16,088</b>	<b>15,661</b>	<b>3,366</b>	<b>3,539</b>	<b>180</b>	<b>178</b>
Plan participant contributions	202	198	0	0	0	0
Service cost	288	298	20	21	0	0
Interest cost	141	189	124	129	8	7
Plan amendments	(179)	(302)	0	0	0	0
Settlements	(70)	(77)	(278)	0	0	0
Curtailments	(4)	(9)	0	0	0	0
Special termination benefits	22	9	1	2	0	0
Actuarial losses/(gains)	134	818	476	(97)	1	4
Benefit payments	(737)	(697)	(150)	(113)	(11)	(10)
Exchange rate losses/(gains)	0	0	(222)	(115)	6	1
<b>End of the measurement period</b>	<b>15,885</b>	<b>16,088</b>	<b>3,337</b>	<b>3,366</b>	<b>184</b>	<b>180</b>
<b>Fair value of plan assets (CHF million)</b>						
<b>Beginning of the measurement period</b>	<b>15,602</b>	<b>15,635</b>	<b>3,712</b>	<b>3,876</b>	<b>0</b>	<b>0</b>
Actual return on plan assets	510	134	824	62	0	0
Employer contributions	444	409	232	19	11	10
Plan participant contributions	202	198	0	0	0	0
Settlements	(70)	(77)	(278)	0	0	0
Benefit payments	(737)	(697)	(150)	(113)	(11)	(10)
Exchange rate gains/(losses)	0	0	(340)	(132)	0	0
<b>End of the measurement period</b>	<b>15,951</b>	<b>15,602</b>	<b>4,000</b>	<b>3,712</b>	<b>0</b>	<b>0</b>
<b>Funded status recognized (CHF million)</b>						
Funded status of the plan – overfunded/(underfunded)	66	(486)	663	346	(184)	(180)
<b>Funded status recognized in the consolidated balance sheet as of December 31</b>	<b>66</b>	<b>(486)</b>	<b>663</b>	<b>346</b>	<b>(184)</b>	<b>(180)</b>
<b>Total amount recognized (CHF million)</b>						
Noncurrent assets	66	0	995	825	0	0
Current liabilities	0	0	(11)	(9)	(12)	(11)
Noncurrent liabilities	0	(486)	(321)	(470)	(172)	(169)
<b>Total amount recognized in the consolidated balance sheet as of December 31</b>	<b>66</b>	<b>(486)</b>	<b>663</b>	<b>346</b>	<b>(184)</b>	<b>(180)</b>
<b>ABO (CHF million) <sup>2</sup></b>						
<b>End of the measurement period</b>	<b>14,962</b>	<b>15,160</b>	<b>3,281</b>	<b>3,315</b>	<b>184</b>	<b>180</b>

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

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



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

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

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

	PBO exceeds fair value of plan assets <sup>1</sup>				ABO exceeds fair value of plan assets <sup>1</sup>			
	Switzerland		International		Switzerland		International	
December 31	2016	2015	2016	2015	2016	2015	2016	2015
<b>CHF million</b>								
PBO	0	16,088	1,426	1,630	0	0	1,407	1,613
ABO	0	15,160	1,391	1,600	0	0	1,378	1,589
Fair value of plan assets	0	15,602	1,095	1,152	0	0	1,079	1,137

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

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

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

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

end of	Defined benefit pension plans		Other post-retirement defined benefit plans		Total	
	2016	2015	2016	2015	2016	2015
<b>Amounts recognized in AOCI (CHF million)</b>						
Actuarial gains/(losses)	(4,239)	(4,629)	(39)	(43)	(4,278)	(4,672)
Prior service credit/(cost)	640	604	3	3	643	607
<b>Total</b>	<b>(3,599)</b>	<b>(4,025)</b>	<b>(36)</b>	<b>(40)</b>	<b>(3,635)</b>	<b>(4,065)</b>

The following tables show the changes in other comprehensive income due to actuarial gains/(losses) and prior service credit/(cost) recognized in AOCI during 2016 and 2015 and the amortization of the aforementioned items as components of net periodic benefit costs for these periods as well as the amounts expected to be amortized in 2017.

## Amounts recognized in other comprehensive income

	Defined benefit pension plans			Other post-retirement defined benefit plans			
in	Gross	Tax	Net	Gross	Tax	Net	Total net
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
2015 (CHF million)							
Actuarial gains/(losses)	(1,312)	276	(1,036)	(4)	2	(2)	(1,038)
Prior service credit/(cost)	302	(64)	238	0	0	0	238
Amortization of actuarial losses/(gains)	435	(93)	342	14	(5)	9	351
Amortization of prior service cost/(credit)	(85)	18	(67)	(23)	9	(14)	(81)
Immediate recognition due to curtailment/settlement	30	(6)	24	0	0	0	24
Total	(630)	131	(499)	(13)	6	(7)	(506)

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

in 2017	Defined benefit pension plans	Other post-retirement defined benefit plans
<b>CHF million</b>		
Amortization of actuarial losses/(gains)	315	5
Amortization of prior service cost/(credit)	(103)	0
<b>Total</b>	<b>212</b>	<b>5</b>

## Assumptions

The measurement of both the net periodic benefit costs and the benefit obligation is determined using explicit assumptions, each

of which individually represents the best estimate of a particular future event.

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

	Switzerland			Defined benefit pension plans International			Other post-retirement defined benefit plans International		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
<b>Net periodic benefit cost (%)</b>									
Discount rate	0.90	1.25	2.60	4.05	3.82	4.71	4.50	4.20	5.10
Salary increases	0.80	1.00	1.20	3.56	4.19	4.31	–	–	–
Interest rate on savings balances	1.25	1.25	2.00	1.10	1.10	1.10	–	–	–
Expected long-term rate of return on plan assets	3.50	4.00	3.75	5.07	6.00	6.16	–	–	–
<b>Benefit obligation (%)</b>									
Discount rate	0.85	0.90	1.25	3.10	4.05	3.82	4.21	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	0.40	1.10	1.10	–	–	–

### 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 rate is one of the factors used to determine the present value as of the measurement date of the future cash outflows currently expected to be required to satisfy the benefit obligations when due.

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, which is used to calculate the expected return on plan assets as a component of the net periodic benefit costs, 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 return on equity 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		2016	2015	2016	2015	2016	2015	2016	2015
<b>Life expectancy (years)</b>									
Switzerland	BVG 2015 tables	21.2 <sup>1</sup>	20.8 <sup>2</sup>	22.4 <sup>1</sup>	20.8 <sup>2</sup>	23.0 <sup>1</sup>	22.9 <sup>2</sup>	24.4 <sup>1</sup>	22.9 <sup>2</sup>
UK	SAPS S2 light tables	24.0 <sup>3</sup>	24.0 <sup>4</sup>	25.5 <sup>3</sup>	26.1 <sup>4</sup>	25.1 <sup>3</sup>	25.2 <sup>4</sup>	26.8 <sup>3</sup>	27.4 <sup>4</sup>
US	RP-2014 mortality tables <sup>5</sup>	21.4	21.3	22.6	22.6	23.3	23.2	24.4	24.3

<sup>1</sup> The BVG 2015 tables were used, including CMI projections with a long-term rate of improvement of 1.25% per annum.

<sup>2</sup> The standard BVG 2015 tables, projected for five years to 2020, were used.

<sup>3</sup> 95% of Self-Administered Pension Scheme (SAPS) S2 light tables was used, which included proposed CMI projections with a long-term rate of improvement of 1.5% per annum.

<sup>4</sup> Core CMI projections were applied.

<sup>5</sup> The Retirement Projection 2014 (RP-2014) mortality tables were used, with projections based on the Social Security Administrations' 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.

As part of its review in 2016, 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 table 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 table 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.

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

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

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

#### 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 and 2015, the total fair value of Group debt securities included in plan assets of the Group's defined benefit pension plans was CHF 54 million and CHF 83 million, respectively, and the total fair value of Group equity securities and options was CHF 90 million and CHF 131 million, respectively.

#### Fair value hierarchy of plan assets

► Refer to "Fair value measurement" in Note 35 – 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, 2016 and 2015 for the Group's defined benefit pension plans.

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

end of	2016					2015				
	Level 1	Level 2	Level 3	Assets measured at net asset value per share	Total	Level 1	Level 2	Level 3	Assets measured at net asset value per share	Total
Plan assets at fair value (CHF million)										
Cash and cash equivalents	440	0	0	0	440	1,286	0	0	0	1,286
Debt securities	3,186	438	0	748	4,372	1,822	581	0	1,736	4,139
of which governments	0	0	0	0	0	0	11	0	0	11
of which corporates	3,186	438	0	748	4,372	1,822	570	0	1,736	4,128
Equity securities	6,011	0	0	0	6,011	5,597	0	0	0	5,597
Real estate	154	575	1,204	0	1,933	103	543	1,156	0	1,802
of which direct	0	0	1,204	0	1,204	0	0	1,156	0	1,156
of which indirect	154	575	0	0	729	103	543	0	0	646
Alternative investments	329	(35)	0	2,901	3,195	168	(57)	0	2,667	2,778
of which private equity	0	0	0	1,107	1,107	0	0	0	1,022	1,022
of which hedge funds	0	0	0	1,293	1,293	0	0	0	1,135	1,135
of which other	329	(35)	0	501	795	168	(57)	0	510	621
Switzerland	10,120	978	1,204	3,649	15,951	8,976	1,067	1,156	4,403	15,602
Cash and cash equivalents	49	170	0	0	219	46	147	0	0	193
Debt securities	1,071	1,174	33	248	2,526	890	860	50	127	1,927
of which governments	491	7	0	0	498	368	7	0	0	375
of which corporates	580	1,167	33	248	2,028	522	853	50	127	1,552
Equity securities	196	187	0	226	609	208	424	0	337	969
Real estate – indirect	0	0	58	0	58	0	87	48	0	135
Alternative investments	0	321	0	177	498	0	230	0	157	387
of which hedge funds	0	0	0	177	177	0	0	0	157	157
of which other	0	321 <sup>1</sup>	0	0	321	0	230 <sup>1</sup>	0	0	230
Other investments	0	90	0	0	90	0	101	0	0	101
International	1,316	1,942	91	651	4,000	1,144	1,849	98	621	3,712
Total plan assets at fair value	11,436	2,920	1,295	4,300	19,951	10,120	2,916	1,254	5,024	19,314

<sup>1</sup> 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
2016 (CHF million)								
Debt securities – corporates	50	6	0	0	(1)	(24)	2	33
Real estate	1,204	48	0	34	18	(44)	2	1,262
of which direct	1,156	0	0	48	0	0	0	1,204
of which indirect	48	48	0	(14)	18	(44)	2	58
Total plan assets at fair value	1,254	54	0	34	17	(68)	4	1,295
of which Switzerland	1,156	0	0	48	0	0	0	1,204
of which International	98	54	0	(14)	17	(68)	4	91
2015 (CHF million)								
Debt securities – corporates	62	0	(12)	(4)	0	5	(1)	50
Real estate	1,263	0	(87)	40	0	(12)	0	1,204
of which direct	1,146	0	0	26	0	(16)	0	1,156
of which indirect	117	0	(87)	14	0	4	0	48
Total plan assets at fair value	1,325	0	(99)	36	0	(7)	(1)	1,254
of which Switzerland	1,146	0	0	26	0	(16)	0	1,156
of which International	179	0	(99)	10	0	9	(1)	98

## 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	
	2016	2015	2016	2015
<b>Weighted-average plan asset allocation (%)</b>				
Cash and cash equivalents	2.8	8.2	5.5	5.2
Debt securities	27.4	26.4	63.2	51.9
Equity securities	37.7	35.9	15.3	26.1
Real estate	12.1	11.6	1.4	3.6
Alternative investments	20.0	17.9	12.4	10.4
Insurance	0.0	0.0	2.2	2.8
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

The following table shows the target plan asset allocation for 2017 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 2017.

#### Weighted-average target plan asset allocation for 2017

	Switzerland	International
<b>2017 (%)</b>		
Cash and cash equivalents	10.0	0.0
Debt securities	32.0	72.3
Equity securities	30.0	12.2
Real estate	10.0	0.6
Alternative investments	18.0	12.4
Insurance	0.0	2.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

### Estimated future benefit payments for defined benefit plans

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

#### Estimated future benefit payments for defined benefit plans

	Defined benefit pension plans	Other post-retirement defined benefit plans
<b>Estimated future benefit payments (CHF million)</b>		
2017	1,200	12
2018	933	12
2019	919	13
2020	918	13
2021	944	13
For five years thereafter	4,658	60

## 32 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 2016, 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 35 – Financial instruments" for further information.

### Fair value of derivative instruments

	Trading			Hedging <sup>1</sup>		
	Notional amount	Positive replacement value (PRV)	Negative replacement value (NRV)	Notional amount	Positive replacement value (PRV)	Negative replacement value (NRV)
<b>end of 2016</b>						
<b>Derivative instruments (CHF billion)</b>						
Forwards and forward rate agreements	8,321.9	3.3	3.2	0.0	0.0	0.0
Swaps	13,190.0	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
<b>Interest rate products</b>	<b>24,666.4</b>	<b>137.6</b>	<b>130.0</b>	<b>47.5</b>	<b>1.0</b>	<b>1.0</b>
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
<b>Foreign exchange products</b>	<b>2,469.7</b>	<b>61.8</b>	<b>71.2</b>	<b>15.8</b>	<b>0.1</b>	<b>0.0</b>
Forwards	1.3	0.0	0.0	0.0	0.0	0.0
Swaps	191.0	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
<b>Equity/index-related products</b>	<b>796.2</b>	<b>24.0</b>	<b>25.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Credit derivatives <sup>2</sup></b>	<b>558.7</b>	<b>8.1</b>	<b>9.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Forwards	7.2	0.1	0.2	0.0	0.0	0.0
Swaps	20.1	2.0	1.4	0.0	0.0	0.0
Options bought and sold (OTC)	20.2	0.4	0.3	0.0	0.0	0.0
Futures	14.3	0.0	0.0	0.0	0.0	0.0
Options bought and sold (exchange-traded)	3.4	0.0	0.1	0.0	0.0	0.0
<b>Other products <sup>3</sup></b>	<b>65.2</b>	<b>2.5</b>	<b>2.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Total derivative instruments</b>	<b>28,556.2</b>	<b>234.0</b>	<b>238.2</b>	<b>63.3</b>	<b>1.1</b>	<b>1.0</b>

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.

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

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

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

## Fair value of derivative instruments (continued)

	Trading			Hedging <sup>1</sup>		
	Notional amount	Positive replacement value (PRV)	Negative replacement value (NRV)	Notional amount	Positive replacement value (PRV)	Negative replacement value (NRV)
end of 2015						
<b>Derivative instruments (CHF billion)</b>						
Forwards and forward rate agreements	7,229.5	1.0	1.2	0.0	0.0	0.0
Swaps	16,737.7	118.3	112.8	54.3	1.3	1.0
Options bought and sold (OTC)	2,856.0	49.2	47.4	0.0	0.0	0.0
Futures	1,789.9	0.0	0.0	0.0	0.0	0.0
Options bought and sold (exchange-traded)	198.4	0.1	0.0	0.0	0.0	0.0
<b>Interest rate products</b>	<b>28,811.5</b>	<b>168.6</b>	<b>161.4</b>	<b>54.3</b>	<b>1.3</b>	<b>1.0</b>
Forwards	1,498.4	16.6	16.9	10.7	0.0	0.1
Swaps	1,050.7	30.5	40.8	0.0	0.0	0.0
Options bought and sold (OTC)	534.8	12.8	12.8	8.2	0.0	0.0
Futures	22.5	0.0	0.0	0.0	0.0	0.0
Options bought and sold (exchange-traded)	13.0	0.3	0.3	0.0	0.0	0.0
<b>Foreign exchange products</b>	<b>3,119.4</b>	<b>60.2</b>	<b>70.8</b>	<b>18.9</b>	<b>0.0</b>	<b>0.1</b>
Forwards	1.3	0.0	0.1	0.0	0.0	0.0
Swaps	203.8	5.1	6.7	0.0	0.0	0.0
Options bought and sold (OTC)	193.1	8.4	7.5	0.0	0.0	0.0
Futures	39.9	0.0	0.0	0.0	0.0	0.0
Options bought and sold (exchange-traded)	284.4	9.1	11.4	0.0	0.0	0.0
<b>Equity/index-related products</b>	<b>722.5</b>	<b>22.6</b>	<b>25.7</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Credit derivatives <sup>2</sup></b>	<b>831.9</b>	<b>17.8</b>	<b>17.3</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Forwards	6.3	0.1	0.1	0.0	0.0	0.0
Swaps	19.6	2.6	1.7	0.0	0.0	0.0
Options bought and sold (OTC)	8.8	0.4	0.3	0.0	0.0	0.0
Futures	11.9	0.0	0.0	0.0	0.0	0.0
Options bought and sold (exchange-traded)	1.1	0.1	0.1	0.0	0.0	0.0
<b>Other products <sup>3</sup></b>	<b>47.7</b>	<b>3.2</b>	<b>2.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Total derivative instruments</b>	<b>33,533.0</b>	<b>272.4</b>	<b>277.4</b>	<b>73.2</b>	<b>1.3</b>	<b>1.1</b>

The notional amount, PRV and NRV (trading and hedging) was CHF 33,606.2 billion, CHF 273.7 billion and CHF 278.5 billion, respectively, as of December 31, 2015.

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

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

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

## Fair value hedges

in	2016	2015	2014
<b>Gains/(losses) recognized in income on derivatives (CHF million)</b>			
Interest rate products	(116)	(117)	(231)
Foreign exchange products	0	0	3
<b>Total</b>	<b>(116)</b>	<b>(117)</b>	<b>(228)</b>
<b>Gains/(losses) recognized in income on hedged items (CHF million)</b>			
Interest rate products	111	101	227
Foreign exchange products	0	0	(3)
<b>Total</b>	<b>111</b>	<b>101</b>	<b>224</b>
<b>Details of fair value hedges (CHF million)</b>			
Net gains/(losses) on the ineffective portion	(5)	(16)	(4)

Represents gains/(losses) recognized in trading revenues.

**Cash flow hedges**

in	2016	2015	2014
<b>Gains/(losses) recognized in AOCI on derivatives (CHF million)</b>			
Interest rate products	(5)	21	40
Foreign exchange products	(9)	(32)	(43)
<b>Total</b>	<b>(14)</b>	<b>(11)</b>	<b>(3)</b>
<b>Gains/(losses) reclassified from AOCI into income (CHF million)</b>			
Interest rate products	29 <sup>1</sup>	37 <sup>1</sup>	21 <sup>2</sup>
Foreign exchange products	(16) <sup>2,3,4</sup>	(61) <sup>2,3,4</sup>	(8) <sup>3,4</sup>
<b>Total</b>	<b>13</b>	<b>(24)</b>	<b>13</b>
<b>Details of cash flow hedges (CHF million)</b>			
Net gains/(losses) on the ineffective portion <sup>2</sup>	(1)	(12)	(1)

Represents gains/(losses) on effective portion.

<sup>1</sup> Included in interest and dividend income.<sup>2</sup> Included in trading revenues.<sup>3</sup> Included in other revenues.<sup>4</sup> Included in total other operating expenses.

The net loss associated with cash flow hedges expected to be reclassified from AOCI within the next 12 months was CHF 13 million.

**Net investment hedges**

in	2016	2015	2014
<b>Gains/(losses) recognized in AOCI on derivatives (CHF million)</b>			
Foreign exchange products	(536)	440	(1,672)
<b>Total</b>	<b>(536)</b>	<b>440</b>	<b>(1,672)</b>

Represents gains/(losses) on effective portion.

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

**Contingent credit risk**

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

**Credit derivatives**

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.

► Refer to "Note 8 – 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, at the existing mark-to-market replacement value of the derivative contract.

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.

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 27 – 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 7.8 billion and CHF 9.8 billion as of December 31, 2016 and 2015, respectively, were also excluded because a TRS does not expose the seller to potential

loss from credit risk-related events specified in the contract. A TRS only provides protection against a loss in asset value and not against additional amounts as a result of specific credit events.

### Credit protection sold/purchased

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

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

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

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

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

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

### Credit derivatives

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

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

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.

### Maturity of credit protection sold

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

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

### 33 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 <sup>1</sup>	Carrying value	Collateral received
<b>2016 (CHF million)</b>								
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 <sup>2</sup>	15,864	3,377	3,590	976	23,807	23,807	684	– <sup>3</sup>
Other guarantees	3,460	888	531	581	5,460	5,456	44	3,668
<b>Total guarantees</b>	<b>26,395</b>	<b>6,336</b>	<b>4,577</b>	<b>2,206</b>	<b>39,514</b>	<b>38,300</b>	<b>817</b>	<b>8,801</b>
<b>2015 (CHF million)</b>								
Credit guarantees and similar instruments	2,916	744	284	458	4,402	4,193	25	1,729
Performance guarantees and similar instruments	4,295	1,992	627	85	6,999	6,100	78	3,144
Derivatives <sup>2</sup>	23,529	10,061	3,149	1,450	38,189	38,189	755	– <sup>3</sup>
Other guarantees	3,958	552	447	522	5,479	5,474	52	3,533
<b>Total guarantees</b>	<b>34,698</b>	<b>13,349</b>	<b>4,507</b>	<b>2,515</b>	<b>55,069</b>	<b>53,956</b>	<b>910</b>	<b>8,406</b>

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

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

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

#### 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, 2016 to June 30, 2017 is CHF 0.6 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 2016, 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 2016 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 39 – 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**

<b>Lease commitments (CHF million)</b>	
2017	583
2018	563
2019	508
2020	477
2021	373
Thereafter	3,273
<b>Future operating lease commitments</b>	<b>5,777</b>
Less minimum non-cancellable sublease rentals	155
<b>Total net future minimum lease commitments</b>	<b>5,622</b>

**Rental expense for operating leases**

in	2016	2015	2014
<b>Rental expense for operating leases (CHF million)</b>			
Minimum rental expense	550	558	572
Sublease rental income	(89)	(92)	(81)
<b>Total net expenses for operating leases</b>	<b>461</b>	<b>466</b>	<b>491</b>

**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 2016, 2015 and 2014, 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, between two and ten years and between five and ten years, respectively. The total contractual rental expenses were CHF 30 million for the 2016

sale-leaseback transactions, CHF 80 million for the 2015 sale-leaseback transactions and CHF 17 million for the 2014 sale-leaseback transactions.

### Other commitments

end of	Maturity less than 1 year	Maturity between 1 to 3 years	Maturity between 3 to 5 years	Maturity greater than 5 years	Total gross amount	Total net amount <sup>1</sup>	Collateral received
<b>2016 (CHF million)</b>							
Irrevocable commitments under documentary credits	4,356	0	0	0	4,356	4,281	2,748
Irrevocable loan commitments <sup>2</sup>	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
<b>Total other commitments</b>	<b>35,309</b>	<b>34,488</b>	<b>44,598</b>	<b>7,657</b>	<b>122,052</b>	<b>118,018</b>	<b>48,900</b>
<b>2015 (CHF million)</b>							
Irrevocable commitments under documentary credits	4,022	4	3	0	4,029	3,935	2,468
Irrevocable loan commitments <sup>2</sup>	33,890	45,365	44,759	13,639	137,653	133,833	63,276
Forward reverse repurchase agreements	48	0	0	0	48	48	48
Other commitments	450	124	29	169	772	771	6
<b>Total other commitments</b>	<b>38,410</b>	<b>45,493</b>	<b>44,791</b>	<b>13,808</b>	<b>142,502</b>	<b>138,587</b>	<b>65,798</b>

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

<sup>2</sup> Irrevocable loan commitments do not include a total gross amount of CHF 95,743 million and CHF 98,495 million of unused credit limits as of December 31, 2016 and 2015, respectively, which were revocable at the Group's sole discretion upon notice to the client.


### 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.

### 34 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 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 2016, 2015 and 2014 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	2016	2015	2014
<b>Gains and cash flows (CHF million)</b>			
<b>CMBS</b>			
Net gain/(loss) <sup>1</sup>	(2)	1	7
Proceeds from transfer of assets	3,954	9,813	5,335
Cash received on interests that continue to be held	69	148	102
<b>RMBS</b>			
Net gain/(loss) <sup>1</sup>	(4)	5	13
Proceeds from transfer of assets	9,866	20,062	22,728
Purchases of previously transferred financial assets or its underlying collateral	0	(1)	(4)
Servicing fees	2	3	2
Cash received on interests that continue to be held	529	457	444
<b>Other asset-backed financings</b>			
Net gain <sup>1</sup>	26	24	29
Proceeds from transfer of assets	2,813 <sup>2</sup>	1,740	1,819
Fees <sup>3</sup>	137	0	0
Cash received on interests that continue to be held	2	3	17

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

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

<sup>3</sup> Represents 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, 2016 and 2015, regardless of when the transfer of assets occurred.

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

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

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

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

**Fair value of beneficial interests**

The fair value measurement of 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 35 – Financial instruments for further information on the fair value hierarchy.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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, 2016 and 2015.

► Refer to "Note 36 – Assets pledged and collateral" for further information.

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

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

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

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 agreements in the form of longevity swaps on life insurance policies, compared to agreements in the form of TRS on equity securities and longevity swaps on life insurance policies as of December 31, 2015.

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 remain outstanding as of December 31, 2016 and 2015, respectively, gross cash proceeds received for assets derecognized at the date of sale and the fair values of transferred assets and the aforementioned agreements as of December 31, 2016 and 2015.

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

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

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

<sup>2</sup> As of December 31, 2016, gross derivative assets of CHF 556 million were included in other products, as disclosed in Note 32 – Derivatives and hedging activities.

<sup>3</sup> As of December 31, 2015, gross derivative assets of CHF 7 million and CHF 546 million were included in equity/index-related products and other products, respectively, and gross derivative liabilities of CHF 7 million were included in equity/index-related products, as disclosed in Note 32 – 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 or security lending transaction provides the counterparty with the right to liquidate the collateral held or request additional collateral.

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

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

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

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

	Remaining contractual maturities				
end of	On demand <sup>1</sup>	Up to 30 days <sup>2</sup>	31–90 days	More than 90 days	Total
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
2015 (CHF billion)					
Securities sold under repurchase agreements	7.7	29.9	8.1	12.4	58.1
Securities lending transactions	6.0	3.6	1.8	0.6	12.0
Obligation to return securities received as collateral, at fair value	26.2	2.3	0.0	0.0	28.5
Total	39.9	35.8	9.9	13.0	98.6

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

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

► Refer to "Note 27 – 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: ◉ CDO/◉ 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 fourth quarter of 2015, the Group elected to stop issuing CP from an existing asset-backed CP conduit, Alpine Securitization Corp. (old Alpine), and all outstanding CP was fully repaid as of December 31, 2015. As of December 31, 2016, old Alpine did not have any third-party assets.

In the second quarter of 2016, the 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 103 days as of December 31, 2016. Alpine was rated A-1(sf) by Standard & Poor's and P-1(sf) by Moody's and had exposures in a reverse repurchase agreement, credit card receivables, student loans and car loans.

The 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 tables provide the carrying amounts and classifications of the assets and liabilities of consolidated VIEs as of December 31, 2016 and 2015.

## Consolidated VIEs in which the Group was the primary beneficiary

end of	CDO/ CLO	CP Conduit	Financial intermediation				Total
			Securi- tizations	Funds	Loans	Other	
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
<b>Total assets of consolidated VIEs</b>	<b>43</b>	<b>2</b>	<b>2,035</b>	<b>806</b>	<b>2,709</b>	<b>3,135</b>	<b>8,730</b>
Trading liabilities	0	0	0	0	18	0	18
Short-term borrowings	0	0	0	1	0	0	1
Long-term debt	54	0	1,639	7	57	2	1,759
Other liabilities	0	0	1	15	124	104	244
<b>Total liabilities of consolidated VIEs</b>	<b>54</b>	<b>0</b>	<b>1,640</b>	<b>23</b>	<b>199</b>	<b>106</b>	<b>2,022</b>
2015 (CHF million)							
Cash and due from banks	1,351	0	21	9	93	219	1,693
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	0	53	0	0	0	0	53
Trading assets	283	49	0	941	1,001	98	2,372
Investment securities	0	0	1,009	0	0	0	1,009
Other investments	0	0	0	0	1,553	433	1,986
Net loans	0	0	0	0	27	1,285	1,312
Premises and equipment	0	0	0	0	327	0	327
Other assets	10,839	123	1,671	0	83	1,735	14,451
of which loans held-for-sale	10,790	0	469	0	16	0	11,275
<b>Total assets of consolidated VIEs</b>	<b>12,473</b>	<b>225</b>	<b>2,701</b>	<b>950</b>	<b>3,084</b>	<b>3,770</b>	<b>23,203</b>
Trading liabilities	8	0	0	0	18	1	27
Short-term borrowings	0	0	81	0	0	0	81
Long-term debt	12,428	0	2,128	125	136	9	14,826
Other liabilities	51	3	3	1	135	643	836
<b>Total liabilities of consolidated VIEs</b>	<b>12,487</b>	<b>3</b>	<b>2,212</b>	<b>126</b>	<b>289</b>	<b>653</b>	<b>15,770</b>

## Non-consolidated VIEs

The non-consolidated VIEs tables provide 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.

Maximum exposure to loss represents the variable interests of non-consolidated VIEs that are recorded by the Group (for example, direct holdings in vehicles, loans and other receivables), as well as 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.

Non-consolidated VIE assets are related to the non-consolidated VIEs with which the Group has variable interests. These amounts represent the assets of the entities themselves and are typically unrelated to the exposures the Group has with the entity and thus are not amounts that are 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
2016 (CHF million)						
Trading assets	440	3,881	1,526	528	191	6,566
Net loans	4	105	2,007	4,634	608	7,358
Other assets	5	14	20	4	520	563
Total variable interest assets	449	4,000	3,553	5,166	1,319	14,487
Maximum exposure to loss	449	7,171	3,553	9,215	1,821	22,209
Non-consolidated VIE assets	9,774	65,820	68,546	32,651	37,087	213,878
2015 (CHF million)						
Trading assets	90	6,021	871	425	8	7,415
Net loans	36	1,508	2,734	5,053	1,723	11,054
Other assets	0	11	13	0	161	185
Total variable interest assets	126	7,540	3,618	5,478	1,892	18,654
Maximum exposure to loss	126	12,986	3,618	11,866	2,570	31,166
Non-consolidated VIE assets	6,590	113,530	54,112	41,824	36,865	252,921

## 35 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 counterparties, industry, country and products 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 are 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.

ASU 2011-04 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 2016	Level 1	Level 2	Level 3	Netting impact <sup>1</sup>	Assets measured at net asset value per share <sup>2</sup>	Total
<b>Assets (CHF million)</b>						
Cash and due from banks	0	200	0	–	–	200
Interest-bearing deposits with banks	0	25	1	–	–	26
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	0	87,157	174	–	–	87,331
Debt	619	419	1	–	–	1,039
of which corporates	1	375	1	–	–	377
Equity	30,706	750	69	–	–	31,525
Securities received as collateral	31,325	1,169	70	–	–	32,564
Debt	29,498	32,193	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
<b>Total assets at fair value</b>	<b>127,790</b>	<b>374,486</b>	<b>23,390</b>	<b>(208,211)</b>	<b>3,450</b>	<b>320,905</b>
Less other investments – equity at fair value attributable to noncontrolling interests	0	0	(116)	–	(565)	(681)
Less assets consolidated under ASU 2009-17 <sup>3</sup>	0	(829)	(300)	–	–	(1,129)
<b>Assets at fair value excluding noncontrolling interests and assets not risk-weighted under the Basel framework</b>	<b>127,790</b>	<b>373,657</b>	<b>22,974</b>	<b>(208,211)</b>	<b>2,885</b>	<b>319,095</b>

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

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

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

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

end of 2016	Level 1	Level 2	Level 3	Netting impact <sup>1</sup>	Liabilities measured at net asset value per share <sup>2</sup>	Total
<b>Liabilities (CHF million)</b>						
Due to banks	0	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
<b>Total liabilities at fair value</b>	<b>57,473</b>	<b>329,033</b>	<b>19,832</b>	<b>(218,776)</b>	<b>1</b>	<b>187,563</b>

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

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



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

end of 2015	Level 1	Level 2	Level 3	Netting impact <sup>1</sup>	Assets measured at net asset value per share <sup>2</sup>	Total
<b>Assets (CHF million)</b>						
Cash and due from banks	0	89	0	–	–	89
Interest-bearing deposits with banks	0	2	0	–	–	2
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	0	83,407	158	–	–	83,565
Debt	811	493	0	–	–	1,304
of which corporates	0	261	0	–	–	261
Equity	27,141	66	0	–	–	27,207
Securities received as collateral	27,952	559	0	–	–	28,511
Debt	27,932	48,047	4,563	–	–	80,542
of which foreign governments	27,710	3,737	285	–	–	31,732
of which corporates	13	15,762	1,745	–	–	17,520
of which RMBS	0	22,302	814	–	–	23,116
of which CMBS	0	3,924	215	–	–	4,139
of which CDO	0	2,317	1,298	–	–	3,615
Equity	64,210	4,195	871	–	1,685	70,961
Derivatives	2,625	265,014	4,831	(244,105)	–	28,365
of which interest rate products	657	167,173	791	–	–	–
of which foreign exchange products	104	59,740	383	–	–	–
of which equity/index-related products	1,857	19,803	936	–	–	–
of which credit derivatives	0	16,267	1,568	–	–	–
Other	2,034	4,569	4,266	–	–	10,869
Trading assets	96,801	321,825	14,531	(244,105)	1,685	190,737
Debt	1,538	1,318	148	–	–	3,004
of which foreign governments	1,322	94	0	–	–	1,416
of which corporates	0	285	0	–	–	285
of which RMBS	0	602	148	–	–	750
of which CMBS	0	259	0	–	–	259
Equity	2	84	0	–	–	86
Investment securities	1,540	1,402	148	–	–	3,090
Private equity	0	0	0	–	1,042	1,042
of which equity funds	0	0	0	–	437	437
Hedge funds	0	0	0	–	295	295
of which debt funds	0	0	0	–	260	260
Other equity investments	0	23	366	–	840	1,229
of which private	0	14	365	–	840	1,219
Life finance instruments	0	2	1,669	–	–	1,671
Other investments	0	25	2,035	–	2,177	4,237
Loans	0	11,870	8,950	–	–	20,820
of which commercial and industrial loans	0	5,811	5,735	–	–	11,546
of which financial institutions	0	4,102	1,729	–	–	5,831
Other intangible assets (mortgage servicing rights)	0	0	112	–	–	112
Other assets	687	19,002	7,087	(1,149)	–	25,627
of which loans held-for-sale	0	14,378	6,768	–	–	21,146
<b>Total assets at fair value</b>	<b>126,980</b>	<b>438,181</b>	<b>33,021</b>	<b>(245,254)</b>	<b>3,862</b>	<b>356,790</b>
Less other investments – equity at fair value attributable to noncontrolling interests	0	(9)	(119)	–	(473)	(601)
Less assets consolidated under ASU 2009-17 <sup>3</sup>	0	(9,212)	(3,558)	–	–	(12,770)
<b>Assets at fair value excluding noncontrolling interests and assets not risk-weighted under the Basel framework</b>	<b>126,980</b>	<b>428,960</b>	<b>29,344</b>	<b>(245,254)</b>	<b>3,389</b>	<b>343,419</b>

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

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

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

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

end of 2015	Level 1	Level 2	Level 3	Netting impact <sup>1</sup>	Liabilities measured at net asset value per share <sup>2</sup>	Total
<b>Liabilities (CHF million)</b>						
Due to banks	0	482	0	–	–	482
Customer deposits	0	3,409	254	–	–	3,663
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	0	32,398	0	–	–	32,398
Debt	811	493	0	–	–	1,304
of which corporates	0	261	0	–	–	261
Equity	27,141	66	0	–	–	27,207
Obligation to return securities received as collateral	27,952	559	0	–	–	28,511
Debt	4,100	4,289	16	–	–	8,405
of which foreign governments	4,050	491	0	–	–	4,541
of which corporates	30	3,597	16	–	–	3,643
Equity	16,875	154	45	–	6	17,080
Derivatives	3,062	269,788	4,554	(253,918)	–	23,486
of which interest rate products	671	160,181	578	–	–	–
of which foreign exchange products	82	70,381	329	–	–	–
of which equity/index-related products	2,299	22,015	1,347	–	–	–
of which credit derivatives	0	15,522	1,757	–	–	–
Trading liabilities	24,037	274,231	4,615	(253,918)	6	48,971
Short-term borrowings	0	3,040	72	–	–	3,112
Long-term debt	0	66,808	14,123	–	–	80,931
of which treasury debt over two years	0	4,590	0	–	–	4,590
of which structured notes over one year and up to two years	0	6,396	364	–	–	6,760
of which structured notes over two years	0	38,066	9,924	–	–	47,990
of which other debt instruments over two years	0	1,435	638	–	–	2,073
of which other subordinated bonds	0	5,476	0	–	–	5,476
of which non-recourse liabilities	0	10,642	3,197	–	–	13,839
Other liabilities	0	10,224	2,491	(961)	–	11,754
of which failed sales	0	530	454	–	–	984
<b>Total liabilities at fair value</b>	<b>51,989</b>	<b>391,151</b>	<b>21,555</b>	<b>(254,879)</b>	<b>6</b>	<b>209,822</b>

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

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

## Transfers between level 1 and level 2

All transfers between level 1 and level 2 are reported through the last day of the reporting period.

In 2016, 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 debt securities as prices became observable. The transfers from trading liabilities were primarily in exchange traded derivatives as prices became observable.

In 2016, transfers out of level 1 to level 2 were primarily from trading assets and investment securities. The transfers from trading assets were primarily in debt and equity securities for which suitable closing prices were unobtainable as of the end of 2016. The transfers from investment securities were in debt securities for which suitable closing prices were unobtainable as of the end of 2016.

## Transfers between level 1 and level 2

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

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

	Balance at beginning of period	Transfers in	Transfers out	Purchases	Sales	Issuances
<b>2016</b>						
<b>Assets (CHF million)</b>						
Interest-bearing deposits with banks	0	0	0	49	(49)	0
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	158	0	0	0	0	279
Securities received as collateral	0	0	0	100	(33)	0
Debt	4,563	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 <sup>2</sup>	6,768	355	(1,251)	2,192	(6,696)	898
<b>Total assets at fair value</b>	<b>33,021</b>	<b>5,792</b>	<b>(7,340)</b>	<b>11,708</b>	<b>(18,297)</b>	<b>6,235</b>
<b>Liabilities (CHF million)</b>						
Customer deposits	254	0	(41)	0	0	240
Obligation to return securities received as collateral	0	0	0	100	(33)	0
Trading liabilities	4,615	1,588	(1,026)	51	(52)	1,259
of which interest rate derivatives	578	87	(28)	0	0	141
of which foreign exchange derivatives	329	55	(5)	0	0	14
of which equity/index-related derivatives	1,347	130	(293)	0	0	423
of which credit derivatives	1,757	940	(689)	0	0	421
Short-term borrowings	72	45	(30)	0	0	598
Long-term debt	14,123	3,865	(2,393)	0	0	4,510
of which structured notes over two years	9,924	3,484	(2,166)	0	0	4,044
of which non-recourse liabilities	3,197	0	(3)	0	0	182
Other liabilities	2,491	208	(226)	219	(376)	17
of which failed sales	454	44	(121)	142	(308)	0
<b>Total liabilities at fair value</b>	<b>21,555</b>	<b>5,706</b>	<b>(3,716)</b>	<b>370</b>	<b>(461)</b>	<b>6,624</b>
<b>Net assets/(liabilities) at fair value</b>	<b>11,466</b>	<b>86</b>	<b>(3,624)</b>	<b>11,338</b>	<b>(17,836)</b>	<b>(389)</b>

<sup>1</sup> 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.

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

Settlements	Trading revenues		Other revenues		Accumulated other comprehensive income		Foreign currency translation impact	Balance at end of period
	On transfers in / out <sup>1</sup>	On all other	On transfers in / out <sup>1</sup>	On all other	On transfers in / out <sup>1</sup>	On all other		
0	0	1	0	0	0	0	0	1
(270)	0	1	0	0	0	0	6	174
0	0	0	0	0	0	0	3	70
0	(1)	(134)	0	10	0	0	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
<b>(8,936)</b>	<b>(131)</b>	<b>238</b>	<b>0</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>1,093</b>	<b>23,390</b>
(20)	0	(64)	0	0	0	41	0	410
0	0	0	0	0	0	0	3	70
(3,494)	100	589	0	(12)	0	0	119	3,737
(244)	14	(25)	0	0	0	0	15	538
(408)	2	160	0	0	0	0	3	150
(748)	32	227	0	0	0	0	63	1,181
(1,806)	50	162	0	0	0	0	16	851
(205)	1	17	(3)	3	0	0	18	516
(7,149)	(64)	(124)	0	0	1	240	406	13,415
(3,004)	(78)	(403)	0	0	1	240	392	12,434
(3,398)	3	48	0	0	0	0	(12)	17
(612)	(72)	(160)	(1)	139	0	0	57	1,684
0	(3)	3	0	0	0	0	8	219
<b>(11,480)</b>	<b>(35)</b>	<b>258</b>	<b>(4)</b>	<b>130</b>	<b>1</b>	<b>281</b>	<b>603</b>	<b>19,832</b>
<b>2,544</b>	<b>(96)</b>	<b>(20)</b>	<b>4</b>	<b>(123)</b>	<b>(1)</b>	<b>(281)</b>	<b>490</b>	<b>3,558</b>

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

2015	Balance at beginning of period	Transfers in	Transfers out	Purchases
<b>Assets (CHF million)</b>				
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	77	0	(41)	0
Securities received as collateral	0	0	0	4
Debt	4,461	1,591	(1,465)	2,942
of which corporates	1,430	823	(469)	1,273
of which RMBS	612	492	(615)	1,064
of which CMBS	257	127	(83)	207
of which CDO	1,421	72	(252)	379
Equity	896	749	(702)	1,185
Derivatives	6,823	2,310	(1,243)	0
of which interest rate products	1,803	53	(282)	0
of which equity/index-related products	1,063	530	(362)	0
of which credit derivatives	2,569	1,574	(599)	0
Other	4,323	1,157	(894)	4,086
Trading assets	16,503	5,807	(4,304)	8,213
Investment securities	3	8	(97)	320
Equity	549	1	(9)	54
Life finance instruments	1,834	0	0	201
Other investments	2,383	1	(9)	255
Loans	9,353	1,347	(1,153)	686
of which commercial and industrial loans	5,853	985	(365)	69
of which financial institutions	1,494	329	(266)	296
Other intangible assets (mortgage servicing rights)	70	0	0	18
Other assets	7,468	4,025	(3,937)	4,244
of which loans held-for-sale	6,851	4,016	(3,841)	4,137
<b>Total assets at fair value</b>	<b>35,857</b>	<b>11,188</b>	<b>(9,541)</b>	<b>13,740</b>
<b>Liabilities (CHF million)</b>				
Customer deposits	100	12	(16)	0
Obligation to return securities received as collateral	0	0	0	4
Trading liabilities	6,417	2,515	(1,891)	63
of which interest rate derivatives	1,202	109	(400)	0
of which foreign exchange derivatives	560	19	(36)	0
of which equity/index-related derivatives	1,466	297	(796)	0
of which credit derivatives	2,760	1,860	(628)	0
Short-term borrowings	95	98	(37)	0
Long-term debt	14,608	2,603	(4,819)	0
of which structured notes over two years	10,267	1,117	(3,293)	0
of which non-recourse liabilities	2,952	1,197	(902)	0
Other liabilities	3,363	249	(1,240)	184
of which failed sales	616	14	(18)	132
<b>Total liabilities at fair value</b>	<b>24,583</b>	<b>5,477</b>	<b>(8,003)</b>	<b>251</b>
<b>Net assets/(liabilities) at fair value</b>	<b>11,274</b>	<b>5,711</b>	<b>(1,538)</b>	<b>13,489</b>

<sup>1</sup> 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.

Sales	Issuances	Settlements	Trading revenues		Other revenues		Foreign currency translation impact	Balance at end of period
			On transfers in / out <sup>1</sup>	On all other	On transfers in / out <sup>1</sup>	On all other		
0	259	(141)	0	0	0	0	4	158
(4)	0	0	0	0	0	0	0	0
(2,958)	0	0	(30)	218	0	0	(196)	4,563
(1,373)	0	0	(17)	185	0	0	(107)	1,745
(772)	0	0	(6)	29	0	0	10	814
(265)	0	0	(2)	(24)	0	0	(2)	215
(364)	0	0	(6)	51	0	0	(3)	1,298
(1,010)	0	0	(34)	(210)	0	0	(3)	871
0	1,493	(3,875)	11	(545)	0	0	(143)	4,831
0	304	(719)	6	(341)	0	0	(33)	791
0	366	(680)	10	32	0	0	(23)	936
0	405	(1,776)	(5)	(547)	0	0	(53)	1,568
(4,276)	0	(292)	(7)	182	0	0	(13)	4,266
(8,244)	1,493	(4,167)	(60)	(355)	0	0	(355)	14,531
(102)	0	(36)	6	39	0	0	7	148
(147)	0	0	0	(19)	0	(22)	(41)	366
(361)	0	0	0	(1)	0	0	(4)	1,669
(508)	0	0	0	(20)	0	(22)	(45)	2,035
(1,055)	3,519	(3,371)	1	(207)	(4)	(14)	(152)	8,950
(687)	2,205	(2,072)	1	(85)	(4)	(14)	(151)	5,735
(213)	811	(639)	0	(85)	0	0	2	1,729
0	0	0	0	9	0	14	1	112
(3,691)	784	(1,309)	(8)	(208)	0	(5)	(276)	7,087
(3,410)	784	(1,309)	(13)	(178)	0	(3)	(266)	6,768
<b>(13,604)</b>	<b>6,055</b>	<b>(9,024)</b>	<b>(61)</b>	<b>(742)</b>	<b>(4)</b>	<b>(27)</b>	<b>(816)</b>	<b>33,021</b>
0	213	(28)	0	(18)	0	0	(9)	254
(4)	0	0	0	0	0	0	0	0
(57)	1,460	(3,098)	20	(697)	0	(18)	(99)	4,615
0	140	(343)	13	(127)	0	0	(16)	578
0	20	(76)	1	(151)	0	0	(8)	329
0	689	(349)	48	3	0	0	(11)	1,347
0	330	(2,098)	(43)	(362)	0	0	(62)	1,757
0	371	(442)	(1)	(10)	0	0	(2)	72
0	7,386	(4,874)	(16)	(801)	0	(5)	41	14,123
0	5,464	(3,104)	(7)	(566)	0	0	46	9,924
0	912	(807)	(3)	(148)	0	0	(4)	3,197
(218)	10	(245)	11	18	8	408	(57)	2,491
(127)	0	0	2	(160)	0	0	(5)	454
<b>(279)</b>	<b>9,440</b>	<b>(8,687)</b>	<b>14</b>	<b>(1,508)</b>	<b>8</b>	<b>385</b>	<b>(126)</b>	<b>21,555</b>
<b>(13,325)</b>	<b>(3,385)</b>	<b>(337)</b>	<b>(75)</b>	<b>766</b>	<b>(12)</b>	<b>(412)</b>	<b>(690)</b>	<b>11,466</b>



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

in	2016			2015		
	Trading revenues	Other revenues	Total revenues	Trading revenues	Other revenues	Total revenues
<b>Gains and losses on assets and liabilities (CHF million)</b>						
Net realized/unrealized gains/(losses) included in net revenues	(116)	(119)	<b>(235)<sup>1</sup></b>	691	(424)	<b>267<sup>1</sup></b>
Whereof:						
Unrealized gains/(losses) relating to assets and liabilities still held as of the reporting date	125	26	<b>151</b>	83	15	<b>98</b>

<sup>1</sup> 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 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.

Transfers into level 3 assets during 2015 were CHF 11,188 million, primarily from trading assets and loans held-for-sale. The transfers were primarily in the corporate credit, equity derivatives and emerging market businesses due to limited observability of pricing data and reduced pricing information from external providers. Transfers out of level 3 assets during 2015 were CHF 9,541 million, primarily in trading assets and loans held-for-sale. The transfers out of level 3 assets were primarily in the corporate credit, equity derivatives and alternative investment businesses due to improved observability of pricing data and increased availability of pricing information from external providers.

**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, basis spread, gap risk and funding 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 and correlation.

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 and discount rate.

#### 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 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 CFEs, 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 bifurcable and non-bifurcable) 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 long-term debt include buyback probability, gap risk, correlation, volatility, credit spread, mean reversion and price.

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

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



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

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

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

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

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

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

end of 2015	Fair value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average <sup>1</sup>
<b>CHF million, except where indicated</b>						
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	158	Discounted cash flow	Funding spread, in bp	350	475	361
Debt	4,563					
of which corporates	1,745					
of which	240	Option model	Correlation, in %	(87)	99	17
of which	836	Market comparable	Price, in %	0	128	29
of which	285	Discounted cash flow	Credit spread, in bp	134	1,408	493
of which RMBS	814	Discounted cash flow	Discount rate, in %	1	36	8
			Prepayment rate, in %	0	27	9
			Default rate, in %	0	20	3
			Loss severity, in %	0	100	50
of which CMBS	215	Discounted cash flow	Capitalization rate, in %	7	8	7
			Discount rate, in %	0	23	8
			Prepayment rate, in %	0	16	3
			Default rate, in %	0	32	1
			Loss severity, in %	0	75	4
of which CDO	1,298					
of which	66	Vendor price	Price, in %	0	100	96
of which	329	Discounted cash flow	Discount rate, in %	1	25	11
			Prepayment rate, in %	0	20	14
			Credit spread, in bp	293	336	309
			Default rate, in %	0	10	2
			Loss severity, in %	0	100	46
of which	807	Market comparable	Price, in %	214	214	214
Equity	871					
of which	342	Option model	Volatility, in %	2	253	29
of which	471	Market comparable	EBITDA multiple	3	12	8
			Price, in %	0	202	96

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

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

end of 2015	Fair value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average <sup>1</sup>
<b>CHF million, except where indicated</b>						
Derivatives	4,831					
of which interest rate products	791	Option model	Correlation, in %	17	100	63
			Prepayment rate, in %	1	36	16
			Volatility skew, in %	(8)	0	(2)
			Mean reversion, in % <sup>2</sup>	5	10	10
			Credit spread, in bp	130	1,687	330
of which equity/index-related products	936					
of which	778	Option model	Correlation, in %	(87)	99	23
			Volatility, in %	0	253	26
of which	109	Market comparable	EBITDA multiple	4	10	7
			Price, in %	97	97	97
of which credit derivatives	1,568	Discounted cash flow	Credit spread, in bp	1	2,349	331
			Recovery rate, in %	0	60	23
			Discount rate, in %	2	50	19
			Default rate, in %	1	35	6
			Loss severity, in %	15	100	64
			Correlation, in %	43	97	85
			Prepayment rate, in %	0	12	4
			Funding spread, in bp	61	68	67
Other	4,266					
of which	2,859	Market comparable	Price, in %	0	106	45
of which	865	Discounted cash flow	Market implied life expectancy, in years	3	18	8
Trading assets	14,531					
Investment securities	148	–	–	–	–	–
Other equity investments	366	–	–	–	–	–
Life finance instruments	1,669	Discounted cash flow	Market implied life expectancy, in years	2	20	8
Other investments	2,035					
Loans	8,950					
of which commercial and industrial loans	5,735					
of which	3,799	Discounted cash flow	Credit spread, in bp	70	2,528	474
of which	1,146	Market comparable	Price, in %	0	106	65
of which financial institutions	1,729					
of which	1,451	Discounted cash flow	Credit spread, in bp	84	826	359
of which	109	Market comparable	Price, in %	0	100	98
Other intangible assets (mortgage servicing rights)	112	–	–	–	–	–
Other assets	7,087					
of which loans held-for-sale	6,768					
of which	3,594	Vendor price	Price, in %	0	101	97
of which	722	Discounted cash flow	Credit spread, in bp	99	3,220	515
			Recovery rate, in %	1	1	1
of which	2,251	Market comparable	Price, in %	0	104	76
<b>Total level 3 assets at fair value</b>	<b>33,021</b>					

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

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

## Quantitative information about level 3 liabilities at fair value

end of 2016	Fair value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average <sup>1</sup>
<b>CHF million, except where indicated</b>						
Customer deposits	410	–	–	–	–	–
Obligation to return securities received as collateral	70	–	–	–	–	–
Trading liabilities	3,737					
of which interest rate derivatives	538	Option model	Basis spread, in bp	(2)	66	33
			Correlation, in %	20	100	57
			Prepayment rate, in %	1	32	9
			Gap risk, in % <sup>2</sup>	20	20	20
			Funding spread, in bp	237	237	237
of which foreign exchange derivatives	150					
of which	65	Option model	Correlation, in %	(10)	70	49
			Prepayment rate, in %	22	32	27
of which	69	Discounted cash flow	Contingent probability, in %	95	95	95
of which equity/index-related derivatives	1,181	Option model	Correlation, in %	(85)	98	23
			Volatility, in %	2	180	28
			Buyback probability, in % <sup>3</sup>	50	100	62
of which credit derivatives	851	Discounted cash flow	Credit spread, in bp	0	1,635	163
			Discount rate, in %	2	45	21
			Default rate, in %	0	33	5
			Recovery rate, in %	20	60	35
			Loss severity, in %	15	100	70
			Correlation, in %	43	85	63
			Prepayment rate, in %	0	13	5
Short-term borrowings	516	–	–	–	–	–
Long-term debt	13,415					
of which structured notes over two years	12,434					
of which	12,008	Option model	Correlation, in %	(85)	99	23
			Volatility, in %	0	180	23
			Buyback probability, in % <sup>3</sup>	50	100	62
			Gap risk, in % <sup>2</sup>	0	2	1
			Mean reversion, in % <sup>4</sup>	(14)	(1)	(6)
of which	286	Discounted cash flow	Credit spread, in bp	1	452	89
Other liabilities	1,684					
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
<b>Total level 3 liabilities at fair value</b>	<b>19,832</b>					

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

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

<sup>3</sup> 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.

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

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

end of 2015	Fair value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average <sup>1</sup>
<b>CHF million, except where indicated</b>						
Customer deposits	254	–	–	–	–	–
Trading liabilities	4,615					
of which interest rate derivatives	578	Option model	Basis spread, in bp	(7)	53	25
			Correlation, in %	17	100	75
			Mean reversion, in % <sup>2</sup>	5	10	8
			Prepayment rate, in %	0	36	9
			Gap risk, in % <sup>3</sup>	20	20	20
			Funding spread, in bp	218	218	218
of which foreign exchange derivatives	329	Option model	Correlation, in %	(10)	70	54
			Prepayment rate, in %	24	36	30
of which equity/index-related derivatives	1,347	Option model	Correlation, in %	(87)	99	17
			Volatility, in %	2	253	26
			Buyback probability, in % <sup>4</sup>	50	100	59
of which credit derivatives	1,757	Discounted cash flow	Credit spread, in bp	1	1,687	275
			Discount rate, in %	2	50	19
			Default rate, in %	1	33	5
			Recovery rate, in %	8	60	27
			Loss severity, in %	15	100	64
			Correlation, in %	17	95	80
			Funding spread, in bp	51	68	68
			Prepayment rate, in %	0	12	5
Short-term borrowings	72	–	–	–	–	–
Long-term debt	14,123					
of which structured notes over two years	9,924	Option model	Correlation, in %	(87)	99	17
			Volatility, in %	2	253	28
			Buyback probability, in % <sup>4</sup>	50	100	59
			Gap risk, in % <sup>3</sup>	0	3	1
			Credit spread, in bp	153	182	177
of which non-recourse liabilities	3,197					
of which	3,183	Vendor price	Price, in %	0	101	97
of which	14	Market comparable	Price, in %	0	87	9
Other liabilities	2,491					
of which failed sales	454					
of which	379	Market comparable	Price, in %	0	106	90
of which	68	Discounted cash flow	Credit spread, in bp	571	1,687	1,425
			Discount rate, in %	7	23	15
<b>Total level 3 liabilities at fair value</b>	<b>21,555</b>					

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

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

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

<sup>4</sup> 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.

### 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  $\bullet$  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.

#### 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	2016						2015	
	Non-redeemable	Redeemable	Total fair value	Unfunded commitments	Non-redeemable	Redeemable	Total fair value	Unfunded commitments
<b>Fair value and unfunded commitments (CHF million)</b>								
Debt funds	0	0	0	0	2	0	2	0
Equity funds	65	1,281 <sup>1</sup>	1,346	0	79	1,606 <sup>2</sup>	1,685	0
Equity funds sold short	0	(1)	(1)	0	0	(6)	(6)	0
Total funds held in trading assets and liabilities	65	1,280	1,345	0	81	1,600	1,681	0
Debt funds	215	77	292	0	184	76	260	1
Equity funds	2	51	53	0	0	0	0	0
Others	0	201	201	0	0	35	35	0
Hedge funds	217	329 <sup>3</sup>	546	0	184	111 <sup>4</sup>	295	1
Debt funds	5	0	5	20	11	0	11	17
Equity funds	240	0	240	42	437	0	437	115
Real estate funds	212	0	212	50	282	0	282	76
Others	117	0	117	58	312	0	312	141
Private equities	574	0	574	170	1,042	0	1,042	349
Equity method investments	347	637	984	218	660	196	856	100
Total funds held in other investments	1,138	966	2,104	388	1,886	307	2,193	450
<b>Total fair value</b>	<b>1,203<sup>5</sup></b>	<b>2,246<sup>6</sup></b>	<b>3,449</b>	<b>388<sup>7</sup></b>	<b>1,967<sup>5</sup></b>	<b>1,907<sup>6</sup></b>	<b>3,874</b>	<b>450<sup>7</sup></b>

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

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

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

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

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

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

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

### Nonrecurring fair value changes

Certain assets and liabilities are measured at fair value on a non-recurring 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	2016	2015
<b>CHF billion</b>		
<b>Assets held-for-sale recorded at fair value on a nonrecurring basis</b>	<b>0.1</b>	<b>0.1</b>
of which level 2	0.1	0.1

### 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 bifurcable 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 bifurcable debt instruments which were entered into in 2006 are carried at fair value. Some hybrid debt instruments do not result in bifurcable debt instruments. US GAAP permits the Group to elect fair value accounting for non-bifurcable hybrid debt instruments. With the exception of certain bifurcable 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	2016			2015		
	Aggregate fair value	Aggregate unpaid principal	Difference	Aggregate fair value	Aggregate unpaid principal	Difference
<b>Loans (CHF million)</b>						
Non-interest-earning loans	1,276	4,495	(3,219)	1,628	5,019	(3,391)
<b>Financial instruments (CHF million)</b>						
Interest-bearing deposits with banks	26	25	1	2	2	0
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	87,331	87,208	123	83,565	83,397	168
Loans	19,528	20,144	(616)	20,820	22,289	(1,469)
Other assets <sup>1</sup>	8,369	11,296	(2,927)	23,906	30,308	(6,402)
Due to banks and customer deposits	(1,120)	(1,059)	(61)	(913)	(826)	(87)
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	(19,634)	(19,638)	4	(32,398)	(32,381)	(17)
Short-term borrowings	(4,061)	(4,017)	(44)	(3,112)	(3,263)	151
Long-term debt	(72,868)	(76,123)	3,255	(80,931)	(85,335)	4,404
Other liabilities	(727)	(2,331)	1,604	(984)	(2,619)	1,635

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

**Gains and losses on financial instruments**

in	2016	2015	2014
	Net gains/ (losses)	Net gains/ (losses)	Net gains/ (losses)
<b>Financial instruments (CHF million)</b>			
Interest-bearing deposits with banks	4 <sup>1</sup>	2 <sup>1</sup>	8 <sup>1</sup>
of which related to credit risk	1	(1)	(2)
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	1,440 <sup>1</sup>	1,279 <sup>1</sup>	913 <sup>1</sup>
Other investments	212 <sup>2</sup>	242 <sup>3</sup>	370 <sup>3</sup>
of which related to credit risk	(3)	0	5
Loans	1,643 <sup>1</sup>	439 <sup>1</sup>	10 <sup>2</sup>
of which related to credit risk	(16)	(236)	(151)
Other assets	(518) <sup>2</sup>	111 <sup>1</sup>	1,302 <sup>1</sup>
of which related to credit risk	(199)	(511)	387
Due to banks and customer deposits	(12) <sup>1</sup>	4 <sup>2</sup>	(59) <sup>2</sup>
of which related to credit risk	(22)	19	(17)
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	(112) <sup>1</sup>	55 <sup>2</sup>	205 <sup>2</sup>
Short-term borrowings	323 <sup>2</sup>	439 <sup>2</sup>	152 <sup>2</sup>
Long-term debt	(1,235) <sup>2</sup>	5,317 <sup>2</sup>	858 <sup>2</sup>
of which related to credit risk	22	207 <sup>4</sup>	599 <sup>4</sup>
Other liabilities	456 <sup>2</sup>	316 <sup>3</sup>	(169) <sup>2</sup>
of which related to credit risk	306	(93)	(156)

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

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

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

<sup>4</sup> Changes in fair value related to credit risk are due to the change in the 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, and CHF 336 million and CHF 261 million in 2014, 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

in	Gains/(losses) recorded into AOCI <sup>1</sup>		Gains/(losses) recorded in AOCI transferred to net income <sup>1</sup>
	2016	Cumulatively	2016
<b>Financial instruments (CHF million)</b>			
Deposits	(29)	(34)	0
Short-term borrowings	0	(1)	0
Long-term debt	(1,422)	(658)	0
of which treasury debt over two years	(464)	27	0
of which structured notes over two years	(958)	(676)	0
<b>Total</b>	<b>(1,451)</b>	<b>(693)</b>	<b>0</b>

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

**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**

	Carrying value				Fair value
end of		Level 1	Level 2	Level 3	Total
<b>2016 (CHF million)</b>					
<b>Financial assets</b>					
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 <sup>1</sup>	171,514	121,075	49,353	1,436	171,864
<b>Financial liabilities</b>					
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 <sup>2</sup>	62,291	1,595	60,573	125	62,293
<b>2015 (CHF million)</b>					
<b>Financial assets</b>					
Central banks funds sold, securities purchased under resale agreements and securities borrowing transactions	39,485	0	39,485	0	39,485
Loans	248,326	0	250,639	6,150	256,789
Other financial assets <sup>1</sup>	148,491	92,547	54,359	1,893	148,799
<b>Financial liabilities</b>					
Due to banks and deposits	359,614	206,475	153,545	0	360,020
Central banks funds purchased, securities sold under repurchase agreements and securities lending transactions	14,200	0	14,401	0	14,401
Short-term borrowings	5,546	0	5,545	0	5,545
Long-term debt	116,676	0	117,321	778	118,099
Other financial liabilities <sup>2</sup>	63,921	32	63,440	578	64,050

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

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

**36 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	2016	2015
<b>Assets pledged (CHF million)</b>		
Total assets pledged or assigned as collateral	122,805	137,330
of which encumbered	83,473	91,278

**Collateral**

The Group receives cash and securities in connection with resale agreements, securities borrowing and loans, derivative transactions and margined broker loans. A substantial portion of the collateral and securities received by the 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	2016	2015
<b>Collateral (CHF million)</b>		
Fair value of collateral received with the right to sell or repledge	402,690	422,269
of which sold or repledged	167,487	186,132

**Other information**

end of	2016	2015
<b>Other information (CHF million)</b>		
Cash and securities restricted under foreign banking regulations	27,590	24,592
Swiss National Bank required minimum liquidity reserves	2,001	2,014

**37 Capital adequacy**

The Group is subject to regulation by FINMA. The capital levels of the Group are subject to qualitative judgments by regulators, including FINMA, about the components of capital, risk weightings and other factors. Since January 2013, the Group has operated under the international capital adequacy standards known as Basel III, as issued by the BCBS, the standard setting committee within the Bank for International Settlements (BIS). These standards have affected the measurement of both total eligible capital and risk-weighted assets. The Group has based its capital adequacy calculations on US GAAP, as permitted by FINMA Circular 2008/34.

According to FINMA and BIS capital requirements, total regulatory capital is composed of the following categories: CET1 capital, tier 1 capital and tier 2 capital. CET1 capital consists of total shareholders' equity, regulatory adjustments, including a cumulative dividend accrual, and certain adjustments subject to phase in, including an adjustment for the accounting treatment of pension plans. Tier 1 capital consists of CET1 capital and additional tier 1 capital, which includes high-trigger and low-trigger capital instruments, certain instruments subject to phase out and deductions from additional tier 1 capital. Deductions from tier 1 capital during the phase-in period include, among other items, goodwill and intangible assets and the net regulatory impact on gains/(losses) on fair valued financial liabilities due to changes in own credit risks, which will be deducted from CET1 capital once Basel III is fully implemented. Tier 1 capital is supplemented for capital adequacy purposes by tier 2 capital, which consists primarily of unsecured, subordinated instruments that are senior only to tier 1 instruments. The sum of tier 1 capital and tier 2 capital equals total eligible capital.

Risk-weighted assets include consolidated balance sheet assets, net positions in securities not held in the trading portfolio, off-balance sheet transactions converted into credit equivalents, market positions in the trading portfolio and operational risk from processes, people, systems and external events.

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

**BIS statistics – Basel III**

end of	2016	2015
<b>Eligible capital (CHF million)</b>		
CET1 capital	36,576	42,072
Additional tier 1 capital	12,289	10,991
<b>Tier 1 capital</b>	<b>48,865</b>	<b>53,063</b>
Tier 2 capital	6,863	9,619
<b>Total eligible capital</b>	<b>55,728</b>	<b>62,682</b>
<b>Risk-weighted assets (CHF million)</b>		
Credit risk	176,700	193,198
Market risk	23,248	29,799
Operational risk	66,055	66,438
Non-counterparty risk	5,369	5,515
<b>Risk-weighted assets</b>	<b>271,372</b>	<b>294,950</b>
<b>Capital ratios (%)</b>		
CET1 ratio	13.5	14.3
Tier 1 ratio	18.0	18.0
Total capital ratio	20.5	21.3

**Broker-dealer operations**

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

**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, 2016 and 2015, the Group was not subject to restrictions on its ability to pay the proposed dividends.

### 38 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 a holistic client 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	2016	2015
<b>Assets under management (CHF billion)</b>		
Assets in collective investment instruments managed by Credit Suisse	165.7	186.9
Assets with discretionary mandates	238.6	223.1
Other assets under management	846.8	804.1
<b>Assets under management (including double counting)</b>	<b>1,251.1<sup>1</sup></b>	<b>1,214.1</b>
of which double counting	32.8	48.0

<sup>1</sup> Updated since the 4Q16 Earnings Release to reflect a correction.

#### Changes in assets under management

	2016	2015
<b>Assets under management (CHF billion)</b>		
<b>Assets under management at beginning of period<sup>1</sup></b>	<b>1,214.1</b>	<b>1,368.7</b>
Net new assets/(net asset outflows)	26.8 <sup>4</sup>	46.9
Market movements, interest, dividends and foreign exchange	34.8	(26.9)
of which market movements, interest and dividends <sup>2</sup>	16.4	9.8
of which foreign exchange	18.4	(36.7)
Other effects	(24.6)	(174.6) <sup>3</sup>
<b>Assets under management at end of period</b>	<b>1,251.1<sup>4</sup></b>	<b>1,214.1</b>

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

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

<sup>3</sup> Effective as of July 1, 2015, the Group updated its assets under management policy primarily to introduce more specific criteria and indicators to evaluate whether client assets qualify as assets under management. The introduction of this updated policy resulted in a reclassification of CHF 46.4 billion of assets under management to assets under custody within client assets, which was reflected as a structural effect in the third quarter of 2015.

<sup>4</sup> Updated since the 4Q16 Earnings Release to reflect a correction.

**Net new assets**

Net new assets measure the degree of success in acquiring assets under management or increasing 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 and made refinements during 2016 as it relates to other effect considerations.

**Divisional allocation**

Assets under management and net new assets for private banking businesses in the Swiss Universal Bank, 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.

**39 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

	2016
<b>CHF million</b>	
Balance at beginning of period	1,605
Increase in litigation accruals	3,090
Decrease in litigation accruals	(104)
Decrease for settlements and other cash payments	(791)
Foreign exchange translation	39
<b>Balance at end of period</b>	<b>3,839</b>

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 1.1 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

Two Enron-related actions remain pending against Credit Suisse Securities (USA) LLC (CSS LLC) and certain of its affiliates, one in the US District Court for the Southern District of Texas and one in the US District Court for the Southern District of New York (SDNY). In these actions, plaintiffs assert they relied on Enron's financial statements, and seek to hold the defendants responsible for any inaccuracies in Enron's financial statements. In Connecticut Resources Recovery Authority v. Lay, et al., the plaintiff seeks to recover from multiple defendants, pursuant to the Connecticut Unfair Trade Practices Act and Connecticut state common law, approximately USD 130 million to USD 180 million in losses it allegedly suffered in a business transaction it entered into with Enron. A motion to dismiss is pending. In Silvercreek Management Inc. v. Citigroup, Inc., et al., the plaintiff seeks to assert federal and state law claims relating to its alleged USD 280 million in losses relating to its Enron investments. On November 9, 2015, the plaintiff moved for the court to suggest to the Judicial Panel on Multidistrict Litigation (JPML) that the JPML remand the case to

the SDNY. On June 2, 2016, the JPML entered an order granting plaintiffs' motion to remand the Silvercreek Management Inc. v. Citigroup, Inc., et al. case to the SDNY for further proceedings. Credit Suisse and the other defendants have filed a renewed motion to dismiss, which is pending.

### 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. 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 action, 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 action, 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. Both actions are at early procedural points.

#### 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.

#### Class action litigations

CSS LLC and certain affiliates and employees were defendants in a class action lawsuit in the SDNY, New Jersey Carpenters

Health Fund v. Home Equity Mortgage Trust 2006-5, relating to two RMBS offerings, totaling approximately USD 1.6 billion, sponsored and underwritten by the Credit Suisse defendants. On May 10, 2016, the SDNY granted its final approval of a USD 110 million settlement and entered a final judgment and order of dismissal with prejudice in respect of this matter.

#### Individual investor actions

CSS LLC and, in some instances, its affiliates, as an RMBS issuer, underwriter and/or other participant, and in some instances its employees, 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 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); such claims were dismissed in their entirety on March 24, 2015 by an SDNY order, which was appealed on April 7, 2015 by the FDIC; on January 18, 2017, the US Court of Appeals for the Second Circuit (Second Circuit) reversed the SDNY’s ruling, reinstating all previously-dismissed claims brought by the FDIC as receiver for Citizens National Bank and Strategic Capital Bank in the SDNY against CSS LLC and its affiliates; (ii) two actions brought by the FDIC, as receiver for Colonial Bank: one action which, following the United States Supreme Court’s denial of defendants’ petition for writ of certiorari on January 9, 2017, will resume 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 153 million of the RMBS at issue (approximately 49% of the USD 311 million at issue against all defendants in the operative pleading); on February 14, 2017, the Circuit Court of Montgomery County dismissed with prejudice claims pertaining to one RMBS offering on which CSS LLC and its affiliates were sued, reducing the RMBS at issue for CSS LLC and its affiliates from approximately USD 153 million to approximately USD 139 million (approximately 45% of the USD 311 million at issue against all defendants in the operative pleading); (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 249 million; on May 4, 2016, the Washington state court presiding in the action granted CSS LLC and its affiliates’ motion for partial summary judgment, dismissing with prejudice all claims related to certain RMBS, thus reducing the RMBS at issue against CSS LLC and its affiliates from approximately USD 249 million to approximately USD 104 million; on August 9, 2016, a stipulation of voluntary dismissal with prejudice was filed with the Washington state court, which was entered by the court on August 10, 2016, dismissing the action brought by the FHLB Seattle against CSS LLC and its affiliates; on August 30, 2016, FHLB Seattle appealed the Washington state court’s



August 10, 2016 final judgment and order of dismissal, seeking reversal of the court's May 4, 2016 order; the appeal is pending; (iv) one action brought by the Federal Home Loan Bank of Boston in the US District Court for the District of Massachusetts, in which claims against CSS LLC and its affiliates relate to approximately USD 333 million, 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); on February 6, 2017, the Federal Home Loan Bank of Boston's claims were remanded to the Suffolk County Superior Court; (v) two actions by Massachusetts Mutual Life Insurance Company in the US District Court for the District of Massachusetts, in which claims against CSS LLC and its employees relate 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) and for which a trial is scheduled to begin in July 2017; (vi) 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 (vii) 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 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 and/or employees are the only defendants named in: (i) one action brought by CMFG Life Insurance Company and affiliated entities in the US District Court for the Western District of Wisconsin, in which claims against CSS LLC relate to approximately USD 70 million of RMBS and which has a trial scheduled to begin in October 2017; on December 16, 2016, the US District Court for the Western District of Wisconsin dismissed in part the action brought against CSS LLC, reducing the RMBS at issue for CSS LLC from approximately USD 70 million to approximately USD 62 million; (ii) one action brought by Deutsche Zentral-Genossenschaftsbank AG, New York Branch in the SCNY, in which claims against CSS LLC and its affiliates relate to approximately USD 111 million of RMBS; (iii) 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; (iv) one 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 in the US District Court for the District of Kansas, in which claims against CSS LLC and its affiliate relate to approximately USD 311 million of RMBS, for which the US District Court for the District of Kansas issued an order on May 27, 2015 vacating its prior partial dismissal of the action, increasing the RMBS at issue for CSS LLC and its affiliates from approximately USD 311 million to USD 715 million and which has a trial scheduled to begin in April 2017; on March 23, 2017, CSS LLC and its affiliate reached an agreement in principle to resolve

the action with the NCUA; (v) one action brought by Phoenix Light SF Ltd. and affiliated entities in the SCNY, in which claims against CSS LLC and its affiliates relate to approximately USD 362 million of RMBS, 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 SF Ltd. and affiliated entities against CSS LLC and its affiliates; and (vi) one action brought by Royal Park Investments SA/NV in the SCNY, in which claims against CSS LLC and its affiliate relate to approximately USD 360 million of RMBS. These actions are at various procedural stages.

As disclosed in Credit Suisse's quarterly Financial Reports for 2016, individual investor actions discontinued during the course of 2016 included the following: (i) on April 22, 2016, the SDNY entered judgment without any admission of liability against CSS LLC and its affiliates in favor of the National Credit Union Administration Board, as liquidating agent of the Southwest Corporate Federal Credit Union and Members United Corporate Federal Credit Union, in the amount of USD 50.3 million (plus attorneys' fees and costs), resolving all claims related to approximately USD 229 million of RMBS at issue; (ii) on June 1, 2016, following a settlement, a stipulation of dismissal with prejudice was filed with the US District Court for the Middle District of Alabama, which was entered by the court on June 8, 2016, discontinuing the action brought by the FDIC as receiver for Colonial Bank relating to approximately USD 34 million of the RMBS at issue (approximately 12% of the USD 283 million at issue against all defendants in the operative pleading); (iii) on June 8, 2016, following a settlement, the US Court of Appeals for the Ninth Circuit, presiding in the appeal of the action brought by the FDIC as receiver for Colonial Bank in the US District Court for the Central District of California (CDC), granted the stipulation withdrawing the FDIC's appeal of the CDC's dismissal with prejudice of all claims against CSS LLC relating to approximately USD 12 million of the RMBS at issue (approximately 5% of the USD 259 million at issue against all defendants in the operative pleading); thus the entire action is dismissed with prejudice; and (iv) on July 28, 2016, following a settlement, the Texas state court presiding in the action brought by the Texas County and District Retirement System dismissed with prejudice all claims against CSS LLC; these claims related to an unstated amount of the RMBS at issue.

In addition, on January 27 and January 30, 2017, following a settlement, the California state court presiding over the actions brought by the Federal Home Loan Bank of San Francisco dismissed with prejudice all claims against CSS LLC and its affiliates, in which claims against CSS LLC and its affiliates related to approximately USD 1.6 billion (approximately 17% of the USD 9.5 billion at issue against all defendants in the operative pleadings, reduced to reflect dismissal of actions relating to certain certificates).

#### 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, and the parties argued their respective summary judgment motions in November 2016, which remain pending.

#### 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.

#### Refco-related litigation

In March 2008, CSS LLC was named, along with other financial services firms, accountants, lawyers, officers, directors and controlling persons, as a defendant in an action filed in New York state court (later removed to the SDNY) by the Joint Official Liquidators of various SPhinX Funds and the trustee of the SphinX Trust, which holds claims that belonged to PlusFunds Group, Inc. (PlusFunds), the investment manager for the SPhinX Funds. The operative amended complaint asserted claims against CSS LLC for aiding and abetting breaches of fiduciary duty and aiding and abetting fraud by Refco's insiders in connection with Refco's August 2004 notes offering and August 2005 initial public offering. Plaintiffs sought to recover from defendants more than USD 800 million, consisting of USD 263 million that the SphinX Managed Futures Fund, a SPhinX fund, had on deposit and lost at Refco, several hundred million dollars in alleged additional "lost enterprise" damages of PlusFunds, and pre-judgment interest. In November 2008, CSS LLC filed a motion to dismiss the amended complaint. In February 2012, the court granted in part and denied in part the motion to dismiss, which left intact part of plaintiffs' claim for aiding and abetting fraud. In August 2012, CSS LLC filed a motion for summary judgment with respect to the remaining part of plaintiffs' aiding and abetting fraud claim. In December 2012, the court granted the motion, thus dismissing CSS LLC from the case. The court entered a final judgment dismissing the claims against CSS LLC on August 16, 2014 and, on September 16, 2014, plaintiffs appealed to the Second Circuit. On June 15, 2016, following a settlement, the Second Circuit granted a stipulation withdrawing the appeal. Thus, the entire action against CSS LLC is dismissed with prejudice.

#### 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.

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. 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, including the New York State Department of Financial Services (DFS). As part of the settlement, Credit Suisse AG, among other things, engaged an independent corporate monitor that reports to the DFS (a separate position from the independent consultant agreed to in the settlement with the SEC) and provides ongoing reports to various agencies. Credit Suisse AG is paying for the cost of the monitor.

#### **Rates-related 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.

The reference rates investigations have also included information requests from regulators regarding trading activities, information sharing and the setting of benchmark rates in the foreign exchange (including electronic trading), supranational, sub-sovereign and agency (SSA) bonds, and commodities (including precious metals) markets. On March 31, 2014, the Swiss Competition Commission announced a formal investigation of numerous Swiss and international financial institutions, including the Group, in relation to the setting of exchange rates in foreign exchange trading. 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.

In addition, members of the US Dollar LIBOR panel, including Credit Suisse, have been named in various civil lawsuits filed in the US. All but two of these matters have been consolidated for pre-trial purposes into a multi-district litigation in the SDNY. On March 29, 2013, the court dismissed a substantial portion of the case against the panel banks, dismissing the claims under the Racketeer Influenced and Corrupt Organizations Act and the Sherman Antitrust 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 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. 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 August 4, 2015, the SDNY ruled on certain of defendants' additional motions to dismiss claims brought by plaintiffs not subject to the March 29, 2013 order, and dismissed some of these plaintiffs' claims, including claims under the Racketeer

Influenced and Corrupt Organizations Act and the Sherman Antitrust Act, while allowing certain Commodity Exchange Act claims, fraud, breach of contract, and unjust enrichment claims to survive. 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.

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. Furthermore, 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.

Moreover, 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.

Additionally, Credit Suisse Group AG and affiliates as well as other financial institutions are named in three pending civil class action lawsuits in the SDNY relating to the alleged manipulation of foreign exchange rates. 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 two class actions brought by foreign-based investors. 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. In August 2015, the court consolidated all foreign exchange-related actions pending in the SDNY, except one putative class action alleging violations of the US Employee Retirement Income Security Act of 1974 (ERISA) based on the same alleged conduct, which is now pending as a separate action. In November 2015, the Group and affiliates, together with other financial institutions, filed a motion to dismiss the second consolidated amended complaint. On September 20, 2016, the SDNY granted in part and denied in part such motion to dismiss. The decision reduced the size of the putative class, but allowed the primary antitrust and Commodity Exchange Act claims to survive. The Group and several affiliates, with other financial institutions, have also been named in two Canadian putative class actions, which make similar allegations. On May 19, 2016, affiliates of Credit Suisse Group 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. On September 22,

2016, plaintiffs filed an appeal of 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.

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.

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. Plaintiffs have not yet filed a consolidated amended complaint.

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.

Additionally, 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. Plaintiffs have not yet filed a consolidated amended complaint.

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.

#### **CDS-related matters**

Certain Credit Suisse entities, as well as other banks and entities, were named defendants in a consolidated multi-district civil litigation proceeding in the SDNY alleging violations of antitrust law related to CDS. In September 2014, the court overseeing the litigation granted in part and denied in part the defendants' motion to dismiss, which allowed the case to proceed to discovery. On September 30, 2015, Credit Suisse and the other defendants executed agreements with the putative class action plaintiffs to settle this litigation. On April 18, 2016, the SDNY entered an order granting final approval to the settlement agreements between the putative class action plaintiffs and Credit Suisse and the other defendants, and entering final judgment and dismissal of the parties' respective actions.

As previously disclosed, a Credit Suisse entity received civil investigative demands from the DOJ relating to competition in credit derivatives trading, processing, clearing and information services. By a letter dated September 15, 2016, the DOJ notified Credit Suisse that it has closed its investigation.

#### **Net new assets-related matters**

On October 5, 2016, the SEC announced a settlement pursuant to which Credit Suisse agreed to pay USD 90 million and admitted that it did not adequately disclose certain practices related to the recognition of net new assets during the period from the fourth quarter of 2011 until the fourth quarter of 2012.

#### **Alternative trading systems**

Credit Suisse has been responding to inquiries from various governmental and regulatory authorities concerning the operation of its alternative trading systems, and has been cooperating with those requests. On January 31, 2016 and February 1, 2016, the SEC and NYAG, respectively, announced settlements with Credit Suisse in three such inquiries. Credit Suisse has paid, on a without admitting-or-denying basis, a total of USD 84.3 million as part of a settlement of various matters related to the operation of its US based alternative trading systems and order handling practices, and related disclosures.

#### **Caspian Energy litigation**

A lawsuit was brought against Credit Suisse International (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 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 January 23, 2017, plaintiffs filed an amended complaint against the defendants in the S.D. Ill.

#### **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.

#### **Icelandic banks**

CSSEL is defending clawback claims of USD 16 million and EUR 22 million brought by the Winding Up Committees (WUCs) of the Icelandic banks Kaupthing Bank hf and LBI hf (previously Landsbanki Islands hf) in the District Court of Reykjavik, Iceland. The claims concern the buyback by the Icelandic banks of their



own bonds from CSSEL in the months prior to the Icelandic banks' insolvency. The primary basis for the clawback is that the buybacks constituted early repayments of debt to CSSEL. In addition, CSI is defending a EUR 170 million clawback claim brought by the WUC of Kaupthing Bank hf in the District Court of Reykjavik, Iceland. The claim relates to CSI's issuance of ten credit linked notes in 2008, which the WUC is seeking to challenge under various provisions of Icelandic insolvency law in order to claw back funds paid to CSI. The WUCs are also claiming significant penalty interest under Icelandic law in respect of both the CSSEL and CSI claims. CSSEL argues that the buyback transactions are governed by English or New York law and CSI argues that the purchase of the credit linked notes is governed by English law, neither of which provides a legal basis for such clawback actions. In October 2014, the Court of the European Free Trade Association States issued a non-binding decision supporting CSI's and CSSEL's position that the governing law of the transactions is relevant. Separately, CSI is pursuing a claim for USD 226 million in the District Court of Reykjavik, Iceland against Kaupthing Bank hf's WUC in order to enforce certain security rights arising under a 2007 structured trade. CSI acquired the security rights following Kaupthing Bank hf's insolvency in 2008. In December 2016, CSSEL, CSI and Kaupthing ehf (formerly Kaupthing Bank hf) entered into a settlement agreement and the Kaupthing related proceedings have now been concluded.

#### Italian Investigation

Credit Suisse AG resolved a previously-disclosed Italian investigation into alleged tax and money laundering issues through agreements to pay an administrative tax penalty and an administrative sanction. The premise of the alleged tax liability was failure to make required disclosures regarding the activities of Italian clients, and Credit Suisse AG agreed to pay a EUR 18 million administrative tax penalty to resolve these claims. As discussed in "Note 28 – Tax", Credit Suisse AG also made a tax payment of EUR 83 million, comprising EUR 70 million of income tax, associated penalties and interest, on revenue associated with this matter, and EUR 13 million relating to tax and interest on an unrelated Italian tax matter. The premise of the alleged administrative liability was the inadequacy of historical internal controls, and Credit Suisse AG entered an agreement under Article 63 of Italian Administrative Law 231 to pay EUR 8 million in disgorgement of profits and a EUR 1 million administrative sanction. On December 14, 2016, the competent Italian judge approved this agreement under Law 231, which marked the end of the investigation by the Italian authorities. No admission of wrongdoing was required in connection with either agreement.

#### 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.

#### 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 a former Credit Suisse employee.

#### 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 Mocambiaca 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 has been cooperating with the authorities on this matter.

## 40 Significant subsidiaries and equity method investments

## Significant subsidiaries

Equity interest in %	Company name	Domicile	Currency	Nominal capital in million
<b>as of December 31, 2016</b>				
<b>Credit Suisse Group AG</b>				
100	BANK-now AG	Horgen, Switzerland	CHF	30.0
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 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
100	Neue Aargauer Bank AG	Aarau, Switzerland	CHF	134.1
88	Savoy Hotel Baur en Ville AG	Zurich, Switzerland	CHF	7.5
<b>Credit Suisse AG</b>				
100	AJP Cayman Ltd.	George Town, Cayman Islands	JPY	8,025.6
100	Asset Management Finance LLC	Wilmington, United States	USD	341.8
100	Banco Credit Suisse (Brasil) S.A.	São Paulo, Brazil	BRL	53.6
100	Banco Credit Suisse (México), S.A.	Mexico City, Mexico	MXN	1,716.7
100	Banco de Investimentos Credit Suisse (Brasil) S.A.	São Paulo, Brazil	BRL	164.8
100	Boston Re Ltd.	Hamilton, Bermuda	USD	2.0
100	CJSC Bank Credit Suisse (Moscow)	Moscow, Russia	USD	37.8
100	Column Financial, Inc.	Wilmington, United States	USD	0.0
100	Credit Suisse (Australia) Limited	Sydney, Australia	AUD	34.1
100	Credit Suisse (Brasil) Distribuidora de Titulos e Valores Mobiliários S.A.	São Paulo, Brazil	BRL	5.0
100	Credit Suisse (Brasil) S.A. Corretora de Titulos e Valores Mobiliários	São Paulo, Brazil	BRL	98.4
100	Credit Suisse (Channel Islands) Limited	St. Peter Port, Guernsey	USD	6.1
100	Credit Suisse (Deutschland) Aktiengesellschaft	Frankfurt, Germany	EUR	130.0
100	Credit Suisse (Hong Kong) Limited	Hong Kong, China	HKD	13,758.0
100	Credit Suisse (Italy) S.p.A.	Milan, Italy	EUR	139.6
100	Credit Suisse (Luxembourg) S.A.	Luxembourg, Luxembourg	CHF	230.9
100	Credit Suisse (Monaco) S.A.M.	Monte Carlo, Monaco	EUR	18.0
100	Credit Suisse (Poland) SP. z o.o	Warsaw, Poland	PLN	20.0
100	Credit Suisse (Oatar) LLC	Doha, Qatar	USD	29.0
100	Credit Suisse (Schweiz) AG	Zurich, Switzerland	CHF	100.0
100	Credit Suisse (Singapore) Limited	Singapore, Singapore	SGD	743.3
100	Credit Suisse (UK) Limited	London, United Kingdom	GBP	245.2
100	Credit Suisse (USA), Inc.	Wilmington, United States	USD	0.0
100	Credit Suisse Asset Management (UK) Holding Limited	London, United Kingdom	GBP	144.2
100	Credit Suisse Asset Management Immobilien Kapitalanlagegesellschaft GmbH	Frankfurt, Germany	EUR	6.1
100	Credit Suisse Asset Management International Holding Ltd	Zurich, Switzerland	CHF	20.0
100	Credit Suisse Asset Management Investments Ltd	Zurich, Switzerland	CHF	0.1
100	Credit Suisse Asset Management Limited	London, United Kingdom	GBP	45.0
100	Credit Suisse Asset Management, LLC	Wilmington, United States	USD	1,086.8
100	Credit Suisse Atlas I Investments (Luxembourg) S.à.r.l.	Luxembourg, Luxembourg	USD	0.0
100	Credit Suisse Business Analytics (India) Private Limited	Mumbai, India	INR	40.0
100	Credit Suisse Capital LLC	Wilmington, United States	USD	937.6



## Significant subsidiaries (continued)

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

<sup>1</sup> 43% of voting rights held by Credit Suisse Group AG, Guernsey Branch.<sup>2</sup> 98% of voting rights and 98% of equity interest held by Credit Suisse AG.

**Significant equity method investments**

Equity interest in %	Company name	Domicile
<b>as of December 31, 2016</b>		
<b>Credit Suisse Group AG</b>		
100 <sup>1</sup>	Credit Suisse Group Finance (Guernsey) Limited	St. Peter Port, Guernsey
100 <sup>1</sup>	Credit Suisse Group (Guernsey) I Limited	St. Peter Port, Guernsey
100 <sup>1</sup>	Credit Suisse Group (Guernsey) II Limited	St. Peter Port, Guernsey
100 <sup>1</sup>	Credit Suisse Group (Guernsey) IV Limited	St. Peter Port, Guernsey
100 <sup>1</sup>	Credit Suisse Group Funding (Guernsey) Limited	St. Peter Port, Guernsey
50	Swisscard AECS GmbH	Horgen, Switzerland
25	SECB Swiss Euro Clearing Bank GmbH	Frankfurt, Germany
<b>Credit Suisse AG</b>		
33	Credit Suisse Founder Securities Limited	Beijing, China
23	E.L. & C. Baillieu Stockbroking (Holdings) Pty Ltd	Melbourne, Australia
20	ICBC Credit Suisse Asset Management Co., Ltd.	Beijing, China
5 <sup>2</sup>	York Capital Management Global Advisors, LLC	New York, United States
0 <sup>2</sup>	Holding Verde Empreendimentos e Participações S.A.	São Paulo, Brazil

<sup>1</sup> Deconsolidated under US GAAP as the Group is not the primary beneficiary.

<sup>2</sup> The Group holds a significant noncontrolling interest.

**41 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. Prior periods are restated to conform to the current presentation to reflect the impact of such transactions.

## Condensed consolidating statements of operations

in 2016	Credit Suisse (USA), Inc. consolidated	Bank parent company and other subsidiaries <sup>1</sup>	Bank	Group parent company	Other Group subsidiaries <sup>1</sup>	Credit Suisse Group
<b>Condensed consolidating statements of operations (CHF million)</b>						
Interest and dividend income	5,697	11,228	16,925	284	165	17,374
Interest expense	(3,750)	(5,987)	(9,737)	(338)	263	(9,812)
Net interest income	1,947	5,241	7,188	(54)	428	7,562
Commissions and fees	3,582	7,235	10,817	27	248	11,092
Trading revenues	(1,192)	1,562	370	(21)	(36)	313
Other revenues	830	597	1,427	(2,684) <sup>2</sup>	2,613	1,356
<b>Net revenues</b>	<b>5,167</b>	<b>14,635</b>	<b>19,802</b>	<b>(2,732)</b>	<b>3,253</b>	<b>20,323</b>
<b>Provision for credit losses</b>	<b>(5)</b>	<b>221</b>	<b>216</b>	<b>0</b>	<b>36</b>	<b>252</b>
Compensation and benefits	3,235	7,410	10,645	57	(130)	10,572
General and administrative expenses	4,474	5,284	9,758	(88)	100	9,770
Commission expenses	259	1,182	1,441	1	13	1,455
Restructuring expenses	209	301	510	0	30	540
Total other operating expenses	4,942	6,767	11,709	(87)	143	11,765
<b>Total operating expenses</b>	<b>8,177</b>	<b>14,177</b>	<b>22,354</b>	<b>(30)</b>	<b>13</b>	<b>22,337</b>
<b>Income/(loss) before taxes</b>	<b>(3,005)</b>	<b>237</b>	<b>(2,768)</b>	<b>(2,702)</b>	<b>3,204</b>	<b>(2,266)</b>
Income tax expense/(benefit)	(228)	585	357	8	76	441
<b>Net income/(loss)</b>	<b>(2,777)</b>	<b>(348)</b>	<b>(3,125)</b>	<b>(2,710)</b>	<b>3,128</b>	<b>(2,707)</b>
Net income/(loss) attributable to noncontrolling interests	157	(163)	(6)	0	9	3
<b>Net income/(loss) attributable to shareholders</b>	<b>(2,934)</b>	<b>(185)</b>	<b>(3,119)</b>	<b>(2,710)</b>	<b>3,119</b>	<b>(2,710)</b>

<sup>1</sup> Includes eliminations and consolidation adjustments.

<sup>2</sup> Primarily consists of revenues from investments in Group companies accounted for under the equity method.

## Condensed consolidating statements of comprehensive income

in 2016	Credit Suisse (USA), Inc. consolidated	Bank parent company and other subsidiaries <sup>1</sup>	Bank	Group parent company	Other Group subsidiaries <sup>1</sup>	Credit Suisse Group
<b>Comprehensive income (CHF million)</b>						
Net income/(loss)	(2,777)	(348)	(3,125)	(2,710)	3,128	(2,707)
Gains/(losses) on cash flow hedges	0	(22)	(22)	2	0	(20)
Foreign currency translation	604	(105)	499	7	9	515
Unrealized gains/(losses) on securities	0	2	2	0	(1)	1
Actuarial gains/(losses)	49	161	210	0	184	394
Net prior service credit/(cost)	0	(1)	(1)	0	37	36
Gains/(losses) on liabilities related to credit risk	(64)	(1,019)	(1,083)	67	(27)	(1,043)
Other comprehensive income/(loss), net of tax	589	(984)	(395)	76	202	(117)
<b>Comprehensive income/(loss)</b>	<b>(2,188)</b>	<b>(1,332)</b>	<b>(3,520)</b>	<b>(2,634)</b>	<b>3,330</b>	<b>(2,824)</b>
Comprehensive income/(loss) attributable to noncontrolling interests	151	(140)	11	0	(13)	(2)
<b>Comprehensive income/(loss) attributable to shareholders</b>	<b>(2,339)</b>	<b>(1,192)</b>	<b>(3,531)</b>	<b>(2,634)</b>	<b>3,343</b>	<b>(2,822)</b>

<sup>1</sup> Includes eliminations and consolidation adjustments.

## Condensed consolidating statements of operations (continued)

in 2015	Credit Suisse (USA), Inc. consolidated	Bank parent company and other subsidiaries <sup>1</sup>	Bank	Group parent company	Other Group subsidiaries <sup>1</sup>	Credit Suisse Group
<b>Condensed consolidating statements of operations (CHF million)</b>						
Interest and dividend income	7,030	11,827	18,857	277	207	19,341
Interest expense	(4,296)	(5,694)	(9,990)	(330)	278	(10,042)
Net interest income	2,734	6,133	8,867	(53)	485	9,299
Commissions and fees	3,932	7,914	11,846	18	180	12,044
Trading revenues	(966)	2,264	1,298	28	14	1,340
Other revenues	508	692	1,200	(2,969) <sup>2</sup>	2,883	1,114
<b>Net revenues</b>	<b>6,208</b>	<b>17,003</b>	<b>23,211</b>	<b>(2,976)</b>	<b>3,562</b>	<b>23,797</b>
<b>Provision for credit losses</b>	<b>5</b>	<b>271</b>	<b>276</b>	<b>0</b>	<b>48</b>	<b>324</b>
Compensation and benefits	3,805	7,718	11,523	76	(53)	11,546
General and administrative expenses	2,242	6,372	8,614	(110)	70	8,574
Commission expenses	288	1,326	1,614	1	8	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	11,627	14,350	(109)	108	14,349
<b>Total operating expenses</b>	<b>6,528</b>	<b>19,345</b>	<b>25,873</b>	<b>(33)</b>	<b>55</b>	<b>25,895</b>
<b>Income/(loss) before taxes</b>	<b>(325)</b>	<b>(2,613)</b>	<b>(2,938)</b>	<b>(2,943)</b>	<b>3,459</b>	<b>(2,422)</b>
Income tax expense	37	402	439	1	83	523
<b>Net income/(loss)</b>	<b>(362)</b>	<b>(3,015)</b>	<b>(3,377)</b>	<b>(2,944)</b>	<b>3,376</b>	<b>(2,945)</b>
Net income/(loss) attributable to noncontrolling interests	143	(150)	(7)	0	6	(1)
<b>Net income/(loss) attributable to shareholders</b>	<b>(505)</b>	<b>(2,865)</b>	<b>(3,370)</b>	<b>(2,944)</b>	<b>3,370</b>	<b>(2,944)</b>

<sup>1</sup> Includes eliminations and consolidation adjustments.

<sup>2</sup> 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 <sup>1</sup>	Bank	Group parent company	Other Group subsidiaries <sup>1</sup>	Credit Suisse Group
<b>Comprehensive income (CHF million)</b>						
Net income/(loss)	(362)	(3,015)	(3,377)	(2,944)	3,376	(2,945)
Gains/(losses) on cash flow hedges	0	24	24	(8)	0	16
Foreign currency translation	55	(1,202)	(1,147)	(3)	(6)	(1,156)
Unrealized gains/(losses) on securities	(2)	(4)	(6)	0	2	(4)
Actuarial gains/(losses)	24	20	44	0	(705)	(661)
Net prior service credit/(cost)	(14)	0	(14)	0	169	155
Other comprehensive income/(loss), net of tax	63	(1,162)	(1,099)	(11)	(540)	(1,650)
<b>Comprehensive income/(loss)</b>	<b>(299)</b>	<b>(4,177)</b>	<b>(4,476)</b>	<b>(2,955)</b>	<b>2,836</b>	<b>(4,595)</b>
Comprehensive income/(loss) attributable to noncontrolling interests	784	(810)	(26)	0	7	(19)
<b>Comprehensive income/(loss) attributable to shareholders</b>	<b>(1,083)</b>	<b>(3,367)</b>	<b>(4,450)</b>	<b>(2,955)</b>	<b>2,829</b>	<b>(4,576)</b>

<sup>1</sup> Includes eliminations and consolidation adjustments.

## Condensed consolidating statements of operations (continued)

in 2014	Credit Suisse (USA), Inc. consolidated	Bank parent company and other subsidiaries <sup>1</sup>	Bank	Group parent company	Other Group subsidiaries <sup>1</sup>	Credit Suisse Group
<b>Condensed consolidating statements of operations (CHF million)</b>						
Interest and dividend income	6,422	12,163	18,585	228	248	19,061
Interest expense	(3,894)	(6,014)	(9,908)	(316)	197	(10,027)
Net interest income	2,528	6,149	8,677	(88)	445	9,034
Commissions and fees	4,149	8,738	12,887	7	157	13,051
Trading revenues	142	1,648	1,790	159	77	2,026
Other revenues	1,431	804	2,235	1,750 <sup>2</sup>	(1,854)	2,131
<b>Net revenues</b>	<b>8,250</b>	<b>17,339</b>	<b>25,589</b>	<b>1,828</b>	<b>(1,175)</b>	<b>26,242</b>
<b>Provision for credit losses</b>	<b>0</b>	<b>125</b>	<b>125</b>	<b>0</b>	<b>61</b>	<b>186</b>
Compensation and benefits	3,510	7,872	11,382	53	(101)	11,334
General and administrative expenses	2,594	6,979	9,573	(101)	62	9,534
Commission expenses	257	1,291	1,548	0	13	1,561
Total other operating expenses	2,851	8,270	11,121	(101)	75	11,095
<b>Total operating expenses</b>	<b>6,361</b>	<b>16,142</b>	<b>22,503</b>	<b>(48)</b>	<b>(26)</b>	<b>22,429</b>
<b>Income/(loss) from continuing operations before taxes</b>	<b>1,889</b>	<b>1,072</b>	<b>2,961</b>	<b>1,876</b>	<b>(1,210)</b>	<b>3,627</b>
Income tax expense	727	572	1,299	1	105	1,405
<b>Income/(loss) from continuing operations</b>	<b>1,162</b>	<b>500</b>	<b>1,662</b>	<b>1,875</b>	<b>(1,315)</b>	<b>2,222</b>
Income from discontinued operations, net of tax	0	102	102	0	0	102
<b>Net income/(loss)</b>	<b>1,162</b>	<b>602</b>	<b>1,764</b>	<b>1,875</b>	<b>(1,315)</b>	<b>2,324</b>
Net income/(loss) attributable to noncontrolling interests	580	(135)	445	0	4	449
<b>Net income/(loss) attributable to shareholders</b>	<b>582</b>	<b>737</b>	<b>1,319</b>	<b>1,875</b>	<b>(1,319)</b>	<b>1,875</b>
of which from continuing operations	582	635	1,217	1,875	(1,319)	1,773
of which from discontinued operations	0	102	102	0	0	102

<sup>1</sup> Includes eliminations and consolidation adjustments.

<sup>2</sup> Primarily consists of revenues from investments in Group companies accounted for under the equity method.

## Condensed consolidating statements of comprehensive income (continued)

in 2014	Credit Suisse (USA), Inc. consolidated	Bank parent company and other subsidiaries <sup>1</sup>	Bank	Group parent company	Other Group subsidiaries <sup>1</sup>	Credit Suisse Group
<b>Comprehensive income (CHF million)</b>						
Net income/(loss)	1,162	602	1,764	1,875	(1,315)	2,324
Gains/(losses) on cash flow hedges	0	(27)	(27)	7	0	(20)
Foreign currency translation	2,195	89	2,284	(1)	4	2,287
Unrealized gains/(losses) on securities	0	21	21	0	(9)	12
Actuarial gains/(losses)	(109)	167	58	0	(1,311)	(1,253)
Net prior service credit/(cost)	14	0	14	0	(77)	(63)
Other comprehensive income/(loss), net of tax	2,100	250	2,350	6	(1,393)	963
<b>Comprehensive income/(loss)</b>	<b>3,262</b>	<b>852</b>	<b>4,114</b>	<b>1,881</b>	<b>(2,708)</b>	<b>3,287</b>
Comprehensive income/(loss) attributable to noncontrolling interests	694	(80)	614	0	(74)	540
<b>Comprehensive income/(loss) attributable to shareholders</b>	<b>2,568</b>	<b>932</b>	<b>3,500</b>	<b>1,881</b>	<b>(2,634)</b>	<b>2,747</b>

<sup>1</sup> Includes eliminations and consolidation adjustments.

## Condensed consolidating balance sheets

end of 2016	Credit Suisse (USA), Inc. consolidated	Bank parent company and other subsidiaries <sup>1</sup>	Bank	Group parent company	Other Group subsidiaries <sup>1</sup>	Credit Suisse Group
<b>Assets (CHF million)</b>						
Cash and due from banks	2,491	116,482	118,973	938	1,250	121,161
Interest-bearing deposits with banks	3,520	(403)	3,117	5	(2,350)	772
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	82,363	52,765	135,128	0	(289)	134,839
Securities received as collateral	30,914	1,650	32,564	0	0	32,564
Trading assets	48,914	116,442	165,356	0	(206)	165,150
Investment securities	511	1,681	2,192	4,173	(3,876)	2,489
Other investments	1,146	5,342	6,488	44,753	(44,464)	6,777
Net loans	12,809	246,732	259,541	126	16,309	275,976
Premises and equipment	990	3,573	4,563	0	148	4,711
Goodwill	756	3,267	4,023	0	890	4,913
Other intangible assets	179	34	213	0	0	213
Brokerage receivables	17,461	15,968	33,429	0	2	33,431
Other assets	13,119	23,616	36,735	244	(114)	36,865
<b>Total assets</b>	<b>215,173</b>	<b>587,149</b>	<b>802,322</b>	<b>50,239</b>	<b>(32,700)</b>	<b>819,861</b>
<b>Liabilities and equity (CHF million)</b>						
Due to banks	77	22,989	23,066	2,943	(3,210)	22,800
Customer deposits	8	344,570	344,578	0	11,256	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	34,826	44,951	0	(21)	44,930
Short-term borrowings	17,110	(1,725)	15,385	0	0	15,385
Long-term debt	41,481	145,844	187,325	5,078	912	193,315
Brokerage payables	28,706	11,146	39,852	0	0	39,852
Other liabilities	14,992	24,842	39,834	321	(300)	39,855
<b>Total liabilities</b>	<b>198,313</b>	<b>562,258</b>	<b>760,571</b>	<b>8,342</b>	<b>8,637</b>	<b>777,550</b>
<b>Total shareholders' equity</b>	<b>17,006</b>	<b>23,676</b>	<b>40,682</b>	<b>41,897</b>	<b>(40,682)</b>	<b>41,897</b>
Noncontrolling interests	(146)	1,215	1,069	0	(655)	414
<b>Total equity</b>	<b>16,860</b>	<b>24,891</b>	<b>41,751</b>	<b>41,897</b>	<b>(41,337)</b>	<b>42,311</b>
<b>Total liabilities and equity</b>	<b>215,173</b>	<b>587,149</b>	<b>802,322</b>	<b>50,239</b>	<b>(32,700)</b>	<b>819,861</b>

<sup>1</sup> Includes eliminations and consolidation adjustments.



## Condensed consolidating balance sheets (continued)

end of 2015	Credit Suisse (USA), Inc. consolidated	Bank parent company and other subsidiaries <sup>1</sup>	Bank	Group parent company	Other Group subsidiaries <sup>1</sup>	Credit Suisse Group
<b>Assets (CHF million)</b>						
Cash and due from banks	5,799	84,722	90,521	942	865	92,328
Interest-bearing deposits with banks	70	4,883	4,953	5	(4,091)	867
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	105,469	17,967	123,436	0	(387)	123,049
Securities received as collateral	27,274	1,237	28,511	0	0	28,511
Trading assets	59,332	131,764	191,096	0	(359)	190,737
Investment securities	1,009	1,689	2,698	4,092	(3,700)	3,090
Other investments	3,080	3,707	6,787	46,795	(46,561)	7,021
Net loans	15,433	239,482	254,915	139	17,941	272,995
Premises and equipment	899	3,540	4,439	0	205	4,644
Goodwill	731	3,198	3,929	0	879	4,808
Other intangible assets	152	44	196	0	0	196
Brokerage receivables	17,630	16,910	34,540	0	2	34,542
Other assets	26,842	31,068	57,910	228	(121)	58,017
<b>Total assets</b>	<b>263,720</b>	<b>540,211</b>	<b>803,931</b>	<b>52,201</b>	<b>(35,327)</b>	<b>820,805</b>
<b>Liabilities and equity (CHF million)</b>						
Due to banks	62	21,398	21,460	2,152	(2,558)	21,054
Customer deposits	1	331,699	331,700	0	11,005	342,705
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	77,028	(30,430)	46,598	0	0	46,598
Obligation to return securities received as collateral	27,274	1,237	28,511	0	0	28,511
Trading liabilities	11,097	37,957	49,054	0	(83)	48,971
Short-term borrowings	45,480	(36,823)	8,657	300	(300)	8,657
Long-term debt	39,127	152,967	192,094	5,025	489	197,608
Brokerage payables	28,399	11,053	39,452	0	0	39,452
Other liabilities	15,615	26,100	41,715	342	174	42,231
<b>Total liabilities</b>	<b>244,083</b>	<b>515,158</b>	<b>759,241</b>	<b>7,819</b>	<b>8,727</b>	<b>775,787</b>
<b>Total shareholders' equity</b>	<b>19,396</b>	<b>24,010</b>	<b>43,406</b>	<b>44,382</b>	<b>(43,406)</b>	<b>44,382</b>
Noncontrolling interests	241	1,043	1,284	0	(648)	636
<b>Total equity</b>	<b>19,637</b>	<b>25,053</b>	<b>44,690</b>	<b>44,382</b>	<b>(44,054)</b>	<b>45,018</b>
<b>Total liabilities and equity</b>	<b>263,720</b>	<b>540,211</b>	<b>803,931</b>	<b>52,201</b>	<b>(35,327)</b>	<b>820,805</b>

<sup>1</sup> Includes eliminations and consolidation adjustments.

## Condensed consolidating statements of cash flows

in 2016	Credit Suisse (USA), Inc. consolidated	Bank parent company and other subsidiaries <sup>1</sup>	Bank	Group parent company	Other Group subsidiaries <sup>1</sup>	Credit Suisse Group
<b>Operating activities of continuing operations (CHF million)</b>						
<b>Net cash provided by/(used in) operating activities of continuing operations</b>	<b>9,618</b>	<b>17,182</b>	<b>26,800</b>	<b>(22) <sup>2</sup></b>	<b>(3)</b>	<b>26,775</b>
<b>Investing activities of continuing operations (CHF million)</b>						
(Increase)/decrease in interest-bearing deposits with banks	(3,320)	5,178	1,858	0	(1,741)	117
(Increase)/decrease in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	18,365	(25,323)	(6,958)	0	(98)	(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	72	271	0	92	363
Investments in subsidiaries and other investments	(355)	(990)	(1,345)	(710)	652	(1,403)
Proceeds from sale of other investments	2,067	(374)	1,693	0	44	1,737
(Increase)/decrease in loans	3,038	(8,391)	(5,353)	15	1,593	(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)	(826)	(1,155)	0	(9)	(1,164)
Proceeds from sale of premises and equipment and other intangible assets	50	5	55	0	0	55
Other, net	27	649	676	0	73	749
<b>Net cash provided by/(used in) investing activities of continuing operations</b>	<b>19,742</b>	<b>(27,606)</b>	<b>(7,864)</b>	<b>(695)</b>	<b>606</b>	<b>(7,953)</b>
<b>Financing activities of continuing operations (CHF million)</b>						
Increase/(decrease) in due to banks and customer deposits	20	9,845	9,865	792	(390)	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	51,955	51,956	0	1,028	52,984
Repayments of long-term debt	(2,993)	(43,623)	(46,616)	0	(516)	(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)	(9)	(10)	(493)	10	(493)
Other, net	(143)	1,183	1,040	93	(756)	377
<b>Net cash provided by/(used in) financing activities of continuing operations</b>	<b>(32,735)</b>	<b>41,039</b>	<b>8,304</b>	<b>685</b>	<b>(222)</b>	<b>8,767</b>
<b>Effect of exchange rate changes on cash and due from banks (CHF million)</b>						
<b>Effect of exchange rate changes on cash and due from banks</b>	<b>67</b>	<b>1,145</b>	<b>1,212</b>	<b>28</b>	<b>4</b>	<b>1,244</b>
<b>Net increase/(decrease) in cash and due from banks (CHF million)</b>						
<b>Net increase/(decrease) in cash and due from banks</b>	<b>(3,308)</b>	<b>31,760</b>	<b>28,452</b>	<b>(4)</b>	<b>385</b>	<b>28,833</b>
Cash and due from banks at beginning of period	5,799	84,722	90,521	942	865	92,328
<b>Cash and due from banks at end of period</b>	<b>2,491</b>	<b>116,482</b>	<b>118,973</b>	<b>938</b>	<b>1,250</b>	<b>121,161</b>

<sup>1</sup> Includes eliminations and consolidation adjustments.

<sup>2</sup> 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 <sup>1</sup>	Bank	Group parent company	Other Group subsidiaries <sup>1</sup>	Credit Suisse Group
<b>Operating activities of continuing operations (CHF million)</b>						
<b>Net cash provided by/(used in) operating activities of continuing operations</b>	<b>10,030</b>	<b>4,895</b>	<b>14,925</b>	<b>129 <sup>2</sup></b>	<b>14</b>	<b>15,068</b>
<b>Investing activities of continuing operations (CHF million)</b>						
(Increase)/decrease in interest-bearing deposits with banks	(1)	(928)	(929)	(5)	1,283	349
(Increase)/decrease in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	46,634	(10,056)	36,578	0	386	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	819	887	0	21	908
Investments in subsidiaries and other investments	(436)	(119)	(555)	(5,310)	5,271	(594)
Proceeds from sale of other investments	1,257	638	1,895	18	25	1,938
(Increase)/decrease in loans	4,074	(8,015)	(3,941)	210	(1,715)	(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)	(765)	(1,087)	0	(15)	(1,102)
Proceeds from sale of premises and equipment and other intangible assets	3	10	13	0	0	13
Other, net	33	369	402	0	7	409
<b>Net cash provided by/(used in) investing activities of continuing operations</b>	<b>51,311</b>	<b>(16,826)</b>	<b>34,485</b>	<b>(5,087)</b>	<b>5,263</b>	<b>34,661</b>
<b>Financing activities of continuing operations (CHF million)</b>						
Increase/(decrease) in due to banks and customer deposits	(1,355)	(27,402)	(28,757)	(475)	83	(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	68,372	76,883	0	975	77,858
Repayments of long-term debt	(41,953)	(6,966)	(48,919)	(30)	(416)	(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)	(7)	(10)	(415)	(2)	(427)
Other, net	(497)	5,286	4,789	608	(5,211)	186
<b>Net cash provided by/(used in) financing activities of continuing operations</b>	<b>(60,510)</b>	<b>24,199</b>	<b>(36,311)</b>	<b>4,982</b>	<b>(4,839)</b>	<b>(36,168)</b>
<b>Effect of exchange rate changes on cash and due from banks (CHF million)</b>						
<b>Effect of exchange rate changes on cash and due from banks</b>	<b>18</b>	<b>(596)</b>	<b>(578)</b>	<b>1</b>	<b>(5)</b>	<b>(582)</b>
<b>Net increase/(decrease) in cash and due from banks (CHF million)</b>						
<b>Net increase/(decrease) in cash and due from banks</b>	<b>849</b>	<b>11,672</b>	<b>12,521</b>	<b>25</b>	<b>433</b>	<b>12,979</b>
Cash and due from banks at beginning of period	4,950	73,050	78,000	917	432	79,349
<b>Cash and due from banks at end of period</b>	<b>5,799</b>	<b>84,722</b>	<b>90,521</b>	<b>942</b>	<b>865</b>	<b>92,328</b>

<sup>1</sup> Includes eliminations and consolidation adjustments.

<sup>2</sup> 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.

## Condensed consolidating statements of cash flows (continued)

in 2014	Credit Suisse (USA), Inc. consolidated	Bank parent company and other subsidiaries <sup>1</sup>	Bank	Group parent company	Other Group subsidiaries <sup>1</sup>	Credit Suisse Group
<b>Operating activities of continuing operations (CHF million)</b>						
<b>Net cash provided by/(used in) operating activities of continuing operations</b>	<b>(12,071)</b>	<b>(6,129)</b>	<b>(18,200)</b>	<b>609 <sup>2</sup></b>	<b>(29)</b>	<b>(17,620)</b>
<b>Investing activities of continuing operations (CHF million)</b>						
(Increase)/decrease in interest-bearing deposits with banks	1,221	(1,948)	(727)	0	1,002	275
(Increase)/decrease in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	(8,956)	20,633	11,677	0	8	11,685
Purchase of investment securities	0	(1,060)	(1,060)	(2,217)	2,217	(1,060)
Proceeds from sale of investment securities	103	15	118	0	812	930
Maturities of investment securities	0	187	187	0	153	340
Investments in subsidiaries and other investments	(663)	(565)	(1,228)	(1,352)	1,316	(1,264)
Proceeds from sale of other investments	1,228	291	1,519	3	31	1,553
(Increase)/decrease in loans	2,712	(26,402)	(23,690)	2,482	(2,396)	(23,604)
Proceeds from sales of loans	0	1,255	1,255	0	0	1,255
Capital expenditures for premises and equipment and other intangible assets	(317)	(726)	(1,043)	0	(13)	(1,056)
Proceeds from sale of premises and equipment and other intangible assets	0	1	1	0	0	1
Other, net	(11)	612	601	(10)	15	606
<b>Net cash provided by/(used in) investing activities of continuing operations</b>	<b>(4,683)</b>	<b>(7,707)</b>	<b>(12,390)</b>	<b>(1,094)</b>	<b>3,145</b>	<b>(10,339)</b>
<b>Financing activities of continuing operations (CHF million)</b>						
Increase/(decrease) in due to banks and customer deposits	(168)	27,305	27,137	(669)	(428)	26,040
Increase/(decrease) in short-term borrowings	17,791	(14,282)	3,509	0	0	3,509
Increase/(decrease) in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	(3,894)	(27,107)	(31,001)	0	0	(31,001)
Issuances of long-term debt	6,607	67,543	74,150	2,217	(2,208)	74,159
Repayments of long-term debt	(2,563)	(35,308)	(37,871)	0	1,400	(36,471)
Issuances of common shares	0	0	0	297	0	297
Sale of treasury shares	0	0	0	0	9,394	9,394
Repurchase of treasury shares	0	0	0	(742)	(9,455)	(10,197)
Dividends paid	(1,154)	1,070	(84)	(1,125)	(43)	(1,252)
Other, net	(790)	302	(488)	609	(1,313)	(1,192)
<b>Net cash provided by/(used in) financing activities of continuing operations</b>	<b>15,829</b>	<b>19,523</b>	<b>35,352</b>	<b>587</b>	<b>(2,653)</b>	<b>33,286</b>
<b>Effect of exchange rate changes on cash and due from banks (CHF million)</b>						
<b>Effect of exchange rate changes on cash and due from banks</b>	<b>525</b>	<b>5,092</b>	<b>5,617</b>	<b>20</b>	<b>153</b>	<b>5,790</b>
<b>Net cash provided by/(used in) discontinued operations (CHF million)</b>						
<b>Net cash provided by/(used in) discontinued operations</b>	<b>(8)</b>	<b>(452)</b>	<b>(460)</b>	<b>0</b>	<b>0</b>	<b>(460)</b>
<b>Net increase/(decrease) in cash and due from banks (CHF million)</b>						
<b>Net increase/(decrease) in cash and due from banks</b>	<b>(408)</b>	<b>10,327</b>	<b>9,919</b>	<b>122</b>	<b>616</b>	<b>10,657</b>
Cash and due from banks at beginning of period	5,358	62,723	68,081	795	(184)	68,692
<b>Cash and due from banks at end of period</b>	<b>4,950</b>	<b>73,050</b>	<b>78,000</b>	<b>917</b>	<b>432</b>	<b>79,349</b>

<sup>1</sup> Includes eliminations and consolidation adjustments.

<sup>2</sup> Consists of dividend payments from Group companies of CHF 150 million and CHF 113 million from bank and non-bank subsidiaries, respectively, and other cash items from parent company operations such as Group financing.

## 42 Credit Suisse Group parent company

► Refer to “Note 41 – Subsidiary guarantee information” for the condensed Credit Suisse Group parent company financial information.

## 43 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 accumulated other comprehensive income/(loss) (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. If a company has the ability to significantly influence the investee, the equity method of accounting is applied. 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 income, 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.

### Derivatives used for cash flow hedges

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, the Group includes unused credit facilities that can be revoked at its sole discretion upon notice to the client in loan commitments.

Under Swiss GAAP, credit facilities that can be revoked at the Group's sole discretion are only disclosed if the notice period exceeds 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, 2016, 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, 2016 using the criteria issued in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in "Internal Control – Integrated Framework".

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

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, 2016, 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

### Credit Suisse Group AG, Zurich

We have audited Credit Suisse Group AG and subsidiaries' (the "Group") internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control – Integrated Framework 2013* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). The 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 conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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

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

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

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

KPMG AG

Nicholas Edmonds  
Licensed Audit Expert  
Auditor in Charge

Anthony Arzevino  
Global Lead Partner

Zurich, Switzerland  
March 24, 2017

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

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# VI

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## 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, 2016.

#### 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, 2016, 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	Our response
<p>Credit Suisse Group AG reports participations of CHF 48.0 billion as of December 31, 2016. The participations portfolio consists of investments in subsidiary entities mainly operating in the banking and finance industry.</p> <p>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.</p>	<p>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.</p> <p>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.</p>

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

- Note 2 Accounting and valuation principles, "Participations"
- Note 12 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

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

Nicholas Edmonds  
Licensed Audit Expert  
Auditor in Charge

A handwritten signature in black ink, appearing to read 'R. Dicht'.

Ralph Dicht  
Licensed Audit Expert

Zurich, Switzerland  
March 24, 2017

# Parent company financial statements

## Statements of income

	Reference to notes	2016	in 2015
<b>Statements of income (CHF million)</b>			
Dividend income from participations		186	185
Other financial income	3	468	444
Other operating income	4	176	197
<b>Total operating income</b>		<b>830</b>	<b>826</b>
Financial expenses	5	747	461
Personnel expenses	6	55	75
Other operating expenses	7	138	154
Amortization, depreciation and impairment losses on noncurrent assets		22	3
<b>Total operating expenses</b>		<b>962</b>	<b>693</b>
<b>Operating profit/(loss)</b>		<b>(132)</b>	<b>133</b>
Extraordinary, non-recurring or prior period income	8	0	7
<b>Net profit/(loss) before taxes</b>		<b>(132)</b>	<b>140</b>
Direct tax expenses		15	16
<b>Net profit/(loss)</b>		<b>(147)</b>	<b>124</b>

## Balance sheets

	Reference to notes	2016	end of 2015
<b>Assets (CHF million)</b>			
Cash and cash equivalents		943	894
Other short-term receivables	9	220	204
Derivative financial instruments		172	249
Accrued income and prepaid expenses	10	88	95
<b>Total current assets</b>		<b>1,423</b>	<b>1,442</b>
Financial investments	11	4,253	4,140
Participations	12	48,014	47,327
<b>Total noncurrent assets</b>		<b>52,267</b>	<b>51,467</b>
<b>Total assets</b>		<b>53,690</b>	<b>52,909</b>
<b>Liabilities and shareholders' equity (CHF million)</b>			
Short-term interest-bearing liabilities	13	3,201	2,721
Other short-term liabilities		32	4
Accrued expenses and deferred income	14	125	137
<b>Total short-term liabilities</b>		<b>3,358</b>	<b>2,862</b>
Long-term interest-bearing liabilities	15	5,149	4,988
Provisions		311	311
<b>Total long-term liabilities</b>		<b>5,460</b>	<b>5,299</b>
<b>Total liabilities</b>		<b>8,818</b>	<b>8,161</b>
<b>Share capital</b>	16	<b>84</b>	<b>78</b>
Capital contribution reserves		23,364	23,108
Other capital reserves		1,800	1,800
<b>Legal capital reserves</b>		<b>25,164</b>	<b>24,908</b>
Reserves for treasury shares	17	3,929	3,929
<b>Legal income reserves</b>		<b>3,929</b>	<b>3,929</b>
Statutory and discretionary reserves		10,500	10,500
Retained earnings brought forward		5,344	5,220
Net profit/(loss)		(147)	124
<b>Voluntary retained earnings</b>		<b>15,697</b>	<b>15,844</b>
Treasury shares against other capital reserves	18	(2)	(11)
<b>Treasury shares</b>		<b>(2)</b>	<b>(11)</b>
<b>Total shareholders' equity</b>		<b>44,872</b>	<b>44,748</b>
<b>Total liabilities and shareholders' equity</b>		<b>53,690</b>	<b>52,909</b>

# 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

In order to align the corporate structure of Credit Suisse (Schweiz) AG (CS Schweiz) with that of the Swiss Universal Bank division,

the following equity stakes held by Credit Suisse Group AG will be transferred to CS Schweiz: (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 is currently expected to take place by way of an a-fonds-perdu contribution from Credit Suisse Group AG to Credit Suisse AG and immediately thereafter via a subsequent sale of these equity stakes from Credit Suisse AG to CS Schweiz. The a-fonds-perdu contribution and the subsequent sale are expected to take place at the respective equity stakes' aggregate Swiss GAAP carrying value as recorded by Credit Suisse Group AG. The transfer is expected to be completed by March 31, 2017.

## 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 valued 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		Average in	
	2016	2015	2016	2015
1 USD / 1 CHF	1.02	0.99	0.99	0.96

### 3 Other financial income

in	2016	2015
<b>CHF million</b>		
Interest income	290	283
Realized and unrealized gains on derivative financial instruments	146	31
Gains on sale of treasury shares	30	120
Foreign exchange gains	2	0
Other	0	10
<b>Total</b>	<b>468</b>	<b>444</b>

### 4 Other operating income

in	2016	2015
<b>CHF million</b>		
Trademark fees	92	104
Management fees	55	74
Guarantee fees	28	19
Other	1	0
<b>Total</b>	<b>176</b>	<b>197</b>

### 5 Financial expenses

in	2016	2015
<b>CHF million</b>		
Realized and unrealized losses on derivative financial instruments	415	145
Interest expenses	324	314
Losses on sale of treasury shares	7	1
Other	1	1
<b>Total</b>	<b>747</b>	<b>461</b>

### 6 Personnel expenses

in	2016	2015
<b>CHF million</b>		
Salaries	36	41
Variable compensation expenses	13	28
Other	6	6
<b>Total</b>	<b>55</b>	<b>75</b>

### 7 Other operating expenses

in	2016	2015
<b>CHF million</b>		
Branding expenses	92	101
Other general and administrative expenses	46	53
<b>Total</b>	<b>138</b>	<b>154</b>



**8 Extraordinary, non-recurring or prior period income**

in	2016	2015
<b>CHF million</b>		
Gain on sale of previously not recognized intangible assets	0	7
<b>Total</b>	<b>0</b>	<b>7</b>

**9 Other short-term receivables**

end of	2016	2015
<b>CHF million</b>		
Receivables for trademark fees	212	199
Other	8	5
<b>Total</b>	<b>220</b>	<b>204</b>

**10 Accrued income and prepaid expenses**

end of	2016	2015
<b>CHF million</b>		
Deferred debt issuance costs	62	70
Accrued interest income	19	18
Other	7	7
<b>Total</b>	<b>88</b>	<b>95</b>

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.

**11 Financial investments**

end of	2016	2015
<b>CHF million</b>		
Debt securities	4,126	3,999
Equity securities	1	1
Long-term loans	126	140
<b>Total</b>	<b>4,253</b>	<b>4,140</b>

## 12 Participations

### Direct participations

Voting interest in %	Equity interest in %	Company name	Domicile	Currency	Nominal capital in million
<b>as of December 31, 2016</b>					
100	100	BANK-now AG	Horgen, Switzerland	CHF	30.0
26	26	Capital Union Bank BSC (c) (under liquidation)	Manama, Kingdom of Bahrain	USD	50.0
100	100	Clariden Leu (Conosur) SA en liquidación	Montevideo, Uruguay	UYU	0.0
100	100	Credit Suisse AG	Zurich, Switzerland	CHF	4,399.7
100	100	Credit Suisse Insurance Linked Strategies Ltd.	Zurich, Switzerland	CHF	0.2
100	100	Credit Suisse Group (Guernsey) I Ltd.	St. Peter Port, Guernsey	USD	0.2
100	100	Credit Suisse Group (Guernsey) II Ltd.	St. Peter Port, Guernsey	USD	0.1
100	100	Credit Suisse Group (Guernsey) IV Ltd.	St. Peter Port, Guernsey	CHF	0.1
100	100	Credit Suisse Group Finance (Guernsey) Ltd.	St. Peter Port, Guernsey	USD	0.0
100	100	Credit Suisse Group Funding (Guernsey) Ltd.	St. Peter Port, Guernsey	USD	0.1
43 <sup>1</sup>	0 <sup>1</sup>	Credit Suisse Holdings (USA), Inc.	Wilmington, United States	USD	550.0
2 <sup>2</sup>	2 <sup>2</sup>	Credit Suisse International	London, United Kingdom	USD	12,366.1
100	100	Credit Suisse Services AG	Zurich, Switzerland	CHF	0.1
100	100	Credit Suisse Trust AG	Zurich, Switzerland	CHF	5.0
100	100	Credit Suisse Trust Holdings Ltd.	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
100	100	Neue Aargauer Bank AG	Aarau, Switzerland	CHF	134.1
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
67 <sup>3</sup>	50	Swisscard AECS GmbH	Horgen, Switzerland	CHF	0.1

<sup>1</sup> 57% of voting interest and 100% of equity interest held by Credit Suisse AG.

<sup>2</sup> 98% held by other group companies.

<sup>3</sup> Does not represent a controlling financial interest due to contractual arrangements.

### Indirect participations

The company's principal indirect participations are shown in Note 40 – Significant subsidiaries and equity method investments in V – Consolidated financial statements – Credit Suisse Group.

## 13 Short-term interest-bearing liabilities

end of	2016	2015
<b>CHF million</b>		
Due to banks	2,943	2,399
Cash collateral received	258	322
<b>Total</b>	<b>3,201</b>	<b>2,721</b>

## 14 Accrued expenses and deferred income

end of	2016	2015
<b>CHF million</b>		
Accrual for personnel and other operating expenses	54	60
Deferred fees on acquired debt securities	50	56
Accrual for interest expenses	21	21
<b>Total</b>	<b>125</b>	<b>137</b>

## 15 Long-term interest-bearing liabilities

The 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. Upon the occurrence of a contingency event or a viability event, also called a write-down event, the interest on the notes shall cease to accrue and the full principal amount of each note will automatically and permanently be written-down to zero. A write-down event will occur if the sum of Credit Suisse Group's consolidated common equity tier 1 ratio (CET1 ratio) and the Higher Trigger Capital Ratio as of any quarterly balance sheet

date or interim capital report date is below 5.125%, unless the Swiss Financial Market Supervisory Authority FINMA (FINMA), at the request of Credit Suisse Group, has agreed on or prior to the publication of the quarterly results that actions, circumstances or events have restored, or will imminently restore, the ratio to above the applicable threshold. 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 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.

### Long-term interest-bearing liabilities

end of	Currency	Notional	Interest rate	Issue date	First call date	Maturity date	Carrying value 2016	Carrying value 2015
<b>Bonds (CHF million)</b>								
Low-trigger tier 1 capital notes	CHF	290	6.0%	September 4, 2013	September 4, 2018	Perpetual	290	290
Low-trigger tier 1 capital notes	USD	2,250	7.5%	December 11, 2013	December 11, 2023	Perpetual	2,302	2,225
Low-trigger tier 1 capital notes	USD	2,500	6.3%	June 18, 2014	December 18, 2024	Perpetual	2,557	2,473
<b>Total</b>							<b>5,149</b>	<b>4,988</b>

## 16 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
<b>Share capital as of December 31, 2015</b>			<b>1,957,379,244</b>	<b>78,295,170</b>
<b>Conditional capital</b>				
Warrants and convertible bonds				
Capital as of December 31, 2015	400,000,000	16,000,000		
<b>Capital as of December 31, 2016</b>	<b>400,000,000 <sup>1</sup></b>	<b>16,000,000</b>		
Staff shares				
Capital as of December 31, 2015	30,000,000	1,200,000		
Issuance out of conditional capital in May 2016	(30,000,000)	(1,200,000)	30,000,000	1,200,000
<b>Capital as of December 31, 2016</b>	<b>0</b>	<b>0</b>		
<b>Conversion capital</b>				
Capital as of December 31, 2015	150,000,000	6,000,000		
<b>Capital as of December 31, 2016</b>	<b>150,000,000 <sup>2</sup></b>	<b>6,000,000</b>		
<b>Authorized capital</b>				
Capital as of December 31, 2015	128,773,601	5,150,944		
Annual General Meeting of April 29, 2016 – increase	131,226,399	5,249,056		
Settlement of an earn-out option in relation to the acquisition of York Capital Management in June 2016	(27,000,000)	(1,080,000)	27,000,000	1,080,000
Scrip dividend in June 2016	(75,518,134)	(3,020,725)	75,518,134	3,020,725
<b>Capital as of December 31, 2016</b>	<b>157,481,866</b>	<b>6,299,275</b>		
<b>Share capital as of December 31, 2016</b>			<b>2,089,897,378</b>	<b>83,595,895</b>

<sup>1</sup> 300.0 million registered shares reserved for high-trigger capital instruments.

<sup>2</sup> 115.1 million registered shares reserved for high-trigger capital instruments.

## 17 Credit Suisse Group shares held by subsidiaries

	2016		2015	
	Share equivalents	Market value (CHF million)	Share equivalents	Market value (CHF million)
<b>Balance at beginning of financial year</b>				
Physical holdings <sup>1</sup>	5,408,246	117	7,383,491	185
Holdings, net of pending obligations	(624,043)	(13)	(938,896)	(24)
<b>Balance at end of financial year</b>				
Physical holdings <sup>2</sup>	0	0	5,408,246	117
Holdings, net of pending obligations	(1,415,541)	(21)	(624,043)	(13)

<sup>1</sup> Representing 0.3% of issued shares as of December 31, 2015.

<sup>2</sup> The subsidiaries were in a short position by 1,244,983 Credit Suisse Group shares with a market value of CHF 18 million, representing 0.06% of issued shares as of December 31, 2016.

## 18 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)
<b>2016</b>				
<b>Balance as of December 31, 2015</b>		<b>11</b>	<b>501,978</b>	<b>22.82</b>
Sale of treasury shares <sup>1</sup>	23	(464)	(34,690,841)	14.05
Purchase of treasury shares		455	34,331,397	13.24
<b>Change in 2016</b>	23	(9)	(359,444)	
<b>Balance as of December 31, 2016</b>		<b>2</b>	<b>142,534</b>	<b>13.12</b>

Highest price, paid on January 13, 2016: CHF 20.10.

Lowest price, paid on June 7, 2016: CHF 12.47.

## 2015

<b>Balance as of December 31, 2014</b>		<b>7</b>	<b>283,167</b>	<b>25.08</b>
Sale of treasury shares <sup>1</sup>	119	(1,039)	(44,429,161)	26.06
Purchase of treasury shares		1,043	44,647,972	23.37
<b>Change in 2015</b>	119	4	218,811	
<b>Balance as of December 31, 2015</b>		<b>11</b>	<b>501,978</b>	<b>22.82</b>

Highest price, paid on August 3, 2015: CHF 28.68.

Lowest price, paid on January 19, 2015: CHF 18.85.

<sup>1</sup> Representing share award settlements with Group employees.

## 19 Significant shareholders

end of	2016			2015		
	Number of shares (million)	Total nominal value (CHF million)	Share- holding (%)	Number of shares (million)	Total nominal value (CHF million)	Share- holding (%)
<b>Direct shareholders <sup>1</sup></b>						
Chase Nominees Ltd. <sup>2</sup>	335	13	16.03	313	13	15.99
Nortrust Nominees Ltd. <sup>2</sup>	113	5	5.39	– <sup>3</sup>	– <sup>3</sup>	– <sup>3</sup>
The Bank of New York Mellon <sup>2</sup>	107	4	5.14	– <sup>3</sup>	– <sup>3</sup>	– <sup>3</sup>
Crescent Holding GmbH	107	4	5.10	– <sup>3</sup>	– <sup>3</sup>	– <sup>3</sup>

<sup>1</sup> As registered in the share register of the Group on December 31 of the reporting period; includes shareholders registered as nominees or ADS depository bank.

<sup>2</sup> 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.

<sup>3</sup> Participation was lower than the disclosure threshold of 5%.

► Refer to "Note 3 – Business developments, significant shareholders and subsequent events" in V – Consolidated financial statements – Credit Suisse Group for information received from shareholders not registered in the share register of Credit Suisse Group AG.

## 20 Contingent liabilities

end of	2016	2015
<b>Contingent liabilities (CHF million)</b>		
Aggregate indemnity liabilities, guarantees and other contingent liabilities (net of exposures recorded as liabilities)	74,383	66,595
of which have been entered into on behalf of subsidiaries <sup>1</sup>	74,383	66,595

<sup>1</sup> Includes senior unsecured debt issued by subsidiaries of CHF 22,637 million and CHF 15,121 million as of December 31, 2016 and 2015, respectively, which qualifies as total loss-absorbing capacity (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). All 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.

## 21 Assets and liabilities with related parties

end of	2016	2015
<b>Assets (CHF million)</b>		
Cash and cash equivalents	938	889
Other short-term receivables	216	201
Derivative financial instruments	172	249
Accrued income and prepaid expenses	87	95
<b>Total current assets – related parties</b>	<b>1,413</b>	<b>1,434</b>
Financial investments	4,252	4,139
Participations	48,014	47,327
<b>Total noncurrent assets – related parties</b>	<b>52,266</b>	<b>51,466</b>
<b>Total assets – related parties</b>	<b>53,679</b>	<b>52,900</b>
<b>Liabilities (CHF million)</b>		
Short-term interest-bearing liabilities	3,201	2,721
Other short-term liabilities	24	2
Accrued expenses and deferred income	50	57
<b>Total short-term liabilities – related parties</b>	<b>3,275</b>	<b>2,780</b>
<b>Total liabilities – related parties</b>	<b>3,275</b>	<b>2,780</b>

The assets and liabilities represents the amounts due from and due to group companies. The amounts due to management bodies are below CHF 1 million.

## 22 Subordinated assets and liabilities

end of	2016	2015
<b>CHF million</b>		
Subordinated assets	4,233	4,106
<b>Total subordinated assets</b>	<b>4,233</b>	<b>4,106</b>
Subordinated liabilities	5,170	5,009
<b>Total subordinated liabilities</b>	<b>5,170</b>	<b>5,009</b>



## 23 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, 2016 and 2015.

### Executive Board holdings and values of deferred share-based awards by individual

end of	Number of owned shares <sup>1</sup>	Number of unvested share awards	Number of owned shares and unvested share awards	Value of unvested awards at grant (CHF)	Value of unvested awards as of December 31 (CHF)
<b>2016</b>					
Tidjane Thiam	81,927	956,854	1,038,781	19,218,952	13,979,637
James L. Amine	262,706	960,430	1,223,136	17,584,172	13,107,481
Pierre-Olivier Bouée	3,614	342,802	346,416	6,496,732	5,008,337
Romeo Cerutti	286,688	298,820	585,508	5,513,136	4,070,471
Brian Chin	109,013	692,600	801,613	14,516,015	10,118,886
Peter Goerke	17,640	198,863	216,503	3,907,775	2,905,388
Thomas Gottstein	64,318	243,555	307,873	4,577,173	3,430,375
Iqbal Khan	40,282	264,939	305,221	4,916,102	3,753,931
David R. Mathers	70,573	515,650	586,223	9,322,737	7,013,704
Joachim Oechslin	32,345	247,226	279,571	4,759,240	3,521,532
Helman Sitohang	244,895	727,512	972,407	13,138,543	10,045,960
Lara Warner	92,043	277,851	369,894	5,252,574	3,844,714
<b>Total</b>	<b>1,306,044</b>	<b>5,727,102</b>	<b>7,033,146</b>	<b>109,203,151</b>	<b>80,800,416</b>
<b>2015</b>					
Tidjane Thiam	–	677,368	677,368	14,322,470	14,692,112
James L. Amine	118,982	601,098	720,080	13,448,466	13,037,816
Pierre-Olivier Bouée	–	73,307	73,307	1,885,249	1,590,029
Romeo Cerutti	219,539	122,417	341,956	2,727,390	2,655,225
Peter Goerke	–	79,034	79,034	1,843,536	1,714,247
Thomas Gottstein	–	98,344	98,344	2,174,771	2,133,081
Iqbal Khan	13,358	99,516	112,874	2,098,706	2,158,502
David R. Mathers	35,063	215,170	250,233	4,793,822	4,667,037
Joachim Oechslin	17,099	97,982	115,081	2,124,889	2,125,230
Timothy P. O'Hara	29,079	579,567	608,646	13,521,795	12,570,808
Helman Sitohang	5,992	406,124	412,116	9,145,242	8,808,830
Lara Warner	29,313	158,244	187,557	3,658,283	3,432,312
<b>Total</b>	<b>468,425</b>	<b>3,208,171</b>	<b>3,676,596</b>	<b>71,744,619</b>	<b>69,585,229</b>

<sup>1</sup> Includes shares that were initially granted as deferred compensation and have vested.

### 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, 2016 and 2015, there were no Board of Directors members with outstanding options.

### Board of Directors shareholdings by individual

in	2016	2015
<b>December 31 (shares) <sup>1</sup></b>		
Urs Rohner	197,861	244,868
Jassim Bin Hamad J.J. Al Thani	35,809	26,404
Iris Bohnet	38,287	25,120
Noreen Doyle	70,883	52,998
Alexander Gut	7,865	–
Andreas N. Koopmann	81,746	60,944
Jean Lanier	96,318	75,799
Seraina (Maag) Macia	19,700	4,653
Kai S. Nargolwala	226,362	209,434
Joaquin J. Ribeiro	7,865	–
Severin Schwan	82,803	65,601
Richard E. Thornburgh	225,038	194,089
John Tiner	140,910	107,866
<b>Total</b>	<b>1,231,447</b>	<b>1,067,776 <sup>2</sup></b>

<sup>1</sup> Includes Group shares that are subject to a blocking period of up to four years; includes shareholdings of immediate family members.

<sup>2</sup> Excludes 6,850 shares held by Sebastian Thrun as of December 31, 2015, who did not stand for re-election to the Board as of April 27, 2016.

### Share awards outstanding

end of	2016		2015	
	Number of share-awards outstanding in million	Fair value in CHF million	Number of share-awards outstanding in million	Fair value in CHF million
<b>Share awards <sup>1</sup></b>				
Employees	135	1,973	136	2,957
<b>Total share awards</b>	<b>135</b>	<b>1,973</b>	<b>136</b>	<b>2,957</b>

<sup>1</sup> 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	2016
<b>Retained earnings (CHF million)</b>	
Retained earnings brought forward	5,344
Net loss	(147)
<b>Retained earnings available for appropriation</b>	<b>5,197</b>
To be carried forward	5,197
<b>Total</b>	<b>5,197</b>

## Proposed distribution out of capital contribution reserves

	2016
<b>Capital contribution reserves (CHF million)</b>	
<b>Balance at beginning of year</b>	<b>23,108</b>
Capital distribution for the financial year 2015	(1,388)
Capital surplus for issued shares	1,644
<b>Balance at end of year</b>	<b>23,364</b>
Proposed distribution of CHF 0.70 per registered share for the financial year 2016 <sup>1</sup>	(1,463)
<b>Balance after distribution</b>	<b>21,901</b>

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.

<sup>1</sup> 2,089.8 million registered shares – net of own shares held by the company – as of December 31, 2016. The number of registered shares eligible for distribution may change due to the issuance of new registered shares and activities in own shares.

# VII

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

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## Report of the Independent Registered Public Accounting Firm

### Credit Suisse AG, Zurich

We have audited the accompanying consolidated balance sheets of Credit Suisse AG and subsidiaries (the "Bank") as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2016. These consolidated financial statements are the responsibility of the Bank's management and the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Bank as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles.

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

KPMG AG

Nicholas Edmonds  
Licensed Audit Expert  
Auditor in Charge

Zurich, Switzerland  
March 24, 2017

Anthony Anzevino  
Global Lead Partner



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# Consolidated financial statements

## Consolidated statements of operations

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

## Consolidated statements of comprehensive income

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

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

## Consolidated balance sheets

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

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

**Consolidated balance sheets (continued)**

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

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

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

## Consolidated statements of changes in equity

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

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

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

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

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

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

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

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



## Consolidated statements of cash flows

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

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

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

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

**Supplemental cash flow information**

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

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

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

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

### Pensions and other post-retirement benefits

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

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

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

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

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

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

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

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

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

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

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

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

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

## 2 Recently issued accounting standards

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

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

## 3 Business developments, significant shareholders and subsequent events

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

## 4 Discontinued operations

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

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

### Income/(loss) from discontinued operations

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

## 5 Segment information

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

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

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

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

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

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

### Total assets

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

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

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

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

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

**Total assets by geographic location**

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

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

**6 Net interest income**

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

## 7 Commissions and fees

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

## 8 Trading revenues

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

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

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

## 9 Other revenues

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

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



## 10 Provision for credit losses

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

## 11 Compensation and benefits

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

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

## 12 General and administrative expenses

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

### 13 Restructuring expenses

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

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

#### Restructuring expenses by segment

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

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

#### Restructuring expenses by type

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

#### Restructuring provision

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

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

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

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

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

## 15 Trading assets and liabilities

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

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

## Cash collateral on derivative instruments

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

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

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

## 16 Investment securities

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

## Investment securities by type

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

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

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

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

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

## 17 Other investments

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

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

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

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

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

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

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

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

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

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

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

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

**Allowance for loan losses**

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

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

## Purchases, reclassifications and sales

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

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

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

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

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

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

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



## Gross loans held at amortized cost – aging analysis

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

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

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

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

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

## Gross impaired loan details

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

## Gross impaired loan details (continued)

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

## Restructured loans held at amortized cost

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

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

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

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

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

## 19 Premises and equipment

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

## Depreciation and impairment

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

## 20 Goodwill

### Goodwill

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

## Goodwill (continued)

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

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

## 21 Other intangible assets

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

## Additional information

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

## Estimated amortization

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

## 22 Other assets and other liabilities

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

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

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

## 23 Deposits

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

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

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

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



## 24 Long-term debt

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

## Structured notes by product

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

## Long-term debt by maturities

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

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

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

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

## 25 Accumulated other comprehensive income

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

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

## Details of significant reclassification adjustments

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

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

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

## 26 Offsetting of financial assets and financial liabilities

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

### Offsetting of derivatives

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

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

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

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

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

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

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

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

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

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

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

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

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

## 27 Tax

### Details of current and deferred taxes

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

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

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

#### 2016

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

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

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

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

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

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

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

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

## 2015

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

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

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

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

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

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

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

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

## 2014

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

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

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

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

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

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

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

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

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

## Deferred tax assets and liabilities

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

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

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



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

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

**Movements in the valuation allowance**

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

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

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

**Interest and penalties**

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

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

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

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

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

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

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

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

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

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

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

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

## 28 Employee deferred compensation

### Deferred compensation for employees

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

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

### Deferred compensation expense

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

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

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

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

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

### Estimated unrecognized deferred compensation

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

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

### Share awards

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

### Share awards granted for previous years

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

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

### Blocked share awards granted for previous years

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

## Share award activities

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

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

## Performance share awards

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

## Performance share awards granted for previous years

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

## Performance share award activities

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

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

### Contingent Capital Awards

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

### Contingent Capital Awards granted for previous years

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

### Contingent Capital share awards

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

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

### Contingent Capital share award activities

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

### Other variable compensation

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

## 29 Related parties

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

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

### Related party assets and liabilities

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

### Related party revenues and expenses

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

### Related party guarantees

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

**Executive Board and Board of Directors loans**

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

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

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

**Liabilities due to own pension funds**

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

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

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

**DEFINED CONTRIBUTION PENSION PLANS**

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

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

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

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

**Group pension plan**

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

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

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

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

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

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

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

### International pension plans

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

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

### Other post-retirement defined benefit plans

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

### Benefit costs of defined benefit plans

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

### Components of total benefit costs

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

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

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

**Benefit obligation**

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

**Obligations and funded status of the plans**

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

**Amounts recognized in other comprehensive income**

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

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

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

## Assumptions

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

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

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

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

## Mortality tables and life expectancies for major plans

		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		2016	2015	2016	2015	2016	2015	2016	2015
<b>Life expectancy (years)</b>									
UK	SPAS S2 light tables	24.0 <sup>1</sup>	24.0 <sup>2</sup>	25.5 <sup>1</sup>	26.1 <sup>2</sup>	25.1 <sup>1</sup>	25.2 <sup>2</sup>	26.8 <sup>1</sup>	27.4 <sup>2</sup>
US	RP-2014 mortality tables <sup>3</sup>	21.4	21.3	22.6	22.6	23.3	23.2	24.4	24.3

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

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

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

**Health care cost assumptions**

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

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

**Health care cost trend rates and sensitivity**

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

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

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

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

**Plan assets and investment strategy**

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

**Fair value of plan assets**

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

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

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

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

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

	Balance at beginning of period	Transfers in	Transfers out	Actual return on plan assets 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
<b>2016 (CHF million)</b>								
Debt securities – corporates	50	6	0	0	(1)	(24)	2	33
Real estate – indirect	48	48	0	(14)	18	(44)	2	58
<b>Total plan assets at fair value</b>	<b>98</b>	<b>54</b>	<b>0</b>	<b>(14)</b>	<b>17</b>	<b>(68)</b>	<b>4</b>	<b>91</b>
<b>2015 (CHF million)</b>								
Debt securities – corporates	61	0	(11)	(4)	0	5	(1)	50
Real estate – indirect	116	0	(86)	14	0	4	0	48
<b>Total plan assets at fair value</b>	<b>177</b>	<b>0</b>	<b>(97)</b>	<b>10</b>	<b>0</b>	<b>9</b>	<b>(1)</b>	<b>98</b>

## Plan asset allocation

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

## Weighted-average plan asset allocation

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

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

## Weighted-average target plan asset allocation for 2017

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

## Estimated future benefit payments for defined benefit plans

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

## Estimated future benefit payments for defined benefit plans

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

## 31 Derivatives and hedging activities

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

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

### Hedge accounting

#### Cash flow hedges

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

### Fair value of derivative instruments

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

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

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

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

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

## Fair value of derivative instruments (continued)

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

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

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

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

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

**Fair value hedges**

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

Represents gains/(losses) recognized in trading revenues.

**Cash flow hedges**

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

Represents gains/(losses) on effective portion.

<sup>1</sup> Included in interest and other dividend income.<sup>2</sup> Included in trading revenues.<sup>3</sup> Included in total other operating expenses.

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

**Net investment hedges**

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

Represents gains/(losses) on effective portion.

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

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

**Disclosures relating to contingent credit risk**

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

**Contingent credit risk**

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



## Notes to the consolidated financial statements

**Credit derivatives**

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

**Credit protection sold/purchased**

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

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

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

**Credit protection sold/purchased**

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

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

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

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

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

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

**Credit derivatives**

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

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

**Maturity of credit protection sold**

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

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

## 32 Guarantees and commitments

### Guarantees

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

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

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

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

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

Deposit-taking banks and securities dealers in Switzerland and certain other European countries are required to ensure the payout of privileged deposits in case of specified restrictions or compulsory liquidation of a deposit-taking bank. In Switzerland, deposit-taking banks and securities dealers jointly guarantee an amount of up to CHF 6 billion. Upon occurrence of a payout event triggered by a specified restriction of business imposed by the Swiss Financial Market Supervisory Authority FINMA (FINMA) or by the compulsory liquidation of another deposit-taking bank, the Bank's contribution will be calculated based on its share of privileged deposits in proportion to total privileged deposits. Based on FINMA's estimate for the Bank, the Bank's share in the deposit insurance guarantee program for the period July 1, 2016 to June 30, 2017 is CHF 0.5 billion. These deposit insurance guarantees were reflected in other guarantees.

### Representations and warranties on residential mortgage loans sold

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

### Lease commitments

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

### Rental expense for operating leases

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

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

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

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

**Other commitments**

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

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

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

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

#### TRANSFERS OF FINANCIAL ASSETS

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

#### Securitizations

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

#### Securitizations

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

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

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

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

#### Continuing involvement in transferred financial assets

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

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

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

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

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

#### Fair value of beneficial interests

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

end of	Remaining contractual maturities				Total
	On demand <sup>1</sup>	Up to 30 days <sup>2</sup>	31-90 days	More than 90 days	
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
2015 (CHF billion)					
Securities sold under repurchase agreements	7.7	29.9	8.1	12.4	58.1
Securities lending transactions	6.0	3.6	1.8	0.6	12.0
Obligation to return securities received as collateral, at fair value	26.2	2.3	0.0	0.0	28.5
Total	39.9	35.8	9.9	13.0	98.6

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

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

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



## VARIABLE INTEREST ENTITIES

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

### Commercial paper conduit

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

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

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

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

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

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

**Consolidated VIEs**

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

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

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

**Non-consolidated VIEs**

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

**Non-consolidated VIEs**

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

**34 Financial instruments**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Transfers between level 1 and level 2

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



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

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

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

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

## Notes to the consolidated financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

## Quantitative information about level 3 liabilities at fair value

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Nonrecurring fair value changes

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

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

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

<sup>1</sup> Primarily loans held-for-sale.**Gains and losses on financial instruments**

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

<sup>1</sup> Primarily recognized in net interest income.<sup>2</sup> Primarily recognized in trading revenues.<sup>3</sup> Primarily recognized in other revenues.<sup>4</sup> Changes in fair value related to credit risk are due to the change in the Bank's own credit spreads. Other changes in fair value are attributable to changes in foreign currency exchange rates and interest rates, as well as movements in the reference price or index for structured notes.

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

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

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

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

	Carrying value				Fair value
end of		Level 1	Level 2	Level 3	Total
2016 (CHF million)					
Financial assets					
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	47,797	0	47,797	0	47,797
Loans	237,292	0	239,582	4,602	244,184
Other financial assets <sup>1</sup>	171,602	118,888	51,678	1,324	171,890
Financial liabilities					
Due to banks and deposits	363,631	190,446	173,161	0	363,607
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	13,382	0	13,382	0	13,382
Short-term borrowings	11,324	0	11,327	0	11,327
Long-term debt	115,355	0	116,984	521	117,505
Other financial liabilities <sup>2</sup>	62,376	1,595	60,661	116	62,372
2015 (CHF million)					
Financial assets					
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	39,871	0	39,872	0	39,872
Loans	231,395	4	232,391	6,150	238,545
Other financial assets <sup>1</sup>	150,743	90,740	58,456	1,796	150,992
Financial liabilities					
Due to banks and deposits	349,015	197,645	151,774	0	349,419
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	14,200	0	14,401	0	14,401
Short-term borrowings	5,546	0	5,545	0	5,545
Long-term debt	112,091	0	112,638	778	113,416
Other financial liabilities <sup>2</sup>	63,970	32	63,496	578	64,106

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

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

### 35 Assets pledged and collateral

#### Assets pledged

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

#### Assets pledged

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

#### Collateral

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

#### Collateral

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

#### Other information

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

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



### 36 Capital adequacy

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

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

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

#### Broker-dealer operations

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

#### Dividend restrictions

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


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

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

#### BIS statistics – Basel III

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

### 37 Assets under management

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

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

#### Assets under management

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

#### Changes in assets under management

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

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

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

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

### 38 Litigation

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

## 39 Significant subsidiaries and equity method investments

## Significant subsidiaries

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

## Significant subsidiaries (continued)

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

<sup>1</sup> 43% of voting rights held by Credit Suisse Group AG, Guernsey Branch.<sup>2</sup> Remaining 2% held directly by Credit Suisse Group AG. 98% of voting rights and 98% of equity interest held by Credit Suisse AG.

**Significant equity method investments**

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

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

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

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

# Controls and procedures

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

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

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

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

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

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

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

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

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

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



## Report of the Independent Registered Public Accounting Firm

### Credit Suisse AG, Zurich

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

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

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

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

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

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

KPMG AG

Nicholas Edmonds  
Licensed Audit Expert  
Auditor in Charge

Anthony Arzevino  
Global Lead Partner

Zurich, Switzerland  
March 24, 2017

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

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# VIII

## **Parent company financial statements – Credit Suisse (Bank)**

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# Report of the Statutory Auditor

To the General Meeting of Credit Suisse AG, Zurich

## Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the accompanying financial statements of Credit Suisse AG, which comprise the balance sheet, statement of income, statement of changes in equity and notes for the year ended December 31, 2016.

### Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and Credit Suisse AG's articles of association. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements for the year ended December 31, 2016, comply with Swiss law and Credit Suisse AG's articles of association.



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



Valuation of financial instruments reported at fair value



Provisions for litigation and regulatory actions



Valuation of the allowance for loan losses



Valuation of participations

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



Valuation of financial instruments reported at fair value

Key Audit Matter

Our response

Credit Suisse AG reports financial assets reported at fair value of CHF 17.9 billion and financial liabilities reported at fair value of CHF 62.9 billion as of December 31, 2016. These financial assets represented 3.5% of total assets and these financial liabilities represented 13.5% of total liabilities as of December 31, 2016.

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

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

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

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

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

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

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



including credit, debit and funding valuation adjustments.

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

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

- Note 2 Accounting and valuation principles, "Trading assets and liabilities"
- Note 12 Trading assets and liabilities and other financial instruments held at fair value



#### Provisions for litigation and regulatory actions

##### Key Audit Matter

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

##### Our response

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

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

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

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

- Note 2 Accounting and valuation principles, "Provisions"
- Note 20 Provisions and valuation adjustments



#### Valuation of the allowance for loan losses

##### Key Audit Matter

Credit Suisse AG reports gross loans of CHF 186.7 billion and has recorded an allowance for loan losses of CHF 1.3 billion as of December 31, 2016.

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

##### Our response

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

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

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

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

- Note 2 Accounting and valuation principles, "Due from customers and mortgage loans"
- Note 3 Risk management, "Credit Risk"
- Note 11 Collateral and impaired loans



#### Valuation of participations

##### Key Audit Matter

Credit Suisse AG reports participations of CHF 74.1 billion as of December 31, 2016. The participations portfolio consists of investments in subsidiary entities mainly operating in the banking and finance industry.

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

##### 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



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. used our own valuation specialists to critically examine and challenge the key assumptions applied by benchmarking them against independent data.

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

— Note 2 Accounting and valuation principles, "Participations"

### Report on Other Legal Requirements

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

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

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

KPMG AG

Nicholas Edmonds  
Licensed Audit Expert  
Auditor in Charge

Ralph Dicht  
Licensed Audit Expert

Zurich, Switzerland  
March 24, 2017



# Parent company financial statements

## Statements of income

	Reference to notes	2016	in 2015
<b>Statements of income (CHF million)</b>			
Interest and discount income		8,188	8,583
Interest and dividend income from trading activities		627	744
Interest and dividend income from financial investments		5	9
Interest expense		(5,326)	(4,454)
<b>Gross income from interest activities</b>		<b>3,494</b>	<b>4,882</b>
(Increase)/release of allowance for default risks and losses from interest activities		(456)	(463)
<b>Net income from interest activities</b>	4	<b>3,038</b>	<b>4,419</b>
Commission income from securities trading and investment activities		3,008	3,913
Commission income from lending activities		812	859
Commission income from other services		626	722
Commission expense		(724)	(590)
<b>Net income from commission and service activities</b>		<b>3,722</b>	<b>4,904</b>
<b>Net income/(loss) from trading activities and fair value option</b>	5	<b>(2,408)</b>	<b>346</b>
Income/(loss) from the disposal of financial investments		7	15
Income from participations		206	629
Income from real estate		24	31
Other ordinary income		1,087	425
Other ordinary expenses		(405)	(309)
<b>Net income from other ordinary activities</b>		<b>919</b>	<b>791</b>
Personnel expenses	6	3,576	4,199
General and administrative expenses	7	3,106	3,098
<b>Total operating expenses</b>		<b>6,682</b>	<b>7,297</b>
Impairment of participations, depreciation and amortization of tangible fixed assets and intangible assets		1,459	5,401
Increase/(release) of provisions and other valuation adjustments, and losses	8	86	461
<b>Operating loss</b>		<b>(2,956)</b>	<b>(2,699)</b>
Extraordinary income	8	523	443
Extraordinary expenses	8	0	(24)
Taxes	9	(404)	(597)
<b>Net loss</b>		<b>(2,837)</b>	<b>(2,877)</b>

## Balance sheets

	Reference to notes	2016	end of 2015
<b>Assets (CHF million)</b>			
Cash and other liquid assets		67,450	74,949
Due from banks		99,666	109,513
Securities borrowing and reverse repurchase agreements	10	40,783	24,172
Due from customers	11	180,426	241,190
Mortgage loans	11	4,952	115,779
Trading assets	12	17,586	31,710
Positive replacement values of derivative financial instruments	13	8,098	13,934
Other financial instruments held at fair value	12	314	0
Financial investments	14	6,956	2,835
Accrued income and prepaid expenses		3,624	2,805
Participations		74,085	40,415
Tangible fixed assets		2,592	2,669
Intangible assets		5	11
Other assets	15	1,263	2,028
<b>Total assets</b>		<b>507,800</b>	<b>662,010</b>
Total subordinated receivables		1,906	1,819
of which receivables subject to contractual mandatory conversion and/or cancellation		51	49
<b>Liabilities and shareholder's equity (CHF million)</b>			
Due to banks		57,569	70,875
Securities lending and repurchase agreements	10	21,709	11,239
Customer deposits		144,788	298,965
Trading liabilities	12, 18	1,513	1,273
Negative replacement values of derivative financial instruments	13	8,055	13,271
Liabilities from other financial instruments held at fair value	12	61,411	56,002
Medium-term notes		0	759
Bonds and mortgage-backed bonds		164,958	159,134
Accrued expenses and deferred income		4,954	5,068
Other liabilities	15	445	685
Provisions	20	588	796
<b>Total liabilities</b>		<b>465,990</b>	<b>618,067</b>
Share capital	21	4,400	4,400
Legal capital reserves		33,330	32,616
of which capital contribution reserves		32,766	32,052
Legal income reserves		6,081	6,081
Voluntary income reserves		610	610
Retained earnings		226	3,113
Net loss		(2,837)	(2,877)
<b>Total shareholder's equity</b>		<b>41,810</b>	<b>43,943</b>
<b>Total liabilities and shareholder's equity</b>		<b>507,800</b>	<b>662,010</b>
Total subordinated liabilities		22,616	23,994
of which liabilities subject to contractual mandatory conversion and/or cancellation		7,312	9,219

## Off-balance sheet transactions

end of	2016	2015
<b>Off-balance sheet transactions (CHF million)</b>		
Contingent liabilities	170,909	182,050
Irrevocable commitments	95,213	120,654
Obligations for calls on shares and additional payments	155	61

## Parent company financial statements

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


**Joint and several liability**

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

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

The Bank parent company is a member of Credit Suisse Group AG's Swiss VAT group and therefore subject to joint and several liability according to Art. 15 para. 1 lit. c of the Swiss VAT Act.

**Deposit insurance guarantee programs**

Deposit-taking banks and securities dealers in Switzerland are required to ensure the payout of privileged deposits in the case of specified restrictions or compulsory liquidation of a deposit-taking bank, and they jointly guarantee an amount of up to CHF 6 billion. Upon occurrence of a payout event triggered by a specified restriction of business imposed by the  Swiss Financial Market Supervisory Authority FINMA (FINMA) or by the compulsory liquidation of another deposit-taking bank, the Bank parent company's contribution will be calculated based on its share of privileged deposits in proportion to total privileged deposits. Based on FINMA's estimate for the Bank parent company, the Bank's share in the deposit insurance guarantee program for the period July 1, 2016 to June 30, 2017 is CHF 500 million. This deposit insurance guarantee was reflected in contingent liabilities.

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

**Statement of changes in equity**

	Share capital	Legal capital reserves	Legal income reserves	Voluntary income reserves	Retained earnings	Net profit/(loss)	Total shareholder's equity
<b>2016 (CHF million)</b>							
<b>Balance at beginning of period</b>	<b>4,400</b>	<b>32,616</b>	<b>6,081</b>	<b>610</b>	<b>3,113</b>	<b>(2,877)</b>	<b>43,943</b>
Appropriation of net loss	–	–	–	–	(2,877)	2,877	–
Capital contributions	–	714 <sup>1</sup>	–	–	–	–	714
Dividends and other distributions	–	–	–	–	(10)	–	(10)
Net loss	–	–	–	–	–	(2,837)	(2,837)
<b>Balance at end of period</b>	<b>4,400</b>	<b>33,330 <sup>2</sup></b>	<b>6,081</b>	<b>610</b>	<b>226</b>	<b>(2,837)</b>	<b>41,810</b>

<sup>1</sup> Represents a-fonds-perdu contributions to capital contribution reserves of CHF 400 million and CHF 310 million in May and June 2016, respectively, and an a-fonds-perdu contribution in kind of CHF 4 million in July 2016 by Credit Suisse Group AG.

<sup>2</sup> Includes capital contribution reserves of CHF 32,766 million. Distributions from capital contribution reserves are free of Swiss withholding tax and are not subject to income tax for Swiss resident individuals holding the shares as a private investment.

# Notes to the financial statements

## 1 Business activities, developments and subsequent events

### Business activities

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

As of December 31, 2016, the Bank parent company had total assets of CHF 507.8 billion and shareholder's equity of CHF 41.8 billion.

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

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

### Number of employees

end of	2016	2015
<b>Number of employees (full-time equivalents)</b>		
Switzerland	8,950	16,120
Abroad	4,940	4,650
<b>Total</b>	<b>13,890</b>	<b>20,770</b>

### Business developments

#### Business transfer to CS Schweiz

On November 20, 2016, the Bank parent company transferred its universal bank business for Swiss customers, comprising a significant part of the division Swiss Universal Bank and parts of the business area STS Trading to CS Schweiz. The purpose of this transfer was to implement regulatory requirements in connection with Swiss "Too Big To Fail" legislation and the Swiss systemically relevant functions as well as the strategic realignment of the Group. This business transfer was executed through a transfer of

assets and liabilities in accordance with the Swiss Merger Act. The asset transfer agreement entered into between the Bank parent company and CS Schweiz, dated as of November 17, 2016 and completed on November 20, 2016, contained the elements required by the Swiss Merger Act, namely the corporate name, registered office and legal form of the Bank parent company and CS Schweiz, the transferred business (including an inventory) and excluded assets, liabilities and relationships, the total value of the assets transferred, the consideration and a list of employee relationships transferred with the asset transfer. The asset transfer agreement also stipulated the retroactive effect of the asset transfer as of August 1, 2016 with respect to the benefits and risks, the transfer of certain roles relating to the Bank parent company's covered bonds program, and certain indemnity undertakings of CS Schweiz for the benefit of the Bank parent company and of the Bank parent company for the benefit of CS Schweiz in connection with the asset transfer. In connection with the aforementioned asset transfer agreement, the Bank parent company also undertook to provide CS Schweiz with additional bail-in capital in the form of a loan at market terms in the amount of CHF 3.3 billion which, for purposes of, and during restructuring proceedings with respect to, CS Schweiz, would be subordinated to selected operative claims. The asset transfer agreement is governed by Swiss law and provides for the jurisdiction of an arbitration tribunal in accordance with the Swiss Rules of International Arbitration of the Swiss Chambers of Commerce. The transfer included total assets of CHF 221,079 million and total liabilities of CHF 209,954 million for a cash consideration of CHF 100 million, paid from the proceeds of the CHF 20 million share capital issued in connection with the incorporation of CS Schweiz on April 29, 2015 and the capital increase of CHF 80 million on October 19, 2016. The resulting surplus of CHF 11,025 million between the value of net assets transferred and the consideration paid was recorded as a capital contribution to legal capital reserves. In connection with the asset transfer, CS Schweiz also recognized intangible assets of CHF 3,525 million with the corresponding balance recorded in legal capital reserves. The intangible assets reflected the value of the client base and goodwill related to the business transferred. By operation of the Swiss Merger Act, the Bank parent company assumed a three-year statutory joint and several liability for obligations existing at the transfer date on November 20, 2016 and which were transferred to CS Schweiz. As a result of the transfer, the transferred business is directly conducted, the transferred assets directly held, and the transferred liabilities assumed, by CS Schweiz.

## Reconciliation of pre- and post-transfer balance sheet

	Balance as of July 31, 2016	Transfer of third-party assets and liabilities	Intercompany assets and liabilities <sup>1</sup>	Participation and other items <sup>2</sup>	Balance as of August 1, 2016
<b>Assets (CHF million)</b>					
Cash and other liquid assets	90,690	(40,363)	–	–	50,327
Due from banks	112,189	(4,194)	22,973	–	130,968
Securities borrowing and reverse repurchase agreements	37,577	(18,722)	620	–	19,475
Due from customers	205,632	(27,245)	–	–	178,387
Mortgage loans	116,913	(111,789)	–	–	5,124
Trading assets	25,503	(5,675)	–	–	19,828
Positive replacement values of derivative financial instruments	13,367	(4,123)	838	–	10,082
Financial investments	3,090	(281)	–	–	2,809
Accrued income and prepaid expenses	3,061	(512)	6	–	2,555
Participations	60,082	(112)	–	11,025	70,995
Tangible fixed assets	2,661	(105)	–	–	2,556
Intangible assets	8	–	–	–	8
Other assets	1,506	(2,235)	–	1,031	302
<b>Total assets</b>	<b>672,279</b>	<b>(215,356)</b>	<b>24,437</b>	<b>12,056</b>	<b>493,416</b>
<b>Liabilities and shareholder's equity (CHF million)</b>					
Due to banks	67,407	(10,066)	3,063	–	60,404
Securities lending and repurchase agreements	12,307	(5,568)	–	–	6,739
Customer deposits	295,514	(154,763)	–	–	140,751
Trading liabilities	1,901	(835)	–	–	1,066
Negative replacement values of derivative financial instruments	11,197	(5,937)	1,321	–	6,581
Liabilities from other financial instruments held at fair value	62,308	(556)	1,322	–	63,074
Medium-term notes	622	(622)	–	–	0
Bonds and mortgage-backed bonds	171,548	(6,300)	5	–	165,253
Accrued expenses and deferred income	5,641	(575)	12	–	5,078
Other liabilities	526	(234)	–	931	1,223
Provisions	817	(61)	–	–	756
<b>Total liabilities</b>	<b>629,788</b>	<b>(185,517)</b>	<b>5,723</b>	<b>931</b>	<b>450,925</b>
Share capital	4,400	–	–	–	4,400
Legal capital reserves	33,364	–	–	–	33,364
of which capital contribution reserves	32,766	–	–	–	32,766
Legal income reserves	6,081	–	–	–	6,081
Voluntary income reserves	610	–	–	–	610
Retained earnings	192	–	–	–	192
Net loss	(2,156)	–	–	–	(2,156)
<b>Total shareholder's equity</b>	<b>42,491</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>42,491</b>
<b>Total liabilities and shareholder's equity</b>	<b>672,279</b>	<b>(185,517)</b>	<b>5,723</b>	<b>931</b>	<b>493,416</b>

<sup>1</sup> As a result of the business transfer, certain internal transactions between businesses and functions within the Bank parent company became intercompany transactions between the Bank parent company and CS Schweiz as of August 1, 2016. These transactions mainly relate to central treasury activities; the corresponding balances were included in the transfer balance sheet.

<sup>2</sup> Includes the Bank parent company's participation in CS Schweiz, the consideration from CS Schweiz related to the transfer of assets and liabilities and the impact from compensation account netting.

**Reconciliation of pre- and post-transfer off-balance sheet transactions**

	Balance as of July 31, 2016	Transfer of third-party positions	Intercompany positions <sup>1</sup>	Balance as of August 1, 2016
<b>Off-balance sheet transactions (CHF million)</b>				
Contingent liabilities	180,781	(11,782)	1,524	170,523
Irrevocable commitments	100,701	(9,188)	0	91,513
Obligations for calls on shares and additional payments	49	(47)	0	2

<sup>1</sup> As a result of the business transfer, certain internal transactions between businesses and functions within the Bank parent company became intercompany transactions between the Bank parent company and CS Schweiz as of August 1, 2016.

With respect to transferred employees, the employment relationship and all attendant rights and obligations passed from the Bank parent company to CS Schweiz as of the day of the transfer, unless the employee refused such transfer. Where the transferred relationship was governed by a collective employment contract, CS Schweiz is obligated to abide by it for one year unless it expires or is terminated sooner. In the event that an employee refused the transfer, the employment relationship ends on expiry of the statutory notice period and until then, CS Schweiz and the respective employee are obliged to perform the contract. The Bank parent company and CS Schweiz are jointly and severally liable for claims of employees arising under employment contracts and which become due up to the date upon which the employment relationship could ordinarily have been terminated or was terminated by the employee, if the employee declined to transfer to CS Schweiz.

► Refer to "Off-balance sheet transactions" for further information on joint and several liabilities related to asset transfers under the Swiss Merger Act and on the contractual joint and several liability entered into in connection with the covered bonds program of the Bank parent company.

**Other business developments**

In March 2016, the Bank parent company entered into a share transfer agreement with the J. Safra Sarasin Group with respect to the sale and transfer of all shares of Credit Suisse (Gibraltar) Limited by the Bank parent company to the J. Safra Sarasin Group (entity sale). The transaction closed on October 28, 2016. The Group will continue providing certain services to Credit Suisse (Gibraltar) Limited for a transitional period.

**Subsequent events**

In March 2016, the Bank parent company entered into a share transfer agreement with the J. Safra Sarasin Group with respect to the sale and transfer of all shares of Credit Suisse (Monaco) SAM by the Bank parent company to the J. Safra Sarasin Group (entity sale). The transaction closed on January 13, 2017. The Group will continue providing certain services to Credit Suisse (Monaco) SAM for a transitional period.

In February 2017, CS Schweiz 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. The Bank parent company transferred participating interests of 49% in four fund management companies and in Credit Suisse Asset Management (Schweiz) AG (CSAM Schweiz) to CS Schweiz by way of an a-fonds-perdu contribution (i.e., without consideration). Subsequently, CS Schweiz contributed these participating interests to CSAM Holding. The remaining 51% in these five entities were contributed to CSAM Holding through CSAM IHAG. CSAM Schweiz was incorporated in February 2017 and received the Swiss-related asset management business from the Bank parent company 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 CS Schweiz with that of the Swiss Universal Bank division, the following equity stakes held by the Group parent company will be transferred to CS Schweiz: (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 is currently expected to take place by way of an a-fonds-perdu contribution from the Group parent company to the Bank parent company and immediately thereafter via a subsequent sale of these equity stakes from the Bank parent company to CS Schweiz. The a-fonds-perdu contribution and the subsequent sale are expected to take place at the respective equity stakes' aggregate Swiss GAAP carrying value as recorded by the Group parent company. The transfer is expected to be completed by March 31, 2017.

In March 2017, the Group increased its existing litigation provision for mortgage-related matters by CHF 300 million, resulting in an impairment on the Bank parent's participations of CHF 208 million.

## 2 Accounting and valuation principles

### Summary of significant accounting and valuation principles

#### Basis for accounting

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

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

► Refer to "Note 1 – Summary of significant accounting policies" in VII – Consolidated financial statements – Credit Suisse (Bank) for a detailed description of the Bank's accounting and valuation principles.

► Refer to "Note 40 – Significant valuation and income recognition differences between US GAAP and Swiss GAAP banking law (true and fair view)" in VII – Consolidated financial statements – Credit Suisse (Bank) for information on significant valuation and income recognition differences between US GAAP and Swiss GAAP banking law (true and fair view).

The financial year for the Bank parent company ends on December 31.

Certain changes were made to the prior year's financial statements to conform to the current year's presentation and had no impact on net profit/(loss) or total shareholder's equity.

### Recording of transactions

Transactions are generally recognized on a trade date basis at the point in time when they become legally binding unless specific guidance is provided for settlement date accounting, such as for issuances of debt and structured notes.

### Foreign currency translations

The Bank parent company's functional currency is Swiss francs (CHF). Transactions denominated in currencies other than the functional currency are recorded using the foreign exchange rates at the date of the transaction.

Receivables and payables denominated in foreign currency are translated to Swiss francs using spot rates as of the balance sheet date. Gains and losses from foreign exchange rate differences are recorded in the statements of income in net income/(loss) from trading activities and fair value option. Participations, tangible fixed assets and intangible assets denominated in foreign currency are translated to Swiss francs using the historical exchange rates.

Assets and liabilities of foreign branches are translated to Swiss francs using spot rates as of the balance sheet date. Income and expense items of foreign branches are translated at weighted-average exchange rates for the year. All foreign exchange translation effects are recognized in the statements of income in net income/(loss) from trading activities and fair value option.

The following table provides the foreign exchange rates applied for the preparation of the Bank parent company's stand-alone financial statements.

### Foreign exchange rates

	End of		Average in	
	2016	2015	2016	2015
1 USD / 1 CHF	1.02	0.99	0.99	0.96
1 EUR / 1 CHF	1.07	1.08	1.09	1.07
1 GBP / 1 CHF	1.26	1.47	1.34	1.47
100 JPY / 1 CHF	0.87	0.82	0.90	0.80

### Cash and other liquid assets

Cash and other liquid assets are recognized at their nominal value.

### Due from banks

Amounts due from banks, including interest due but not paid, are recognized at their nominal value less any necessary valuation adjustments.

### Due from customers and mortgage loans

Amounts due from customers and mortgage loans, including interest due but not paid, are recognized at their nominal value less any necessary valuation adjustments.

All customer loans are assessed individually for default risks and, where necessary, valuation adjustments are recorded in accordance with internal policies. These valuation adjustments take into account the value of the collateral and the financial standing of the borrower (counterparty risk). The Bank parent company evaluates many factors when determining valuation adjustments, including the volatility of default probabilities, rating changes, the magnitude of potential loss, internal risk ratings, and geographic, industry and other economic factors.

Valuation adjustments are netted with the corresponding assets.



### Trading assets and liabilities

In order to qualify as trading activity, positions (assets and liabilities) have to be actively managed with the objective to realize gains from fluctuations in market prices which includes an ongoing willingness to increase, decrease, close or hedge risk positions. Trading positions also include positions held with the intention of generating gains from arbitrage. The designation as trading position has to be made, and documented accordingly, upon conclusion of the transaction.

Trading securities are carried at ◯ fair value with changes in fair value recorded in the statements of income in net income/ (loss) from trading activities and fair value option. The fair value is determined using either the price set on a price-efficient and liquid market or a price calculated using a valuation model.

Interest and dividend income resulting from trading positions is recorded in gross income from interest activities. Refinancing costs are not charged to net income from trading activities and fair value option.

Reclassifications between trading assets, financial investments and participations are allowed. Such reclassifications are recorded at the fair value valid at the time when the decision to reclassify is made. Resulting gains or losses are recognized applying the same accounting principles as for the recognition of results from the disposal of such assets.

### Derivative financial instruments and hedge accounting

Derivative financial instruments consist of trading and hedging instruments.

◯ Positive and ◯ negative replacement values of outstanding derivative financial instruments arising from transactions for the Bank parent company's own account are disclosed as separate line items in the balance sheet, with related fair value changes recorded in net income from trading activities and fair value option.

Replacement values of derivative financial instruments arising from transactions for the account of customers are recognized only if a risk exists that a customer or other counterparty (e.g., exchange, exchange member, issuer of the instrument, broker) of a transaction is no longer able to meet its obligations resulting in an exposure to loss for the Bank parent company during the remaining term of the contract.

Hedge accounting is determined, tested for effectiveness and disclosed in accordance with US GAAP as allowed under Swiss GAAP statutory accounting rules. Derivative financial instruments used as hedging instruments in hedging relationships are always recorded at fair value.

For fair value hedges, to the extent these hedges are effective, the gains and losses resulting from the valuation of the hedging instruments are recorded in the same statements of income line items in which gains and losses from the hedged items are recognized. Gains and losses resulting from fair valuing the risk being hedged of the hedged items are not recorded as an adjustment to the carrying value of the hedged items but are recorded in the compensation account included in other assets or other liabilities.

Any changes in fair value representing hedging ineffectiveness are recorded in net income from trading activities and fair value option.

For cash flow hedges, to the extent these hedges are effective, gains and losses resulting from the valuation of the hedging instruments are deferred and recorded in the compensation account included in other assets or other liabilities. The deferred amounts are released and recorded in the statements of income in the same period when the cash flows from the hedged transactions or hedged items are recognized in earnings. Any changes in fair value representing hedging ineffectiveness are recorded in net income from trading activities and fair value option.

### Other financial instruments held at fair value and liabilities from other financial instruments held at fair value

Financial instruments which are not part of the trading portfolio may be measured at fair value and classified in other financial instruments held at fair value or liabilities from other financial instruments held at fair value if all of the following conditions are met:

- The financial instruments are valued at fair value and are subject to risk management corresponding to that for trading positions including a documented risk management and investment strategy which ensures appropriate recognition, measurement and limitation of the miscellaneous risks.
- An economic hedging relationship between the financial instruments on the asset side and the financial instruments on the liability side exists and gains and losses from the fair valuation of these financial instruments are largely offset (avoidance of an accounting mismatch).
- Impacts of changes in own credit spreads on the fair value of an issued debt instrument following initial recognition cannot be reflected in the statements of income. Impacts of changes in own credit spreads are recognized in the compensation account.

Changes in fair value are recorded in net income from trading activities and fair value option.

### Participations

Equity securities in a company, which are owned by the Bank parent company, qualify as a participation if these securities are held for the purpose of permanent investment, irrespective of the percentage of voting shares held, or, if these equity securities are in a banking and financial market infrastructure enterprise, in particular participations in joint organizations. Participations can be held by the Bank parent company in Switzerland and its foreign branches.

Participations are measured at acquisition cost less any impairments. Goodwill and intangible assets related to the acquisition of a participation are part of the participation's historical cost under Swiss GAAP statutory and not separately identified and recorded. For the purpose of impairment testing, the portfolio valuation method is applied. Impairment is assessed at each balance sheet date or at any point in time when facts and circumstances would indicate that an event has occurred which triggers an impairment

review. The amount of impairment, if any, is assessed on the level of the entire portfolio of participations and not individually for each participation. An impairment is recorded if the carrying value exceeds the fair value of the participation portfolio. If the fair value of participations recovers significantly and is considered sustainable, a prior period impairment can be reversed up to the historical cost value of the participations.

#### **Other assets and other liabilities**

Other assets and other liabilities are generally recorded at cost or nominal value. Other assets and other liabilities include the net balance of the compensation accounts. The compensation accounts are used to record the hedge effectiveness, impacts from changes in own credit spreads and deferred gains or losses from the sale of debt securities held-to-maturity.

Changes in the book values of assets and liabilities that are not recognized in the statements of income of a reporting period are recorded in the compensation account as assets or liabilities. The gross amounts of compensation account assets and liabilities are offset and reported net on the balance sheet either in other assets or in other liabilities.

#### **Due to banks**

Amounts due to banks are recognized at their nominal value.

#### **Customer deposits**

Amounts due in respect of customer deposits are recognized at their nominal value.

#### **Bonds and mortgage-backed bonds**

Bonds and mortgage-backed bonds are carried at amortized cost. Debt issuance costs are recorded in other assets and other liabilities, respectively.

#### **Provisions**

Provisions are recorded to cover specific risks related to a past event prior to the balance sheet date. Provisions represent a probable obligation for which amount and/or due date are uncertain but can be reasonably estimated. Where the time factor has a material impact, the amount of the provision is discounted.

Provisions which are no longer economically necessary and which are not used in the same reporting period to cover probable obligations of the same nature are released to income:

- tax provisions through line item taxes;
- provisions for pension benefit obligations and staff-related restructuring provisions through personnel expenses; and
- provisions for off-balance sheet related default risks and other provisions including litigation provisions through line item increase/(release) of provisions and other value adjustments, and losses.

#### **Commission income**

Commission income is recognized when arrangements exist, services have been rendered, the revenue is fixed or determinable and

collectability is reasonably assured. As applicable, commissions and fees are recognized ratably over the service period and either accrued or deferred in the balance sheet in the line items accrued income and prepaid expenses and accrued expenses and deferred income, respectively.

Commission income and commission expense are generally recorded on a gross basis in the statements of income.

#### **Income tax accounting**

Income taxes are based on the tax laws of each tax jurisdiction and are expensed in the period in which the taxable profits are made.

Tax provisions are recognized in the statements of income in line item taxes and included in provisions on the balance sheet.

In line with the accounting rules for single-entity statutory financial statements, deferred tax assets on net operating losses are not recognized. Deferred taxation items for temporary differences between the carrying value of an asset or a liability under Swiss GAAP statutory and the respective value for tax reporting, i.e., its tax base, are also not recognized.

#### **Extraordinary income and expense**

The recognition of extraordinary income or expense is limited to transactions which are non-recurring and non-operating, such as the disposal of fixed assets or participations, or income and expense related to other reporting periods if they account for the correction of errors with regard to non-operating transactions of prior periods.

#### **Contingent liabilities and irrevocable commitments**

Contingent liabilities are recorded as off-balance sheet transactions at their maximum potential payment amounts. Irrevocable commitments are recorded as off-balance sheet transactions at their nominal values, except for irrevocable commitments with a remaining maturity of less than six weeks which are excluded from the disclosure. As necessary, related provisions are recorded on the balance sheet in line item provisions.

#### **Capital adequacy disclosures**

Capital adequacy disclosures for the Group and the Bank parent company are presented in the publications "Pillar 3 and regulatory disclosures – Credit Suisse Group AG" and "Regulatory disclosures – Subsidiaries", respectively, which will be available on the Group's website [www.credit-suisse.com/regulatorydisclosures](http://www.credit-suisse.com/regulatorydisclosures).

#### **New accounting policies to be adopted in future periods**

##### **Individual valuation of participations**

Under the revised Banking Ordinance of April 30, 2014, which entered into force on January 1, 2015, certain regulations, such as the individual valuation of participations, tangible fixed assets and intangible assets are subject to transitional provisions until the full implementation of the regulation effective January 1, 2020. The requirements regarding individual valuation of tangible fixed assets and intangible assets are met by the Bank parent company's

current accounting policies. For participations, the Bank parent company is currently assessing the impact of a change in valuation principle from the portfolio valuation method to the individual valuation method. It has not yet elected the adoption date for this new valuation principle.

As of December 31, 2016, the carrying value of participations included total unrealized losses on certain participations of CHF 8,538 million, which were netted with unrealized gains on other participations of the same amount in accordance with the portfolio method applied under the current accounting policy.

### 3 Risk management, use of derivative financial instruments and hedge accounting

#### Risk management

Fundamental to the Bank parent company and its subsidiaries' (Bank) business is the prudent taking of risk in line with its strategic priorities. The primary objectives of risk management are to protect the Bank's financial strength and reputation, while ensuring that capital is well deployed to support business activities and grow shareholder value. The Bank's risk management framework is based on transparency, management accountability and independent oversight. Risk management is an integral part of the Bank's business planning process with strong involvement of senior management and the Board of Directors (Board).

#### Risk governance

The Bank's risk governance framework is based on a "three lines of defense" governance model, where each line has a specific role and defined responsibilities and works in close collaboration to identify, assess and mitigate risks.

The first line of defense is the front office, which is responsible for pursuing suitable business opportunities within the strategic risk objectives and compliance requirements of the Bank, and has primary responsibility for ensuring compliance with relevant legal and regulatory requirements and internal controls.

The second line of defense is separate from the front office and acts as an independent control function, responsible for reviewing and challenging front office activities and producing independent management information and risk management reporting for senior management and regulatory authorities. The second line of defense includes functions such as risk management, legal, compliance and product control. It articulates standards and expectations for the management of risk and effectiveness of controls, including advising on applicable legal and regulatory requirements as well as preparing and issuing related policies, and monitors compliance with these policies.

The third line of defense is the internal audit function, which monitors the effectiveness of controls across various functions and operations, including risk management and governance practices.

Risk management of the Bank is aligned to the overall risk management governance of the Group. All members of the Board and the Executive Board of the Bank are also members of the Board and the Executive Board of the Group. The Bank's governance includes a committee structure and a comprehensive set of corporate policies which are developed, reviewed and approved by the Board, the Executive Board, their respective committees and the Group Chief Risk Officer (CRO), in accordance with their respective responsibilities and levels of authority.

#### Board of Directors

The Board is responsible for the Bank's strategic direction, supervision and control, and for defining the Bank's overall tolerance for risk in the form of a risk appetite statement and overall risk limits. Overall risk limits are set by the Board in consultation with its Risk Committee.

The Risk Committee is responsible for assisting the Board in fulfilling its oversight responsibilities by providing guidance regarding risk governance and the development of the Bank's risk profile and capital adequacy, including the regular review of major risk exposures and overall risk limits.

The Audit Committee is responsible for assisting the Board in fulfilling its oversight responsibilities by monitoring management's approach with respect to financial reporting, internal controls, accounting and legal and regulatory compliance. Additionally, the Audit Committee is responsible for monitoring the independence and performance of internal and external auditors.

#### Executive Board

The Executive Board is responsible for developing and implementing the Bank's strategic business plans, subject to approval by the Board. It further reviews and coordinates significant initiatives for the risk management function and establishes Bank-wide risk policies. The Group CRO is a member of the Executive Board and represents the risk management function.

#### Executive Board committees

The Capital Allocation & Risk Management Committee (CARMC) is responsible for supervising and directing the Bank's risk profile, recommending risk limits at the Bank level to the Risk Committee and the Board, establishing and allocating risk limits among the various businesses, and for developing 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 reviews risk exposures and concentrations, defines and implements risk management strategies for the Bank businesses and sets and approves risk limits within approved Board limits and other appropriate measures to monitor and manage the risk portfolio within the various Bank businesses. In the market & credit risk cycle, the credit portfolio & provisions review committee, a sub-committee of CARMC, reviews the quality of the credit portfolio with a focus on

the development of impaired assets and the assessment of related provisions and valuation allowances. The internal control systems cycle monitors and analyzes significant legal and compliance risks, reviews and approves the business continuity program's alignment with the corporate strategy on an annual basis, sets limits, caps and triggers on specific businesses to control significant operational risk exposure, and reviews and assesses the appropriateness and efficiency of the internal control systems, particularly with regards to valuation risks and the new business approval process.

The Valuation Risk Management Committee (VARMC) is responsible for establishing policies regarding the valuation of certain material assets and the policies and calculation methodologies applied in the valuation process.

The Risk Processes & Standards Committee (RPSC) reviews major risk management processes, issues general instructions, standards and processes concerning risk management, approves material changes in market, credit and operational risk management standards, policies and related methodologies, and approves the standards of the Bank's internal models used for calculating regulatory capital requirements.

The Reputational Risk & Sustainability Committee (RRSC) sets policies and reviews processes and significant cases relating to reputational risks and sustainability issues. It also ensures compliance with the Bank's reputational and sustainability policies and oversees their implementation.

### Risk appetite framework

The Bank maintains a comprehensive Bank-wide risk appetite framework, which is governed by a global policy and provides a robust foundation for risk appetite setting and management across the Bank. A key element of the framework is a detailed statement of the Board-approved risk appetite which is aligned to the Bank's financial and capital plans. The framework also encompasses the processes and systems for assessing the appropriate level of risk appetite required to constrain the Bank's overall risk profile.

The Bank risk appetite framework is governed by an overarching global policy that encompasses the suite of specific policies, processes and systems with which the risk controls are calibrated and the risk profile is managed. The framework is guided by the following strategic risk objectives:

- maintaining Bank-wide capital adequacy above minimum regulatory requirements under both normal and stressed conditions;
- promoting stability of earnings to support performance in line with financial objectives;
- ensuring sound management of liquidity and funding risk in normal and stressed conditions;
- proactively controlling concentration risks;
- managing operational risk to ensure sustainable performance;
- minimizing reputational risk; and
- managing and controlling business conduct risk.

Bank-wide risk appetite is determined in partnership with the financial and capital planning process on an annual basis, based on bottom-up forecasts that reflect planned risk-usage by the

businesses and top-down, Board-driven strategic risk objectives and risk appetite. Scenario stress testing of financial and capital plans is an essential element in the risk appetite calibration process as a key means through which the Bank's strategic risk objectives, financial resources and business plans are aligned. The capital plans are also analyzed using the Bank's economic capital coverage ratio, which provides a further means of assessing bottom-up risk plans with respect to available capital resources. The risk appetite is approved through a number of internal governance forums, including joint approval by both the Group CRO and the Chief Financial Officer (CFO), the Risk Appetite Review Committee (a sub-committee of CARMC), CARMC, the Risk Committee and, subsequently, by the Board.

The risk appetite statement is the formal plan, approved by the Board, for Bank-wide risk appetite. Key divisional allocations are cascaded from the Bank and approved in divisional risk management committees. Legal entity risk appetites are allocated from the Bank and are approved by the local legal entity board of directors.

A core aspect of the Bank's risk appetite framework is a sound system of integrated risk controls to maintain the Bank's risk profile within their overall risk appetites. Controls are classified according to type and authority, with the principal control types comprising limits, guidelines and tolerances. The risk controls restrict the Bank's maximum balance sheet and off-balance sheet exposure given the market environment, business strategy and financial resources available to absorb losses.

### Risk coverage and management

The Bank uses a wide range of risk management practices to address the variety of risks that arise from its business activities. Policies, limits, guidelines, processes, standards, risk assessment and measurement methodologies, and risk monitoring and reporting are key components of its risk management practices. The Bank's risk management practices complement each other in the Bank's analysis of potential loss, support the identification of interdependencies and interactions of risks across the organization and provide a comprehensive view of its exposures. The Bank regularly reviews and updates its risk management practices to ensure consistency with its business activities and relevance to its business and financial strategies.

The key risk types, their definitions and key risk evaluation methods are summarized in the table "Key risk types overview".

It is important both to evaluate each risk type separately and assess the risk types' combined impact on the Bank, which helps ensure that the Bank's overall risk profile remains within the Bank-wide risk appetite.

The primary evaluation methods used to assess Bank-wide quantifiable risks include economic risk capital and stress testing.

### Economic risk capital

Economic risk capital is used as a consistent and comprehensive tool for capital management, limit monitoring and performance management. Economic risk capital is the core Bank-wide risk management tool for measuring and reporting the combined

impact from quantifiable risks such as market, credit, operational, pension, expense and model risks, each of which has an impact on the Bank's capital position.

Under the Basel framework, the Bank is required to maintain a robust and comprehensive framework for assessing capital adequacy, defining internal capital targets and ensuring that these capital targets are consistent with its overall risk profile and the current operating environment. The Bank's economic risk capital model

represents its internal view of the amount of capital required to support its business activities.

During 2016, 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 a suite of metrics and models that better assess, monitor and manage capital adequacy and solvency risk in severe stress events such as business recovery or resolution.

## Key risk types overview

Key risk types and definition	Key risk evaluation methods
<b>Liquidity and funding risks:</b> The risk that the Bank does not have the appropriate amount of funding and liquidity to meet its obligations.	Liquidity coverage ratio, net stable funding ratio, liquidity barometer, stress testing
<b>Market risk:</b> The risk of financial loss from adverse changes in market prices, including interest rates, credit spreads, foreign exchange, 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
<b>Credit risk:</b> 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
<b>Operational risk:</b> The risk of financial loss arising from inadequate or failed internal processes, people or systems, or from external events.	Risk and control self-assessments, risk and control indicators, internal and external incident data, economic risk capital, stress testing
<b>Technology risk:</b> The risk that technology-related failures, such as services outages or information security incidents, may disrupt business.	
<b>Legal, compliance, regulatory and conduct risks:</b> Legal risk is the risk of loss or any other material adverse impact arising from circumstances including the failure to comply with legal obligations, the making of legal challenge or claim against the Bank and the Bank's inability to enforce legal rights. Compliance and regulatory risk is the risk from the failure to comply with laws, regulations, rules or market standards, and also includes the risk of negative effects on activities and strategic initiatives of the Bank. Conduct risk is the risk that improper behavior or judgment results in negative financial, non-financial and/or reputational harm to clients, employees or the Bank, or damage to the integrity of the financial markets.	<ul style="list-style-type: none"> <li>■ A comprehensive assessment for these risk types is performed both periodically and event-driven.</li> <li>■ The results of the analysis impact management actions such as strategy adjustments, tactical measures, policy adjustments, event-driven crisis guidelines, staff training and individual performance measurement.</li> <li>■ The risk management actions include both precautionary activities to manage risk and issue resolution activities to recover from adverse developments.</li> </ul>
<b>Reputational risk:</b> The risk that negative perception by stakeholders of the Bank may adversely impact client acquisition and damage its business relationships with clients and counterparties, affecting staff morale and reducing access to funding sources.	
<b>Fiduciary risk:</b> The risk of financial loss arising when the Bank or its employees, acting in a fiduciary capacity as trustee, investment manager or as mandated by law, do not act in the best interest of the client in connection with the advice and management of its client's assets including from a product-related market, credit, liquidity and operational risk perspective.	
<b>Strategic risk:</b> The risk of financial loss or reputational damage arising from inappropriate strategic decisions, ineffective implementation of business strategies or an inability to adapt business strategies in response to changes in the business environment.	

### Stress testing

Stress testing or scenario analysis provides an additional approach to risk management and formulates hypothetical questions, including what would happen to the Bank's portfolio if, for example, historic or adverse forward-looking events were to occur.

Stress testing is a fundamental element of the Bank-wide risk appetite framework included in overall risk management to ensure that the Bank's financial position and risk profile provide sufficient resilience to withstand the impact of severe economic conditions. Stress testing results are monitored against limits, used in risk appetite discussions and strategic business planning, and to support the Bank's internal capital adequacy assessment. Within the risk appetite framework, CARMC sets Bank-wide stressed position loss limits to correspond to minimum post-stress capital ratios.

### Liquidity and funding risks

The Bank's liquidity and funding profile reflects its strategy and risk appetite and is driven by business activity levels and the overall operating environment. The liquidity and funding strategy is approved by CARMC and overseen by the Board. The implementation and execution of the funding and liquidity strategy is managed by the treasury function. The treasury function ensures adherence to the funding policy and the efficient coordination of the secured funding desks. This approach enhances the Bank's ability to manage potential liquidity and funding risks and to promptly adjust its liquidity and funding levels to meet stress situations. The Bank's liquidity and funding profile is regularly reported to CARMC and the Board, who define the Bank's risk tolerance, including liquidity risk, and set parameters for the balance sheet and funding usage of its businesses.



**Market risk**

A typical transaction or position in financial instruments may be exposed to a number of different market risks. The Bank's trading (trading book) and non-trading (banking book) business activities have different sources of market risk. The classification of assets into trading book and banking book portfolios determines the approach for analyzing the Bank's market risk exposure. This classification reflects the business and risk management perspective and may be different from the classification of these assets for financial reporting purposes.

Market risks from the trading book primarily relate to the trading activities in the Bank's investment banking businesses.

Market risks from the banking book primarily relate to asset and liability mismatch exposures, equity participations and investments in bonds and money market instruments. The Bank's businesses and the treasury function have non-trading portfolios that carry market risks, mainly related to changes in interest rates but also to changes in foreign exchange rates, equity prices and, to a lesser extent, commodity prices.

The Bank uses market risk measurement and management methods capable of calculating comparable exposures across its many activities and focused tools that can model unique characteristics of certain instruments or portfolios. The tools are used for internal market risk management, internal market risk reporting and external disclosure purposes. The Bank's principal market risk measurement is ◉ value-at-risk (VaR). In addition, the Bank's market risk exposures are reflected in scenario analysis, as included in the stress testing framework, ◉ position risk, as included in economic risk capital, and sensitivity analysis. Each evaluation method aims to estimate the potential loss that the Bank can incur due to an adverse market movement over a defined holding period with a specified confidence level. VaR, scenario analysis, position risk and sensitivity analysis complement each other in the Bank's market risk assessment and are used to measure market risk at the level of the Bank. For example, interest rate risk for banking book positions is measured by estimating the impact resulting from a one basis point parallel increase in yield curves on the ◉ fair value of interest rate-sensitive banking book positions and other measures including the potential value change resulting from a significant change in yield curves.

In the banking book, savings accounts and many other retail banking products have no contractual maturity date or direct market-linked interest rate and are risk-managed on a pooled basis using replication portfolios on behalf of the private banking, corporate and institutional businesses. The replication portfolios approximate the interest rate characteristics of the underlying products. This particular source of market risk is monitored on a daily basis. The treasury function is responsible for the modeling and monitoring of the replication portfolios.

**Credit risk**

The majority of the Bank's credit risk is concentrated in the private banking, corporate and institutional as well as investment banking businesses. Credit risk arises from lending products, irrevocable

loan commitments, credit guarantees and letters of credit, and results from counterparty exposure arising from ◉ derivatives, foreign exchange and other transactions.

Effective credit risk management is a structured process to assess, measure, monitor and manage risk on a consistent basis. This requires careful consideration of proposed extensions of credit, the setting of specific limits, monitoring during the life of the exposure, active use of credit mitigation tools and a disciplined approach to recognizing credit impairment.

The Bank's credit risk management framework covers virtually all of the Bank's credit exposure and includes the following core components:

- individual counterparty rating systems;
- transaction rating systems;
- a counterparty credit limit system;
- country concentration limits;
- industry concentration limits;
- product limits;
- risk-based pricing methodologies;
- active credit portfolio management; and
- a credit risk provisioning methodology.

The Bank employs a set of credit ratings for the purpose of internally rating counterparties to whom it is exposed to credit risk as the contractual party, including with respect to loans, loan commitments, securities financings or ◉ over-the-counter (OTC) derivative contracts. Credit ratings are intended to reflect the risk of default of each counterparty. Ratings are assigned based on internally developed rating models and processes, which are subject to governance and internally independent validation procedures. The Bank's internal ratings may differ from a counterparty's external ratings, if one is available. Internal ratings for consumer loans and for corporates managed on the Swiss platform are regularly reviewed depending on loan type, client segment, collateral or event-driven developments. Internal ratings for all other corporate and institutional credit facilities are reviewed at least annually. 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) is assigned to each facility. These three parameters are primarily derived from internally developed statistical models that have been backtested against internal experience, validated by a function independent of the model owners on a regular basis and approved by the Bank's main regulators for application in the regulatory capital calculation in the ◉ advanced internal ratings-based approach (A-IRB) under the Basel framework.

Credit limits are used to manage individual counterparty credit risk. A system of limits is also established to address concentration risk in the portfolio, including a comprehensive set of country limits and limits for certain products and industries. In addition, credit risk concentration is regularly supervised by credit and risk management committees, taking current market conditions and trend analysis into consideration. A rigorous credit quality review process

provides an early identification of possible changes in the creditworthiness of clients and includes regular asset and collateral quality reviews, business and financial statement analysis, and relevant economic and industry studies. Regularly updated watch lists and review meetings are used for the identification of counterparties that could be subject to adverse changes in creditworthiness.

#### *Default risks, impairments and credit risk provisioning methodology*

The Bank's regular review of the credit quality of clients and counterparties does not depend on the accounting treatment of the asset or commitment. The appropriateness of allowances for credit losses is regularly reviewed. Impaired transactions are further classified as potential problem exposure, non-performing exposure, non-interest-earning exposure or restructured exposure, and the exposures are generally managed within credit recovery units. At the level of the Bank, the credit portfolio & provisions review committee regularly determines the adequacy of allowances.

The Bank maintains specific valuation allowances on loans valued at amortized cost, which are considered a reasonable estimate of losses identified in the existing credit portfolio. Provisions for loan losses are established based on a regular and detailed analysis of all counterparties, taking collateral value into consideration. If uncertainty exists as to the repayment of either principal or interest, a specific valuation allowance is either created or adjusted accordingly. The specific allowance for loan losses is revalued by credit risk management at least annually or more frequently depending on the risk profile of the borrower or credit relevant events.

An inherent loss allowance is estimated for all loans not specifically identified as impaired and that, on a portfolio basis, are considered to contain inherent losses. Inherent losses in the Bank's lending portfolios related to the private banking and wealth management businesses are determined based on current internal risk ratings, collateral and exposure structure, applying historical default and loss experience in the ratings and loss parameters. In the Bank's investment banking businesses, inherent losses on loans are estimated 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. Qualitative adjustments to reflect current market conditions or any other factors not captured by the model are approved by management and reflected in the allowance for loan losses. A provision for inherent losses on off-balance sheet lending-related exposure, such as contingent liabilities and irrevocable commitments, is also determined, using a methodology similar to that used for the loan portfolio.

#### *Risk mitigation*

The Bank actively manages its credit exposure utilizing credit hedges, collateral and guarantees. Collateral is security in the form of an asset, which serves to mitigate the inherent risk of credit loss and to improve recoveries in the event of a default.

The policies and processes for collateral valuation and management are driven by legal documentation that is agreed with the Bank's counterparties and an internally independent collateral management function.

For credit portfolios collateralized by marketable securities, collateral is valued daily, except as agreed otherwise in contracts or other legal documentation. The mark-to-market prices used for valuing collateral are a combination of Bank-internal and market prices sourced from trading platforms and service providers, as appropriate. The management of collateral is standardized and centralized to ensure complete coverage of traded products.

For the mortgage lending portfolio in the private banking, corporate and institutional businesses, real estate property is valued at the time of credit approval and periodically thereafter, according to the Bank's internal policies and controls, depending on the type of loan (e.g., residential or commercial loan), characteristics of the borrower, current developments in the relevant real estate market and the current level of credit exposure to the borrower (loan-to-value ratio). If the credit exposure to a borrower has changed significantly, in volatile markets or in times of increasing general market risk, collateral values may be appraised more frequently. Management judgment is applied in assessing whether markets are volatile or general market risk has increased to a degree that warrants a more frequent update of collateral values. Movements in monitored risk metrics that are statistically different compared to historical experience are considered in addition to analysis of externally-provided forecasts, scenario techniques and macro-economic research. For impaired loans, the fair value of collateral is determined within 90 days of the date the impairment was identified and thereafter annually or more frequently by credit risk management within the impairment review process.

The primary types of collateral 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 in the private banking, corporate and institutional businesses (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.

#### *Operational risk*

Operational risk is inherent in most aspects of the Bank's business, including the systems and processes that support its activities. It comprises a large number of disparate risks that can manifest in a variety of ways. Particularly relevant examples of operational risk include the risk of fraudulent transactions, trade processing errors, business disruptions, failures in regulatory compliance, defective transactions, and unauthorized trading events. Operational risk can arise from human error, inappropriate conduct, failures in systems, processes and controls, or natural and man-made disasters.



The diverse nature and wide extent of operational risk makes it inherently difficult to measure. The Bank believes that effective management of operational risk requires a common Bank-wide operational risk framework that focuses on the early identification, recording, assessment, monitoring, prevention and mitigation of operational risks, as well as timely and meaningful management reporting. The Bank started to introduce its current operational risk framework in 2013, which improved the integration of previously separate operational risk processes, providing a more coherent approach to managing all aspects of the operational risk landscape. Over the past four years, the Bank has redesigned the framework, introducing new components and upgrading existing components with a particular focus on ensuring that the components work well together. The operational risk framework provides a structured approach to managing operational risk. It seeks to apply consistent standards and techniques for evaluating risks across the Bank while providing individual businesses with sufficient flexibility to tailor specific components to their own needs, as long as they meet Bank-wide minimum standards.

In addition to managing and mitigating operational risks under the operational risk framework through business- and risk-related processes and organization, the Bank also transfers the risk of potential loss from certain operational risks to third-party insurance companies in certain instances.

The Bank has used an internal model to calculate the regulatory capital requirement for operational risk under the ► advanced measurement approach since 2008. In 2014, it introduced an enhanced internal model that incorporated developments regarding operational risk measurement methodology and associated regulatory guidance. The revised model for calculating the regulatory capital requirement for operational risk was approved by ► FINMA with effect from January 1, 2014. In 2016, the Bank continued the maintenance of its model methodology in order to ensure that it remains appropriate to capture the Bank's operational risk profile. The Bank also continued the process of aligning the output of the operational risk model with other key components of the operational risk framework as well as ensuring consistency with the stress scenario framework developed for enterprise-wide risk management purposes.

Each individual business area takes responsibility for its operational risks and the provision of adequate resources and procedures for the management of those risks. Businesses are supported by designated operational risk teams who are responsible for the implementation of the operational risk management framework, methodologies, tools and reporting within their areas as well as working with management on any operational risk issues that arise. The operational risk management function is responsible for the overall design of the operational risk management framework, for operational risk capital modeling and for providing assistance and challenge to business line operational risk teams. Operational risk exposures, metrics, issues and remediation efforts are discussed at the quarterly CARMC meetings covering operational risk and at divisional risk management committees, which have senior staff representatives from all the relevant functions.

#### Technology risk

As a component of operational risk, technology risk is inherent not only in the Bank's information technology assets, but also in the people and processes that interact with them. Cyber risk, which is part of technology risk, is the risk that the Bank's systems will not operate properly or will be compromised as a result of cyberattacks, security breaches, unauthorized access, loss or destruction of data, unavailability of service, computer viruses or other events that could have an adverse security impact.

Technology risks are managed through the Bank's technology risk management program, business continuity management plan and business contingency and resiliency plans. Although the Bank has these plans in place, its businesses face a wide variety of technology risks, including those arising from cyberattacks as well as dependencies on third-party suppliers and the worldwide telecommunications infrastructure. The Bank operates in a complex technological landscape covering its diverse business model. Ensuring that the confidentiality, integrity and availability of information assets are protected is critical to its operations.

#### Legal, compliance, regulatory and conduct risks

Legal risk is the risk of loss or imposition of damages, fines, penalties or other liability or any other material adverse impact arising from circumstances including the failure to comply with legal obligations, whether contractual, statutory or otherwise, changes in enforcement practices, the making of a legal challenge or claim against the Bank, its inability to enforce legal rights or the failure to take measures to protect its rights.

Compliance and regulatory risk is the risk that results from the failure to comply with laws, regulations, rules or market standards that may have a negative effect on the Bank's franchise and clients it serves. It includes the risk that changes in laws, regulations, rules or market standards may limit the Bank's activities and have a negative effect on its business or its ability to implement strategic initiatives, or can result in an increase in operating costs for the business or make its products and services more expensive for clients.

Conduct risk is the risk that improper behavior or judgment by the Bank's employees or representatives results in negative financial, non-financial, and/or reputational harm to its clients, its employees or the Bank, or damage to the integrity of the financial markets. Conduct risk may arise from a wide variety of activities and types of behaviors of a business and personal nature. A firm-wide definition of expectations relating to the conduct of the Bank's employees and representatives helps to ensure that the Bank has a common understanding of and is consistently managing, minimizing, and mitigating its conduct risk and further promotes standards of responsible conduct and ethics in its employees. Managing conduct risk includes consideration of the risks generated by each business and the strength of the associated mitigating controls. Conduct risk is also assessed by reviewing and learning from past incidents within the Bank and at other firms in the financial services sector. Furthermore, the Group's Code of Conduct provides a clear statement of the ethical values and

professional standards expected of employees and representatives across the Bank as a basis for maintaining and strengthening the Group's reputation for integrity, fair dealing and measured risk-taking.

As part of the Bank's risk framework, legal, compliance, regulatory and conduct risks fall within the definition of operational risk. Management of these risks is the responsibility of all its employees.

#### Reputational risk

Reputational risk may arise from a variety of sources, including the nature or purpose of a proposed transaction or service, the identity or activity of a controversial 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.

The Bank's policy is to avoid any action, transaction or client relationship that involves the risk of an unacceptable level of damage to its reputation. The Bank has a number of measures to mitigate potential reputational risk.

Reputational risk potentially arising from proposed business transactions and client activity is assessed in the reputational risk review process. The policy requires employees to be conservative when assessing potential reputational impact and, where certain indicators give rise to potential reputational risk, the relevant business proposal or service must be submitted through the reputational risk review process.

The RRSC, on a global level, and the reputational risk committees, on a divisional or legal entity level, are the governing bodies responsible for the oversight and active discussion of reputational risk and sustainability issues. At the Board level, the Risk Committee and Audit Committee jointly assist the Board in fulfilling its reputational risk oversight responsibilities by reviewing and approving the Bank's risk appetite framework as well as assessing the adequacy of the management of reputational risks.

#### Fiduciary risk

Monitoring investment performance and measuring risks across discretionary client portfolios is central to the Bank's oversight program. This program targets daily, monthly or quarterly monitoring of all portfolio management activities with independent analysis provided to senior management. Formal review meetings are in place to ensure that investment performance and risks are in line with expectations and adequately supervised.

#### Strategic risk

A wide variety of financial, risk, client and market analyses are used by the Bank to monitor the effectiveness of its strategies and the performance of its businesses against their strategic objectives. These include an analysis of current and expected operating

conditions, an analysis of current and target market positioning, and detailed scenario planning.

Strategic plans are developed by each division annually and aggregated into a Bank plan, which is reviewed by the CRO, CFO and Chief Executive Officer (CEO) before presentation to the Executive Board. Following approval by the Executive Board, the Bank plan is submitted for review and approval to the Board. In addition, there is an annual strategic review at which the Board evaluates the Bank's performance against strategic objectives and sets the overall strategic direction for the Bank. From time to time, the Board and the Executive Board conduct more fundamental in-depth reviews of the Bank's strategy.

► Refer to "Strategy" in I – Information on the company for further information.

### Use of derivative financial instruments and hedge accounting

#### Business policy for use of derivative financial instruments

Derivatives are generally either privately negotiated OTC contracts or standard contracts transacted through regulated exchanges. The Bank parent company's most frequently used freestanding derivative products, entered into for trading and risk management purposes, include interest rate, credit default and cross-currency swaps, interest rate and foreign exchange options, foreign exchange forward contracts and foreign exchange and interest rate futures.

On the date a derivative contract is entered into, the Bank parent company designates it as belonging to one of the following categories: trading activities; a risk management transaction that does not qualify as a hedge under accounting standards (referred to as an economic hedge); a hedge of the fair value of a recognized asset or liability; or a hedge of the variability of cash flows to be received or paid relating to a recognized asset or liability or a forecasted transaction.

#### Economic hedges

Economic hedges arise when the Bank parent company enters into derivative contracts for its own risk management purposes, but the contracts entered into do not qualify for hedge accounting. These economic hedges include the following types:

- interest rate derivatives to manage net interest rate risk on certain core banking business assets and liabilities;
- foreign exchange derivatives to manage foreign exchange risk on certain core banking business revenue and expense items, core banking business assets and liabilities; as well as selected foreign participations against adverse movements in foreign exchange rates;
- credit derivatives to manage credit risk on certain loan portfolios; and
- futures to manage risk on equity positions including convertible bonds.

Derivatives used in economic hedges are included as trading assets or trading liabilities in the balance sheets.

Hedge accounting

Hedge accounting for the Bank parent company is determined, recorded and disclosed in accordance with US GAAP as allowed under Swiss GAAP statutory accounting rules.

► Refer to “Note 13 – Derivative financial instruments” for further information on hedge accounting.

Fair value hedges

The Bank parent company designates fair value hedges as part of an overall interest rate risk management strategy that incorporates the use of derivative instruments to minimize fluctuations in earnings that are caused by interest rate volatility. In addition to hedging changes in fair value due to interest rate risk associated with fixed rate loans, ► repurchase agreements and long-term debt instruments, the Bank parent company uses:

- cross-currency swaps to convert foreign-currency-denominated fixed rate assets or liabilities to floating rate functional currency assets or liabilities; and
- foreign exchange forward contracts to hedge the foreign exchange risk associated with available-for-sale securities.

Cash flow hedges

The Bank parent company designates cash flow hedges as part of its strategy to mitigate its risk to variability of cash flows on loans,

deposits and other debt obligations by using interest rate swaps to convert variable rate assets or liabilities to fixed rates. The Bank parent company also uses cross-currency swaps to convert foreign-currency-denominated fixed and floating rate assets or liabilities to fixed rate assets or liabilities based on the currency profile to which the Bank parent company elects to be exposed. Further, the Bank parent company uses derivatives to hedge its cash flows associated with forecasted transactions.

Hedge effectiveness assessment

The Bank parent company assesses the effectiveness of hedging relationships both prospectively and retrospectively. The prospective assessment is made both at the inception of a hedging relationship and on an ongoing basis, and requires the Bank parent company to justify its expectation that the relationship will be highly effective over future periods. The retrospective assessment is also performed on an ongoing basis and requires the Bank parent company to determine whether or not the hedging relationship has actually been effective. If the Bank parent company concludes, through a retrospective evaluation, that hedge accounting is appropriate for the current period, then it measures the amount of hedge ineffectiveness to be recognized in earnings.

4 Net income from interest activities

Negative interest

Negative interest income is debited to interest income and negative interest expense is credited to interest expense.

Negative interest income and expense

in	2016	2015
<b>Negative interest income and expense (CHF million)</b>		
Negative interest income debited to interest income	(173)	(93)
Negative interest expenses credited to interest expense	137	119

## 5 Net income/(loss) from trading activities and fair value option

in	2016	2015
<b>Net income/(loss) from trading activities and fair value option by risk of underlying instruments (CHF million)</b>		
Interest rate instruments <sup>1</sup>	640	286
Equity instruments <sup>1</sup>	(1,074)	(303)
Foreign exchange	(662)	706
Precious metals	129	42
Commodities <sup>2</sup>	(7)	(84)
Credit instruments	(1,405)	(244)
Other instruments	(29)	(57)
<b>Net income/(loss) from trading activities and fair value option</b>	<b>(2,408)</b>	<b>346</b>
of which net income/(loss) from fair value option	(174)	4,820
of which net income/(loss) from fair value option on liabilities	(174)	4,820

<sup>1</sup> Includes trading income/(loss) from related fund investments.

<sup>2</sup> Includes energy products.

Trading activities at the Bank parent company level are only monitored and managed for entity-specific capital adequacy purposes and are not measured along divisional or individual business lines.

The trading activities of the divisions or individual businesses are only monitored and managed at the Group level based on US GAAP metrics.

## 6 Personnel expenses

in	2016	2015
<b>Personnel expenses (CHF million)</b>		
Salaries	2,849	3,429
of which variable compensation expenses	446	526
Social benefit expenses	598	630
of which pension and other post-retirement expenses	387	396
Other personnel expenses	129	140
<b>Personnel expenses</b>	<b>3,576</b>	<b>4,199</b>

## 7 General and administrative expenses

in	2016	2015
<b>General and administrative expenses (CHF million)</b>		
Occupancy expenses	288	365
Information and communication technology expenses	220	219
Furniture and equipment	40	40
Fees to external audit companies	30	29
of which fees for financial and regulatory audits <sup>1</sup>	29	27
of which fees for other services	1	2
Other operating expenses	2,528	2,445
<b>General and administrative expenses</b>	<b>3,106</b>	<b>3,098</b>

<sup>1</sup> Represents total fees for financial statement, regulatory and related audit services paid by legal entity Credit Suisse AG to external audit companies.

## 8 Increase/(release) of provisions and other valuation adjustments, losses and extraordinary income and expenses

### Increase/(release) of provisions and other valuation adjustments, and losses

in	2016	2015
<b>Increase/(release) of provisions and other valuation adjustments, and losses (CHF million)</b>		
Increase/(release) of provisions	77 <sup>1</sup>	447 <sup>2</sup>
Other losses	9	14
<b>Increase/(release) of provisions and other valuation adjustments, and losses</b>	<b>86</b>	<b>461</b>

<sup>1</sup> Primarily related to increases in off-balance sheet provisions and litigation provisions.

<sup>2</sup> Primarily related to increases in litigation provisions.

### Extraordinary income and expenses

in	2016	2015
<b>Extraordinary income (CHF million)</b>		
Gains realized from the disposal of participations	39 <sup>1</sup>	84 <sup>2</sup>
Gains realized from the disposal of tangible fixed assets <sup>3</sup>	484	108
Other extraordinary income	0	251 <sup>4</sup>
<b>Extraordinary income</b>	<b>523</b>	<b>443</b>
<b>Extraordinary expenses (CHF million)</b>		
Losses realized from the disposal of participations	0	(24) <sup>5</sup>
<b>Extraordinary expenses</b>	<b>0</b>	<b>(24)</b>

<sup>1</sup> Primarily related to the sale and liquidation of two subsidiaries.

<sup>2</sup> Primarily related to the share buyback of Euroclear and the liquidation of a subsidiary and an investment fund.

<sup>3</sup> Includes realized gains from the sale of real estate (bank premises).

<sup>4</sup> Reflects the impact from the recognition of intangible assets previously not recorded that have been sold subsequently.

<sup>5</sup> Primarily related to the liquidation of two participations.

## 9 Taxes

in	2016	2015
<b>Taxes (CHF million)</b>		
<b>Income tax (expense)/benefit</b>	<b>(300)</b>	<b>(441)</b>
of which current income tax (expense)/benefit	(300)	(240)
of which deferred income tax (expense)/benefit <sup>1</sup>	–	(201)
<b>Non-income-based taxes (expense)/benefit <sup>2</sup></b>	<b>(104)</b>	<b>(156)</b>
<b>Taxes</b>	<b>(404)</b>	<b>(597)</b>

<sup>1</sup> With the adoption of the new accounting guidance for Swiss banks the Bank parent company has changed its tax accounting policy and no longer recognizes deferred tax assets and deferred tax liabilities on temporary differences. All remaining balances of deferred tax assets and deferred tax liabilities as of January 1, 2015 have been released.

<sup>2</sup> Includes capital taxes and other non-income based taxes such as UK bank levy expenses.

For the financial year ended December 31, 2016, the average tax rate, defined as income tax expense divided by the sum of profit before income tax, was (12)%, compared to (18)% in 2015. Income tax expense for the financial year ended December 31, 2016 reflected a benefit of CHF 167 million from the utilization of

tax losses carried forward. For 2015, a benefit of CHF 14 million from the utilization of tax losses carried forward was reflected in the income tax expense. The calculation is based on statutory tax rates applied to the taxable profit against which tax loss carry forwards were utilized.

## 10 Assets and liabilities from securities lending and borrowing, repurchase and reverse repurchase agreements

end of	2016	2015
<b>On-balance sheet (CHF million)</b>		
Carrying value of receivables from cash collateral paid for securities borrowed and reverse repurchase agreements – gross	40,800	26,660
Impact from master netting agreements	(17)	(2,488)
<b>Carrying value of receivables from cash collateral paid for securities borrowed and reverse repurchase agreements – net</b>	<b>40,783</b>	<b>24,172</b>
Carrying value of liabilities from cash collateral received for securities lent and repurchase agreements – gross	21,726	13,727
Impact from master netting agreements	(17)	(2,488)
<b>Carrying value of liabilities from cash collateral received for securities lent and repurchase agreements – net</b>	<b>21,709</b>	<b>11,239</b>
<b>Off-balance sheet (CHF million)</b>		
Carrying value of securities transferred under securities lending and borrowing and repurchase agreements	1,862	5,177
of which transfers with the right to resell or repledge	700	4,961
Fair value of securities received under securities lending and borrowing and reverse repurchase agreements with the right to resell or repledge	97,482	54,302
of which repledged	68,268	27,844
of which resold	517	3,398

## 11 Collateral and impaired loans

### Collateralization of loans

	Secured <sup>1</sup>			Unsecured	Total
end of	Mortgages	Other collateral	Total		
<b>2016 (CHF million)</b>					
Due from customers	110	86,613	86,723	95,030	181,753
Residential property	3,766	0	3,766	0	3,766
Offices and commercial property	844	0	844	0	844
Manufacturing and industrial property	306	0	306	0	306
Other	49	0	49	0	49
Mortgage loans	4,965	0	4,965	0	4,965
<b>Gross loans</b>	<b>5,075</b>	<b>86,613</b>	<b>91,688</b>	<b>95,030</b>	<b>186,718</b>
Allowance for loan losses	(13)	(580)	(593)	(747)	(1,340)
<b>Net loans</b>	<b>5,062</b>	<b>86,033</b>	<b>91,095</b>	<b>94,283</b>	<b>185,378</b>
of which due from customers	110	86,033	86,143	94,283	180,426
of which mortgage loans	4,952	0	4,952	0	4,952
<b>2015 (CHF million)</b>					
Due from customers	690	106,713	107,403	135,013	242,416
Residential property	92,895	0	92,895	0	92,895
Offices and commercial property	13,280	0	13,280	0	13,280
Manufacturing and industrial property	8,535	0	8,535	0	8,535
Other	1,148	0	1,148	0	1,148
Mortgage loans	115,858	0	115,858	0	115,858
<b>Gross loans</b>	<b>116,548</b>	<b>106,713</b>	<b>223,261</b>	<b>135,013</b>	<b>358,274</b>
Allowance for loan losses	(81)	(866)	(947)	(358)	(1,305)
<b>Net loans</b>	<b>116,467</b>	<b>105,847</b>	<b>222,314</b>	<b>134,655</b>	<b>356,969</b>
of which due from customers	688	105,847	106,535	134,655	241,190
of which mortgage loans	115,779	0	115,779	0	115,779

<sup>1</sup> Includes the market value of collateral up to the amount of the outstanding related loans. For mortgage loans, the market value of collateral is determined at the time of granting the loan and thereafter regularly reviewed according to the Bank parent company's risk management policies and directives, with maximum review periods determined by property type, market liquidity and market transparency. For impaired mortgage loans, the market value of collateral is determined annually or more frequently by credit risk management within the impairment review process.

## Collateralization of off-balance sheet transactions

	Secured <sup>1</sup>			Unsecured	Total
end of	Mortgages	Other collateral	Total		
2016 (CHF million)					
Contingent liabilities	51	10,450	10,501	160,408 <sup>2</sup>	170,909
Irrevocable commitments	747	37,999	38,746	56,467	95,213
Obligations for calls on shares and additional payments	0	0	0	155	155
Off-balance sheet transactions	798	48,449	49,247	217,030	266,277
2015 (CHF million)					
Contingent liabilities	177	18,332	18,509	163,541 <sup>2</sup>	182,050
Irrevocable commitments	716	55,745	56,461	64,193	120,654
Obligations for calls on shares and additional payments	0	0	0	61	61
Off-balance sheet transactions	893	74,077	74,970	227,795	302,765

<sup>1</sup> Includes the market value of collateral up to the notional amount of the related off-balance sheet transaction. For mortgage-backed off-balance sheet exposures, the market value of collateral is determined at the time of granting the credit facility and thereafter regularly reviewed according to the Bank parent company's risk management policies and directives, with maximum review periods determined by property type, market liquidity and market transparency. For impaired exposures, the market value of collateral is determined annually or more frequently by credit risk management within the impairment review process.

<sup>2</sup> A majority of contingent liabilities are related to guarantees issued in favor of Group companies.

## Impaired loans

end of	Gross amount outstanding	Estimated realizable collateral value <sup>1</sup>	Net amount outstanding	Specific allowance
<b>2016 (CHF million)</b>				
Impaired loans	2,897	1,425	1,472	973
<b>2015 (CHF million)</b>				
Impaired loans	2,565	1,126	1,439	922

<sup>1</sup> Represents the estimated realizable collateral value up to the related gross amount outstanding.

## Changes in impaired loans

	2016			2015		
	Due from customers	Mortgage loans	Total	Due from customers	Mortgage loans	Total
<b>Impaired loans (CHF million)</b>						
<b>Balance at beginning of period</b>	<b>2,322</b>	<b>243</b>	<b>2,565</b>	<b>1,312</b>	<b>244</b>	<b>1,556</b>
Change in organization	(198) <sup>1</sup>	(189) <sup>1</sup>	(387) <sup>1</sup>	(6)	0	(6)
New impaired loan balances	3,749	119	3,868	1,769	191	1,960
Increase of existing impaired loan balances	93	10	103	57	7	64
Reclassifications to performing loans	(1,795)	(43)	(1,838)	(90)	(74)	(164)
Repayments	(741)	(20)	(761)	(500)	(41)	(541)
Liquidation of collateral, insurance and guarantee payments	(213)	(46)	(259)	(32)	(81)	(113)
Write-offs	(188)	(3)	(191)	(155)	(3)	(158)
Sales	(177)	0	(177)	(43)	0	(43)
Foreign exchange translation impact	(26)	0	(26)	10	0	10
<b>Balance at end of period</b>	<b>2,826</b>	<b>71</b>	<b>2,897</b>	<b>2,322</b>	<b>243</b>	<b>2,565</b>

Changes in impaired loan classification during the year are reflected on a gross basis.

<sup>1</sup> Reflects the transfer of assets to CS Schweiz on November 20, 2016, with retrospective effect as of August 1, 2016.



**12 Trading assets and liabilities and other financial instruments held at fair value****Trading assets and other financial instruments held at fair value**

end of	2016	2015
<b>Trading assets and other financial instruments held at fair value (CHF million)</b>		
Debt securities, money market instruments and money market transactions	13,264	23,155
of which exchange-traded	1,968	2,453
Equity securities	3,172	6,521
Precious metals and commodities	1,150	2,034
<b>Trading assets</b>	<b>17,586</b>	<b>31,710</b>
Debt securities	104	0
Other	210	0
<b>Other financial instruments held at fair value</b>	<b>314</b>	<b>0</b>
<b>Total trading assets and other financial instruments held at fair value</b>	<b>17,900</b>	<b>31,710</b>
of which carrying value determined based on a valuation model	8,445	12,060
of which securities eligible for repurchase transactions in accordance with liquidity regulations	3,118	1,654

**Trading liabilities and liabilities from other financial instruments held at fair value**

end of	2016	2015
<b>Trading liabilities and liabilities from other financial instruments held at fair value (CHF million)</b>		
Debt securities, money market instruments and money market transactions	211	717
of which exchange-traded	16	504
Equity securities	1,302	556
<b>Trading liabilities</b>	<b>1,513</b>	<b>1,273</b>
Structured products	61,411	56,002
<b>Liabilities from other financial instruments held at fair value</b>	<b>61,411</b>	<b>56,002</b>
<b>Trading liabilities and liabilities from other financial instruments held at fair value</b>	<b>62,924</b>	<b>57,275</b>
of which carrying value determined based on a valuation model	61,575	56,770

## 13 Derivative financial instruments

	Trading			Hedging <sup>1</sup>		
	Notional amount	Positive replacement value (PRV)	Negative replacement value (NRV)	Notional amount	Positive replacement value (PRV)	Negative replacement value (NRV)
<b>end of 2016</b>						
<b>Derivative financial instruments (CHF million)</b>						
Forwards and forward rate agreements	92,989	32	26	0	0	0
Swaps	3,570,173	8,914	9,265	23,537	1,523	50
Options bought and sold (OTC)	101,210	592	797	0	0	0
Futures	28,120	0	0	0	0	0
Options bought and sold (exchange-traded)	186,052	1	1	0	0	0
Options bought and sold (exchange-traded)	<b>3,978,544</b>	<b>9,539</b>	<b>10,089</b>	<b>23,537</b>	<b>1,523</b>	<b>50</b>
Forwards and forward rate agreements	1,119,390	16,741	18,876	0	0	0
Swaps <sup>2</sup>	120,331	3,224	4,718	107	7	0
Options bought and sold (OTC)	354,654	5,490	5,554	0	0	0
Futures	184	0	0	0	0	0
<b>Foreign exchange products</b>	<b>1,594,559</b>	<b>25,455</b>	<b>29,148</b>	<b>107</b>	<b>7</b>	<b>0</b>
Forwards and forward rate agreements	7,373	106	90	0	0	0
Options bought and sold (OTC)	21,138	377	383	0	0	0
<b>Precious metal products</b>	<b>28,511</b>	<b>483</b>	<b>473</b>	<b>0</b>	<b>0</b>	<b>0</b>
Forwards and forward rate agreements	1	0	0	0	0	0
Swaps	39,114	1,475	1,392	0	0	0
Options bought and sold (OTC)	59,115	2,096	1,995	0	0	0
Futures	19	0	0	0	0	0
Options bought and sold (exchange-traded)	4,104	33	95	0	0	0
<b>Equity/index-related products</b>	<b>102,353</b>	<b>3,604</b>	<b>3,482</b>	<b>0</b>	<b>0</b>	<b>0</b>
Credit default swaps	23,730	856	863	0	0	0
Total return swaps	2,448	17	98	0	0	0
Other credit derivatives	20,839	130	136	0	0	0
<b>Credit derivatives</b>	<b>47,017</b>	<b>1,003</b>	<b>1,097</b>	<b>0</b>	<b>0</b>	<b>0</b>
Forwards and forward rate agreements	0	0	0	0	0	0
Swaps	9,918	1,429	519	0	0	0
Options bought and sold (OTC)	189	10	3	0	0	0
<b>Other derivative products<sup>3</sup></b>	<b>10,107</b>	<b>1,439</b>	<b>522</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Derivative financial instruments<sup>4</sup></b>	<b>5,761,091</b>	<b>41,523</b>	<b>44,811</b>	<b>23,644</b>	<b>1,530</b>	<b>50</b>
of which replacement value determined based on a valuation model	–	41,384	44,664	–	1,530	50

<sup>1</sup> Relates to derivative financial instruments that qualify for hedge accounting.<sup>2</sup> Including combined interest rate and foreign exchange swaps.<sup>3</sup> Primarily commodity and energy products.<sup>4</sup> Before impact of master netting agreements.

## Derivative financial instruments (continued)

	Trading			Hedging <sup>1</sup>		
	Notional amount	Positive replacement value (PRV)	Negative replacement value (NRV)	Notional amount	Positive replacement value (PRV)	Negative replacement value (NRV)
end of 2015						
<b>Derivative financial instruments (CHF million)</b>						
Forwards and forward rate agreements	80,929	39	78	0	0	0
Swaps	2,155,859	19,090	19,661	49,175	2,224	763
Options bought and sold (OTC)	40,456	615	700	0	0	0
Futures	70,085	0	0	0	0	0
Options bought and sold (exchange-traded)	21	4	0	0	0	0
<b>Interest rate products</b>	<b>2,347,350</b>	<b>19,748</b>	<b>20,439</b>	<b>49,175</b>	<b>2,224</b>	<b>763</b>
Forwards and forward rate agreements	1,209,492	15,879	16,029	13	1	1
Swaps <sup>2</sup>	60,559	1,511	2,311	120	11	0
Options bought and sold (OTC)	446,340	10,223	9,596	0	0	0
Futures	214	0	0	0	0	0
<b>Foreign exchange products</b>	<b>1,716,605</b>	<b>27,613</b>	<b>27,936</b>	<b>133</b>	<b>12</b>	<b>1</b>
Forwards and forward rate agreements	5,344	76	75	0	0	0
Options bought and sold (OTC)	6,568	168	137	0	0	0
Futures	2	0	0	0	0	0
<b>Precious metal products</b>	<b>11,914</b>	<b>244</b>	<b>212</b>	<b>0</b>	<b>0</b>	<b>0</b>
Swaps	24,332	888	1,721	0	0	0
Options bought and sold (OTC)	72,555	3,372	3,233	0	0	0
Futures	3,830	0	0	0	0	0
Options bought and sold (exchange-traded)	38,872	856	1,537	0	0	0
<b>Equity/index-related products</b>	<b>139,589</b>	<b>5,116</b>	<b>6,491</b>	<b>0</b>	<b>0</b>	<b>0</b>
Credit default swaps	19,932	1,035	719	0	0	0
Total return swaps	296	7	8	0	0	0
Other credit derivatives	21,553	189	95	0	0	0
<b>Credit derivatives</b>	<b>41,781</b>	<b>1,231</b>	<b>822</b>	<b>0</b>	<b>0</b>	<b>0</b>
Forwards and forward rate agreements	1	0	0	0	0	0
Swaps	8,757	1,378	504	0	0	0
Options bought and sold (OTC)	2,111	131	44	0	0	0
Futures	70	0	0	0	0	0
Options bought and sold (exchange-traded)	207	59	70	0	0	0
<b>Other derivative products <sup>3</sup></b>	<b>11,146</b>	<b>1,568</b>	<b>618</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Derivative financial instruments <sup>4</sup></b>	<b>4,268,385</b>	<b>55,520</b>	<b>56,518</b>	<b>49,308</b>	<b>2,236</b>	<b>764</b>
of which replacement value determined based on a valuation model	–	54,821	55,729	–	2,236	764

<sup>1</sup> Relates to derivative financial instruments that qualify for hedge accounting.

<sup>2</sup> Including combined interest rate and foreign exchange swaps.

<sup>3</sup> Primarily commodity, energy and emission products.

<sup>4</sup> Before impact of master netting agreements.

## Positive and negative replacement values before and after consideration of master netting agreements

end of	2016	2015
<b>Positive and negative replacement values – before consideration of master netting agreements (CHF million)</b>		
Positive replacement values – trading and hedging	43,053	57,756
Negative replacement values – trading and hedging	44,861	57,282
<b>Positive and negative replacement values – after consideration of master netting agreements (CHF million)</b>		
Positive replacement values – trading and hedging <sup>1</sup>	8,098	13,934
Negative replacement values – trading and hedging <sup>1</sup>	8,055	13,271

<sup>1</sup> Netting includes counterparty exposure and cash collateral netting.

**Positive replacement values by counterparty type**

end of	2016	2015
<b>Positive replacement values by counterparty type (CHF million)</b>		
Central clearing counterparties	403	561
Banks and securities dealers	4,922	6,373
Other counterparties	2,773	7,000
<b>Positive replacement values</b>	<b>8,098</b>	<b>13,934</b>

**Fair value hedges**

in	2016	2015
<b>Gains/(losses) on derivative financial instruments recognized in income (CHF million)</b>		
Interest rate products	(492)	(94)
<b>Gains/(losses) on derivative financial instruments recognized in income</b>	<b>(492)</b>	<b>(94)</b>
<b>Gains/(losses) on hedged items recognized in income (CHF million)</b>		
Interest rate products	496	76
<b>Gains/(losses) on hedged items recognized in income</b>	<b>496</b>	<b>76</b>
<b>Details of fair value hedges (CHF million)</b>		
Net gains/(losses) on the ineffective portion	4	(18)

All gains/(losses) are recognized in net income/(loss) from trading activities and fair value option.

**Cash flow hedges**

in	2016	2015
<b>Deferred unrealized gains/(losses) on derivative financial instruments related to cash flow hedges (CHF million) <sup>1</sup></b>		
<b>Balance at beginning of period</b>	<b>15</b>	<b>31</b>
Interest rate products	32	21
Foreign exchange products	0	(2)
<b>Gains/(losses) on derivative financial instruments deferred during reporting period</b>	<b>32</b>	<b>19</b>
Interest rate products <sup>2</sup>	21	37
Foreign exchange products <sup>2</sup>	0	(2)
<b>Deferred gains/(losses) on derivative financial instruments reclassified into income</b>	<b>21</b>	<b>35</b>
Transfer of assets to Credit Suisse (Schweiz) AG effective August 1	(51)	–
<b>Balance at end of period</b>	<b>(25)</b>	<b>15</b>
<b>Details of cash flow hedges (CHF million)</b>		
Net gains/(losses) on the ineffective portion <sup>2</sup>	(1)	(12)

<sup>1</sup> Included in the compensation account within other assets or other liabilities.

<sup>2</sup> Included in net income/(loss) from trading activities and fair value option.

As of December 31, 2016, the net loss associated with cash flow hedges expected to be reclassified from other assets and other liabilities to the statement of income within the next 12 months was CHF 8 million.

As of December 31, 2016, the maximum length of time over which the Bank parent company hedged its exposure to the

variability in future cash flows for forecasted transactions, excluding those forecasted transactions related to the payment of variable interest on existing financial instruments, was five years.

► Refer to “Use of derivative financial instruments and hedge accounting” in Note 3 – Risk management, use of derivative financial instruments and hedge accounting for further information.

## 14 Financial investments

end of	2016		2015	
	Carrying value	Fair value	Carrying value	Fair value
<b>Financial investments (CHF million)</b>				
Debt securities	6,267	6,274	2,661	2,668
of which held-to-maturity	3,428	3,435	124	131
of which available-for-sale	2,839	2,839	2,537	2,537
Equity securities	622	622	99	116
of which qualified participations <sup>1</sup>	455	456	60	65
Real estate <sup>2</sup>	36	36	41	41
Other <sup>3</sup>	31	31	34	36
<b>Financial investments</b>	<b>6,956</b>	<b>6,963</b>	<b>2,835</b>	<b>2,861</b>
of which securities eligible for repurchase transactions in accordance with liquidity regulations	0	–	0	–

<sup>1</sup> Includes participations held in financial investments with at least 10% in capital or voting rights.

<sup>2</sup> Real estate acquired from the lending business (repossessed assets) and classified as held-for-sale is carried at lower of cost and liquidation value.

<sup>3</sup> Includes other non-financial assets acquired from the lending business (repossessed assets) such as commodities, vehicles and other goods.

### Debt securities by counterparty rating

end of	2016	2015
<b>Debt securities by counterparty rating (CHF million) <sup>1</sup></b>		
A+ to A–	2,611	1,912
BBB+ to BBB–	0	76
BB+ to B–	128	314
No rating	3,528 <sup>2</sup>	359
<b>Debt securities</b>	<b>6,267</b>	<b>2,661</b>

<sup>1</sup> Ratings are based on external data from Standard & Poor's.

<sup>2</sup> Mainly related to funding in the form of bail-in capital provided to CS Schweiz.

## 15 Other assets and other liabilities

end of	2016	2015
<b>Other assets (CHF million)</b>		
Compensation account	181	1,051
Indirect taxes and duties	133	615
Other <sup>1</sup>	949	362
<b>Other assets</b>	<b>1,263</b>	<b>2,028</b>
<b>Other liabilities (CHF million)</b>		
Indirect taxes and duties	26	166
Other <sup>2</sup>	419	519
<b>Other liabilities</b>	<b>445</b>	<b>685</b>

<sup>1</sup> Includes receivables from settlement accounts, coupons, internal clearing accounts and other miscellaneous assets.

<sup>2</sup> Includes payables from settlement accounts, accounts payable for goods and services purchased, internal clearing accounts and other miscellaneous liabilities.

## 16 Assets pledged

end of	2016		2015	
	Carrying value	Actual liabilities	Carrying value	Actual liabilities
<b>Assets pledged (CHF million) <sup>1</sup></b>				
Due from customers	221	221	301	301
Mortgage loans	0	0	21,463	15,191
Trading assets	372	217	446	204
<b>Assets pledged</b>	<b>593</b>	<b>438</b>	<b>22,210</b>	<b>15,696</b>

<sup>1</sup> Excludes assets pledged in connection with securities lending and borrowing, repurchase agreements and reverse-repurchase agreements.

## 17 Pension plans

Liabilities due to the Bank parent company's own pension plans as of December 31, 2016 and 2015 of CHF 0 million and CHF 1,580 million, respectively, are reflected in various liability accounts in the Bank parent company's balance sheet.

► Refer to "Note 30 – Pension and other post-retirement benefits" in VII – Consolidated financial statements – Credit Suisse (Bank) for further information.

### Swiss pension plan

The Bank parent company's employees are covered by the pension plan of the "Pensionskasse der Credit Suisse Group AG (Schweiz)" (the Swiss pension plan). All Swiss subsidiaries of the Group parent company and a few companies that have close business and financial ties with the Group parent company participate in this plan. The Swiss pension plan is an independent self-insured pension plan set up as a trust and qualifies as a defined contribution plan (savings plan) under Swiss law.

The Swiss pension plan's annual financial statements are prepared in accordance with Swiss GAAP FER 26 based on the full population of covered employees. Individual annual financial statements for each participating company are not prepared. As a multi-employer plan with unrestricted joint liability for all participating companies, the economic interest in the Swiss pension plan's over- or underfunding is allocated to each participating company based on an allocation key determined by the plan.

### International pension plans

The Bank parent company's international employees are covered by mandatory and supplementary pension plans in various locations. These are defined benefit and defined contribution plans, which cover benefits such as disability, old age and death, termination and sickness.

## Employer contribution reserves

end of / in	Employer contribution reserves – notional		Amount subject to waiver		Employer contribution reserves – net <sup>1</sup>		Increase/(Release) of employer contribution reserves included in personnel expenses	
	2016	2015	2016	2015	2016	2015	2016	2015
<b>CHF million</b>								
Swiss pension plan	20	36	0	0	20	36	(2)	(14)
<b>Total</b>	<b>20</b>	<b>36</b>	<b>0</b>	<b>0</b>	<b>20</b>	<b>36</b>	<b>(2)</b>	<b>(14)</b>

<sup>1</sup> In line with Swiss GAAP statutory accounting guidance, contributions to the employer contribution reserves are not recorded in the Bank parent company's statutory balance sheet.

**Pension plan economic benefit/(obligation), pension contributions and pension expenses**

end of / in	Over/(Under) -funding		Economic benefit/ (obligation) recorded by Bank parent company <sup>2</sup>			Pension contributions		Pension expenses included in personnel expenses	
	2016	2015	2016	2015	Change	2016	2015	2016	2015
<b>CHF million</b>									
Swiss pension plan – status overfunded	726 <sup>1</sup>	1,050 <sup>1</sup>	–	–	–	362	382	362 <sup>3</sup>	382 <sup>4</sup>
International pension plans – underfunded	(8)	(3)	(8)	(3)	(5)	0	1	4	1
International pension plans – without over-/underfunding	0	0	0	0	0	21	13	21	13
<b>Total</b>	<b>718</b>	<b>1,047</b>	<b>(8)</b>	<b>(3)</b>	<b>(5)</b>	<b>383</b>	<b>396</b>	<b>387</b>	<b>396</b>

<sup>1</sup> Represents the Bank parent company's share of 58.9% and 93.98% in the total over/(under)funding of the Swiss pension plan of CHF 1,233 million and CHF 1,117 million as of December 31, 2016 and 2015, respectively.

<sup>2</sup> In line with Swiss GAAP statutory accounting guidance, the Bank parent company's economic benefit from its share in the overfunding of the Swiss pension plan is not recorded in the Bank parent company's statutory balance sheet.

<sup>3</sup> Includes a release of employer contribution reserves of CHF 2 million.

<sup>4</sup> Includes a release of employer contribution reserves of CHF 14 million.

**18 Issued structured products**

end of	2016							2015
	Not bifurcated <sup>1</sup>	Bifurcated		Total	Not bifurcated <sup>1</sup>	Bifurcated		Total
	Liabilities from other financial instruments held at fair value <sup>2</sup>	Value of underlying instrument	Value of derivative <sup>1</sup>		Liabilities from other financial instruments held at fair value <sup>2</sup>	Value of underlying instrument	Value of derivative <sup>1</sup>	
<b>Carrying value of issued structured products by underlying risk of the embedded derivative (CHF million)</b>								
<b>Interest rates</b>								
Structured products with own debt	16,505	0	0	16,505	11,558	0	0	11,558
Structured products without own debt	736	0	0	736	447	0	0	447
<b>Equity</b>								
Structured products with own debt	36,331	0	0	36,331	36,347	102	0	36,449
<b>Foreign exchange</b>								
Structured products with own debt	420	0	0	420	404	0	0	404
Structured products without own debt	0	723	(4)	719	0	918	(4)	914
<b>Commodities / precious metals</b>								
Structured products with own debt	1,455	0	0	1,455	1,874	0	0	1,874
Structured products without own debt	0	83	(2)	81	0	133	(1)	132
<b>Credit</b>								
Structured products with own debt	5,793	0	0	5,793	4,699	0	0	4,699
<b>Other <sup>3</sup></b>								
Structured products with own debt	171	0	0	171	673	0	0	673
<b>Total</b>	<b>61,411</b>	<b>806</b>	<b>(6)</b>	<b>62,211</b>	<b>56,002</b>	<b>1,153</b>	<b>(5)</b>	<b>57,150</b>

<sup>1</sup> Carried at fair value.

<sup>2</sup> Reflects balance sheet classification.

<sup>3</sup> Includes structured products where the underlying risk relates to hedge funds or other products with multiple underlying risks.



## 19 Unsecured senior debt and structured notes

end of	2016					2015
	Original maturity up to 1 year	Original maturity greater than 1 year	Total	Original maturity up to 1 year	Original maturity greater than 1 year	Total
<b>Unsecured senior debt (CHF million)</b>						
<b>Total unsecured senior debt <sup>1, 2</sup></b>	5,495	91,968 <sup>3</sup>	<b>97,463</b>	4,890	86,846 <sup>3</sup>	<b>91,736</b>
of which recorded in medium-term notes			0			759
of which recorded in bonds and mortgage-backed bonds			97,463			90,977
<b>Unsecured structured notes (CHF million)</b>						
<b>Total unsecured structured notes</b>	2,452	58,223	<b>60,675</b>	2,184	53,474	<b>55,658</b>
of which recorded in liabilities from other financial instruments held at fair value			60,675			55,555
of which recorded in bonds and mortgage-backed bonds			0			103

<sup>1</sup> Includes guaranteed debt.

<sup>2</sup> Excludes senior unsecured debt included in due to banks and customer deposits as well as certificates of deposits and bankers acceptances.

<sup>3</sup> Includes bail-in instruments of CHF 22,423 million and CHF 14,712 million as of December 31, 2016 and 2015, respectively, with Credit Suisse Group AG.

## 20 Provisions and valuation adjustments

	Balance at beginning of period	Change in organization <sup>1</sup>	Utilized for purpose	Reclassifications	Foreign exchange translation differences	Recoveries, interest past due	New charges to income statement	Releases to income statement	Balance at end of period
<b>2016</b>									
<b>Provisions (CHF million)</b>									
Provisions for pension benefit obligations	3	1	0	–	0	–	4	0	8 <sup>2</sup>
Provisions for off-balance sheet default risks	248	(20)	(80)	0	5	0	248	(195)	206 <sup>3, 4</sup>
Provisions for other business risks	38	(22)	(1)	0	0	0	10	(8)	17 <sup>3</sup>
Restructuring provisions	23	(7)	(30)	0	0	0	60	(18)	28 <sup>5</sup>
Other provisions	484	(12)	(170)	0	2	0	57	(32)	329 <sup>6</sup>
<b>Provisions</b>	<b>796</b>	<b>(60)</b>	<b>(281)</b>	<b>0</b>	<b>7</b>	<b>0</b>	<b>379</b>	<b>(253)</b>	<b>588</b>
<b>Valuation adjustments for default and country risks (CHF million) <sup>7</sup></b>									
<b>Valuation adjustments for default and country risks</b>	<b>1,354</b>	<b>(292)</b>	<b>(270)</b>	<b>0</b>	<b>33</b>	<b>227</b>	<b>1,062</b>	<b>(772)</b>	<b>1,342</b>
of which valuation adjustments for default risks from impaired receivables	967	(182)	(267)	0	25	227	634	(430)	974
of which valuation adjustments for inherent risks	387	(110)	(3)	0	8	0	428	(342)	368

<sup>1</sup> Mainly reflects the transfer of assets to CS Schweiz on November 20, 2016, effective retrospectively as of August 1, 2016.

<sup>2</sup> Discounted at rates of between 1.20% and 7.00%.

<sup>3</sup> Provisions are not discounted due to their short-term nature.

<sup>4</sup> Provisions are mainly related to irrevocable loan commitments and guarantees.

<sup>5</sup> Partially discounted at rates of between 0.01% and 1.35%.

<sup>6</sup> Includes provisions in respect of litigation claims of CHF 257 million and CHF 416 million as of December 31, 2016 and 2015, respectively; partially discounted at rates between 2.90% and 16.50%.

<sup>7</sup> Changes in impaired loan classification during the year and related movements in valuation adjustments are reflected on a gross basis.

## 21 Composition of share capital, conversion and reserve capital

end of	2016		2015	
	Quantity	Total nominal value (CHF million)	Quantity	Total nominal value (CHF million)
<b>Share capital</b>				
Registered shares (at CHF 1 par value per share)	4,399,680,200	4,400 <sup>1</sup>	4,399,680,200	4,400 <sup>1</sup>
<b>Share capital</b>		<b>4,400</b>		<b>4,400</b>
<b>Conversion and reserve capital <sup>2</sup></b>				
Unlimited conversion capital (at CHF 1 par value per share) <sup>3</sup>	unlimited	unlimited	unlimited	unlimited
Reserve capital (at CHF 1 par value per share) <sup>4</sup>	4,399,665,200	4,400	4,399,665,200	4,400
of which used for capital increases	0	0	0	0
of which reserved for planned capital increases	0	0	0	0

<sup>1</sup> The dividend eligible capital equals the total nominal value. As of December 31, 2016 and 2015, the total nominal value of registered shares was CHF 4,399,680,200 and fully paid.

<sup>2</sup> Represents authorized capital.

<sup>3</sup> For information on principal characteristics of unlimited conversion capital, refer to Article 4d in the Articles of Association of the Bank parent company.

<sup>4</sup> For information on principal characteristics of reserve capital, refer to Article 4e in the Articles of Association of the Bank parent company.

### Non-distributable reserves

As of December 31, 2016 and 2015, the amount of non-distributable reserves in accordance with the Swiss Code of Obligations and the Bank parent company's articles of association was CHF 2,200 million. Not reflected in this amount are reserves which the Bank parent company is required to retain in order to meet the regulatory capital requirements as a going concern.

### Transactions with shareholders

In 2016, the Group parent company made an a-fonds-perdu contribution in kind (i.e., without consideration) of CHF 4 million to the

Bank parent company consisting of 100% participating interests in FIDES Treasury Services AG. FIDES Treasury Services AG was subsequently transferred to CS Schweiz in connection with the transfer of assets on November 20, 2016. In 2015, the Bank parent company paid out a dividend in kind of CHF 70 million to the Group parent company, consisting primarily of financial assets and liabilities related to the transfer of the credit and charge cards issuing business to Swisscard AECS GmbH, an entity in which the Group holds a significant equity interest.

► Refer to "Statement of changes in equity" and "Note 1 – Business activities, developments and subsequent events" for further information on transactions with shareholders.

## 22 Significant shareholders and groups of shareholders

end of	2016			2015		
	Number of shares (million)	Total nominal value (CHF million)	Share- holding (%)	Number of shares (million)	Total nominal value (CHF million)	Share- holding (%)
<b>Direct shareholders</b>						
Credit Suisse Group AG	4,400 <sup>1</sup>	4,400	100.00	4,400 <sup>1</sup>	4,400	100.00
<b>Indirect shareholders through Credit Suisse Group AG<sup>2</sup></b>						
Chase Nominees Ltd. <sup>3</sup>	705	705	16.03	704	704	15.99
Nortrust Nominees Ltd. <sup>3</sup>	237	237	5.39	–	–	– <sup>4</sup>
The Bank of New York Mellon <sup>3</sup>	226	226	5.14	–	–	– <sup>4</sup>
Crescent Holding GmbH	224	224	5.10	–	–	– <sup>4</sup>

<sup>1</sup> All shares with voting rights.

<sup>2</sup> Pro-forma numbers calculated based on the percentage interest held in Group shares as per the share register of the Group on December 31 of the reporting period. Includes shareholders registered as nominees or ADS depository bank.

<sup>3</sup> 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.

<sup>4</sup> Participation was lower than the disclosure threshold of 5%.

### Information received from shareholders of the Group parent company not registered in the share register

In addition to the shareholdings registered in the share register of the Group parent company, the Group parent company has obtained the following information directly from its shareholders and reported it to the SIX Swiss Exchange in accordance with the notification requirements of the Swiss Federal Act on Financial Market Infrastructure and Market Conduct in Securities and Derivatives Trading (FMIA). These shareholders may hold their shareholdings in Group shares through a nominee.

In a disclosure notification that the Group published on September 16, 2016, the Group was notified that as of September 8, 2016, The Olayan Group held 111.3 million shares, or 5.41%, of the registered Group shares issued as of the date of the notified transaction.

In a disclosure notification that the Group published on November 9, 2013, the Group was notified that as of November 4, 2013, Harris Associates L.P. held 81.5 million shares, or 5.17%, of the registered Group shares issued as of the date of the notified transaction. No further disclosure notification was received from Harris Associates L.P. relating to holdings of registered Group shares in 2014, 2015 and 2016.

In a disclosure notification that the Group published on August 30, 2016, the Group was notified that as of August 25, 2016, Capital Group Companies, Inc. held in aggregate 99.2 million registered shares and ◉ American Depositary Shares or a total of 5.051% 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 January 28, 2017, the Group was notified that Capital Group Companies, Inc.'s shareholdings and voting rights of Group shares had fallen below the 5% threshold as of January 25, 2017.

In 2016, the Group received disclosure notifications from Norges Bank and Qatar Holding LLC that their holdings of registered Group shares had fallen below the 5% threshold.

### Shareholders with a qualified participation

As of the date of the most recent notification received by the Group on November 11, 2016, Qatar Investment Authority (through Qatar Holding LLC) held approximately 4.93% of the Group's common shares and 12.81% purchase rights in the form of contingent convertible capital instruments, which will be converted into shares only in situations where the Group no longer meets specific regulatory capital requirements. As of the date of the most recent notification received by the Group on September 16, 2016, The Olayan Group (through Crescent Holding GmbH) held approximately 5.41% of the Group's common shares and 5.32% purchase rights consisting of 5.26% purchase rights in the form of contingent convertible capital instruments, which will be converted into shares only in situations where the Group no longer meets specific regulatory capital requirements, and 0.055% from short put options. In addition to the Group, which is the direct shareholder of the Bank parent company, Qatar Investment Authority and The Olayan Group are shareholders with a qualified participation in accordance with Bank Law.

► Refer to "Note 24 – Amounts receivable from and amounts payable to related parties" for further information on shareholders with a qualified participation.

## 23 Shareholdings of the Board of Directors, Executive Board and employees and information on compensation plans

► Refer to "Compensation" in IV – Corporate Governance and Compensation for a comprehensive disclosure of compensation to the Board of Directors and the Executive Board of Credit Suisse Group AG.

► Refer to "Note 23 – Shareholdings of the Board of Directors, Executive Board and employees" in VI – Parent company financial statements – Credit Suisse Group AG for information on shareholdings of the Board of Directors and the Executive Board of the Bank parent company.

### Share-based awards outstanding

end of	2016		2015	
	Number of share-based awards outstanding in million	Fair value in CHF million	Number of share-based awards outstanding in million	Fair value in CHF million
<b>Share-based awards<sup>1</sup></b>				
Employees	19.8	290	18.9	410
<b>Share-based awards</b>	<b>19.8</b>	<b>290</b>	<b>18.9</b>	<b>410</b>

<sup>1</sup> All share-based compensation plans of the Bank parent company are plans based on virtual shares and either settled in shares of the Group or in cash on the basis of the fair value of the Group shares.

All members of the Board of Directors and the Executive Board of the Bank parent company are also members of the Board of Directors and the Executive Board of the Group parent company. Compensation to members of the Executive Board is determined by the Group parent company on the basis of their overall function and responsibilities in the Group and paid by different legal entities of the Group depending on work location, local contracts, laws and regulations. A presentation of deferred share-based compensation awards to members of the Executive Board recorded by the Bank parent company would not appropriately reflect the Executive Board of the Bank parent company, as it would only consider those members for whom compensation is administrated by the Bank parent company.

As of December 31, 2016 and 2015, the Bank parent company did not have any option plans with outstanding options.

### Compensation plans

In January 2016, the Bank parent company granted share awards, performance share awards and Contingent Capital Awards (CCA) as deferred compensation. Deferred compensation is awarded to employees with total compensation above CHF/USD 250,000 or the local currency equivalent. Compensation plans are designed to align the interests of employees and shareholders, as well as comply with the expectations of regulators that a substantial portion of variable compensation should be granted in this form.

All share-based compensation plans of the Bank parent company are plans based on virtual shares and either settled in shares of the Group parent company (Group shares) or in cash on the basis of the fair value of the Group shares.

### Share awards

Share awards granted in January 2016 are similar to those granted in January 2015. 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, such that the share awards vest equally on each of the three anniversaries of the grant date. The value of the share awards is solely dependent on the Group share price at the time of delivery.

On January 19, 2016, the Bank parent company granted 6.1 million share awards with a total value of CHF 121 million. The number of share awards granted to employees was determined by dividing the deferred component of variable compensation being granted as share awards by the average price of a Group share over the 12 business days ended January 18, 2016. The fair value of each share award was CHF 18.62, the Group share price on the grant date. While share awards granted between January 1, 2014 and December 31, 2015 did not include the right to receive dividend equivalents, share awards granted after January 1, 2016 include the right to receive dividend equivalents, upon vesting.

### Performance share awards

Members of the Executive Board, 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 explicit performance-related malus provisions.

Each performance share award granted entitles the holder of the award to receive one Group share. Performance share awards vest over three years, such that the performance share awards vest equally on each of the three anniversaries of the grant date. Performance share awards granted for 2015 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, 2015, 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.

Outstanding performance share awards granted in previous years are subject to a negative adjustment in the event of a negative strategic ROE of the Group, which is calculated based on Core Results, adjusted for the goodwill impairment charge related to the re-organization of the former Investment Banking division.

On January 19, 2016, the Bank parent company granted 4.1 million performance share awards with a total value of CHF 82 million. The number of performance share awards granted to employees was 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 12 business days ended January 18, 2016. The fair value of each performance share award was CHF 18.62, the Group share price on the grant date. While performance share awards granted between January 1, 2014 and December 31, 2015 did not include the right to receive dividend equivalents, performance share awards granted after January 1, 2016 include the right to receive dividend equivalents, upon vesting.

The amount of the potential negative adjustment for a loss at the divisional level is applicable to all outstanding performance share awards (including the short-term incentive, STI) awards of Executive Board members who lead business divisions and is disclosed in the following table.

#### Potential downward adjustments of performance share and STI awards

##### 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%)

#### Contingent Capital Awards

CCA were granted in January 2016, 2015 and 2014 as part of 2015, 2014 and 2013 deferred variable compensation and have rights and risks similar to those of certain contingent capital instruments issued by the Group in the market. CCA provide a conditional right to receive semi-annual cash payments of interest equivalents at a rate of 4.23%, 4.85% and 4.75% per annum over the six-month Swiss franc London Interbank Offered Rate (LIBOR) or 5.41%, 5.75% and 5.33% per annum over the six-month US

dollar LIBOR, for Swiss franc and US-denominated awards for 2016, 2015 and 2014, respectively, until settled. The rate was 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 January 2016, employees who received compensation in Swiss francs received CCA denominated in Swiss francs and all other employees received CCA denominated in US dollars.

CCA are scheduled to vest on the third anniversary of the grant date and will be expensed over three years from the grant date. However, because CCA qualify as going-concern loss-absorbing capital of the Group, the timing and form of distribution upon settlement is subject to approval by the 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 currency denomination will be converted into the local currency of each respective employee. The Group intends to grant CCA as one of its annual deferred variable compensation awards in future years.

CCA have loss-absorbing features such that prior to settlement, the principal amount of the CCA would be written down to zero 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 January 19, 2016 and January 16, 2015, the Bank parent company awarded CHF 35 million and CHF 55 million, respectively, of CCA that are expensed over the three-year period from the grant date. CCA were awarded as deferred variable compensation to managing directors and directors.

#### Other cash awards

Other cash awards include several smaller deferred cash compensation plans.

#### Deferred compensation expenses

in	2016	2015
<b>Deferred compensation expense (CHF million)</b>		
Share awards <sup>1</sup>	72	153
Contingent Capital share awards	4	0
Performance share awards	28	82
Contingent Capital Awards (cash awards)	33	63
Other cash awards	20	32
Discontinued plans <sup>2</sup>	3	(3)
<b>Deferred compensation expense</b>	<b>160</b>	<b>327</b>

<sup>1</sup> Includes special share awards.

<sup>2</sup> Includes all plans that are discontinued but may still incur deferred compensation expense until final vesting of the related awards.

## 24 Amounts receivable from and amounts payable to related parties

end of	2016		2015	
	Amounts receivable	Amounts payable	Amounts receivable	Amounts payable
<b>Amounts receivable from and/or payable to related parties (CHF million)</b>				
Shareholders with a qualified participation	3,011	11,595	2,771	11,600
Group companies	196,262	84,846	224,841	90,933
Affiliated companies	6,193	530	8,507	846
Members of governing bodies <sup>1</sup>	28	54	34	56

<sup>1</sup> Includes both the governing bodies of the Bank parent company (Credit Suisse AG) and the governing bodies of the Group holding company (Credit Suisse Group AG). Governing bodies include members of the Board of Directors, the Executive Board and the statutory auditors and companies controlled by members of each of these bodies.

### Significant off-balance sheet transactions

As part of the normal course of business, the Bank parent company issues guarantees, loan commitments and enters into other agreements with group companies which are recorded as off-balance sheet transactions by the Bank parent company. As of December 31, 2016 and 2015, the Bank parent company had contingent liabilities of CHF 164,684 million and CHF 165,125 million, respectively, and irrevocable loan commitments of CHF 2,036 million and CHF 823 million, respectively, of which substantially all were related to transactions with group companies.

As shareholder of Credit Suisse International, an unlimited company incorporated in England and Wales, the Bank parent company has joint and several unlimited obligations to meet any insufficiency in the assets in the event of liquidation.

### Additional information on related party transactions

Transactions (such as securities transactions, payment transfer services, borrowings and compensation for deposits) with related parties are carried out on an arm's length basis.

► Refer to "Off-balance sheet transactions", "Statement of changes in equity" and "Note 1 – Business activities, developments and subsequent events" for further information on related party transactions.

### STS Trading

On November 20, 2016, with retrospective effect between the parties as of August 1, 2016, the Bank parent company entered into a contractual relationship with CS Schweiz. The purpose of this contractual relationship is to collaboratively operate the Swiss portion of the STS Trading business while acting independently, with each of CS Schweiz and the Bank parent company acting in its own name externally and not in joint name. The collaboration does not have legal effects for external parties and has been entered into for a fixed minimum period of three years, renewable in three year increments. Net profits of the collaboration are shared equally between the Bank parent company and CS Schweiz. Net losses are shared equally between the Bank parent company and CS Schweiz, with the maximum loss participation for CS Schweiz limited to 50% of the aggregated gains reported by the parties with respect to the collaboration for the preceding three financial years. For the three financial years until December 31, 2018, including CS Schweiz's first financial year from August 1 to December 31, 2016, the maximum loss participation is determined by a fixed amount for the first year, and by a combination of a fixed amount and a variable amount depending on prior period net profits with respect to the collaboration for the following two years.

## 25 Total assets by country rating

end of	2016		2015	
Internal ratings <sup>1</sup>	CHF million <sup>2</sup>	%	CHF million <sup>2</sup>	%
<b>Total assets by internal country rating (CHF million)</b>				
AAA	162,068	31.9%	169,719	25.6%
AA	186,255	36.7%	209,978	31.7%
A	31,273	6.2%	23,269	3.5%
BBB	15,751	3.1%	21,556	3.3%
BB	6,232	1.2%	4,129	0.6%
B	3,549	0.7%	3,014	0.5%
CCC	7,793	1.5%	9,308	1.4%
CC	1,325	0.3%	0	0.0%
D	0	0.0%	26	0.0%
Foreign assets	414,246	81.6%	440,999	66.6%
Domestic assets	93,554	18.4%	221,011	33.4%
<b>Total assets</b>	<b>507,800</b>	<b>100.0%</b>	<b>662,010</b>	<b>100.0%</b>

<sup>1</sup> Internal ratings are calibrated to the long-term issuer credit ratings of Standard & Poor's for the respective sovereigns. Internal country ratings may differ from Standard & Poor's respective country ratings.

<sup>2</sup> Net balance sheet exposure by country rating of risk domicile.

## 26 Fiduciary transactions

end of	2016	2015
<b>Fiduciary transactions (CHF million)</b>		
Fiduciary placements with third-party institutions	2,757	4,464
<b>Fiduciary transactions</b>	<b>2,757</b>	<b>4,464</b>

## 27 Assets under management

### Assets under management

Assets under management include assets for which the Bank parent company provides investment advisory or discretionary asset management services, investment fund assets and assets invested in other investment-fund-like pooled investment vehicles managed by the Bank parent company. The classification of assets under management is conditional upon the nature of the services provided by the Bank parent company and the clients' intentions. Assets are individually assessed on the basis of each client's intentions and objectives and the nature of the banking services provided to that client. In order to be classified as assets under management, the Bank parent company must currently or in the foreseeable future expect to provide a service where the involvement of the Bank parent company's banking or investment expertise (e.g., as asset manager or investment advisor) is not purely executional or custodial in nature.

Assets under custody are client assets held mainly for execution-related or safekeeping/custody purposes only and therefore are not considered assets under management since the Bank parent company does not generally provide asset allocation or financial advice.

Assets of corporate clients and public institutions that are used primarily for cash management or transaction executional purposes for which no investment advice is provided are classified as commercial assets or assets under custody and therefore do not qualify as assets under management.

For the purpose of classifying assets under management, clients with multiple accounts are assessed from a holistic client perspective. Accounts that are clearly separate from the remainder of the client relationship and represent assets held for custody purposes only are not included as assets under management.

The initial classification of the assets may not be permanent as the nature of the client relationship is reassessed on an on-going basis. If changes in client intent or activity warrant reclassification between client asset categories, the required reclassification adjustments are made immediately when the change in intent or activity occurs.

Reclassifications between assets under management and assets held for transaction-related or custodial purposes result in corresponding net asset inflows or outflows.



A portion of the Bank parent company's assets under management results from double counting. Double counting arises when assets under management are subject to more than one level of asset management services. Each separate advisory or discretionary service provides additional benefits to the client and represents

additional income for the Bank parent company. Specifically, double counting primarily results from the investment of assets under management in collective investment instruments managed by the Bank parent company. The extent of double counting is disclosed in the following table.

### Assets under management

end of	2016	2015
<b>Assets under management (CHF billion)</b>		
Assets in collective investment instruments managed by Credit Suisse AG	68.9	106.0
Assets with discretionary mandates	166.8	171.0
Other assets under management	345.4	738.8
<b>Assets under management (including double counting)</b>	<b>581.1</b>	<b>1,015.8</b>
of which double counting	6.5	35.3

### Changes in assets under management

	2016	2015
<b>Changes in assets under management (CHF billion)</b>		
<b>Assets under management at beginning of period <sup>1</sup></b>	<b>1,015.8</b>	<b>1,053.0</b>
Net new assets/(Net asset outflows)	21.1	36.3
Market movements, interest, dividends and foreign exchange	12.2	(25.9)
of which market movements, interest and dividends <sup>2</sup>	7.0	(4.5)
of which foreign exchange	5.2	(21.4)
Other effects	(468.0) <sup>3</sup>	(47.6) <sup>4</sup>
<b>Assets under management at end of period <sup>1</sup></b>	<b>581.1</b>	<b>1,015.8</b>

<sup>1</sup> Including double counting.

<sup>2</sup> Net of commissions and other expenses and net of interest expenses charged.

<sup>3</sup> Includes a reduction in assets under management of CHF 508.1 billion related to the transfer of assets from the Bank parent company to CS Schweiz on November 20, 2016, with retrospective effect as of August 1, 2016, partially offset by the impact of CS Schweiz assets that remained invested in products managed by the Bank parent company.

<sup>4</sup> Includes a reduction of CHF 41.4 billion related to the Bank parent company's updated assets under management policy which became effective July 1, 2015. The updated policy primarily introduced more specific criteria and indicators to be applied in evaluating whether client assets qualify as assets under management.

### Net new assets

Net new assets measure the degree of success in acquiring assets under management or increasing assets under management through warranted reclassifications. The calculation is based on the direct method, taking into account individual cash payments, security deliveries and cash flows resulting from loan increases or repayments. Interest and dividend income credited to clients and

commissions, interest and fees charged for banking services are not taken into account when calculating net new assets, as such charges are not directly related to the Bank parent company's success in acquiring assets under management. Similarly, changes in assets under management due to currency and market volatility as well as asset inflows and outflows due to the acquisition or divestiture of businesses are not part of net new assets.

Proposed appropriation of retained earnings

# Proposed appropriation of retained earnings

## Proposed appropriation of retained earnings

end of	2016
<b>Retained earnings (CHF million)</b>	
Retained earnings carried forward	226
Net loss	(2,837)
Transfer from legal income reserves	2,621
<b>Retained earnings available for appropriation</b>	<b>10</b>
Dividend	(10)
<b>Retained earnings to be carried forward</b>	<b>0</b>

## Transfer to retained earnings out of legal income reserves

end of	2016
<b>Legal income reserves (CHF million)</b>	
<b>Balance before transfer of legal income reserves</b>	<b>6,081</b>
Transfer to retained earnings	(2,621)
<b>Balance after transfer of legal income reserves</b>	<b>3,460</b>

# IX

## Additional information

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# Statistical information

## STATISTICAL INFORMATION – GROUP

Set forth below is statistical information for the Group required under the US Securities and Exchange Commission's (SEC) specialized industry guide for bank holding companies – Industry Guide 3. Certain reclassifications have been made to the prior year's statistical information to conform to the current presentation. The tables are based on information in V – Consolidated financial statements – Credit Suisse Group.

### Average balances and interest rates

in	2016			2015			2014		
	Average balance	Interest income	Average rate	Average balance	Interest income	Average rate	Average balance	Interest income	Average rate
<b>Assets (CHF million, except where indicated)</b>									
Cash and due from banks									
Switzerland	369	(75) <sup>1</sup>	(20.33)% <sup>1</sup>	274	2	0.73%	298	4	1.34%
Foreign	44,196	199	0.45%	41,493	154	0.37%	41,965	186	0.44%
Interest-bearing deposits with banks									
Switzerland	16	0	0.00%	29	0	0.00%	21	0	0.00%
Foreign	796	5	0.63%	924	12	1.30%	1,460	9	0.62%
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions <sup>2</sup>									
Switzerland	2,122	21	0.99%	1,411	17	1.20%	1,165	13	1.12%
Foreign	146,474	2,746	1.87%	148,552	2,608	1.76%	167,767	2,305	1.37%
Trading assets									
Switzerland	1,078	51	4.73%	1,357	57	4.20%	1,534	67	4.37%
Foreign	169,850	7,432	4.38%	201,124	8,988	4.47%	219,345	9,436	4.30%
Investment securities									
Switzerland	633	2	0.32%	669	3	0.45%	1,298	12	0.92%
Foreign	2,133	58	2.72%	2,310	62	2.68%	1,757	26	1.48%
Loans									
Switzerland	154,357	2,487	1.61%	154,628	2,690	1.74%	150,794	2,852	1.89%
Foreign	121,145	3,142	2.59%	121,033	2,723	2.25%	108,039	2,225	2.06%
Other interest-earning assets									
Switzerland	1,932	39	2.02%	3,019	114	3.78%	2,583	38	1.47%
Foreign	82,307	1,267	1.54%	103,321	1,911	1.85%	93,201	1,888	2.03%
<b>Interest-earning assets</b>	<b>727,408</b>	<b>17,374</b>	<b>2.39%</b>	<b>780,144</b>	<b>19,341</b>	<b>2.48%</b>	<b>791,227</b>	<b>19,061</b>	<b>2.41%</b>
Specific allowance for losses	(4,827)			(4,738)			(4,138)		
Non-interest-earning assets	205,424			207,181			179,566		
<b>Total assets</b>	<b>928,005</b>			<b>982,587</b>			<b>966,655</b>		
Percentage of assets attributable to foreign activities	79.06%			79.94%			81.13%		

Average balances and interest rates exclude discontinued operations.

<sup>1</sup> Includes negative interest income from deposits placed with the Swiss National Bank due to negative interest rates beginning in 2015.

<sup>2</sup> Average balances of central bank funds sold, securities purchased under resale agreements and securities borrowing transactions are reported net in accordance with ASC Topic 210 – Balance sheet, while interest income excludes the impact of ASC Topic 210 – Balance sheet.

## Average balances and interest rates (continued)

in	2016			2015			2014		
	Average balance	Interest expense	Average rate	Average balance	Interest expense	Average rate	Average balance	Interest expense	Average rate
<b>Liabilities (CHF million, except where indicated)</b>									
Deposits of banks									
Switzerland	1,497	(3)	(0.20)%	2,760	5	0.18%	1,698	3	0.18%
Foreign	20,798	121	0.58%	23,851	79	0.33%	21,913	96	0.44%
Deposits of non-banks									
Switzerland	157,038	86	0.05%	171,176	184	0.11%	169,589	351	0.21%
Foreign	186,970	840	0.45%	179,904	617	0.34%	175,317	595	0.34%
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions <sup>1</sup>									
Switzerland	2,624	66	2.52%	3,142	57	1.81%	2,958	50	1.69%
Foreign	55,419	1,322	2.39%	71,300	1,206	1.69%	84,630	993	1.17%
Trading liabilities									
Switzerland	291	15	5.15%	302	11	3.64%	361	36	9.97%
Foreign	38,241	3,587	9.38%	43,343	3,843	8.87%	49,631	3,902	7.86%
Short-term borrowings									
Switzerland	880	0	0.00%	650	0	0.00%	549	0	0.00%
Foreign	12,195	84	0.69%	20,346	105	0.52%	26,446	119	0.45%
Long-term debt									
Switzerland	28,857	640	2.22%	27,836	707	2.54%	24,891	698	2.80%
Foreign	171,543	2,879	1.68%	164,049	3,077	1.88%	132,122	2,912	2.20%
Other interest-bearing liabilities									
Switzerland	2,491	19	0.76%	1,714	18	1.05%	1,194	3	0.25%
Foreign	72,020	156	0.22%	86,240	133	0.15%	96,083	269	0.28%
<b>Interest-bearing liabilities</b>	<b>750,864</b>	<b>9,812</b>	<b>1.31%</b>	<b>796,613</b>	<b>10,042</b>	<b>1.26%</b>	<b>787,382</b>	<b>10,027</b>	<b>1.27%</b>
Non-interest-bearing liabilities	133,081			140,559			136,421		
<b>Total liabilities</b>	<b>883,945</b>			<b>937,172</b>			<b>923,803</b>		
Shareholders' equity	44,060			45,415			42,852		
<b>Total liabilities and shareholders' equity</b>	<b>928,005</b>			<b>982,587</b>			<b>966,655</b>		
Percentage of liabilities attributable to foreign activities	77.29%			76.96%			77.30%		

Average balances and interest rates exclude discontinued operations.

<sup>1</sup> Average balances of central bank funds purchased, securities sold under repurchase agreements and securities lending transactions are reported net in accordance with ASC Topic 210 – Balance sheet, while interest expense excludes the impact of ASC Topic 210 – Balance sheet.

## Net interest income and interest rate spread

in	2016		2015		2014	
	Net interest income in CHF million	Interest rate spread in %	Net interest income in CHF million	Interest rate spread in %	Net interest income in CHF million	Interest rate spread in %
<b>Net interest income and interest rate spread</b>						
Switzerland	1,702	1.20	1,901	1.30	1,845	1.30
Foreign	5,860	1.00	7,398	1.20	7,189	1.00
<b>Total net</b>	<b>7,562</b>	<b>1.10</b>	<b>9,299</b>	<b>1.20</b>	<b>9,034</b>	<b>1.10</b>

## Statistical information

The average rates earned and paid on related assets and liabilities can fluctuate within wide ranges and are influenced by several key factors. The most significant factor is changes in global interest rates. Additional factors include changes in the geographic

and product mix of the Group's business, and foreign exchange rate movements between the Swiss franc and the currency of the underlying individual assets and liabilities.

## Selected margin information

in	2016	2015	2014
<b>Selected margin information (average rate in %)</b>			
Switzerland	1.06	1.18	1.17
Foreign	1.03	1.20	1.13
<b>Net interest margin</b>	<b>1.04</b>	<b>1.19</b>	<b>1.14</b>

The US Federal Reserve set the target range of the federal funds rate to 0.25% to 0.50% through 2016 and changed the target range in December 2016 to 0.50% to 0.75%.

The Swiss National Bank set the three-month Swiss franc London Interbank Offered Rate, which was (0.75)% at the end of December 2016.

The European Central Bank set the fixed rate tenders, which stood at 0.00% at the end of 2016.

The Bank of England set the bank rate at 0.50% in early 2009 and changed the bank rate to 0.25% in August 2016.

## Analysis of changes in net interest income

in	2016 vs 2015			2015 vs 2014		
	Increase/(decrease) due to changes in			Increase/(decrease) due to changes in		
	Average volume	Average rate	Net change	Average volume	Average rate	Net change
<b>Assets (CHF million)</b>						
Cash and due from banks						
Switzerland	1	(78)	(77)	0	(2)	(2)
Foreign	10	35	45	(2)	(30)	(32)
Interest-bearing deposits with banks						
Switzerland	0	0	0	0	0	0
Foreign	(2)	(5)	(7)	(3)	6	3
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions						
Switzerland	9	(5)	4	3	1	4
Foreign	(37)	175	138	(263)	566	303
Trading assets						
Switzerland	(12)	6	(6)	(8)	(2)	(10)
Foreign	(1,398)	(158)	(1,556)	(784)	336	(448)
Investment securities						
Switzerland	0	(1)	(1)	(6)	(3)	(9)
Foreign	(5)	1	(4)	8	28	36
Loans						
Switzerland	(5)	(198)	(203)	72	(234)	(162)
Foreign	3	416	419	268	230	498
Other interest-earning assets						
Switzerland	(41)	(34)	(75)	6	70	76
Foreign	(389)	(255)	(644)	205	(182)	23
<b>Interest-earning assets</b>						
Switzerland	(48)	(310)	(358)	67	(170)	(103)
Foreign	(1,818)	209	(1,609)	(571)	954	383
<b>Change in interest income</b>	<b>(1,866)</b>	<b>(101)</b>	<b>(1,967)</b>	<b>(504)</b>	<b>784</b>	<b>280</b>

Average balances and interest rates exclude discontinued operations.

## Analysis of changes in net interest income (continued)

in	2016 vs 2015			2015 vs 2014		
	Increase/(decrease) due to changes in			Increase/(decrease) due to changes in		
	Average volume	Average rate	Net change	Average volume	Average rate	Net change
<b>Liabilities (CHF million)</b>						
Deposits of banks						
Switzerland	(2)	(6)	(8)	2	0	2
Foreign	(10)	52	42	9	(26)	(17)
Deposits of non-banks						
Switzerland	(16)	(82)	(98)	3	(170)	(167)
Foreign	24	199	223	16	6	22
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions						
Switzerland	(9)	18	9	3	4	7
Foreign	(268)	384	116	(156)	369	213
Trading liabilities						
Switzerland	0	4	4	(6)	(19)	(25)
Foreign	(453)	197	(256)	(494)	435	(59)
Short-term borrowings						
Switzerland	0	0	0	0	0	0
Foreign	(42)	21	(21)	(27)	13	(14)
Long-term debt						
Switzerland	26	(93)	(67)	82	(73)	9
Foreign	141	(339)	(198)	702	(537)	165
Other interest-bearing liabilities						
Switzerland	8	(7)	1	1	14	15
Foreign	(21)	44	23	(28)	(108)	(136)
<b>Interest-bearing liabilities</b>						
Switzerland	7	(166)	(159)	85	(244)	(159)
Foreign	(629)	558	(71)	22	152	174
<b>Change in interest expense</b>	<b>(622)</b>	<b>392</b>	<b>(230)</b>	<b>107</b>	<b>(92)</b>	<b>15</b>
<b>Change in interest income</b>						
Switzerland	(55)	(144)	(199)	(18)	74	56
Foreign	(1,189)	(349)	(1,538)	(593)	802	209
<b>Total change in net interest income</b>	<b>(1,244)</b>	<b>(493)</b>	<b>(1,737)</b>	<b>(611)</b>	<b>876</b>	<b>265</b>

Average balances and interest rates exclude discontinued operations.



## Carrying value of financial investments

end of	2016	2015	2014
<b>Carrying value of financial investments (CHF million)</b>			
Debt securities issued by Swiss federal, cantonal or local governmental entities	259	294	304
Debt securities issued by foreign governments	1,343	1,416	2,066
Corporate debt securities	287	285	313
Residential mortgage-backed securities	497	750	0
Commercial mortgage-backed securities	14	259	0
<b>Total debt securities</b>	<b>2,400</b>	<b>3,004</b>	<b>2,683</b>

As of December 31, 2016, no aggregate investment in debt securities of a specific counterparty was in excess of 10% of consolidated shareholders' equity.

## Maturities and weighted-average yields of debt securities included in financial investments

	Within 1 year		1 to 5 years		5 to 10 years		Over 10 years		Total	
	Amount in CHF million	Yield in %	Amount in CHF million	Yield in %	Amount in CHF million	Yield in %	Amount in CHF million	Yield in %	Amount in CHF million	Yield in %
<b>end of 2016</b>										
<b>Debt securities</b>										
Debt securities issued by the Swiss federal, cantonal or local governmental entities	40	2.36	68	1.85	126	1.05	7	2.00	241	1.52
Debt securities issued by foreign governments	168	0.06	1,121	0.87	20	1.47	0	–	1,309	0.78
Corporate debt securities	273	0.07	14	11.68	0	–	0	–	287	0.64
Residential mortgage-backed securities	0	–	0	–	0	–	497	4.40	497	4.40
Commercial mortgage-backed securities	0	–	0	–	0	–	14	4.60	14	4.60
<b>Total debt securities</b>	<b>481</b>	<b>0.26</b>	<b>1,203</b>	<b>1.05</b>	<b>146</b>	<b>1.12</b>	<b>518</b>	<b>4.37</b>	<b>2,348</b>	<b>1.63</b>

Since substantially all investment securities are taxable securities, the yields presented above are on a tax-equivalent basis.

The values above are based upon amortized cost, whereas certain financial investments are carried at fair value in the consolidated balance sheets.

## Details of the loan portfolio

end of	2016	2015	2014	2013	2012
<b>Loan portfolio (CHF million, except where indicated)</b>					
Mortgages	100,776	99,216	95,201	92,418	89,733
Loans collateralized by securities	4,510	3,988	3,899	3,403	3,935
Consumer finance	2,820	2,874	3,241	4,397	4,502
Consumer	108,106	106,078	102,341	100,218	98,170
Real estate	23,408	23,418	25,440	24,715	23,717
Commercial and industrial loans	23,439	22,344	22,928	21,964	24,505
Financial institutions	3,011	3,100	4,041	4,016	3,718
Governments and public institutions	802	831	1,017	1,079	1,116
Corporate & institutional	50,660	49,693	53,426	51,774	53,056
<b>Switzerland</b>	<b>158,766</b>	<b>155,771</b>	<b>155,767</b>	<b>151,992</b>	<b>151,226</b>
Mortgages	3,559	3,948	3,601	2,560	2,139
Loans collateralized by securities	32,758	33,958	35,919	28,162	23,428
Consumer finance	670	892	1,082	1,541	2,399
Consumer	36,987	38,798	40,602	32,263	27,966
Real estate	2,608	3,033	3,758	2,597	2,084
Commercial and industrial loans	60,301	55,423	52,118	41,370	38,523
Financial institutions	14,910	18,234	18,302	17,824	22,184
Governments and public institutions	3,471	2,747	2,874	1,968	1,221
Corporate & institutional	81,290	79,437	77,052	63,759	64,012
<b>Foreign</b>	<b>118,277</b>	<b>118,235</b>	<b>117,654</b>	<b>96,022</b>	<b>91,978</b>
<b>Gross loans</b>	<b>277,043</b>	<b>274,006</b>	<b>273,421</b>	<b>248,014</b>	<b>243,204</b>
of which held at amortized cost	257,515	253,186	250,508	228,557	223,204
of which held at fair value	19,528	20,820	22,913	19,457	20,000
Net (unearned income)/deferred expenses	(129)	(145)	(112)	(91)	(59)
Allowance for loan losses	(938)	(866)	(758)	(869)	(922)
<b>Net loans</b>	<b>275,976</b>	<b>272,995</b>	<b>272,551</b>	<b>247,054</b>	<b>242,223</b>
Percentage of allowance for loan losses <sup>1</sup>	0.3%	0.3%	0.3%	0.4%	0.4%

<sup>1</sup> Calculated based on net loans which are not carried at fair value.

## Loan portfolio by industry

end of	2016	2015
<b>Loan portfolio by industry (CHF million)</b>		
Banks	1,798	3,016
Other financial services	16,123	18,318
Real estate companies	26,016	26,451
Other services	28,583	26,565
Manufacturing	9,543	10,052
Wholesale and retail trade	11,779	9,033
Construction	2,691	2,932
Transportation	21,583	18,985
Health and social services	2,452	2,519
Hotels and restaurants	1,522	1,649
Agriculture and mining	4,166	5,063
Telecommunications	738	434
Governments, public institutions and non-profit organizations	4,956	4,113
Corporate & institutional	131,950	129,130
Consumer	145,093	144,876
<b>Gross loans</b>	<b>277,043</b>	<b>274,006</b>
Net (unearned income)/deferred expenses	(129)	(145)
Allowance for loan losses	(938)	(866)
<b>Net loans</b>	<b>275,976</b>	<b>272,995</b>

## Details of the loan portfolio by time remaining until contractual maturity by category

end of 2016	1 year or less	1 year to 5 years	After 5 years	Loans with no stated maturity <sup>1</sup>	Self- amortizing loans <sup>2</sup>	Total
<b>Loan portfolio (CHF million)</b>						
Mortgages	27,229	44,732	27,880	935	0	100,776
Loans collateralized by securities	3,705	574	231	0	0	4,510
Consumer finance	1,010	1,710	100	0	0	2,820
Consumer	31,944	47,016	28,211	935	0	108,106
Real estate	14,267	5,779	3,232	80	50	23,408
Commercial and industrial loans	15,388	3,945	1,900	94	2,112	23,439
Financial institutions	1,624	303	298	6	780	3,011
Governments and public institutions	419	177	190	5	11	802
Corporate & institutional	31,698	10,204	5,620	185	2,953	50,660
<b>Switzerland</b>	<b>63,642</b>	<b>57,220</b>	<b>33,831</b>	<b>1,120</b>	<b>2,953</b>	<b>158,766</b>
Mortgages	1,648	1,649	195	10	57	3,559
Loans collateralized by securities	29,234	2,388	1,136	0	0	32,758
Consumer finance	550	59	61	0	0	670
Consumer	31,432	4,096	1,392	10	57	36,987
Real estate	1,430	1,077	38	0	63	2,608
Commercial and industrial loans	30,392	15,915	9,356	12	4,626	60,301
Financial institutions	6,406	4,104	3,309	0	1,091	14,910
Governments and public institutions	367	1,456	570	0	1,078	3,471
Corporate & institutional	38,595	22,552	13,273	12	6,858	81,290
<b>Foreign</b>	<b>70,027</b>	<b>26,648</b>	<b>14,665</b>	<b>22</b>	<b>6,915</b>	<b>118,277</b>
<b>Gross loans</b>	<b>133,669</b>	<b>83,868</b>	<b>48,496</b>	<b>1,142</b>	<b>9,868</b>	<b>277,043</b>
of which fixed rate	112,236	68,191	44,887	0	2,754	228,068
of which variable rate	21,433	15,677	3,609	1,142	7,114	48,975
Net (unearned income)/deferred expenses						(129)
Allowance for loan losses						(938)
<b>Net loans</b>						<b>275,976</b>

<sup>1</sup> Loans with no stated maturity include primarily certain loan products within Switzerland without a stated maturity within the original loan agreement.

<sup>2</sup> Self-amortizing loans include loans with monthly or quarterly interest and principal payments and are primarily related to lease financings.

## Non-performing and non-interest-earning loans

						Interest income which would have been recognized		Interest income which was recognized	
in / end of	2016	2015	2014	2013	2012	2016	2015	2016	2015
Non-performing and non-interest-earning loans (CHF million)									
Switzerland	401	374	389	378	409	15	15	2	1
Foreign	835	609	364	484	450	35	17	3	2
Non-performing loans <sup>1</sup>	1,236	983	753	862	859	50	32	5	3
Switzerland	79	100	87	109	113	8	7	1	1
Foreign	186	172	192	172	200	9	14	1	0
Non-interest-earning loans <sup>1</sup>	265	272	279	281	313	17	21	2	1
Total non-performing and non-interest-earning loans	1,501	1,255	1,032	1,143	1,172	67	53	7	4

<sup>1</sup> Refer to "Impaired loans" in V – Consolidated financial statements – Credit Suisse Group – Note 19 – Loans, allowance for loan losses and credit quality for a definition of these terms.

## Potential problem loans

end of	2016	2015	2014	2013	2012
<b>Potential problem loans (CHF million)</b>					
Switzerland	125	120	98	115	181
Foreign	488	316	89	225	346
<b>Total potential problem loans</b>	<b>613</b>	<b>436</b>	<b>187</b>	<b>340</b>	<b>527</b>

## Restructured loans

						Interest income which would have been recognized		Interest income which was recognized	
in / end of	2016	2015	2014	2013	2012	2016	2015	2016	2015
Restructured loans (CHF million)									
Switzerland	26	21	4	6	0	0	0	0	0
Foreign	332	261	167	0	30	9	11	5	3
Total restructured loans	358	282	171	6	30	9	11	5	3

## Movements in the allowance for loan losses

	2016	2015	2014	2013	2012
<b>Allowance for loan losses (CHF million, except where indicated)</b>					
<b>Balance at beginning of period</b>	<b>866</b>	<b>758</b>	<b>869</b>	<b>922</b>	<b>910</b>
Allowances acquired/(deconsolidated)	0	0	0	(1)	(18)
<b>Changes in scope of consolidation</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1)</b>	<b>(18)</b>
Switzerland	56	93	54	50	87
Foreign	193	202	91	116	72
<b>Net movements recognized in the consolidated statements of operations</b>	<b>249</b>	<b>295</b>	<b>145</b>	<b>166</b>	<b>159</b>
Mortgages	(4)	(3)	(2)	(6)	(7)
Loans collateralized by securities	(2)	(3)	(5)	(6)	(2)
Consumer finance	(59)	(67)	(88)	(96)	(75)
Consumer	(65)	(73)	(95)	(108)	(84)
Real estate	0	0	(3)	(5)	(1)
Commercial and industrial loans	(48)	(30)	(46)	(45)	(63)
Financial institutions	(3)	(1)	0	(1)	(1)
Corporate & institutional	(51)	(31)	(49)	(51)	(65)
Switzerland	(116)	(104)	(144)	(159)	(149)
Mortgages	(1)	(3)	(2)	(2)	(3)
Loans collateralized by securities	(5)	(1)	(2)	(2)	(7)
Consumer finance	(15)	(41)	(9)	(10)	(11)
Consumer	(21)	(45)	(13)	(14)	(21)
Real estate	(1)	0	0	0	(1)
Commercial and industrial loans	(136)	(58)	(179)	(103)	(14)
Financial institutions	(4)	(22)	(13)	(10)	(10)
Governments and public institutions	0	0	0	0	(6)
Corporate & institutional	(141)	(80)	(192)	(113)	(31)
Foreign	(162)	(125)	(205)	(127)	(52)
<b>Gross write-offs</b>	<b>(278)</b>	<b>(229)</b>	<b>(349)</b>	<b>(286)</b>	<b>(201)</b>
Consumer finance	13	11	16	23	21
Consumer	13	11	16	23	21
Commercial and industrial loans	4	0	2	3	12
Corporate & institutional	4	0	2	3	12
Switzerland	17	11	18	26	33
Consumer finance	0	1	1	1	1
Consumer	0	1	1	1	1
Commercial and industrial loans	46	16	18	27	10
Financial institutions	1	0	4	0	0
Governments and public institutions	2	0	0	0	0
Corporate & institutional	49	16	22	27	10
Foreign	49	17	23	28	11
<b>Recoveries</b>	<b>66</b>	<b>28</b>	<b>41</b>	<b>54</b>	<b>44</b>
<b>Net write-offs</b>	<b>(212)</b>	<b>(201)</b>	<b>(308)</b>	<b>(232)</b>	<b>(157)</b>
Provisions for interest	18	18	20	26	29
Foreign currency translation impact and other adjustments, net	17	(4)	32	(12)	(1)
<b>Balance at end of period</b>	<b>938</b>	<b>866</b>	<b>758</b>	<b>869</b>	<b>922</b>
Average loan balance	275,502	275,661	258,833	247,079	238,801
Ratio of net write-offs to average loans	0.08%	0.07%	0.12%	0.09%	0.07%

## Analysis of the allowance for loan losses by Switzerland, foreign and category

end of	2016		2015		2014		2013		2012	
	CHF million	% of allowance in each category to total loans	CHF million	% of allowance in each category to total loans	CHF million	% of allowance in each category to total loans	CHF million	% of allowance in each category to total loans	CHF million	% of allowance in each category to total loans
<b>Analysis of the allowance for loan losses</b>										
Mortgages	38	0.0%	42	0.0%	44	0.0%	47	0.0%	48	0.0%
Loans collateralized by securities	2	0.0%	2	0.0%	2	0.0%	2	0.0%	3	0.0%
Consumer finance	83	0.0%	97	0.0%	110	0.0%	122	0.0%	131	0.1%
Consumer	123	0.0%	141	0.1%	156	0.1%	171	0.1%	182	0.1%
Real estate	52	0.0%	52	0.0%	49	0.0%	60	0.0%	69	0.0%
Commercial and industrial loans	173	0.1%	169	0.1%	139	0.1%	166	0.1%	200	0.1%
Financial institutions	0	0.0%	3	0.0%	0	0.0%	1	0.0%	2	0.0%
Corporate & institutional	225	0.1%	224	0.1%	188	0.1%	227	0.1%	271	0.1%
<b>Switzerland</b>	<b>348</b>	<b>0.1%</b>	<b>365</b>	<b>0.1%</b>	<b>344</b>	<b>0.1%</b>	<b>398</b>	<b>0.2%</b>	<b>453</b>	<b>0.2%</b>
Mortgages	8	0.0%	10	0.0%	10	0.0%	9	0.0%	12	0.0%
Loans collateralized by securities	52	0.0%	12	0.0%	51	0.0%	52	0.0%	50	0.0%
Consumer finance	33	0.0%	52	0.0%	34	0.0%	35	0.0%	44	0.0%
Consumer	93	0.0%	74	0.0%	95	0.0%	96	0.0%	106	0.0%
Real estate	3	0.0%	5	0.0%	5	0.0%	5	0.0%	5	0.0%
Commercial and industrial loans	429	0.2%	326	0.1%	224	0.1%	277	0.1%	242	0.1%
Financial institutions	65	0.0%	96	0.0%	90	0.0%	93	0.0%	116	0.1%
Corporate & institutional	497	0.2%	427	0.2%	319	0.1%	375	0.2%	363	0.2%
<b>Foreign</b>	<b>590</b>	<b>0.2%</b>	<b>501</b>	<b>0.2%</b>	<b>414</b>	<b>0.2%</b>	<b>471</b>	<b>0.2%</b>	<b>469</b>	<b>0.2%</b>
<b>Total allowance for loan losses</b>	<b>938</b>	<b>0.3%</b>	<b>866</b>	<b>0.3%</b>	<b>758</b>	<b>0.3%</b>	<b>869</b>	<b>0.4%</b>	<b>922</b>	<b>0.4%</b>
of which on principal	848	0.3%	800	0.3%	686	0.3%	778	0.3%	842	0.4%
of which on interest	90	0.0%	66	0.0%	72	0.0%	91	0.0%	80	0.0%

Percentages may not add up due to rounding.

**Gross write-offs of loans by industry**

in	2016	2015	2014	2013	2012
<b>Gross write-offs of loans (CHF million)</b>					
Other financial services	8	24	14	11	11
Real estate companies	1	0	3	5	2
Other services	22	2	10	18	15
Manufacturing	12	8	112	17	30
Wholesale and retail trade	15	15	9	9	13
Construction	11	3	0	6	4
Transportation	53	35	62	57	8
Health and social services	0	0	1	3	1
Hotels and restaurants	0	3	0	1	4
Agriculture and mining	69	21	30	35	0
Telecommunications	1	0	0	1	1
Governments, public institutions and non-profit organizations	0	0	0	0	7
Corporate & institutional	192	111	241	163	96
Consumer	86	118	108	123	105
<b>Total gross write-offs</b>	<b>278</b>	<b>229</b>	<b>349</b>	<b>286</b>	<b>201</b>



## Cross-border outstandings

end of	Banks	Private	Public	Subtotal	Net local country assets over liabilities	Commit- ments	Total
<b>2016 (CHF million)</b>							
United States	4,404	48,306	18,122	70,832	63,264	74,641	208,737
Cayman Islands	428	19,935	349	20,712	1,464	3,848	26,024
Luxembourg	5,004	7,497	2,775	15,276	6,366	2,778	24,420
United Kingdom	2,753	11,696	205	14,654	0	5,058	19,712
Germany	1,843	5,011	2,621	9,475	0	6,044	15,519
The Netherlands	991	6,345	528	7,864	0	3,257	11,121
France	1,881	5,124	1,932	8,937	0	1,920	10,857
Brazil	755	2,152	1,160	4,067	6,057	329	10,453
Japan	713	4,644	507	5,864	3,840	11	9,715
Virgin Islands (Br.)	383	7,000	1	7,384	0	1,325	8,709
Australia	2,089	4,135	25	6,249	0	2,346	8,595
Hong Kong	510	4,040	11	4,561	2,671	1,210	8,442
Canada	1,271	3,389	273	4,933	753	2,341	8,027
Ireland	2,026	4,350	38	6,414	0	1,180	7,594
Italy	883	1,337	3,488	5,708	0	814	6,522
<b>2015 (CHF million)</b>							
United States	3,139	30,769	11,161	45,069	87,418	93,938	226,425
Cayman Islands	272	22,634	1	22,907	0	2,294	25,201
United Kingdom	4,137	12,323	193	16,653	0	7,093	23,746
Luxembourg	4,813	9,585	1,559	15,957	0	5,530	21,487
France	2,709	7,672	6,351	16,732	97	2,101	18,930
Germany	1,922	7,293	3,949	13,164	0	3,419	16,583
Hong Kong	260	3,283	2	3,545	9,200	837	13,582
The Netherlands	876	7,859	470	9,205	0	3,730	12,935
Virgin Islands (Br.)	38	8,875	0	8,913	0	563	9,476
Canada	945	3,498	269	4,712	803	2,823	8,338
Japan	694	5,502	2,090	8,286	0	19	8,305
Italy	881	2,350	3,944	7,175	0	1,050	8,225
Ireland	1,530	5,411	64	7,005	0	1,197	8,202
South Korea	96	4,276	469	4,841	1,768	132	6,741
Brazil	302	1,133	373	1,808	4,582	236	6,626
India	910	3,753	256	4,919	1,341	187	6,447
<b>2014 (CHF million)</b>							
United States	5,351	31,255	12,710	49,316	97,090	86,041	232,447
Cayman Islands	975	25,911	0	26,886	0	895	27,781
France	3,722	9,276	5,509	18,507	283	4,994	23,784
Luxembourg	4,370	11,999	3,244	19,613	0	3,342	22,955
United Kingdom	4,440	11,526	228	16,194	0	6,580	22,774
Germany	2,339	8,603	6,154	17,096	0	3,617	20,713
Hong Kong	638	3,072	23	3,733	10,174	880	14,787
The Netherlands	2,361	6,697	1,276	10,334	0	2,224	12,558
Japan	1,791	3,671	1,102	6,564	2,056	3,226	11,846
Italy	358	4,135	5,464	9,957	0	1,286	11,243
Canada	2,656	3,983	635	7,274	1,121	1,943	10,338
Ireland	1,942	6,299	4	8,245	2	1,245	9,492
Brazil	614	2,316	1,192	4,122	4,847	309	9,278
Virgin Islands (Br.)	111	8,011	0	8,122	0	709	8,831
Singapore	397	4,222	81	4,700	1,553	1,050	7,303
South Korea	459	3,713	328	4,500	2,515	142	7,157
India	1,269	4,797	213	6,279	512	84	6,875

Cross-border outstandings represent net claims against non-local country counterparties for countries where the aggregate amount outstanding to borrowers exceeds 0.75% of total assets. Monetary assets are loans (including accrued interest), acceptances, interest-bearing deposits with other banks, other interest-bearing investments and any other monetary asset with a fixed exchange value for cash. To the extent local currency outstandings are hedged or funded by local currency borrowings, such amounts are excluded from cross-border outstandings.

## Deposits in Switzerland and foreign offices

in	2016			2015			2014		
	Average balance	Interest expense	Average rate	Average balance	Interest expense	Average rate	Average balance	Interest expense	Average rate
<b>Deposits (CHF million, except where indicated)</b>									
Non-interest-bearing demand	3,539	–	–	4,009	–	–	5,098	–	–
Interest-bearing demand	124,349	(73)	(0.1)%	128,739	(30)	0.0%	136,970	85	0.1%
Savings deposits	63,505	131	0.2%	82,194	161	0.2%	71,845	257	0.4%
Time deposits	31,085	12	0.0%	17,666	53	0.3%	13,536	61	0.5%
<b>Switzerland</b>	<b>222,478</b>	<b>70</b>	<b>0.0%</b>	<b>232,608</b>	<b>184</b>	<b>0.1%</b>	<b>227,449</b>	<b>403</b>	<b>0.2%</b>
Non-interest-bearing demand	2,158	–	–	4,265	–	–	4,562	–	–
Interest-bearing demand	32,504	24	0.1%	33,439	37	0.1%	29,085	27	0.1%
Savings deposits	3	0	0.0%	19	0	0.0%	30	0	0.0%
Time deposits	114,857	950	0.8%	115,634	664	0.6%	117,051	615	0.5%
<b>Foreign</b>	<b>149,522</b>	<b>974</b>	<b>0.7%</b>	<b>153,357</b>	<b>701</b>	<b>0.5%</b>	<b>150,728</b>	<b>642</b>	<b>0.4%</b>
<b>Total deposits</b>	<b>372,000</b>	<b>1,044</b>	<b>0.3%</b>	<b>385,965</b>	<b>885</b>	<b>0.2%</b>	<b>378,177</b>	<b>1,045</b>	<b>0.3%</b>

Deposits by foreign depositors in Swiss offices amounted to CHF 65.1 billion, CHF 68.6 billion and CHF 73.3 billion as of December 31, 2016, 2015 and 2014, respectively.

## Aggregate of individual time deposits in Switzerland and foreign offices

in 2016	Switzerland	Foreign	Total
<b>Time deposits (CHF million)</b>			
3 months or less	–	12,992	12,992
Over 3 through 6 months	–	13,312	13,312
Over 6 through 12 months	–	16,275	16,275
Over 12 months	–	1,675	1,675
<b>Certificates of deposit</b>	<b>–</b>	<b>44,254</b>	<b>44,254</b>
3 months or less	30,986	55,528	86,514
Over 3 through 6 months	1,499	8,733	10,232
Over 6 through 12 months	2,143	8,672	10,815
Over 12 months	1,072	2,571	3,643
<b>Other time deposits</b>	<b>35,700</b>	<b>75,504</b>	<b>111,204</b>
<b>Total time deposits</b>	<b>35,700</b>	<b>119,758</b>	<b>155,458</b>

Balances shown are the Swiss franc equivalent of amounts greater than USD 100,000 together with their remaining maturities.

## Selected information on short-term borrowings

in	2016	2015	2014
<b>Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions (CHF million)</b>			
Outstanding as of December 31	33,016	46,598	70,119
Maximum amount outstanding at any month-end during the year	82,825	98,790	92,764
Approximate average amount outstanding during the year	58,044	74,441	87,589
Interest expense for the year ended December 31	1,387	1,264	1,042
Approximate weighted-average interest rate during the year	2.4%	1.7%	1.2%
Approximate weighted-average interest rate at year-end	1.1%	0.5%	0.6%
<b>Commercial paper (CHF million)</b>			
Outstanding as of December 31	10,749	4,667	15,567
Maximum amount outstanding at any month-end during the year	11,237	17,514	20,862
Approximate average amount outstanding during the year	9,340	11,952	17,551
Interest expense for the year ended December 31	77	53	68
Approximate weighted-average interest rate during the year	0.8%	0.4%	0.4%
Approximate weighted-average interest rate at year-end	0.7%	0.4%	0.3%
<b>Other short-term borrowings (CHF million)</b>			
Outstanding as of December 31	4,636	3,990	10,354
Maximum amount outstanding at any month-end during the year	4,742	10,993	11,448
Approximate average amount outstanding during the year	3,735	9,044	9,444
Interest expense for the year ended December 31	7	52	51
Approximate weighted-average interest rate during the year	0.2%	0.6%	0.5%
Approximate weighted-average interest rate at year-end	0.3%	1.3%	0.3%

Generally, original maturities of central bank funds purchased, securities sold under repurchase agreements and securities lending transactions are less than six months, commercial papers are less than six months and other short-term borrowings are one year or less.

## STATISTICAL INFORMATION – BANK

Statistical information for the Group is required under the SEC's specialized industry guide for bank holding companies – Industry Guide 3. Certain statistical information is also included in VII – Consolidated financial statements – Credit Suisse (Bank), including Notes 6 – Net interest income, 16 – Investment securities, 18 – Loans, allowance for loan losses and credit quality, 23 – Deposits, 24 – Long-term debt, 31 – Derivatives and hedging activities, 32 – Guarantees and commitments and 34 – Financial instruments. Except to the extent described below, such statistical information for the Bank is not materially different, either in absolute amount or in terms of trends, from such statistical information for the Group. The principal differences described below relate to the banking businesses of the Group that are not included in the Bank's consolidated financial statements and intercompany eliminations.

Certain elements of the Group's and the Bank's investment portfolio may differ from period to period. As of December 31, 2016, the carrying value of the Group's debt securities was CHF 2.4 billion compared to CHF 2.1 billion for the Bank.

The higher value of debt securities at the Group compared to the Bank primarily related to debt securities issued by Swiss federal, cantonal or local governmental entities and foreign governments held by Neue Aargauer Bank, principally for liquidity management purposes.

The Bank's loan portfolio constitutes substantially all of the Group's consolidated loan portfolio. As of December 31, 2016, 2015 and 2014, the Bank's total loans were CHF 259.5 billion, CHF 254.9 billion and CHF 255.9 billion or 94.0%, 93.4% and 93.9% of the Group's total loans of CHF 276.0 billion, CHF 273.0 billion and CHF 272.6 billion, respectively. Differences between the Bank and the Group in the composition and maturity profile of the loan portfolio, allowance for loan losses, write-offs and impaired loans as of December 31, 2016, December 31, 2015 and December 31, 2014 principally related to Neue Aargauer Bank and BANK-now, primarily in the Swiss consumer segment.

► Refer to "Note 18 – Loans, allowance for loan losses and credit quality" in VII – Consolidated financial statements – Credit Suisse (Bank) for additional information on the Bank's loan portfolio and related allowances.

## Ratio of earnings to fixed charges – Group

in	2016	2015	2014	2013	2012
<b>Ratio of earnings to fixed charges (CHF million)</b>					
Income/(loss) from continuing operations before taxes, noncontrolling interests and cumulative effect of accounting changes	(2,266)	(2,422)	3,627	4,096	2,190
Income from equity method investments	(208)	(243)	(244)	(251)	(160)
<b>Pre-tax earnings/(loss) from continuing operations</b>	<b>(2,474)</b>	<b>(2,665)</b>	<b>3,383</b>	<b>3,845</b>	<b>2,030</b>
Fixed charges:					
Interest expense	9,812	10,042	10,027	11,441	14,947
Interest portion of rentals <sup>1</sup>	530	538	627	642	645
Preferred dividend requirements	0	0	53	236	231
<b>Total fixed charges</b>	<b>10,342</b>	<b>10,580</b>	<b>10,707</b>	<b>12,319</b>	<b>15,823</b>
<b>Pre-tax earnings before fixed charges</b>	<b>7,868</b>	<b>7,915</b>	<b>14,090</b>	<b>16,164</b>	<b>17,853</b>
Noncontrolling interests	3	(1)	449	639	336
<b>Earnings before fixed charges and provision for income taxes</b>	<b>7,865</b>	<b>7,916</b>	<b>13,641</b>	<b>15,525</b>	<b>17,517</b>
<b>Ratio of earnings to fixed charges</b>	<b>0.76</b>	<b>0.75</b>	<b>1.27</b>	<b>1.26</b>	<b>1.11</b>

<sup>1</sup> Amounts reflect a portion of premises and real estate expenses deemed representative of the interest factor.

## Ratio of earnings to fixed charges – Bank

in	2016	2015	2014	2013	2012
<b>Ratio of earnings to fixed charges (CHF million)</b>					
Income/(loss) from continuing operations before taxes, noncontrolling interests and cumulative effect of accounting changes	(2,768)	(2,938)	2,961	3,654	1,779
Income from equity method investments	(154)	(210)	(231)	(240)	(144)
<b>Pre-tax earnings/(loss) from continuing operations</b>	<b>(2,922)</b>	<b>(3,148)</b>	<b>2,730</b>	<b>3,414</b>	<b>1,635</b>
Fixed charges:					
Interest expense	9,737	9,990	9,908	11,307	14,757
Interest portion of rentals <sup>1</sup>	522	528	618	632	629
Preferred dividend requirements	0	0	53	236	231
<b>Total fixed charges</b>	<b>10,259</b>	<b>10,518</b>	<b>10,579</b>	<b>12,175</b>	<b>15,617</b>
<b>Pre-tax earnings before fixed charges</b>	<b>7,337</b>	<b>7,370</b>	<b>13,309</b>	<b>15,589</b>	<b>17,252</b>
Noncontrolling interests	(6)	(7)	445	669	333
<b>Earnings before fixed charges and provision for income taxes</b>	<b>7,343</b>	<b>7,377</b>	<b>12,864</b>	<b>14,920</b>	<b>16,919</b>
<b>Ratio of earnings to fixed charges</b>	<b>0.72</b>	<b>0.70</b>	<b>1.22</b>	<b>1.23</b>	<b>1.08</b>


<sup>1</sup> Amounts reflect a portion of premises and real estate expenses deemed representative of the interest factor.

# Other information

## EXCHANGE CONTROLS

There are no restrictions presently in force under our Articles of Association or Swiss law that limit the right of non-resident or foreign owners to hold our securities freely or, when entitled, to vote their securities freely. The Swiss federal government may from time to time impose sanctions, including exchange control restrictions, on particular countries, regimes, organizations or persons. A current list, in German, of such sanctions can be found at [www.seco-admin.ch](http://www.seco-admin.ch). Other than these sanctions, there are currently no Swiss exchange control laws or laws restricting the import or export of capital, including, but not limited to, the remittance of dividends, interest or other payments to non-resident holders of our securities.

## AMERICAN DEPOSITARY SHARES

Under Swiss law, holders of  American Depositary Shares (ADS) are not shareholders and are not recorded in our share register. A nominee for the ADS depositary is the registered holder of the shares underlying the ADS. Rights of ADS holders to exercise voting rights, receive dividends and other matters are governed by the deposit agreement pursuant to which the ADS are issued. For further information relating to our ADS, see our Registration Statement on Form F-6 filed with the SEC. Subject to any applicable law to the contrary, with respect to ADS for which timely voting instructions are not received by the ADS depositary in relation to any proposed resolution or for which voting instructions are received by the ADS depositary but do not specify how the ADS depositary shall vote in relation to any proposed resolution, the ADS depositary shall, or shall instruct the nominee to, vote such shares underlying the ADS in favor of such resolution if it has been proposed by the Board of Directors or otherwise in accordance with the recommendation of the Board of Directors.

## TAXATION

The following summary contains a description of the principal Swiss and US federal income tax consequences of the acquisition, ownership and disposition of our shares or ADS (Shares), but it does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to own or dispose of Shares. In particular, the summary is directed only to holders that hold Shares as capital assets and does not address tax considerations applicable to investors that may be subject to special tax rules, such as banks, tax-exempt entities, insurance companies, dealers in securities or currencies, traders in securities electing to mark to market, persons that actually or constructively own a participation in our stock that qualifies for reduced taxation, persons that hold Shares as a position in a “straddle” or “conversion” transaction, or as part of a “synthetic security” or other integrated financial transaction, or persons that have a “functional currency” other than the Swiss franc or US dollar.

This summary is based on the current tax laws of Switzerland and the US, including the current “Convention Between the United States of America and the Swiss Confederation for the Avoidance of Double Taxation with Respect to Taxes on Income” (Treaty), the “Agreement on the Automatic Exchange of Information in Tax Matters with the European Union” (AEOI Agreement) and similar bilateral treaties with partner states, the US Internal Revenue Code of 1986, as amended (IR Code), existing and proposed regulations thereunder, published rulings and court decisions, all of which are subject to change, possibly with retroactive effect.

This discussion does not generally address any aspects of Swiss taxation other than income and capital taxation or any aspects of US taxation other than federal income taxation. Prospective investors are urged to consult their tax advisors regarding the Swiss and the US federal, state and local and other tax consequences of acquiring, owning and disposing of Shares.

### Swiss taxation

#### Swiss federal withholding tax on dividends and similar distributions

Dividends on Shares made or paid by us out of capital contribution reserves (*Reserven aus Kapitaleinlagen*) and distributions on Shares made or paid by us based upon a reduction of nominal value of Shares (*Nennwertherabsetzung*) are exempt from Swiss federal withholding tax. Dividends and other similar cash or in-kind distributions (including scrip or stock dividends) on Shares made or paid by us out of profit reserves or out of reserves other than capital contribution reserves are subject to Swiss federal withholding tax at a rate of 35%. The withholding tax must be withheld by us on the gross amount of the dividend or distribution and be remitted to the Swiss Federal Tax Administration. Capital gains realized on the sale of Shares are not subject to withholding tax.

#### Swiss-resident recipients

The relevant Swiss tax authority will refund or credit the Swiss federal withholding tax deducted by us on dividends or distributions on Shares in full to holders of Shares who are individuals resident in Switzerland and to holders who hold the Shares as part of a trade or business in Switzerland, and who, in each case, among other things, are the beneficial owners of the Shares and the dividends or the distributions made or paid on the Shares and who duly report the dividend or distribution in their income tax return or their statutory financial statements, as applicable, for the relevant tax period.

#### Non-resident recipients

A holder who is not resident in Switzerland and who does not hold the Shares as part of a trade or business in Switzerland may be entitled to a full or partial refund of the Swiss federal withholding tax deducted if the country in which the recipient resides for tax

## Other information

purposes has entered into a bilateral treaty for the avoidance of double taxation with Switzerland and the other conditions of such treaty are met. A reduction of the withholding tax at source is not provided for by Switzerland for portfolio holdings and, therefore, is not permissible. Holders of Shares should be aware that the procedures for claiming treaty benefits (and the time frame required for obtaining a tax refund) may differ from country to country and should consult their own legal, financial or tax advisors regarding the procedures for claiming a refund of the withholding tax.

**Residents of the US**

In case of a holder who is a resident of the US for purposes of the Treaty without taxable presence in Switzerland to which the Shares are attributable or who is a qualified US pension fund and who, in each case, is the beneficial owner of the Shares and the dividend or distribution and who meets the other conditions of the Treaty may apply for a full refund of the withholding tax in the case of qualified US pension funds or in excess of the amount of the 15% treaty rate in all other cases. The claim for refund must be filed on Swiss Tax Form 82 (82C for corporations, 82I for individuals, 82E for other entities and 82R for regulated investment companies), which forms together with an instruction form may be obtained from any Swiss consulate general in the US, the Swiss Federal Tax Administration at the address below or be down-loaded from the Swiss Federal Tax Administration's website. Four copies of the form must be duly completed, signed before a notary public of the US, and three of them must be sent to the Swiss Federal Tax Administration, Eigerstrasse 65, CH-3003, Bern, Switzerland. The form must be accompanied by suitable evidence of deduction of the Swiss federal withholding, such as certificates of deduction, bank vouchers or credit slips. The form must be filed no later than December 31 of the third year following the calendar year in which the dividend subject to the tax became payable.

**Income and profit tax on dividends and similar distributions****Shares held by Swiss resident individuals as private investments**

Dividends and other distributions on Shares, made or paid by us out of capital contribution reserves (*Reserven aus Kapitaleinlagen*) and distributions made or paid by us on Shares based upon a capital reduction (*Nennwertrückzahlungen*) are exempt from Swiss federal, cantonal and communal income tax for holders of Shares who are individuals resident in Switzerland for tax purposes and who hold the Shares as private investments. For such holders, other dividends and distributions on Shares must be included in Swiss federal, cantonal and communal taxable income.

**Shares held as assets of a Swiss business**

For a holder who holds the Shares as part of a trade or business carried on in Switzerland, dividends and distributions, including capital repayments or distributions out of capital contribution reserves, made or paid by us on Shares must be included in taxable income in the relevant taxation period for purposes of Swiss federal, cantonal and communal individual or corporate income

tax. A Swiss corporation or co-operative or a non-Swiss corporation or co-operative holding Shares as part of a Swiss permanent establishment may benefit from relief from taxation of the dividends or other distributions, including capital repayments or distributions out of capital contribution reserves, by way of a participation exemption if the Shares held at the time of the dividend or other distribution have a market value of at least CHF 1 million.

**Non-resident recipients**

A holder of Shares who is not a resident of Switzerland for tax purposes, and who, during the respective tax year, has not engaged in a trade or business carried on through a permanent establishment situated in Switzerland for tax purposes, is not subject to any Swiss federal, cantonal or communal income tax as a result of the receipt of dividends or other distributions on Shares.

► Refer to "Swiss federal withholding tax on dividends and similar distributions" for further information.

**Capital gains tax realized on Shares****Shares held by Swiss resident individuals as private investments**

A capital gain realized by a holder of Shares who is an individual resident in Switzerland for tax purposes and who holds the Shares as private investments classifies as a tax-exempt private capital gain and a capital loss as a non-tax deductible private capital loss for purposes of Swiss federal, cantonal and communal income tax.

► Refer to "Shares held as assets of a Swiss business" for information on the taxation of individuals classified as "professional securities dealers."

**Shares held as assets of a Swiss business**

For a holder who holds the Shares as part of a trade or business carried on in Switzerland, capital gain or loss realized on the sale of Shares must be included in, or deducted from, taxable income in the relevant tax period for purposes of Swiss federal, cantonal and communal individual or corporate income tax. This tax treatment also applies to Swiss resident private individuals who, for income tax purposes, are classified as "professional securities dealers" for reason of, among other things, frequent dealings and leveraged investments in securities.

**Non-resident individuals and legal entities**

Holders of Shares who are not resident in Switzerland for tax purposes, and who, during the respective tax year, have not engaged in a trade or business carried on through a permanent establishment in Switzerland for tax purposes, will not be subject to any Swiss federal, cantonal or communal income tax as a result of gain realized on the sale or other disposition of Shares.

**Net worth and capital taxes****Shares held by Swiss resident individuals as private investments**

A holder of Shares who is an individual resident in Switzerland for tax purposes and who holds the Shares as private investments is required to include the Shares in taxable assets for purposes of cantonal and communal taxable wealth taxes.



### Shares held as assets of a Swiss business

A holder who holds the Shares as part of a trade or business conducted in Switzerland is required to include the Shares in taxable wealth or taxable assets, as applicable, in the relevant tax period for purposes of cantonal and communal individual wealth tax or corporate capital tax, as applicable.

### Non-resident individuals and legal entities

Holders of Shares who are not resident in Switzerland for tax purposes, and who, during the respective tax year, have not engaged in a trade or business carried on through a permanent establishment situated in Switzerland for tax purposes, will not be subject to any cantonal or communal wealth tax or capital tax as a result of the holding of Shares.

### Stamp duties upon transfer of securities

Secondary market dealings in Shares where no Swiss domestic bank or no Swiss domestic securities dealer (as defined in the Swiss Federal Stamp Duty Act) is a party or an intermediary to the transaction will not be subject to Swiss federal stamp duty on dealings in securities. Where a Swiss domestic bank or a Swiss domestic securities dealer is a party or an intermediary to such a transaction, Swiss federal stamp duty on dealings in securities at a rate of 0.15% of the purchase price of the Shares will be payable if none of the exemptions provided for in the Swiss Federal Stamp Duty Act applies. Subject to applicable statutory exemptions in respect of the one or the other party to a transaction, generally half of the tax is charged to the one party to the transaction and the other half to the other party.

### Common Reporting Standard / Automatic Exchange of Information

On February 13, 2014, the Organization for Economic Co-operation and Development released the Common Reporting Standard (CRS) designed to create a global standard for the Automatic Exchange of Financial Account Information (AEOI), similar to the information to be reported under the US Foreign Account Tax Compliance Act (FATCA). On November 19, 2014, Switzerland signed the Multilateral Competent Authority Agreement on the Automatic Exchange of Financial Account Information (MCAA) that provides for the automatic exchange of FATCA-like information in line with the CRS. Switzerland also signed the AEOI Agreement with the European Union that applies to all 28 member states of the EU as well as Gibraltar. The AEOI Agreement became effective on January 1, 2017 and replaces, amongst others, the repealed bilateral agreements on final withholding taxes of Switzerland with each the UK and Austria (except that these repealed agreements continue to apply in respect of income and gains before January 1, 2017). In addition to the AEOI Agreement with the EU, Switzerland has concluded a number of bilateral agreements based on the MCAA, including with Argentina, Australia, Brazil, Canada, Chile, China, Colombia, Costa Rica, Greenland, Iceland, India, Indonesia, Israel, Japan, Liechtenstein, Malaysia, Mexico, New Zealand, Norway, Russia, Saudi Arabia,

South Africa, South Korea, United Arab Emirates, Uruguay and a number of other jurisdictions. These agreements became effective on January 1, 2017, or, subject to ratification, will become effective on January 1, 2018. Switzerland has announced to conclude further AEOI agreements with further countries. A complete and updated list of AEOI agreements of Switzerland can be found on: [www.sif.admin.ch/sif/en/home/themen/internationale-steuerpolitik/automatischer-informationsaustausch.html](http://www.sif.admin.ch/sif/en/home/themen/internationale-steuerpolitik/automatischer-informationsaustausch.html). Based on the AEOI Agreement and the bilateral agreements and the implementing Swiss AEOI law, Switzerland collects or will collect data in respect of financial assets, including Shares, held in, and income derived thereon and credited to, accounts or deposits with a paying agent in Switzerland for the benefit of residents of a EU member state or a treaty state from 2017 or 2018, and will begin to exchange it from 2018 or 2019, depending on the effectiveness date of the relevant agreement.

### Swiss Facilitation of the Implementation of the US Foreign Account Tax Compliance Act

Switzerland has concluded an intergovernmental agreement with the US to facilitate the implementation of FATCA. The agreement ensures that the accounts held by US persons with Swiss financial institutions, which accounts may include Shares and income derived thereon, are disclosed to the US tax authorities either with the consent of the account holder or by means of group requests within the scope of administrative assistance. Information will not be transferred automatically in the absence of consent, and instead will be exchanged only within the scope of administrative assistance on the basis of the Treaty. On October 8, 2014, the Swiss Federal Council approved a mandate for negotiations with the US on changing the current direct-notification-based regime to a regime where the relevant information is sent to the Swiss Tax Administration, which in turn provides the information to the US tax authorities. The new regime is not expected to come into force before 2018.

### US federal income tax

For purposes of this discussion, a "US Holder" is any beneficial owner of Shares that is: (i) a citizen or resident of the US; (ii) a corporation organized under the laws of the US or any political subdivision thereof; or (iii) any other person that is subject to US federal income tax on a net income basis in respect of Shares. A "Non-US Holder" is any beneficial owner of Shares that is a foreign corporation or non-resident alien individual.

### Taxation of dividends

#### US Holders

For US federal income tax purposes, a US Holder will be required to include the full amount (before reduction for Swiss withholding tax) of a dividend paid with respect to Shares, generally as ordinary income. Subject to certain exceptions for short-term and hedged positions, the US dollar amount of dividends received by an individual with respect to our Shares will be subject to taxation at a maximum rate of 20% if the dividends are "qualified dividends".



Dividends paid on the Shares will be treated as qualified dividends if we were not, in the year prior to the year in which the dividend was paid, and are not, in the year in which the dividend is paid, a passive foreign investment company (PFIC). Based on our audited consolidated financial statements, we believe that the Group was not treated as a PFIC for US federal income tax purposes with respect to our 2015 or 2016 taxable years. In addition, based on the audited consolidated financial statements of the Group and our current expectations regarding the value and nature of our assets and the sources and nature of our income, we do not anticipate the Group becoming a PFIC for the 2017 taxable year. Holders of our Shares should consult their own tax advisors regarding the availability of the reduced dividend tax rate in light of the considerations discussed above and their own particular circumstances. For this purpose, a “dividend” will include any distribution paid by us with respect to Shares, but only to the extent such distribution is not in excess of our current and accumulated earnings and profits as defined for US federal income tax purposes. Such dividend will constitute income from sources outside of the US. Subject to the limitations and conditions provided in the IR Code, a US Holder may deduct from its US federal taxable income, or claim as a credit against its US federal income tax liability, the Swiss withholding tax withheld. Under the IR Code, dividend payments by us on Shares are not eligible for the dividends received deduction generally allowed to corporate shareholders. Any distribution that exceeds our earnings and profits will be treated as a non-taxable return of capital to the extent of the US Holder’s tax basis in Shares and thereafter as capital gain. Because we do not intend to maintain calculations of our earnings and profits on the basis of US federal income tax principles, a US Holder should expect that any information reporting it receives may treat the full amount of any distribution paid as a dividend.

In general, a US Holder will be required to determine the amount of any dividend paid in Swiss francs by translating the Swiss francs into US dollars at the “spot rate” of exchange on the date of receipt. The tax basis of Swiss francs received by the US Holder generally will equal the US dollar equivalent of such Swiss francs, translated at the spot rate of exchange on the date such Swiss franc dividends are received. Upon a subsequent exchange of such Swiss francs for US dollars, or upon the use of such Swiss francs to purchase property, a US Holder will generally recognize ordinary income or loss in the amount equal to the difference between such US Holder’s tax basis for the Swiss francs and the US dollars received or, if property is received, the fair market value of the property. In addition, a US Holder may be required to

recognize US-source foreign currency gain or loss on the receipt of a refund in respect of Swiss withholding tax to the extent the US dollar value of the refund differs from the US dollar equivalent of the amount on the date of receipt of the underlying dividend.

#### Non-US Holders

Dividends paid to a Non-US Holder in respect of Shares will generally not be subject to US federal income tax unless such dividends are effectively connected with the conduct of a trade or business within the US by such Non-US Holder.

#### Capital gains tax upon disposal of shares

##### US Holders

A gain or loss realized by a US Holder on the sale or other disposition of Shares will be subject to US federal income taxation as a capital gain or loss in an amount equal to the difference between the US Holder’s basis in Shares and the amount realized on the disposition. Such gain or loss will generally be a long-term capital gain or loss if the US Holder holds the Shares for more than one year. A long-term capital gain realized by a US Holder that is an individual generally is subject to taxation at reduced rates.

##### Non-US Holders

A Non-US Holder will generally not be subject to US federal income tax in respect of gains realized on a sale or other disposition of Shares unless the gain is effectively connected with a trade or business of the Non-US Holder in the US.

#### Backup withholding tax and information reporting requirements

Dividends paid on, and proceeds from the sale or other disposition of, Shares paid to a US Holder generally may be subject to the information reporting requirements of the IR Code and may be subject to backup withholding unless the holder: (i) establishes that it is an exempt holder; or (ii) provides an accurate taxpayer identification number on a properly completed US Internal Revenue Service (IRS) Form W-9 and certifies that no loss of exemption from backup withholding has occurred. The amount of any backup withholding from a payment to a holder will be allowed as a credit against the US Holder’s US federal income tax liability and may entitle such holder to a refund, provided that certain required information is furnished to the IRS.

A Non-US Holder may be required to comply with certification and identification procedures in order to establish its exemption from information reporting and backup withholding.

## LISTING DETAILS

Credit Suisse Group's shares are listed on the SIX under the symbol "CSGN". The Group's ADS are traded on the New York Stock Exchange under the symbol "CS".

The Group's shares are in registered form with a par value of CHF 0.04 per share.

## TRADING IN OUR OWN SHARES

The Group buys and sells its own shares and derivatives on its own shares within its normal trading and market-making activities mainly through its Swiss broker-dealer operations. In the Swiss market, the Group buys and sells its shares and derivatives on these shares to facilitate customer orders, to provide liquidity as a market maker and to hedge derivative instruments.

The net long or short position held by the Group's Swiss bank subsidiaries in the Group's own shares has been at non-material levels relative to the number of the Group's outstanding shares, due in part to Swiss Financial Market Supervisory Authority FINMA (FINMA) regulations requiring a 100% capital charge to the relevant legal entity for the entire net position in the Group's

shares. In addition to FINMA rules, the Group's trading in its own shares in the Swiss market is subject to regulation under the Swiss Federal Act on Financial Market Infrastructure and Market Conduct in Securities and Derivatives Trading, the rules of the SIX and the European Exchange electronic exchange, and the Swiss Bankers Association Code of Conduct for Securities Dealers. Trading is also limited by the Group's risk management limits, internal capital allocation rules, balance sheet requirements, counterparty restrictions and other internal regulations and guidelines. Swiss law further limits the Group's ability to hold or repurchase its own shares.

The Group may from time to time place orders for its own shares to satisfy obligations under various employee and management incentive share plans, and potentially for shares to be used as payment in acquisitions. In addition, the Group may purchase shares with the intent of cancellation. Typically in Switzerland, the purchase of shares for cancellation is done under a separate program from the repurchase of shares to be re-issued under employee and management incentive share plans.

► Refer to "Share repurchases" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital management – Shareholders' equity and share metrics for further information on trading in the Group's shares and shares repurchases.

## Closing prices and average daily trading volumes for shares and ADS

Period	Average trading volumes <sup>1</sup>	Shares in CHF (High) <sup>1</sup>	Shares in CHF (Low) <sup>1</sup>	Average trading volumes <sup>2</sup>	Shares in USD (High) <sup>2</sup>	Shares in USD (Low) <sup>2</sup>
<b>2017 (through March 17)</b>	<b>11,941,790</b>	<b>16.1</b>	<b>14.4</b>	<b>4,660,300</b>	<b>16.0</b>	<b>14.5</b>
March (through March 17)	12,852,366	16.0	15.2	4,547,672	15.8	15.1
February	11,864,442	15.6	14.4	4,591,240	15.5	14.5
January	11,451,764	16.1	15.0	4,799,114	16.0	15.2
<b>2016</b>	<b>12,473,450</b>	<b>21.3</b>	<b>9.9</b>	<b>4,353,791</b>	<b>21.4</b>	<b>10.2</b>
Fourth quarter	12,270,457	15.9	12.2	5,599,357	15.8	12.5
December	12,274,447	15.9	13.6	6,991,224	15.8	13.4
November	14,719,568	14.7	12.2	6,074,067	15.0	12.5
October	9,700,731	14.0	12.6	3,732,780	14.1	12.8
Third quarter	14,207,968	13.6	9.9	4,259,451	13.9	10.2
Second quarter	12,920,825	15.2	10.2	4,535,253	15.8	10.5
First quarter	10,409,954	21.3	12.3	2,975,982	21.4	12.7
<b>2015</b>	<b>7,091,407</b>	<b>27.9</b>	<b>18.2</b>	<b>1,524,543</b>	<b>29.7</b>	<b>20.5</b>
Fourth quarter	7,390,412	24.2	20.0	1,714,092	26.0	20.5
Third quarter	6,211,097	27.9	22.5	1,448,901	29.7	23.6
Second quarter	6,522,210	26.4	23.3	1,270,364	28.2	25.7
First quarter	8,275,518	25.4	18.2	1,667,546	27.0	21.0
<b>2014</b>	<b>5,018,235</b>	<b>30.1</b>	<b>23.8</b>	<b>973,398</b>	<b>33.2</b>	<b>24.8</b>
<b>2013</b>	<b>5,532,934</b>	<b>30.3</b>	<b>22.9</b>	<b>1,353,861</b>	<b>33.8</b>	<b>24.6</b>
<b>2012</b>	<b>6,955,208</b>	<b>27.2</b>	<b>16.0</b>	<b>2,347,395</b>	<b>29.7</b>	<b>16.2</b>

<sup>1</sup> Closing prices for one share and average daily trading volume (SIX).

<sup>2</sup> Closing prices of ADS and average daily trading volume (NYSE).

**PROPERTY AND EQUIPMENT**

Our principal executive offices, which we own, are located at Paradeplatz 8, Zurich, Switzerland. As of the end of 2016, we maintained 401 offices and branches worldwide, of which approximately 59% were located in Switzerland.

As of the end of 2016, approximately 27% of our worldwide offices and branches were owned directly by us, with the remainder being held under commercial leases, 57% of which expire after 2021. The book value of the ten largest owned properties was approximately CHF 0.7 billion as of the end of 2016. Some of our principal facilities are subject to mortgages and other security

interests granted to secure indebtedness to certain financial institutions. As of the end of 2016, the total amount of indebtedness secured by these facilities was not material to us.

We believe that our current facilities are adequate for existing operations. Management regularly evaluates our operating facilities for suitability, market presence, renovation and maintenance.

**FOREIGN CURRENCY TRANSLATION RATES**

The following tables set forth, for the periods indicated, certain information concerning the noon buying rate for the Swiss franc expressed as USD per CHF 1.00:

Year	End of	Average in <sup>1</sup>	High	Low
<b>Exchange rate information – 5 years</b>				
2016	0.9843	1.0133	1.0487	0.9677
2015	0.9983	1.0397	1.1781	0.9704
2014	1.0066	1.0942	1.1478	1.0066
2013	1.1231	1.0813	1.1292	1.0190
2012	1.0923	1.0713	1.1174	1.0043

<sup>1</sup> The average of the noon buying rates on the last business day of each month during the relevant period.

Month	High	Low
<b>Exchange rate information – 6 months</b>		
March 2017 (through March 17)	1.0047	0.9856
February 2017	1.0107	0.9892
January 2017	1.0113	0.9741
December 2016	0.9935	0.9677
November 2016	1.0328	0.9816
October 2016	1.0267	1.0049
September 2016	1.0357	1.0200

Appendix

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# Selected five-year information

## Selected information – Group

in / end of	2016	2015	2014	2013	2012
<b>Condensed consolidated statements of operations (CHF million)</b>					
Net revenues	20,323	23,797	26,242	25,856	23,611
Provision for credit losses	252	324	186	167	170
Total operating expenses	22,337	25,895	22,429	21,593	21,251
Income/(loss) from continuing operations before taxes	(2,266)	(2,422)	3,627	4,096	2,190
Income tax expense	441	523	1,405	1,276	465
Income/(loss) from continuing operations	(2,707)	(2,945)	2,222	2,820	1,725
Income/(loss) from discontinued operations, net of tax	0	0	102	145	(40)
Net income/(loss)	(2,707)	(2,945)	2,324	2,965	1,685
Net income/(loss) attributable to noncontrolling interests	3	(1)	449	639	336
Net income/(loss) attributable to shareholders	(2,710)	(2,944)	1,875	2,326	1,349
of which from continuing operations	(2,710)	(2,944)	1,773	2,181	1,389
of which from discontinued operations	0	0	102	145	(40)
<b>Earnings per share (CHF)</b>					
Basic earnings/(loss) per share from continuing operations	(1.32)	(1.73)	0.99	1.10	0.79
Basic earnings/(loss) per share	(1.32)	(1.73)	1.05	1.18	0.76
Diluted earnings/(loss) per share from continuing operations	(1.32)	(1.73)	0.98	1.10	0.79
Diluted earnings/(loss) per share	(1.32)	(1.73)	1.04	1.18	0.76
<b>Consolidated balance sheet (CHF million)</b>					
Total assets	819,861	820,805	921,462	872,806	924,280
Share capital	84	78	64	64	53
Shareholders' equity	41,897	44,382	43,959	42,164	35,498
<b>Shares outstanding (million)</b>					
Shares outstanding	2,089.9	1,951.5	1,599.5	1,590.9	1,293.8
<b>Dividend per share (CHF)</b>					
Dividend per share	0.70 <sup>1</sup>	0.70	0.70	0.70	0.75
<b>Ratios (%)</b>					
Return on assets <sup>2</sup>	(0.3)	(0.3)	0.2	0.3	0.1
Return on equity attributable to shareholders	(6.1)	(6.8)	4.4	5.7	3.9
Dividend payout ratio	-	-	66.7	59.3	98.7
Equity to asset ratio	5.1	5.4	4.8	4.8	3.8

<sup>1</sup> Proposal of the Board of Directors to the Annual General Meeting on April 28, 2017; to be paid out of capital contribution reserves.

<sup>2</sup> Based on amounts attributable to shareholders.

## Selected information – Group (continued)

in / end of	2016	2015	2014	2013	2012
<b>Average economic risk capital (CHF million)</b>					
Swiss Universal Bank	5,564	5,119	5,288	5,453	5,652
International Wealth Management	3,785	3,288	3,051	3,052	3,025
Asia Pacific	4,147	3,405	3,184	2,644	2,385
Global Markets	9,928	12,372	11,325	10,080	9,740
Investment Banking & Capital Markets	4,652	3,717	3,259	2,707	2,407
Credit Suisse	34,737	34,821	32,708	30,039	29,741
<b>Pre-tax return on average economic risk capital (%)</b>					
Swiss Universal Bank	36.5	32.8	38.5	32.6	39.6
International Wealth Management	30.6	22.8	42.4	41.9	34.6
Asia Pacific	17.6	11.1	28.3	28.5	(7.5)
Global Markets	0.9	(14.9)	18.6	24.7	32.5
Investment Banking & Capital Markets	5.7	(8.4)	15.7	21.1	14.0
Credit Suisse	(5.4)	(6.6)	11.5	14.2	8.0

The calculation of divisional economic risk capital under the new organization required certain additional assumptions and allocations methods, which may not be required for future periods given the level of detail of information then available.

## Selected information – Bank

in / end of	2016	2015	2014	2013	2012
<b>Condensed consolidated statements of operations (CHF million)</b>					
<b>Net revenues</b>	<b>19,802</b>	<b>23,211</b>	<b>25,589</b>	<b>25,314</b>	<b>22,976</b>
<b>Provision for credit losses</b>	<b>216</b>	<b>276</b>	<b>125</b>	<b>93</b>	<b>88</b>
<b>Total operating expenses</b>	<b>22,354</b>	<b>25,873</b>	<b>22,503</b>	<b>21,567</b>	<b>21,109</b>
<b>Income/(loss) from continuing operations before taxes</b>	<b>(2,768)</b>	<b>(2,938)</b>	<b>2,961</b>	<b>3,654</b>	<b>1,779</b>
Income tax expense	357	439	1,299	1,170	365
<b>Income/(loss) from continuing operations</b>	<b>(3,125)</b>	<b>(3,377)</b>	<b>1,662</b>	<b>2,484</b>	<b>1,414</b>
Income/(loss) from discontinued operations, net of tax	0	0	102	145	(40)
<b>Net income/(loss)</b>	<b>(3,125)</b>	<b>(3,377)</b>	<b>1,764</b>	<b>2,629</b>	<b>1,374</b>
Net income/(loss) attributable to noncontrolling interests	(6)	(7)	445	669	333
<b>Net income/(loss) attributable to shareholder</b>	<b>(3,119)</b>	<b>(3,370)</b>	<b>1,319</b>	<b>1,960</b>	<b>1,041</b>
of which from continuing operations	(3,119)	(3,370)	1,217	1,815	1,081
of which from discontinued operations	0	0	102	145	(40)
<b>Consolidated balance sheet (CHF million)</b>					
Total assets	802,322	803,931	904,849	854,429	907,436
Share capital	4,400	4,400	4,400	4,400	4,400
Shareholder's equity	40,682	43,406	42,895	39,467	34,704
<b>Number of shares outstanding (million)</b>					
Number of shares outstanding	4,399.7	4,399.7	4,399.7	4,399.7	44.0

# 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
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
CDO	Collateralized debt obligation
CDS	Credit default swap
CEB	Conduct and Ethics Board
CET1	Common equity tier 1
CEO	Chief Executive Officer
CFIG	Customized Fund Investment Group
CFO	Chief Financial Officer
CFTC	Commodity Futures Trading Commission
CLO	Collateralized loan obligation
CMBS	Commercial mortgage-backed securities
CMI	Continuous Mortality Investigation
COF	Capital Opportunity Facility
COO	Chief Operating Officer
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CP	Commercial paper
CPR	Constant prepayment rate
CRD	Capital Requirements Directive
CRO	Chief Risk Officer
CVA	Credit valuation adjustment

## D

DOJ	US Department of Justice
DVA	Debit valuation adjustment

## E

EAD	Exposure at default
EBITDA	Earnings before interest, taxes, depreciation and amortization
EC	European Commission
ECB	European Central Bank
EGM	Extraordinary General Meeting
EMEA	Europe, Middle East and Africa
EMIR	European Market Infrastructure Regulation
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

GAAP	Generally accepted accounting principles
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
IRC	Incremental risk charge
IRS	Internal Revenue Service
ISDA	International Swaps and Derivatives Association, Inc.
IT	Information technology

## J

JD	Juris Doctor
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**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
NRV	Negative replacement value
NSFR	Net stable funding ratio
NYSE	New York Stock Exchange

**O**

OCC	Office of the Comptroller of the Currency
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
PhD	Doctorate of Philosophy
PRA	Prudential Regulation Authority
PRV	Positive replacement value
PSA	Prepayment speed assumption

**Q**

QIA	Qatar Investment Authority
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**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
SCNY	Supreme Court for the State of New York
SDNY	US District Court for the Southern District of New York
SEC	US Securities and Exchange Commission
SEI	Significant economic interest
SESTA	Swiss Federal Act on Stock Exchanges and Securities Trading
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 (DVA)** The DVA 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.

**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 data-set. 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

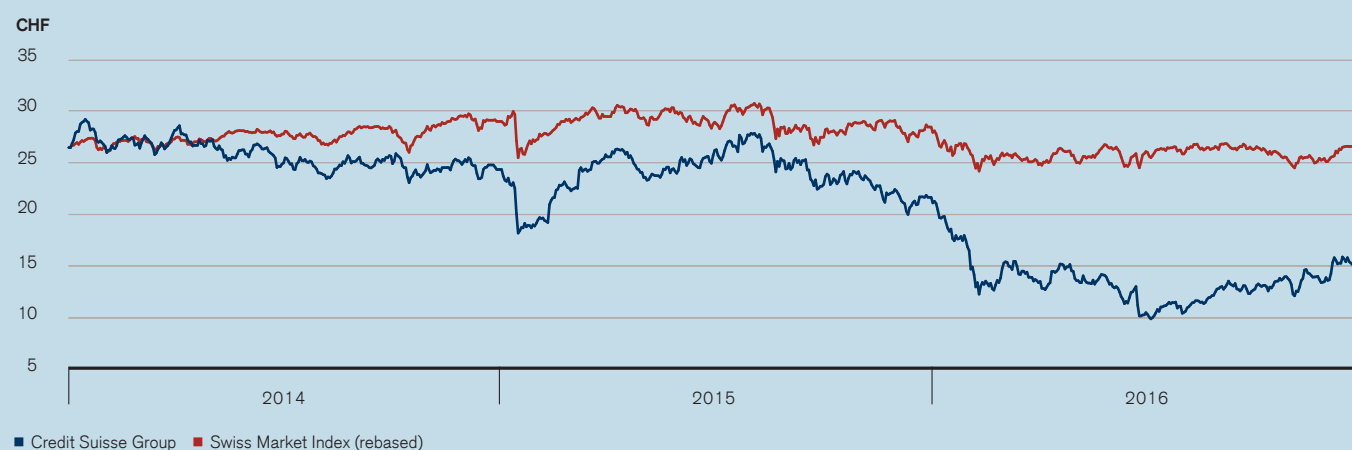
## Share data

in / end of	2016	2015	2014
<b>Share price (common shares, CHF)</b>			
Average	13.71	23.85	26.52
Minimum	9.92	18.22	23.77
Maximum	21.31	27.89	30.08
End of period	14.61	21.69	25.08
<b>Share price (American Depositary Shares, USD)</b>			
Average	13.88	25.43	28.98
Minimum	10.21	20.48	24.84
Maximum	21.36	29.69	33.19
End of period	14.31	21.69	25.08
<b>Market capitalization</b>			
Market capitalization (CHF million)	30,533	42,456	40,308
Market capitalization (USD million)	29,906	42,456	40,308
<b>Dividend per share (CHF)</b>			
Dividend per share	0.70 <sup>1</sup>	0.70 <sup>2</sup>	0.70 <sup>2</sup>

<sup>1</sup> Proposal of the Board of Directors to the Annual General Meeting on April 28, 2017; to be paid out of capital contribution reserves.

<sup>2</sup> Paid out of capital contribution reserves.

## Share performance



## Ticker symbols / stock exchange listings

	Common shares	ADS <sup>1</sup>
<b>Ticker symbols</b>		
SIX Financial Information	CSGN	–
Bloomberg	CSGN VX	CS US
Reuters	CSGN.VX	CS.N
<b>Stock exchange listings</b>		
Swiss security number	1213853	570660
ISIN number	CH0012138530	US2254011081
CUSIP number	–	225 401 108

<sup>1</sup> One American Depositary Share (ADS) represents one common share.

## Bond ratings

as of March 17, 2017	Moody's	Standard & Poor's	Fitch Ratings
<b>Credit Suisse Group ratings</b>			
Short-term	–	–	F2
Long-term	Baa2	BBB+	A-
Outlook	Stable	Stable	Stable
<b>Credit Suisse (the Bank) ratings</b>			
Short-term	P-1	A-1	F1
Long-term	A1	A	A
Outlook	Stable	Stable	Stable

## Foreign currency translation rates

	End of			Average in		
	2016	2015	2014	2016	2015	2014
1 USD / 1 CHF	1.02	0.99	0.99	0.99	0.96	0.91
1 EUR / 1 CHF	1.07	1.08	1.20	1.09	1.07	1.21
1 GBP / 1 CHF	1.26	1.47	1.54	1.34	1.47	1.51
100 JPY / 1 CHF	0.87	0.82	0.83	0.90	0.80	0.86



# Financial calendar and contacts

## Financial calendar

Annual General Meeting	Friday, April 28, 2017
First quarter results 2017	Wednesday, April 26, 2017
Second quarter results 2017	Friday, July 28, 2017

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## Additional information

Results and financial information	www.credit-suisse.com/results
Printed copies	www.credit-suisse.com/publications

## US share register and transfer agent

ADS depositary bank	The Bank of New York Mellon
Shareholder correspondence address	BNY Mellon Shareowner Services P.O. Box 30170 College Station, TX 77842-3170, USA
Overnight correspondence address	BNY Mellon Shareowner Services 211 Quality Circle, Suite 210 College Station, TX 77845, USA
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## Swiss share register and transfer agent

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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 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 except as may be required by applicable securities laws.

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, 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 2017 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 objectives, including cost efficiency, net new asset, pre-tax income/(loss), capital ratios and return on regulatory capital, leverage exposure threshold, risk-weighted assets threshold and other targets 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 cyberattacks 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 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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