

CREDIT SUISSE GROUP AG

Form 20-F

March 24, 2017

As filed with the Securities and Exchange Commission on March 24, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 20-F

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

david.mathers@credit-suisse.com

Telephone: +41 44 333 6607

Fax: +41 44 333 1790

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

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

(Address of principal executive offices)

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(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
Credit Suisse Group AG American Depositary Shares each representing one Share Shares par value CHF 0.04*	New York Stock Exchange New York Stock Exchange*
Credit Suisse AG Fixed to Floating Rate Tier 1 Capital Notes Floating Rate Tier 1 Capital Notes	New York Stock Exchange 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

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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 Other

Financial Reporting Standards

as issued by the

International Accounting Standards Board

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.

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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

Definitions

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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.

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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.

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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.

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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.

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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 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. Information contained on our website and apps are not incorporated by reference into this Form 20-F.

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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.

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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.

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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 Comp petrol 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 Comp petrol 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 Comp petrol 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).

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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

/s/ David R. Mathers

Name: Tidjane Thiam

Name: David R. Mathers

Title: Chief Executive Officer

Title: Chief Financial Officer

CREDIT SUISSE AG

(Registrant)

Date: March 24, 2017

/s/ Tidjane Thiam

/s/ David R. Mathers

Name: Tidjane Thiam

Name: David R. Mathers

Title: Chief Executive Officer

Title: Chief Financial Officer

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Key metrics

	in / end of			% change	
	2016	2015	2014	16 / 15	15 / 14
Credit Suisse (CHF million, except where indicated)					
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	–	–
Core Results (CHF million, except where indicated)					
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	–	–
Assets under management and net new assets (CHF billion)					
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
Balance sheet statistics (CHF million)					
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
Basel III regulatory capital and leverage statistics					
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	–	–
Share information					
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	–	–
Number of employees (full-time equivalents)					
Number of employees	47,170	48,210	45,840	(2)	5

See relevant tables for additional information on these metrics.

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Credit Suisse Group AG & Credit Suisse AG

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 macroeconomic 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 billion¹ 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 billion² 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 billion², 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%¹⁸. 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 2017⁶.

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 billion¹ 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.

* 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

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 billion¹ 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 billion² – 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 points³ 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 billion², 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 Swisscard³) 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) transactions⁴ and debt capital market deals⁵. 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 permitting⁶ 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 capital⁷ 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 activities⁸ with pro-forma pre-tax income of CHF 513 million in 2016 compared to 2015 and a pro-forma return on regulatory capital⁷ 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 markets⁹. 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.⁹ 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 annualized¹⁰ adjusted* operating cost base of less than USD 5.2 billion¹¹ 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 capital⁷ 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 2013¹², number one in institutional loans and high yield franchise for 2016¹³ and number one in US institutional loan underwriter¹³, as well as number two in global cash since 2007¹⁴, one of the top three in global prime brokerage since 2012¹⁵, and the number three issuer of US structured notes¹⁶.

Investment Banking & Capital markets (IBCM) delivered a strong performance in 2016. We improved our share of wallet across all key products and covered client segments⁹. 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 year¹⁷, 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 Finance⁹ and Equity Capital Markets (ECM)⁹ for 2016. We remain on track to reach our end-2018 adjusted* return on regulatory capital⁷ 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.

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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%¹⁸ and a look-through CET1 leverage ratio of 3.5%¹⁹.

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 Tidjane Thiam
Chairman of the Chief Executive Officer
Board of Directors
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.

¹ 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).

² Relating to Wealth Management in SUB, IWM and APAC.

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

⁴ Source: Thomson Securities, SDC Platinum, Credit Suisse.

⁵ Source: International Financial Review.

⁶ 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.

⁷ 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.

⁸ 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.

⁹ Source: Dealogic as of December 31, 2016.

¹⁰ 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.

¹¹ 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.

¹² Source: Thomson Reuters.

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

¹⁴ Source: Third Party Competitive Analysis.

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

¹⁶ Source: Bloomberg Brief Ranking, November 23, 2016.

¹⁷ Source: Dealogic M&A Analytics as of January 3, 2016.

¹⁸ 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.

¹⁹ 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.

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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

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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.

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.

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.

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.

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.

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.

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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.

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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

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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 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 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,

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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

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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.

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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

	2016	2015	in / end of 2014
Key data			
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:

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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,

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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

	2016	2015	in / end of 2014
Key data			
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.

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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

	2016	2015	in / end of 2014
Key data			
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

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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*

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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

	2016	2015	in / end of 2014
Key data			
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.

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Key data – Investment Banking & Capital Markets

	2016	2015	in / end of 2014
Key data			
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).

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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

	2016	2015	in / end of 2014
Key data			
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.

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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

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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

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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

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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

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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 assess its specific risk profile periodically and design a program that addresses its risks “in a robust fashion”, including addressing risks posed by third-party service providers, training and retention of specialized staff to address cybersecurity risks, maintaining systems designed to reconstruct material financial transactions and complying with security requirements for non-public information. Each covered entity must monitor its systems and networks and notify the superintendent of the DFS within 72 hours after it is determined that a material cybersecurity event has occurred. Senior management of the branch is required to file an annual certification confirming compliance with the DFS regulations beginning February 15, 2018. Similarly, FINRA has identified cybersecurity as a significant risk and will assess firms’ programs to mitigate those risks.

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

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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

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(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

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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

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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,

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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

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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.

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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

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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.

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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.

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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.

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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

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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

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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.

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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 \ggg 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.

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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

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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

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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.

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Operating and financial review

Operating environment

Credit Suisse

Swiss Universal Bank

International Wealth Management

Asia Pacific

Global Markets

Investment Banking & Capital Markets

Strategic Resolution Unit

Corporate Center

Assets under management

Critical accounting estimates

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.

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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 ¹	(11)	(18)
Announced mergers and acquisitions ²	(17)	(13)
Completed mergers and acquisitions ²	(10)	9
Equity underwriting ²	(25)	(39)
Debt underwriting ²	6	–
Syndicated lending – investment grade ²	(12)	–

1

London Stock Exchange, Borsa Italiana, Deutsche Börse and BME. Global also includes ICE and NASDAQ.

2

Dealogic.

Sector environment

World bank stocks underperformed global equity markets in 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.

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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

	2016	2015	in / end of 2014	16 / 15	% change 15 / 14
Statements of operations (CHF million)					
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)
Net revenues	20,323	23,797	26,242	(15)	(9)
Provision for credit losses	252	324	186	(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
Total operating expenses	22,337	25,895	22,429	(14)	15
Income/(loss) from continuing operations before taxes	(2,266)	(2,422)	3,627	(6)	–
Income tax expense	441	523	1,405	(16)	(63)
Income/(loss) from continuing operations	(2,707)	(2,945)	2,222	(8)	–
Income from discontinued operations	0	0	102	–	(100)
Net income/(loss)	(2,707)	(2,945)	2,324	(8)	–
Net income/(loss) attributable to noncontrolling interests	3	(1)	449	–	–
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)	–
of which from discontinued operations	0	0	102	–	(100)
Statement of operations metrics (%)					
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	–	–
Earnings per share (CHF)					
Basic earnings/(loss) per share	(1.32)	(1.73)	1.05	(24)	–
Diluted earnings/(loss) per share	(1.32)	(1.73)	1.04	(24)	–
Return on equity (%)					
Return on equity attributable to shareholders	(6.1)	(6.8)	4.4	–	–
Return on tangible equity attributable to shareholders ¹	(6.9)	(8.4)	5.4	–	–
Balance sheet statistics (CHF million)					
Total assets	819,861	820,805	921,462	0	(11)

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Risk-weighted assets ²	268,045	289,946	284,248	(8)	2
Leverage exposure ²	950,763	987,628	1,149,656	(4)	(14)
Number of employees (full-time equivalents)					
Number of employees	47,170	48,210	45,840	(2)	5

1
Based on tangible shareholders' equity attributable to shareholders, a non-GAAP financial measure, which is calculated by deducting goodwill and other intangible assets from total shareholders' equity attributable to shareholders as presented in our balance sheet.

Management believes that the return on tangible shareholders' equity attributable to shareholders is meaningful as it allows consistent measurement of the performance of businesses without regard to whether the businesses were acquired.

2
Disclosed on a look-through basis.

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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 2016 (CHF million)	Swiss Universal Bank	International Wealth Management	Asia Pacific	Global Markets	Investment Banking & Capital Markets	Corporate Center	Core Results	Strategic Resolution Unit	Credit Suisse
Net revenues	5,759	4,698	3,597	5,497	1,972	71	21,594	(1,271)	20,323
Provision for credit losses	79	20	26	(3)	20	(1)	141	111	252
Compensation and benefits	1,937	2,119	1,665	2,725	1,237	277	9,960	612	10,572
Total other operating expenses	1,718	1,438	1,181	2,727	454	482	8,000	3,765	11,765
of which general and administrative expenses	1,375	1,145	836	2,001	424	399	6,180	3,590	9,770
of which restructuring expenses	60	54	53	217	28	7	419	121	540
Total operating expenses	3,655	3,557	2,846	5,452	1,691	759	17,960	4,377	22,337
Income/(loss) before taxes	2,025	1,121	725	48	261	(687)	3,493	(5,759)	(2,266)
Return on regulatory capital	16.5	23.3	13.7	0.4	10.7	–	8.5	–	(4.7)
Cost/income ratio	63.5	75.7	79.1	99.2	85.8	–	83.2	–	109.9
Total assets	228,363	91,083	97,221	239,700	20,784	62,413	739,564	80,297	819,861
Goodwill	623	1,612	1,546	476	656	0	4,913	0	4,913
Risk-weighted assets ¹	65,669	35,252	34,605	51,713	18,027	17,338	222,604	45,441	268,045
Leverage exposure ¹	252,889	94,092	108,926	284,143	45,571	59,374	844,995	105,768	950,763
2015 (CHF million)									
Net revenues	5,721	4,552	3,839	6,826	1,787	561	23,286	511	23,797
Provision for credit losses	138	5	35	10	0	(1)	187	137	324
Compensation and benefits	1,985	2,115	1,557	3,105	1,265	351	10,378	1,168	11,546
Total other operating expenses	1,923	1,709	1,870	5,642	836	511	12,491	1,858	14,349
of which general and administrative expenses	1,597	1,429	790	2,322	432	465	7,035	1,539	8,574

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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
Total operating expenses	3,908	3,824	3,427	8,747	2,101	862	22,869	3,026	25,895
Income/(loss) before taxes	1,675	723	377	(1,931)	(314)	(300)	230	(2,652)	(2,422)
Return on regulatory capital	13.8	15.4	6.7	(11.2)	(15.4)	–	0.5	–	(4.5)
Cost/income ratio	68.3	84.0	89.3	128.1	117.6	–	98.2	–	108.8
Total assets	220,359	96,085	85,929	234,276	18,712	64,621	719,982	100,823	820,805
Goodwill	610	1,573	1,522	464	639	0	4,808	0	4,808
Risk-weighted assets ¹	60,352	32,880	26,835	62,838	16,150	18,467	217,522	72,424	289,946
Leverage exposure ¹	238,180	101,628	98,632	276,656	40,898	63,090	819,084	168,544	987,628
2014 (CHF million)									
Net revenues	5,912	4,942	3,335	7,426	2,109	680	24,404	1,838	26,242
Provision for credit losses	94	12	40	7	(1)	1	153	33	186
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
Total operating expenses	3,794	3,670	2,395	5,405	1,599	654	17,517	4,912	22,429
Income/(loss) before taxes	2,024	1,260	900	2,014	511	25	6,734	(3,107)	3,627
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 ¹	58,403	32,629	25,896	60,290	12,167	16,354	205,739	78,509	284,248
Leverage exposure ¹	241,520	87,032	137,843	372,949	39,954	18,810	898,108	251,548	1,149,656

1

Disclosed on a look-through basis.

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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
2016 (CHF million)									
Net revenues	5,759	4,698	3,597	5,497	1,972	71	21,594	(1,271)	20,323
Real estate gains	(366)	(54)	0	0	0	0	(420)	(4)	(424)
Losses on business sales	0	0	0	0	0	52	52	6	58
Net revenues adjusted	5,393	4,644	3,597	5,497	1,972	123	21,226	(1,269)	19,957
Provision for credit losses	79	20	26	(3)	20	(1)	141	111	252
Total operating expenses	3,655	3,557	2,846	5,452	1,691	759	17,960	4,377	22,337
Restructuring expenses	(60)	(54)	(53)	(217)	(28)	(7)	(419)	(121)	(540)
Major litigation provisions	(19)	12	0	(7)	0	0	(14)	(2,693)	(2,707)
Total operating expenses adjusted	3,576	3,515	2,793	5,228	1,663	752	17,527	1,563	19,090
Income/(loss) before taxes	2,025	1,121	725	48	261	(687)	3,493	(5,759)	(2,266)
Total adjustments	(287)	(12)	53	224	28	59	65	2,816	2,881
Adjusted income/(loss) before taxes	1,738	1,109	778	272	289	(628)	3,558	(2,943)	615
Adjusted return on regulatory capital (%)	14.2	23.1	14.8	2.0	11.9	–	8.6	–	1.3
2015 (CHF million)									
Net revenues	5,721	4,552	3,839	6,826	1,787	561	23,286	511	23,797
Fair value on own debt	–	–	–	–	–	(298)	(298)	–	(298)
Real estate gains	(95)	0	0	0	0	0	(95)	0	(95)
Gains on business sales	(23)	(11)	0	0	0	0	(34)	0	(34)
Net revenues adjusted	5,603	4,541	3,839	6,826	1,787	263	22,859	511	23,370
Provision for credit losses	138	5	35	10	0	(1)	187	137	324
	3,908	3,824	3,427	8,747	2,101	862	22,869	3,026	25,895

Total operating expenses									
Goodwill impairment	0	0	(756)	(2,661)	(380)	0	(3,797)	0	(3,797)
Restructuring expenses	(42)	(36)	(3)	(96)	(22)	0	(199)	(156)	(355)
Major litigation provisions	(25)	(268)	(6)	(231)	0	0	(530)	(290)	(820)
Total operating expenses adjusted	3,841	3,520	2,662	5,759	1,699	862	18,343	2,580	20,923
Income/(loss) before taxes	1,675	723	377	(1,931)	(314)	(300)	230	(2,652)	(2,422)
Total adjustments	(51)	293	765	2,988	402	(298)	4,099	446	4,545
Adjusted income/(loss) before taxes	1,624	1,016	1,142	1,057	88	(598)	4,329	(2,206)	2,123
Adjusted return on regulatory capital (%)	13.4	21.7	20.4	6.7	4.6	–	10.0	–	4.0
2014 (CHF million)									
Net revenues	5,912	4,942	3,335	7,426	2,109	680	24,404	1,838	26,242
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)
Net revenues adjusted	5,474	4,865	3,335	7,426	2,109	137	23,346	1,838	25,184
Provision for credit losses	94	12	40	7	(1)	1	153	33	186
Total operating expenses	3,794	3,670	2,395	5,405	1,599	654	17,517	4,912	22,429
Major litigation provisions	0	(51)	0	(60)	0	0	(111)	(2,325)	(2,436)
Total operating expenses adjusted	3,794	3,619	2,395	5,345	1,599	654	17,406	2,587	19,993
Income/(loss) before taxes	2,024	1,260	900	2,014	511	25	6,734	(3,107)	3,627
Total adjustments	(438)	(26)	0	60	0	(543)	(947)	2,325	1,378
Adjusted income/(loss) before taxes	1,586	1,234	900	2,074	511	(518)	5,787	(782)	5,005
Adjusted return on regulatory capital (%)	13.1	28.4	13.1	12.0	27.4	–	12.9	–	8.7

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
Employees		
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
Total employees	47,170	48,210
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.

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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.

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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.

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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
Related to private banking									
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
Income before									
taxes	1,194	841	372	–	–	–	2,407	1,760	2,400
Related to corporate & institutional banking									
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
Income before									
taxes	831	–	–	–	–	–	831	800	777
Related to investment banking									
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 ¹	–	–	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
Income before									
taxes	–	–	353	48	261	–	662	(2,212)	3,115
Related to asset management									
Net revenues	–	1,327	–	–	–	–	1,327	1,328	1,624

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Total operating expenses	–	1,047	–	–	–	–	1,047	1,146	1,207
Income before taxes	–	280	–	–	–	–	280	182	417
Related to corporate center									
Net revenues	–	–	–	–	–	71	71	561	680
Provision for credit losses	–	–	–	–	–	(1)	(1)	(1)	1
Total operating expenses	–	–	–	–	–	759	759	862	654
Loss before taxes	–	–	–	–	–	(687)	(687)	(300)	25
Total									
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
Income/(loss) before taxes	2,025	1,121	725	48	261	(687)	3,493	230	6,734

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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.

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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	2016	2015	Group 2014	2016	2015	Bank 2014
Statements of operations (CHF million)						
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
Income/(loss) from continuing operations before taxes	(2,266)	(2,422)	3,627	(2,768)	(2,938)	2,961
Income tax expense	441	523	1,405	357	439	1,299
Income/(loss) from continuing operations	(2,707)	(2,945)	2,222	(3,125)	(3,377)	1,662
Income from discontinued operations	0	0	102	0	0	102
Net income/(loss)	(2,707)	(2,945)	2,324	(3,125)	(3,377)	1,764
Net income/(loss) attributable to noncontrolling interests	3	(1)	449	(6)	(7)	445
Net income/(loss) attributable to shareholders	(2,710)	(2,944)	1,875	(3,119)	(3,370)	1,319

Comparison of consolidated balance sheets

end of	2016	Group 2015	2016	Bank 2015
Balance sheet statistics (CHF million)				
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	2016	Group 2015	2016	Bank 2015
Capitalization and indebtedness (CHF million)				
Due to banks	22,800	21,054	23,066	21,460
Customer deposits	355,833	342,705	344,578	331,700
	33,016	46,598	33,016	46,598

Central bank funds purchased, securities
sold under repurchase agreements and
securities lending transactions

Long-term debt	193,315	197,608	187,325	192,094
Other liabilities	172,586	167,822	172,586	167,389
Total liabilities	777,550	775,787	760,571	759,241
Total equity	42,311	45,018	41,751	44,690
Total capitalization and indebtedness	819,861	820,805	802,322	803,931

BIS capital metrics

		Group		Bank	
end of	2016	2015	2016	2015	2015
Capital and risk-weighted assets (CHF million)					
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	
Capital ratios (%)					
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
Dividends (CHF million)					
Dividends	10 ¹	10	10	10	10

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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.

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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

	2016	2015	in / end of 2014	16 / 15	% change 15 / 14
Statements of operations (CHF million)					
Net revenues	5,759	5,721	5,912	1	(3)
Provision for credit losses	79	138	94	(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
Total operating expenses	3,655	3,908	3,794	(6)	3
Income before taxes	2,025	1,675	2,024	21	(17)
Statement of operations metrics (%)					
Return on regulatory capital	16.5	13.8	16.8	–	–
Cost/income ratio	63.5	68.3	64.2	–	–
Economic risk capital and return					
Average economic risk capital (CHF million)	5,564	5,119	5,288	9	(3)
Pre-tax return on average economic risk capital (%) ¹	36.5	32.8	38.5	–	–
Number of employees and relationship managers					
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

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Calculated using a return excluding interest costs for allocated goodwill.

Divisional results (continued)

	in / end of			% change	
	2016	2015	2014	16 / 15	15 / 14
Net revenues (CHF million)					
Private Banking	3,704	3,696	3,990	0	(7)
Corporate & Institutional Banking	2,055	2,025	1,922	1	5
Net revenues	5,759	5,721	5,912	1	(3)
Net revenue detail (CHF million)					
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)
Net revenues	5,759	5,721	5,912	1	(3)
Provision for credit losses (CHF million)					
New provisions	150	205	163	(27)	26
Releases of provisions	(71)	(67)	(69)	6	(3)
Provision for credit losses	79	138	94	(43)	47
Balance sheet statistics (CHF million)					
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

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

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Results – Private Banking

	2016	2015	in 2014	% change 16 / 15 15 / 14	
Statements of operations (CHF million)					
Net revenues	3,704	3,696	3,990	0	(7)
Provision for credit losses	39	49	60	(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
Total operating expenses	2,471	2,772	2,683	(11)	3
Income before taxes	1,194	875	1,247	36	(30)
Statement of operations metrics (%)					
Cost/income ratio	66.7	75.0	67.2	–	–
Net revenue detail (CHF million)					
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)
Net revenues	3,704	3,696	3,990	0	(7)
Margins on assets under management (bp)					
Gross margin ¹	154	148	156	–	–
Net margin ²	50	35	49	–	–
Number of relationship managers					
Number of relationship managers	1,490	1,570	1,580	(5)	(1)

1

Net revenues divided by average assets under management.

2

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.

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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

	2016	2015	in / end of 2014	16 / 15	% change 15 / 14
Assets under management (CHF billion)					
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)
Assets under management by currency (CHF billion)					
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
Assets under management	242.9	241.0	258.6	0.8	(6.8)
Growth in assets under management (CHF billion)					
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	–	–
Growth in assets under management	1.9	(17.6)	14.4	–	–
Growth in assets under management (%)					
Net new assets	(0.7)	1.2	1.6	–	–
Other effects	1.5	(8.0)	4.3	–	–
Growth in assets under management	0.8	(6.8)	5.9	–	–

corporate & institutional Banking

Results – Corporate & Institutional Banking

	in			% change	
	2016	2015	2014	16 / 15	15 / 14
Statements of operations (CHF million)					
Net revenues	2,055	2,025	1,922	1	5
Provision for credit losses	40	89	34	(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
Total operating expenses	1,184	1,136	1,111	4	2
Income before taxes	831	800	777	4	3
Statement of operations metrics (%)					
Cost/income ratio	57.6	56.1	57.8	–	–
Net revenue detail (CHF million)					
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)
Net revenues	2,055	2,025	1,922	1	5
Number of relationship managers					
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.

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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
Statements of operations (CHF million)					
Net revenues	4,698	4,552	4,942	3	(8)
Provision for credit losses	20	5	12	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
Total operating expenses	3,557	3,824	3,670	(7)	4
Income before taxes	1,121	723	1,260	55	(43)
Statement of operations metrics (%)					
Return on regulatory capital	23.3	15.4	29.0	–	–
Cost/income ratio	75.7	84.0	74.3	–	–
Economic risk capital and return					
Average economic risk capital (CHF million)	3,785	3,288	3,051	15	8
Pre-tax return on average economic risk capital (%) ¹	30.6	22.8	42.4	–	–
Number of employees (full-time equivalents)					
Number of employees	10,300	9,750	9,210	6	6

1

Calculated using a return excluding interest costs for allocated goodwill.

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Divisional results (continued)

	2016	2015	in / end of 2014	16 / 15	% change 15 / 14
Net revenues (CHF million)					
Private Banking	3,371	3,224	3,318	5	(3)
Asset Management	1,327	1,328	1,624	0	(18)
Net revenues	4,698	4,552	4,942	3	(8)
Net revenue detail (CHF million)					
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	–	–
Net revenues	4,698	4,552	4,942	3	(8)
Provision for credit losses (CHF million)					
New provisions	55	37	18	49	106
Releases of provisions	(35)	(32)	(6)	9	433
Provision for credit losses	20	5	12	300	(58)
Balance sheet statistics (CHF million)					
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

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

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Results – Private Banking

	in / end of			% change	
	2016	2015	2014	16 / 15	15 / 14
Statements of operations (CHF million)					
Net revenues	3,371	3,224	3,318	5	(3)
Provision for credit losses	20	5	12	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
Total operating expenses	2,510	2,678	2,463	(6)	9
Income before taxes	841	541	843	55	(36)
Statement of operations metrics (%)					
Cost/income ratio	74.5	83.1	74.2	–	–
Net revenue detail (CHF million)					
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)
Net revenues	3,371	3,224	3,318	5	(3)
Margins on assets under management (bp)					
Gross margin ¹	112	107	107	–	–
Net margin ²	28	18	27	–	–
Number of relationship managers					
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.

1

Net revenues divided by average assets under management.

2

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.

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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
Assets under management (CHF billion)					
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)
Assets under management by currency (CHF billion)					
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)
Assets under management	323.2	289.6	323.7	11.6	(10.5)
Growth in assets under management (CHF billion)					
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)	–	–
Growth in assets under management	33.6	(34.1)	25.9	–	–
Growth in assets under management (%)					
Net new assets	5.4	(0.9)	2.5	–	–
Other effects	6.2	(9.6)	6.2	–	–

**Growth in assets under
management**

11.6 (10.5) 8.7 – –

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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

	2016	2015	in / end of 2014	16 / 15	% change 15 / 14
Statements of operations (CHF million)					
Net revenues	1,327	1,328	1,624	0	(18)
Provision for credit losses	0	0	0	–	–
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
Total operating expenses	1,047	1,146	1,207	(9)	(5)
Income before taxes	280	182	417	54	(56)
Statement of operations metrics (%)					
Cost/income ratio	78.9	86.3	74.3	–	–
Net revenue detail (CHF million)					
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)
Net revenues	1,327	1,328	1,624	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.

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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

	2016	2015	in / end of 2014	16 / 15	% change 15 / 14
Assets under management (CHF billion)					
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
Assets under management	321.6	321.3	305.2	0.1	5.3
Average assets under management	317.5	312.4	292.8	1.6	6.7
Assets under management by currency (CHF billion)					
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
Assets under management	321.6	321.3	305.2	0.1	5.3
Growth in assets under management (CHF billion)					
Net new assets ¹	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	–	–
Growth in assets under management	0.3	16.1	35.1	–	–

Growth in assets under management (%)					
Net new assets	1.7	8.7	2.4	–	–
Other effects	(1.6)	(3.4)	10.6	–	–
Growth in assets under management	0.1	5.3	13.0	–	–

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

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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

	2016	2015	in / end of 2014	% change	
				16 / 15	15 / 14
Statements of operations (CHF million)					
Net revenues	3,597	3,839	3,335	(6)	15
Provision for credit losses	26	35	40	(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
Total operating expenses	2,846	3,427	2,395	(17)	43
Income before taxes	725	377	900	92	(58)
Statement of operations metrics (%)					
Return on regulatory capital	13.7	6.7	13.1	–	–
Cost/income ratio	79.1	89.3	71.8	–	–
Economic risk capital and return					
Average economic risk capital (CHF million)	4,147	3,405	3,184	22	7
Pre-tax return on average economic risk capital (%) ¹	17.6	11.1	28.3	–	–
Number of employees (full-time equivalents)					
Number of employees	6,980	6,590	5,910	6	12

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Calculated using a return excluding interest costs for allocated goodwill.

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Divisional results (continued)

	2016	in / end of		% change	
		2015	2014	16 / 15	15 / 14
Net revenues (CHF million)					
Private Banking	1,374	1,178	1,037	17	14
Investment Banking	2,223	2,661	2,298	(16)	16
Net revenues	3,597	3,839	3,335	(6)	15
Provision for credit losses (CHF million)					
New provisions	72	74	50	(3)	48
Releases of provisions	(46)	(39)	(10)	18	290
Provision for credit losses	26	35	40	(26)	(13)
Balance sheet statistics (CHF million)					
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
Adjusted results (CHF million)									
Net revenues	1,374	1,178	1,037	2,223	2,661	2,298	3,597	3,839	3,335
Provision for credit losses	32	18	4	(6)	17	36	26	35	40
Total operating expenses	970	816	723	1,876	2,611	1,672	2,846	3,427	2,395
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
Adjusted total operating expenses	966	809	723	1,827	1,853	1,672	2,793	2,662	2,395
Income before taxes	372	344	310	353	33	590	725	377	900
Total adjustments	4	7	0	49	758	0	53	765	0
Adjusted income before taxes	376	351	310	402	791	590	778	1,142	900
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
Statements of operations (CHF million)					
Net revenues	1,374	1,178	1,037	17	14
Provision for credit losses	32	18	4	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
Total operating expenses	970	816	723	19	13
Income before taxes	372	344	310	8	11
Statement of operations metrics (%)					
Cost/income ratio	70.6	69.3	69.7	–	–
Net revenue detail (CHF million)					
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	–	–
Net revenues	1,374	1,178	1,037	17	14
Margins on assets under management (bp)					
Gross margin ¹	86	79	76	–	–
Net margin ²	23	23	23	–	–
Number of relationship managers					
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.

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Net revenues divided by average assets under management.

2

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.

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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
Assets under management (CHF billion)					
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
Assets under management by currency (CHF billion)					
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)
Assets under management	166.9	150.4	150.5	11.0	(0.1)
Growth in assets under management (CHF billion)					
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)	–	–
Growth in assets under management	16.5	(0.1)	29.2	–	–
Growth in assets under management (%)					
Net new assets	9.0	11.8	14.4	–	–
Other effects	2.0	(11.9)	9.7	–	–
Growth in assets under management	11.0	(0.1)	24.1	–	–

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

	2016	2015	in / end of 2014	16 / 15	% change 15 / 14
Statements of operations (CHF million)					
Net revenues	2,223	2,661	2,298	(16)	16
Provision for credit losses	(6)	17	36	–	(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
Total operating expenses	1,876	2,611	1,672	(28)	56
Income before taxes	353	33	590	–	(94)
Statement of operations metrics (%)					
Cost/income ratio	84.4	98.1	72.8	–	–
Net revenue detail (CHF million)					
Fixed income sales and trading	635	608	653	4	(7)
Equity sales and trading	1,314	1,872	1,383	(30)	35

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Underwriting and advisory	402	292	397	38	(26)
Other revenues	(128)	(111)	(135)	15	(18)
Net revenues	2,223	2,661	2,298	(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.

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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.

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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

	2016	2015	in / end of 2014	% change	
				16 / 15	15 / 14
Statements of operations (CHF million)					
Net revenues	5,497	6,826	7,426	(19)	(8)
Provision for credit losses	(3)	10	7	–	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
Total operating expenses	5,452	8,747	5,405	(38)	62
Income/(loss) before taxes	48	(1,931)	2,014	–	–
Statement of operations metrics (%)					
Return on regulatory capital	0.4	(11.2)	11.7	–	–
Cost/income ratio	99.2	128.1	72.8	–	–
Economic risk capital and return					
Average economic risk capital (CHF million)	9,928	12,372	11,325	(20)	9
Pre-tax return on average economic risk capital (%) ¹	0.9	(14.9)	18.6	–	–
Balance sheet statistics (CHF million, except where indicated)					
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)
Number of employees (full-time equivalents)					
Number of employees	11,530	12,000	10,930	(4)	10

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Calculated using a return excluding interest costs for allocated goodwill.

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Divisional results (continued)

			in	% change	
	2016	2015	2014	16 / 15	15 / 14
Net revenue detail (CHF million)					
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)
Net revenues	5,497	6,826	7,426	(19)	(8)

Reconciliation of adjusted results

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

	2016	2015	in / end of 2014	% change	
				16 / 15	15 / 14
Statements of operations (CHF million)					
Net revenues	1,972	1,787	2,109	10	(15)
Provision for credit losses	20	0	(1)	–	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
Total operating expenses	1,691	2,101	1,599	(20)	31
Income/(loss) before taxes	261	(314)	511	–	–
Statement of operations metrics (%)					
Return on regulatory capital	10.7	(15.4)	27.4	–	–
Cost/income ratio	85.8	117.6	75.8	–	–
Economic risk capital and return					
Average economic risk capital (CHF million)	4,652	3,717	3,259	25	14
Pre-tax return on average economic risk capital (%) ¹	5.7	(8.4)	15.7	–	–
Balance sheet statistics (CHF million, except where indicated)					
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
Number of employees (full-time equivalents)					
Number of employees	3,090	2,810	2,440	10	15

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Calculated using a return excluding interest costs for allocated goodwill.

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Divisional results (continued)

	2016	2015	in 2014	16 / 15	% change 15 / 14
Net revenue detail (CHF million)					
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
Net revenues	1,972	1,787	2,109	10	(15)

Reconciliation of adjusted results

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

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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.

	2016	in 2015	% change YoY
Global advisory and underwriting revenues (USD million)			
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

	2016	2015	in / end of 2014	16 / 15	% change 15 / 14
Statements of operations (CHF million)					
Net revenues	(1,271)	511	1,838	–	(72)
of which from noncontrolling interests without significant economic interest	27	11	427	145	(97)
Provision for credit losses	111	137	33	(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)
Total operating expenses	4,377	3,026	4,912	45	(38)
of which from noncontrolling interests without significant economic interest	23	22	32	5	(31)
Loss before taxes	(5,759)	(2,652)	(3,107)	117	(15)
of which from noncontrolling interests without significant economic interest	4	(11)	395	–	–
Balance sheet statistics (CHF million)					
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)
Number of employees (full-time equivalents)					

Number of employees	1,830	3,200	4,360	(43)	(27)
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Divisional results (continued)

	2016	2015	in 2014	% change 16 / 15	% change 15 / 14
Net revenue detail (CHF million)					
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)
Net revenues	(1,271)	511	1,838	–	(72)
Reconciliation of adjusted results					

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

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,

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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

	2016	2015	in / end of 2014	16 / 15	% change 15 / 14
Statements of operations (CHF million)					
Net revenues	71	561	680	(87)	(18)
Provision for credit losses	(1)	(1)	1	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
Total operating expenses	759	862	654	(12)	32
Income/(loss) before taxes	(687)	(300)	25	129	–
Balance sheet statistics (CHF million)					
Total assets	62,413	64,621	24,440	(3)	164
Risk-weighted assets ¹	17,338	18,467	16,354	(6)	13
Leverage exposure ¹	59,374	63,090	18,810	(6)	235

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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.

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Corporate Center results (continued)

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

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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

	2016	2015	in 2014	16 / 15	% change 15 / 14
Statements of expenses (CHF million)					
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
Total operating expenses before allocations to divisions	5,791	6,162	5,671	(6)	9
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
Total operating expenses	759	862	654	(12)	32

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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

	2016	2015	end of 2014	% change 16 / 15 15 / 14	
Assets under management (CHF billion)					
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 ₃	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 ¹	(105.8)	(91.3)	(89.2)	15.9	2.4
Assets under management	1,251.1	1,214.1	1,368.7	3.0	(11.3)
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)
Client assets (CHF billion) ²					
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 ¹	(105.8)	(91.3)	(89.2)	15.9	2.4
Client assets ²	1,528.1	1,553.5	1,604.1	(1.6)	(3.2)

1
Represents assets managed by Asset Management within International Wealth Management for the other businesses.

2
Client assets is a broader measure than assets under management as it includes transactional accounts and assets under custody (assets held solely for transaction-related or safekeeping/custody purposes) and assets of corporate clients and public institutions used primarily for cash management or transaction-related purposes.

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Updated since the 4Q16 Earnings Release to reflect a correction.

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Growth in assets under management in	2016	2015	2014
Growth in assets under management (CHF billion)			
Net new assets from continuing operations	26.8	46.9	29.9
Net new assets from discontinued operations	0.0	0.0	(2.0)
Net new assets	26.8	46.9	27.9
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 ¹	5.6	26.5	6.5
of which Asia Pacific – Private Banking	13.6 ₃	17.8	17.5
of which Strategic Resolution Unit	(8.5)	(4.0)	(9.6)
of which assets managed across businesses ²	(2.1)	(4.2)	(3.1)
Other effects from continuing operations	10.2	(201.5)	90.2
Other effects from discontinued operations	0.0	0.0	(27.0)
Other effects	10.2	(201.5)	63.2
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 ₃	(17.9)	11.7
of which Strategic Resolution Unit	(5.1)	(112.7)	(13.4)
of which assets managed across businesses ²	(12.4)	2.1	(13.3)
Growth in assets under management from continuing operations	37.0	(154.6)	120.1
Growth in assets under management from discontinued operations	0.0	0.0	(29.0)
Growth in assets under management	37.0	(154.6)	91.1
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 ¹	0.3	16.1	35.1
of which Asia Pacific – Private Banking	16.5 ₃	(0.1)	29.2
of which Strategic Resolution Unit	(13.6)	(116.7)	(23.0)
of which assets managed across businesses ²	(14.5)	(2.1)	(16.4)

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

²

Represents assets managed by Asset Management within International Wealth Management for the other businesses.

3

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.

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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
Growth in assets under management (%)			
Net new assets from continuing operations	2.2	3.4	2.4
Net new assets from discontinued operations	0.0	0.0	(6.9)
Net new assets	2.2	3.4	2.2
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 ¹	1.7	8.7	2.4
of which Asia Pacific – Private Banking	9.0	11.8	14.4
of which Strategic Resolution Unit	(31.1)	(2.8)	(5.8)
of which assets managed across businesses ²	2.3	4.7	4.3
Other effects from continuing operations	0.8	(14.7)	7.2
Other effects from discontinued operations	0.0	0.0	106.9
Other effects	0.8	(14.7)	4.9
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	(11.9)	9.7
of which Strategic Resolution Unit	(18.7)	(78.2)	(8.0)
of which assets managed across businesses ²	13.6	(2.3)	18.3
Growth in assets under management from continuing operations	3.0	(11.3)	9.6
Growth in assets under management from discontinued operations	0.0	0.0	100.0
Growth in assets under management	3.0	(11.3)	7.1

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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 ¹	0.1	5.3	13.0
of which Asia Pacific – Private Banking	11.0 ₃	(0.1)	24.1
of which Strategic Resolution Unit	(49.8)	(81.0)	(13.8)
of which assets managed across businesses ²	15.9	2.4	22.6

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

2
Represents assets managed by Asset Management within International Wealth Management for the other businesses.

3
Updated since the 4Q16 Earnings Release to reflect a correction.

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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

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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

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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

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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

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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

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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

Liquidity and funding management

Capital management

Risk management

Balance sheet, off-balance sheet and other contractual obligations

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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 for additional information.

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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	Swiss franc	US dollar	Euro	Other currencies	2016 Total	2015 Total
Liquid assets (CHF million)						
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
Liquid assets¹	64,955	86,518	12,918	25,583	189,974	174,036

1

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

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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

	Unweighted value ¹	2016 Weighted value ²	2015 Weighted value ²
High-quality liquid assets (CHF million)			
High-quality liquid assets ³	–	190,642	175,306
Cash outflows (CHF million)			
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
Total cash outflows	–	275,899	307,006
Cash inflows (CHF million)			
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
Total cash inflows	–	181,611	178,533
Liquidity coverage ratio			
High-quality liquid assets (CHF million)	–	190,642	175,306
Net cash outflows (CHF million)	–	94,288	128,473
Liquidity coverage ratio (%)	–	202	136

Calculated using a three-month average.

1

Calculated as outstanding balances maturing or callable within 30 days.

2

Calculated after the application of haircuts for high-quality liquid assets or inflow and outflow rates.

3

Consists of cash and eligible securities as prescribed by FINMA and reflects a post-cancellation view.

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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.

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
Assets (CHF million)							
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
Total assets	424,735	110,805	54,608	57,305	97,233	75,175	819,861
Liabilities (CHF million)							

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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
Total liabilities	396,263	53,726	74,830	81,399	100,200	71,132	777,550

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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 Hypothekarinstitute, one of two institutions established by a 1930 act of the Swiss Parliament to centralize the issuance of covered bonds, or historically from our own international covered bond program.

The following table provides information on long-term debt issuances, maturities and redemptions in 2016, excluding structured notes.

Debt issuances and redemptions

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

Excludes structured notes.

1

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.

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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.

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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.

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Under Basel III, the minimum common equity tier 1 (CET1) requirement is 4.5% of >>>RWA. In addition, a 2.5% CET1 capital conservation buffer is required to absorb losses in periods of financial and economic stress. Banks that do not maintain this buffer will be limited in their ability to pay dividends and make discretionary bonus payments and other earnings distributions.

A progressive buffer between 1% and 2.5% (with a possible additional 1% surcharge) of CET1, depending on a bank's systemic importance, is an additional capital requirement for global systemically important banks (G-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
Capital ratios				
CET1	4.5%	4.5%	4.5%	4.5%
Capital conservation buffer	0.625% ¹	1.250% ¹	1.875% ¹	2.5%
Progressive buffer for G-SIB	0.375% ¹	0.750% ¹	1.125% ¹	1.5%
Total CET1	5.5%	6.5%	7.5%	8.5%
Additional tier 1	1.5%	1.5%	1.5%	1.5%
Tier 1	7.0%	8.0%	9.0%	10.0%
Tier 2	2.0%	2.0%	2.0%	2.0%
Total capital	9.0%	10.0%	11.0%	12.0%
Phase-in deductions from CET1 ²	60.0% ¹	80.0% ¹	100.0%	100.0%

Phased out over a 10-year horizon beginning 2013

through 2022

Capital instruments subject to phase-out

1

Indicates phase-in period.

2

Includes goodwill, other intangible assets and certain deferred tax assets.

In addition to the CET1 requirements, there is also a requirement for 1.5% of additional tier 1 capital and 2% of tier 2 capital. These requirements may also be met with CET1 capital. To qualify as additional tier 1 under Basel III, capital instruments must provide for principal loss absorption through a conversion into common equity or a write-down of principal feature. The trigger for such conversion or write-down must include a CET1 ratio of at least 5.125% as well as a trigger at the point of non-viability.

Basel III further provides for a countercyclical buffer that could require banks to hold up to 2.5% of CET1. This requirement is imposed by national regulators where credit growth is deemed to be excessive and leading to the build-up of system-wide risk.

Capital instruments that do not meet the strict criteria for inclusion in CET1 are excluded. Capital instruments that would no longer qualify as tier 1 or tier 2 capital will be phased out. In addition, instruments with an incentive to redeem prior to their stated maturity, if any, are phased out at their effective maturity date, which is generally the date of the first step-up coupon.

Banks are required to maintain a tier 1 leverage ratio of 3% beginning on January 1, 2018.

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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.

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> Refer to “Swiss capital and leverage metrics” for 2016 and 2015 results.

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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.

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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.

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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 %
Capital and risk-weighted assets (CHF million)						
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)
Capital ratios (%)						
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.

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Eligible capital – Group

			Phase-in %		Look-through %	
end of	2016	2015	change	2016	2015	change
Eligible capital (CHF million)						
Total shareholders' equity	41,897	44,382	(6)	41,897	44,382	(6)
Regulatory adjustments ¹	(694)	(459)	51	(694)	(459)	51
Adjustments subject to phase-in						
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 ²	(2,919)	(1,906)	53	(4,864)	(4,765)	2
Other intangible assets ²	(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 ²	(479)	(244)	96	(798)	(611)	31
Investments in own shares	(1)	(8)	(88)	(2)	(21)	(90)
Other adjustments ³	11	(2)	–	20	(5)	–
Deferred tax assets from temporary differences (threshold-based)	(542)	(203)	167	(1,398)	(1,310)	7
Adjustments subject to phase-in	(4,627)₄	(1,851)	150	(10,420)	(10,985)	(5)
CET1 capital	36,576	42,072	(13)	30,783	32,938	(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
Additional tier 1 instruments	11,096	11,663	(5)	11,096	11,663	(5)
Additional tier 1 instruments subject to phase-out ⁵	2,899	2,616	11	–	–	–
Deductions from additional tier 1 capital	(1,706) ₆	(3,288)	(48)	–	–	–
Additional tier 1 capital	12,289	10,991	12	11,096	11,663	(5)
Tier 1 capital	48,865	53,063	(8)	41,879	44,601	(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
Tier 2 instruments	4,879	6,824	(29)	4,879	6,824	(29)
Tier 2 instruments subject to phase-out	2,083	2,970	(30)	–	–	–

Deductions from tier 2 capital	(99)	(175)	(43)	–	–	–
Tier 2 capital	6,863	9,619	(29)	4,879	6,824	(29)
Total eligible capital	55,728	62,682	(11)	46,758	51,425	(9)

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

2
Net of deferred tax liability.

3
Includes cash flow hedge reserve.

4
Reflects 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.

5
Includes hybrid capital instruments that are subject to phase-out.

6
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.

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Capital movement – Group

end of	2016	Phase-in 2015	Look-through 2016	2015
CET1 capital (CHF million)				
Balance at beginning of period	42,072	43,322	32,938	28,576
Net loss attributable to shareholders	(2,710)	(2,944)	(2,710)	(2,944)
Foreign exchange impact	446 ¹	(1,127)	413	(1,111)
Impact of deductions relating to phase-in requirements	(2,777)	(3,356)	0	0
Issuance of common shares	717 ²	5,832 ³	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) ⁴	(1,122)	(579)	(1,082)
Balance at end of period	36,576	42,072	30,783	32,938
Additional tier 1 capital (CHF million)				
Balance at beginning of period	10,991	6,482	11,663	11,316
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
Balance at end of period	12,289	10,991	11,096	11,663
Tier 2 capital (CHF million)				
Balance at beginning of period	9,619	10,947	6,824	6,984
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) ⁵	(775)	(50)	7
Balance at end of period	6,863	9,619	4,879	6,824
Eligible capital (CHF million)				
Balance at end of period	55,728	62,682	46,758	51,425

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

2
Represents the issuance of common shares in connection 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.

3
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.

4
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).

5
Primarily reflects the impact of the prescribed amortization requirement as instruments move closer to their maturity date.

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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

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

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Non-counterparty risk	322	254	65	58	0	306	4,510	5,515
Risk-weighted assets								
– phase-in	60,352	32,880	26,835	62,838	16,150	72,424	23,471	294,950
Look-through adjustment	–	–	–	–	–	–	(5,004)	(5,004)
Risk-weighted assets								
– look-through	60,352	32,880	26,835	62,838	16,150	72,424	18,467	289,946

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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.

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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
Credit risk								
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 ¹	(2,781)	1,275	821	(5,551)	(237)	(22,711)	(3,449)	(32,633)
of which credit risk – book quality ²	2,558	476	3,888	(7,326)	657	2,061	108	2,422
Model and parameter updates ³	295	144	(1,628)	5,592	475	(3,154)	241	1,965
Methodology and policy changes – internal ⁴	14	138	(736)	2,136	267	(814)	(3)	1,002
Methodology and policy changes – external ⁵	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
Market risk								
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 ³	230	(68)	231	1,071	1	94	(4)	1,555
Methodology and policy changes – internal ⁴	(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
Operational risk								
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 ³	109	213	44	(317)	23	660	0	732
Methodology and policy changes – internal ⁴	31	32	1,013	(2,198)	7	0	0	(1,115)
	12,068	12,523	5,836	13,393	2,575	19,660	0	66,055

Balance at end of period – phase-in								
Non-counterparty risk								
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
Total								
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 ³	634	289	(1,353)	6,346	499	(2,400)	237	4,252
Methodology and policy changes – internal ⁴	20	165	242	701	275	(813)	(87)	503
Methodology and policy changes – external ⁵	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 ⁶	–	–	–	–	–	–	(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

1
Represents changes in portfolio size.

2
Represents changes in average risk weighting across credit risk classes.

3
Represents movements arising from updates to models and recalibrations of parameters.

4
Represents internal changes impacting how exposures are treated.

5
Represents externally prescribed regulatory changes impacting how exposures are treated.

6
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
Look-through leverage exposure (CHF million)		
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
Leverage exposure	950,763	987,628

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	2016	2015	Phase-in %	2016	2015	Look-through %
Leverage exposure (CHF million)						
Balance sheet assets	819,861	820,805	0	819,861	820,805	0
Adjustments						
Difference in scope of consolidation and tier 1 capital deductions ¹	(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)
Total adjustments	137,206	172,701	(21)	130,902	166,823	(22)
Leverage exposure	957,067	993,506	(4)	950,763	987,628	(4)

1

Includes adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation and tier 1 capital deductions related to balance sheet assets.

BIS leverage metrics – Group

end of	2016	2015	Phase-in %	2016	2015	Look-through %
			change			change
Capital and leverage exposure (CHF million)						
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)
Leverage ratios (%)						
CET1 leverage ratio	3.8	4.2	–	3.2	3.3	–
Tier 1 leverage ratio	5.1	5.3	–	4.4	4.5	–

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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

end of	Phase-in 2016	Look- through 2016
Swiss capital and risk-weighted assets (CHF million)		
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
Swiss capital ratios (%)		
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

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Swiss capital and risk-weighted assets – Group

end of	Phase-in 2016	Look- through 2016
Swiss capital (CHF million)		
CET1 capital – BIS	36,576	30,783
Swiss regulatory adjustments ¹	(159)	(167)
Swiss CET1 capital	36,417	30,616
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
Swiss additional tier 1 capital	15,975	11,794
Going concern capital	52,392	42,410
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
Gone concern capital	26,783	26,340
Total loss-absorbing capacity	79,175	68,750
Risk-weighted assets (CHF million)		
Risk-weighted assets – BIS	271,372	268,045
Swiss regulatory adjustments ²	718	717
Swiss risk-weighted assets	272,090	268,762

¹
Includes adjustments for certain unrealized gains outside the trading book.

²
Primarily includes differences in the credit risk multiplier.

Swiss leverage metrics

The leverage exposure used in the Swiss leverage 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
Swiss capital and leverage exposure (CHF million)		
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
Swiss leverage ratios (%)		
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
Capital and risk-weighted assets (CHF million)			
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)
Capital ratios (%)			
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

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

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

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

³
Consists of high-trigger and low-trigger capital instruments. Of this amount, CHF 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%.

⁴
Includes hybrid capital instruments that are subject to phase-out.

⁵
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.

⁶
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

end of	2016	2015	Phase-in % change
Leverage exposure (CHF million)			
Balance sheet assets	802,322	803,931	0
Adjustments			
Difference in scope of consolidation and tier 1 capital deductions ¹	(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)
Total adjustments	134,186	169,642	(21)
Leverage exposure	936,508	973,573	(4)

1

Includes adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation and tier 1 capital deductions related to balance sheet assets.

BIS leverage metrics – Bank

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

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Swiss capital and leverage metrics – Bank

> Refer to “Swiss capital and leverage metrics” for further information.

Swiss capital metrics – Bank

	Phase-in 2016
end of	
Swiss capital and risk-weighted assets (CHF million)	
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
Swiss capital ratios (%)	
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 2016
end of	
Swiss capital (CHF million)	
CET1 capital – BIS	35,177
Swiss regulatory adjustments ¹	(138)
Swiss CET1 capital	35,039
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
Swiss additional tier 1 capital	15,149
Going concern capital	50,188
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)
Gone concern capital	26,985
Total loss-absorbing capacity	77,173
Risk-weighted assets (CHF million)	
Risk-weighted assets – BIS	263,769
Swiss regulatory adjustments ²	721
Swiss risk-weighted assets	264,490

Rounding differences may occur.

1

Includes adjustments for certain unrealized gains outside the trading book.

2

Primarily includes differences in the credit risk multiplier.

Swiss leverage metrics – Bank

	Phase-in 2016
end of	
Swiss capital and leverage exposure (CHF million)	
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
Swiss leverage ratios (%)	
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 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.

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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	2016	2015	Group %	2016	2015	Bank %
			change			change
Shareholders' equity (CHF million)						
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
Total shareholders' equity	41,897	44,382	(6)	40,682	43,406	(6)
Goodwill	(4,913)	(4,808)	2	(4,023)	(3,929)	2
Other intangible assets	(213)	(196)	9	(213)	(196)	9
Tangible shareholders' equity¹	36,771	39,378	(7)	36,446	39,281	(7)
Shares outstanding (million)						
Common shares issued	2,089.9	1,957.4	7	4,399.7	4,399.7	0
Treasury shares	0.0	(5.9)	100	–	–	–
Shares outstanding	2,089.9	1,951.5	7	4,399.7	4,399.7	0
Par value (CHF)						
Par value	0.04	0.04	0	1.00	1.00	0
Book value per share (CHF)						
Total book value per share	20.05	22.74	(12)	9.25	9.87	(6)
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
Tangible book value per share¹	17.59	20.18	(13)	8.28	8.93	(7)

1

Management believes that tangible shareholders' equity and tangible book value per share, both non-GAAP financial measures, are meaningful as they are measures used and relied upon by industry analysts and investors to assess valuations and capital adequacy.

Share repurchases

The Swiss Code of Obligations limits a corporation's ability to hold or repurchase its own shares. We may only repurchase shares if we have sufficient free reserves to pay the purchase price, and if the aggregate nominal value of the repurchased shares does not exceed 10% of our nominal share capital. Furthermore, we must create a special reserve in our parent company's financial statements in the amount of the purchase price of the acquired shares. In our consolidated financial statements, own shares are recorded at cost and reported as treasury shares, resulting in a reduction in total shareholders' equity. Shares repurchased by us do not carry any voting rights at shareholders' meetings.

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)
2016		
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
Total purchase of treasury shares	1,224.5	–
Total sale of treasury shares	1,218.2	–

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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 ¹	CHF
Dividend per ordinary share for the financial year		
2015	0.72	0.70
2014	0.75	0.70
2013	0.79	0.70
2012 ²	0.80	0.75
2011	0.78	0.75

1

Represents the distribution on each American Depositary Share. For further information, refer to www.credit-suisse.com/dividend.

2

Distribution consisted of CHF 0.10 (USD 0.11) per share in cash and a stock dividend with a theoretical value of approximately CHF 0.65 (USD 0.69) per subscription right as approved at the AGM on April 26, 2013 for the financial year 2012.

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.

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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.

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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.

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.

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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

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 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 remediating action if a breach occurs. Guidelines are thresholds which, if breached, require an action plan to reduce risk below the guideline or to propose, justify and agree to adjust the guideline. Tolerances are designed as management thresholds to initiate discussion, and breach of a tolerance level triggers review by the relevant 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.

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– *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.

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.

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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

Fixed income trading

Risks captured

- Foreign exchange rates and volatilities
- Interest rate levels and volatilities
- Commodity prices and volatilities
- Credit spreads and the risk of corporate bond defaults
- Life finance and litigation business activities

Equity trading & investments

- Equity prices and volatilities
- Non-recourse share-backed financing transactions
- Liquid hedge funds exposures and fund-linked products
- Equity risk arbitrage activities, in particular the risk that an announced merger may not be completed
- Private equity, illiquid hedge funds and other illiquid equity investment exposures

Private banking corporate & retail lending

- Potential changes in the creditworthiness of counterparty exposures and the risk of counterparty defaults

International lending & counterparty exposures

- Potential changes in the creditworthiness of counterparty exposures and the risk of counterparty defaults

Emerging markets country event risk

- Loss due to significant country events
- Simultaneous impact across the Group's exposures in a given country
- Risk of related disturbance in neighboring countries or countries in the same region

Real estate & structured assets

- Commercial real estate activities and structured assets
- Residential real estate activities and positions in asset-backed securities

Other risks

The other risks category includes the following:

- Our expense risk measures the potential difference between expenses and revenues in a severe market event, excluding the elements captured by position risk and operational risk, using conservative assumptions regarding the earnings capacity and the ability to reduce the cost base in a crisis situation.
- Pension risk is the risk that we, as a plan sponsor, are required to fund a deficit in employee pension schemes in an extreme event. It covers fluctuations in our pension plan assets and liabilities which can lead to potential funding shortfalls. Funding shortfalls can arise from a decline in asset values and/or an increase in the present value of liabilities. The shortfall would need to be funded using available resources. In order to recognize the potential for a funding shortfall, we apply an economic risk capital charge.
- Owned real estate risk is defined as the capital at risk which arises from fluctuations in the value of buildings owned by the Group.
- Foreign exchange risk is the risk arising from a currency mismatch between available economic capital and economic risk capital required.
- Corporate interest rate risk is the interest rate risk on our treasury positions.
- 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

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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.

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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.

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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

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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.

> 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

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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.

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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.

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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	Imminent or actual loss	CC	CC	Ca	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.
C	100		C	C	C	
D1	Risk of default		D	D		
D2	has					
	materialized					

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

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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.

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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

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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

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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

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ensure that investment performance and risks are in line with expectations and adequately supervised.

Strategic risk

Strategic risk is the risk of financial loss or reputational damage arising from inappropriate strategic decisions, ineffective implementation of business strategies or an inability to adapt business strategies in response to changes in the business environment. Strategic risk may arise from a variety of sources, including:

- an inadequate or inaccurate understanding of our existing capabilities and competitive positioning;
- an inadequate or inaccurate analysis of current and prospective operating conditions in our markets, including the macroeconomic environment, client and competitor behaviors and actions, regulatory developments and technological impacts;
- inappropriate strategic decisions, such as those pertaining to which activities we will undertake, which markets and client segments we will serve, which organizational structure we will adopt and how we will position ourselves relative to competitors;
- ineffective implementation and execution of chosen business strategies and related organizational changes;
- the inability to properly identify and analyze key changes in our operating environment, and to adapt strategies accordingly; and
- the inability to properly monitor progress against strategic objectives.

A wide variety of financial, risk, client and market analyses are used to monitor the effectiveness of our strategies and the performance of our businesses against their strategic objectives. These include an analysis of current and expected operating conditions, an analysis of current and target market positioning, and detailed scenario planning.

Strategic plans are developed by each division annually and aggregated into a Group plan, which is reviewed by the 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%.

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Economic risk capital end of	2016	2015	% change
Available economic capital (CHF million)			
BIS look-through CET1 capital (Basel III)	30,783	32,938	(7)
Economic adjustments ¹	15,166	17,284	(12)
Available economic capital	45,949	50,222	(9)
Position risk (CHF million)			
Fixed income trading ²	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 ³	1,188	1,917	(38)
Diversification benefit ⁴	(2,495)	(2,762)	(10)
Position risk (99% confidence level for risk management purposes)	11,339	12,646	(10)
Economic risk capital (CHF million)			
Position risk (99.97% confidence level for capital management purposes)	20,299	22,375	(9)
Operational risk	7,720	7,501	3
Other risks ⁵	6,628	6,031	10
Economic risk capital	34,647	35,907	(4)
Economic risk capital coverage ratio (%)			
Economic risk capital coverage ratio⁶	133	140	–

Prior-period balances are restated for methodology changes and dataset and model parameter updates in order to show meaningful trends.

1

Includes primarily high- and low-trigger capital instruments, adjustments to unrealized gains on owned real estate, reduced recognition of deferred tax assets and adjustments to treatment of pensions. Economic adjustments are made to BIS look-through CET1 capital to enable comparison between economic risk capital and available economic capital under the Basel III framework.

2

This category comprises fixed income trading, foreign exchange, commodity and insurance exposures.

3

This category comprises commercial and residential real estate (including RMBS and CMBS), ABS exposure, real estate acquired at auction and real estate fund investments.

4

Reflects the net difference between the sum of the position risk categories and the position risk on the total portfolio.

5

Includes owned real estate risk, expense risk, pension risk, foreign exchange risk between available economic capital and economic risk capital, interest rate risk on treasury positions, diversification benefits, the impact from deferred share-based compensation awards and an estimate for the impacts of certain planned methodology changes.

6

Ratio of available economic capital to economic risk capital.

Available economic capital trends

As of the end of 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.

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Economic risk capital by division

	End of period			Average		
	2016	2015	% change	2016	2015	% change
Economic risk capital by division (CHF million)						
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 ¹	981	764	28	1,058	701	51
Economic risk capital	34,647₂	35,907₂	(4)	34,737₃	34,821₃	0

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.

1

Includes primarily expense risk, diversification benefits from the divisions and foreign exchange risk between available economic capital and economic risk capital.

2

Includes a diversification benefit of CHF 0 million and CHF 128 million as of December 31, 2016 and 2015, respectively.

3

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.

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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
Risk management VaR (CHF million)							
2016							
Average	14	28	8	2	16	(35)	33
Minimum	9	20	4	1	10	+	24
Maximum	20	44	18	3	38	+	65
End of period	15	21	7	1	13	(28)	29
2015							
Average	20	36	11	2	23	(43)	49
Minimum	6	31	5	1	16	+	34
Maximum	35	42	22	4	35	+	63
End of period	17	40	9	1	31	(42)	56
2014							
Average	12	32	9	2	18	(31)	42
Minimum	7	28	5	0	13	+	35
Maximum	17	39	17	4	25	+	56
End of period	9	39	7	1	20	(29)	47
Risk management VaR (USD million)							
2016							
Average	14	28	9	2	17	(36)	34
Minimum	9	21	3	1	10	+	23
Maximum	20	44	18	3	38	+	65
End of period	15	21	6	1	13	(28)	28
2015							
Average	20	37	11	2	24	(43)	51
Minimum	6	32	5	1	17	+	40
Maximum	35	42	23	4	35	+	64
End of period	17	40	9	1	32	(42)	57
2014							
Average	13	35	10	2	20	(34)	46
Minimum	7	31	6	0	15	+	39
Maximum	19	41	19	5	27	+	59
End of period	9	40	7	1	20	(30)	47

Excludes risks associated with counterparty and own credit exposures.

1

As the maximum and minimum occur on different days for different risk types, it is not meaningful to calculate a portfolio diversification benefit.

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Average one-day, 98% risk management VaR by division

in	Swiss Universal Bank	International Wealth Management	Asia Pacific	Global Markets	Strategic Resolution Unit	Diversi- fication benefit ₁	Credit Suisse
Average risk management VaR (CHF million)							
2016	3	2	16	26	13	(27)	33
2015	7	1	18	44	25	(46)	49
2014	15	0	12	44	57	(86)	42
Average risk management VaR (USD million)							
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.

1

Difference between the sum of the standalone VaR for each division and the VaR for the Group.

We measure VaR in US dollars, as the majority of our trading activities are conducted in US dollars.

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.

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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
--------	-----	-----	-----	-----	-------	-------

2016 (CHF million)

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
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2015 (CHF million)

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
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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
--------	-----	-----	-----	-----	-------	-------

2016 (CHF million)

Increase (+)/decrease (–) in interest rates						
---	--	--	--	--	--	--

+200 basis points	8	704	257	(18)	36	987
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+100 basis points	5	356	131	(11)	18	499
-------------------	---	-----	-----	------	----	-----

–100 basis points	(8)	(366)	(134)	15	(17)	(510)
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–200 basis points	(18)	(740)	(273)	35	(35)	(1,031)
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2015 (CHF million)

Increase (+)/decrease (–) in interest rates						
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+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)
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–200 basis points	266	(674)	(133)	13	(138)	(666)
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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.

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 ₁	% change
Loans and irrevocable loan commitments (CHF million)			
Gross loans	277,043	274,006	1
Irrevocable loan commitments	116,975	137,653	(15)
Total loans and irrevocable loan commitments	394,018	411,659	(4)
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)

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.

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Loans

	Swiss Universal Bank	International Wealth Management	Asia Pacific	Global Markets	Investment Banking & Capital Markets	Strategic Resolution Unit	Credit Suisse ¹
end of 2016 (CHF million)							
Mortgages	99,383	3,551	1,166	0	0	235	104,335
Loans collateralized by securities	7,224	17,863	11,704	0	273	204	37,268
Consumer finance	2,923	438	3	18	0	108	3,490
Consumer	109,530	21,852	12,873	18	273	547	145,093
Real estate	23,661	1,383	499	160	214	99	26,016
Commercial and industrial loans	28,460	19,618	23,405	3,788	4,441	4,008	83,740
Financial institutions	3,657	2,077	2,320	4,351	465	4,878	17,921
Governments and public institutions	801	223	1,135	1,070	0	1,044	4,273
Corporate & institutional	56,579 ²	23,301 ³	27,359 ⁴	9,369	5,120	10,029	131,950
Gross loans	166,109	45,153	40,232	9,387	5,393	10,576	277,043
of which held at fair value	38	397	5,377	6,711	2,545	4,460	19,528
Net (unearned income) / deferred expenses	38	(99)	(27)	(8)	(8)	(25)	(129)
Allowance for loan losses ⁵	(462)	(89)	(71)	(19)	(24)	(273)	(938)
Net loans	165,685	44,965	40,134	9,360	5,361	10,278	275,976
2015 (CHF million)							
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 ²	18,979 ³	23,732 ⁴	13,720	4,737	12,928	129,130
Gross loans	163,209	40,241	35,984	13,748	5,292	15,408	274,006
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 ⁵	(499)	(75)	(50)	(35)	(6)	(201)	(866)
Net loans	162,717	40,084	35,905	13,700	5,280	15,185	272,995

¹ Includes the Corporate Center, in addition to the business divisions disclosed.

²

The values of financial collateral and mortgages related to secured loans, considered up to the amount of the related loans, were CHF 11,266 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.

3

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.

4

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.

5

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.

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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 ¹
2016 (CHF million)							
Non-performing loans	341	179	242	8	0	466	1,236
Non-interest-earning loans	168	17	1	0	0	79	265
Non-performing and non-interest-earning loans	509	196	243	8	0	545	1,501
Restructured loans	53	89	17	0	0	199	358
Potential problem loans	191	39	6	9	0	368	613
Other impaired loans	244	128	23	9	0	567	971
Gross impaired loans²	753	324	266	17	0	1,112	2,472
of which loans with a specific allowance	674	170	239	17	0	985	2,085
of which loans without a specific allowance	79	154	27	0	0	127	387
2015 (CHF million)							
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
Gross impaired loans²	795	252	229	35	2	660	1,973
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

1

Includes the Corporate Center, in addition to the business divisions disclosed.

2

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.

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Allowance for loan losses

	Swiss Universal Bank	International Wealth Management	Asia Pacific	Global Markets	Investment Banking & Capital Markets	Strategic Resolution Unit	Credit Suisse ¹
end of 2016 (CHF million)							
Allowance for loan losses at beginning of period ²	499	75	50	35	6	201	866
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
Allowance for loan losses at end of period ²	462	89	71	19	24	273	938
of which individually evaluated for impairment	314	56	62	9	0	259	700
of which collectively evaluated for impairment	148	33	9	10	24	14	238

¹
Includes the Corporate Center, in addition to the business divisions disclosed.

²
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	Total
2016 (CHF million)			
Balance at beginning of period	647	1,326	1,973
New impaired loans	514	1,820	2,334
Increase in existing impaired loans	28	104	132
Reclassifications to performing loans	(201)	(437)	(638)
Repayments ¹	(135)	(455)	(590)
Liquidation of collateral, insurance or guarantee payments	(91)	(202)	(293)
Sales ²	(9)	(225)	(234)
Write-offs	(91)	(124)	(215)
Foreign currency translation impact and other adjustments, net	0	3	3
Balance at end of period	662	1,810	2,472

¹

Full or partial principal repayments.

2

Includes transfers to loans held-for-sale for intended sales of held-to-maturity loans.

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Allowance for loan losses by loan portfolio segment

	Consumer	Corporate & institutional	Total
2016 (CHF million)			
Balance at beginning of period	216	650	866
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
Balance at end of period	216	722	938
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
2016 (%)							
Non-performing and non-interest-earning loans / Gross loans	0.3	0.4	0.7	0.3	0.0	8.9	0.6
Gross impaired loans / Gross loans	0.5	0.7	0.8	0.6	0.0	18.2	1.0
Allowance for loan losses / Gross loans	0.3	0.2	0.2	0.7	0.8	4.5	0.4
Specific allowance for loan losses / Gross impaired loans	41.7	17.3	23.3	52.9	–	23.3	28.3
2015 (%)							
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.

1

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.

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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	More than 1 to 5 years	Positive replacement value	Less than 1 year	More than 1 to 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 ¹	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 ²				(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

¹ Primarily precious metals, commodity, energy and emission products.

² Taking into account legally enforceable netting agreements.

Derivative transactions exposed to credit risk are subject to a credit request and approval process, ongoing credit and counterparty monitoring and a credit quality review process. The following table represents the rating split of our credit exposure from derivative instruments.

Derivative instruments by counterparty credit rating

end of	2016	2015
Derivative instruments (CHF billion)		
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
OTC derivative instruments	26.2	28.0
Exchange-traded derivative instruments ¹	0.7	0.6

Total derivative instruments ¹	26.9	28.6
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1

Taking into account legally enforceable netting agreements.

Derivative instruments by maturity and by counterparty credit rating for the Bank are not materially different, neither in absolute amounts nor in terms of movements, from the information for the Group presented above.

Derivative instruments are categorized as exposures from trading activities (trading) and those qualifying for hedge accounting (hedging). Trading includes activities relating to market making, positioning and arbitrage. It also includes economic hedges where the Group enters into derivative contracts for its own risk management purposes, but where the contracts do not qualify for hedge accounting under US GAAP. Hedging includes contracts that qualify for hedge accounting under US GAAP, such as fair value hedges, cash flow hedges and net investment hedges.

> Refer to “Note 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.

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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

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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.

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Selected European credit risk exposures

	Gross credit risk exposure	Risk mitigation		Net credit risk exposure	Inventory ²	Net synthetic inventory ³	Total credit risk exposure	
		CDS	Other ¹				Gross	Net
December 31, 2016								
Croatia (EUR million)								
Sovereign	190	0	168	22	0	(67)	190	22
Corporates & other	50	0	0	50	0	0	50	50
Total	240	0	168	72	0	(67)	240	72
Cyprus (EUR million)								
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
Total	1,078	0	1,077	1	4	0	1,082	5
Greece (EUR million)								
Financial institutions	198	0	197	1	0	0	198	1
Corporates & other	1,140	0	1,117	23	2	(1)	1,142	25
Total	1,338	0	1,314	24	2	(1)	1,340	26
Ireland (EUR million)								
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
Total	2,249	117	1,102	1,030	137	(152)	2,386	1,167
Italy (EUR million)								
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
Total	6,695	2,204	3,289	1,202	127	(1,477)	6,822	1,329
Malta (EUR million)								
Financial institutions	42	0	0	42	0	0	42	42
Corporates & other	547	0	546	1	0	0	547	1
Total	589	0	546	43	0	0	589	43
Portugal (EUR million)								
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
Total	532	0	441	91	102	69	634	193
Spain (EUR million)								
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
Total	3,197	20	2,220	957	44	(180)	3,241	1,001
Total (EUR million)								
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
Total	15,918	2,341	10,157	3,420	416	(1,808)	16,334	3,836

Includes other hedges (derivative instruments), guarantees, insurance and collateral.

2

Represents long inventory positions netted at issuer level.

3

Substantially all of which results from CDS; represents long positions net of short positions.

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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

	2016	2015	end of 2014	16 / 15	% change 15 / 14
Assets (CHF million)					
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)
Total assets	819,861	820,805	921,462	0	(11)
Liabilities and equity (CHF million)					
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)
Total liabilities	777,550	775,787	876,461	0	(11)
Total shareholders' equity	41,897	44,382	43,959	(6)	1
Noncontrolling interests	414	636	1,042	(35)	(39)
Total equity	42,311	45,018	45,001	(6)	0
Total liabilities and equity	819,861	820,805	921,462	0	(11)

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

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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	1 to 3	3 to 5	More	Total	Total
Payments due within	than	years	years	than		
On- and off-balance sheet obligations (CHF million)	1 year			5 years		
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 ¹	32,469	58,954	31,755	70,137	193,315 ₂	197,608 ₂
Contractual interest payments ³	1,088	1,361	455	718	3,622 ₄	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
Total obligations ⁵	507,883	65,697	34,026	74,472	682,078	669,825

¹ 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.

² 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.

3

Includes interest payments on fixed rate long-term debt, fixed rate interest-bearing deposits (excluding demand deposits) and fixed rate short-term borrowings, which have not been effectively converted to variable rate on an individual instrument level through the use of swaps.

4

Due to the non-determinable nature of interest payments, the following notional amounts have been excluded from the table: variable rate long-term debt of CHF 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.

5

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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Corporate Governance and Compensation

Corporate Governance

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.

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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, 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.
- 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 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.

- 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.

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” 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” 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.

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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	%
Distribution of Group shares								
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 ¹	438	0	873,938,249	42	509	0	805,975,412	41
Shares registered in share register	118,019	100	1,271,795,589	61	112,938	100	1,145,776,989	59
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 ¹	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
Shares not registered in share register	–	–	818,101,789	39	–	–	811,602,255	41
Total shares issued	–	–	2,089,897,378	100	–	–	1,957,379,244	100

¹

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	%
Institutional investors by industry								
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
	25	0	604,300	0	34	0	636,040	0

Governmental institutions								
Other ¹	1,761	1	130,483,026	6	1,755	2	121,339,051	6
Direct entries	3,349	3	373,455,494	18	3,520	3	349,209,319	18
Fiduciary holdings	129	0	732,518,231	35	149	0	665,670,052	34
Total institutional investors	3,478	3	1,105,973,725	53	3,669	3	1,014,879,371	52

Rounding differences may occur.

1

Includes various other institutional investors for which a breakdown by industry type was not available.

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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:

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.

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%, 33 1/3%, 50% or 66 2/3% 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. 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).

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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 %	Purchase rights %
December 31, 2016 or the most recent notification date				
The Olayan Group (registered entity – Crescent Holding GmbH)	September 16, 2016	111.3	5.41	5.31 ²
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 ³
Capital Group Companies, Inc.	January 28, 2017	96.7	4.91	–
Harris Associates L.P.	November 9, 2013 ⁴	81.5	5.17	–
BlackRock Inc.	January 25, 2013	38.6	3.01	–
December 31, 2015 or the most recent notification date				
Norges Bank	February 12, 2016	98.5	5.03	–
Qatar Investment Authority (registered entity – Qatar Holding LLC)	December 10, 2015	97.5	4.98	13.59
The Olayan Group (registered entity – Crescent Holding GmbH)	December 2, 2015	84.0	4.95	6.40
Harris Associates L.P.	November 9, 2013	81.5	5.17	–
Franklin Resources, Inc.	February 25, 2016	69.0	3.52	–
Dodge & Cox	December 19, 2012	63.5	4.96	–
Capital Group Companies, Inc.	April 21, 2015	48.4	3.01	–
BlackRock Inc.	January 25, 2013	38.6	3.01	–
December 31, 2014 or the most recent notification date				
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.		47.8	2.98	–

	January 14, 2015			
	January 25, 2013	38.6	3.01	–
BlackRock Inc.				

1

The approximate shareholding percentages were calculated in relation to the share capital at the time of the relevant disclosure notification. They therefore do not reflect changes in such percentages that would result from changes in the number of outstanding shares, following the date of the disclosure notification.

2

Consists of 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.

3

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.

4

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.

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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:

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- 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 33 1/3% 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 ZZZFINMA. 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.

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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
December 31, 2016						
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.

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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

The members of the Board are encouraged to attend all meetings of the Board and the committees on which they serve.

Meeting attendance

	Board of Directors ¹	Chairman's and Governance Committee ²	Audit Committee ³	Compensation Committee ⁴	Risk Committee ⁵
in 2016					
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

1

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.

2

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.

3

The Audit Committee consisted of four members at the beginning of the year and five members at the end of the year.

4

The Compensation Committee consisted of four members at the beginning and the end of the year.

5

The Risk Committee consisted of six members at the beginning 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.

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.

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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.

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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.

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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.

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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.

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Biographies of the Board members

Urs Rohner

Born 1959

Swiss Citizen

Board member since 2009

Chairman of the Board

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

Jassim Bin Hamad J.J. Al

Thani

Born 1982

Qatari Citizen

Board member since 2010

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

Other activities and functions

Damaan Islamic Insurance Co. (BEEMA), chairman

QInvest, chairman

Qatar Insurance Company, board member

Qatar Navigation (Milaha), board member

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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

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Alexander Gut

Born 1963

Swiss and British Citizen

Board member since 2016

Professional history

2016–present	Credit Suisse Member of the Audit Committee (2016–present) Member of the 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

Andreas N. Koopmann

Born 1951

Swiss and French Citizen

Board member since 2009

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) Bruno Piatti AG and Motor Columbus AG, various positions
Prior to 1982	

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

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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)

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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