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
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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)
David R. Mathers
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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)

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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	New York Stock Exchange
Shares par value CHF 0.04*	New York Stock Exchange*
Credit Suisse AG	
Fixed to Floating Rate Tier 1 Capital Notes	New York Stock Exchange
Floating Rate Tier 1 Capital Notes	New York Stock Exchange
Credit Suisse X-Links Long/Short Equity ETNs due February 19, 2020	NYSE Arca
VelocityShares™ Daily Inverse VIX Short Term ETN Linked to the S&P 500 VIX Short-Term Futures™ Index due December 4, 2030	The Nasdaq Stock Market
VelocityShares™ Daily Inverse VIX Medium Term ETN Linked to the S&P 500 VIX Mid-Term Futures™ Index due December 4, 2030	The Nasdaq Stock Market
VelocityShares™ VIX Short Term ETN Linked to the S&P 500 VIX Short-Term Futures™ Index due December 4, 2030	The Nasdaq Stock Market
VelocityShares™ VIX Medium Term ETN Linked to the S&P 500 VIX Mid-Term Futures™ Index due December 4, 2030	The Nasdaq Stock Market
VelocityShares™ Daily 2x VIX Short Term ETN Linked to the S&P 500 VIX Short-Term Futures™ Index due December 4, 2030	The Nasdaq Stock Market
VelocityShares™ Daily 2x VIX Medium Term ETN Linked to the S&P 500 VIX Mid-Term Futures™ Index due December 4, 2030	The Nasdaq Stock Market
VelocityShares™ 3x Long Gold ETN Linked to the S&P GSCI® Gold Index ER due October 14, 2031	The Nasdaq Stock Market
VelocityShares™ 3x Long Silver ETN Linked to the S&P GSCI® Silver Index ER due October 14, 2031	The Nasdaq Stock Market
VelocityShares™ 3x Inverse Gold ETN Linked to the S&P GSCI® Gold Index ER due October 14, 2031	The Nasdaq Stock Market
VelocityShares™ 3x Inverse Silver ETN Linked to the S&P GSCI® Silver Index ER due October 14, 2031	The Nasdaq Stock Market
VelocityShares™ 3x Long Natural Gas ETN Linked to the S&P GSCI® Natural Gas Index ER due February 9, 2032	NYSE Arca
VelocityShares™ 3x Inverse Natural Gas ETN Linked to the S&P GSCI® Natural Gas Index ER due February 9, 2032	NYSE Arca
Credit Suisse X-Links Gold Shares Covered Call ETNs due February 2, 2033	The Nasdaq Stock Market
Credit Suisse X-Links Silver Shares Covered Call ETNs due April 21, 2033	The Nasdaq Stock Market
Credit Suisse X-Links Commodity Rotation ETNs due June 15, 2033	NYSE Arca
Credit Suisse FI Enhanced Europe 50 Exchange Traded Notes (ETNs) due September 10, 2018 Linked to the STOXX Europe 50® USD (Gross Return) Index	NYSE Arca
Credit Suisse FI Enhanced Big Cap Growth Exchange Traded Notes (ETNs) due October 22, 2018 Linked to the Russell 1000® Growth Index Total Return	NYSE Arca
Credit Suisse FI Large Cap Growth Enhanced Exchange Traded Notes (ETNs) due June 13, 2019 Linked to the Russell 1000® Growth Index Total Return	NYSE Arca
Credit Suisse S&P MLP Index Exchange Traded Notes (ETNs) due December 4, 2034 Linked to the S&P MLP Index	NYSE Arca

Credit Suisse X-Links Multi-Asset High Income Exchange Traded Notes (ETNs) due September 28, 2035	NYSE Arca
Credit Suisse X-Links WTI Crude Oil Index ETNs due February 8, 2036	NYSE Arca
Credit Suisse X-Links Monthly Pay 2xLeveraged Alerian MLP Index Exchange Traded Notes (ETNs) due May 16, 2036	NYSE Arca
Credit Suisse X-Links Monthly Pay 2xLeveraged Mortgage REIT Exchange Traded Notes (ETNs) due July 11, 2036	NYSE Arca

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

Securities registered or to be registered pursuant to Section 12(g) of the Act:
None
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**
Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of December 31, 2016: 2,089,897,378 shares of Credit Suisse Group AG
Indicate by check mark if the Registrants are well-known seasoned issuers, as defined in Rule 405 of the Securities Act.
Yes No
If this report is an annual or transition report, indicate by check mark if the Registrants are not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.
Yes No
Indicate by check mark whether the Registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrants were required to file such reports) and (2) have been subject to such filing requirements for the past 90 days.
Yes No
Indicate by check mark whether Registrants have submitted electronically and posted on their corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (paragraph 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes No
Indicate by check mark whether the Registrants are large accelerated filers, accelerated filers, or non-accelerated filers. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check One):
Large accelerated filers Accelerated filers Non-accelerated filers
Indicate by check mark which basis of accounting the Registrants have used to prepare the financial statements included in this filing:
U.S. GAAP International 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.
Item 17 Item 18
If this is an annual report, indicate by check mark whether the Registrants are shell companies
(as defined in Rule 12b-2 of the Exchange Act)
Yes No

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Definitions

For the purposes of this Form 20-F and the attached Annual Report 2016, unless the context otherwise requires, the terms "Credit Suisse Group," "Credit Suisse," "the Group," "we," "us" and "our" mean Credit Suisse Group AG and its consolidated subsidiaries. The business of Credit Suisse AG, the direct bank subsidiary of the Group, is substantially similar to the Group, and we use these terms to refer to both when the subject is the same or substantially similar. We use the term "the Bank" when we are referring only to Credit Suisse AG and its consolidated subsidiaries.
Abbreviations and selected terms are explained in the List of abbreviations and the Glossary in the back of the Annual Report 2016.

Sources

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

Cautionary statement regarding forward-looking information

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

Explanatory note

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

Part I

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

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

Item 2. Offer statistics and expected timetable.

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

Item 3. Key information.

A – Selected financial data.

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

B – Capitalization and indebtedness.

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

C – Reasons for the offer and use of proceeds.

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

D – Risk factors.

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

Item 4. Information on the company.

A – History and development of the company.

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

B – Business overview.

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

C – Organizational structure.

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

D – Property, plant and equipment.

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

Information Required by Industry Guide 3.

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

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

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

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

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

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

Item 4A. Unresolved staff comments.

None.

Item 5. Operating and financial review and prospects.

A – Operating results.

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

B – Liquidity and capital resources.
For Credit Suisse and the Bank, please see III – Treasury, Risk, Balance sheet and Off-balance sheet – Liquidity and funding management and – Capital management on pages 108 to 134 of the attached Annual Report 2016. In addition, for Credit Suisse, please see Note 25 – Long-term debt in V – Consolidated financial statements – Credit Suisse Group on pages 296 to 297 and Note 37 – Capital adequacy in V – Consolidated financial statements – Credit Suisse Group on page 372 of the attached Annual Report 2016 and, for the Bank, please see Note 24 – Long-term debt in VII – Consolidated financial statements – Credit Suisse (Bank) on page 447 and Note 36 – Capital adequacy in VII – Consolidated financial statements – Credit Suisse (Bank) on page 496 of the attached Annual Report 2016.
C – Research and development, patents and licenses, etc.
Not applicable.
D – Trend information.
For Credit Suisse and the Bank, please see Item 5.A of this Form 20-F. In addition, for Credit Suisse and the Bank, please see I – Information on the company – Divisions on pages 18 to 25 of the attached Annual Report 2016.
E – Off-balance sheet arrangements.
For Credit Suisse and the Bank, please see III – Treasury, Risk, Balance sheet and Off-balance sheet – Balance sheet, off-balance sheet and other contractual obligations on pages 173 to 176 of the attached Annual Report 2016. In addition, for Credit Suisse, please see Note 32 – Derivatives and hedging activities, Note 33 – Guarantees and commitments and Note 34 – Transfers of financial assets and variable interest entities in V – Consolidated financial statements – Credit Suisse Group on pages 325 to 344 of the attached Annual Report 2016 and, for the Bank, please see Note 31 – Derivatives and hedging activities, Note 32 – Guarantees and commitments, Note 33 – Transfers of financial assets and variable interest entities in VII – Consolidated financial statements – Credit Suisse (Bank) on pages 465 to 477, and Note 13 – Derivative financial instruments in VIII – Parent company financial statements – Credit Suisse (Bank) on pages 532 to 534 of the attached Annual Report 2016.
F – Tabular disclosure of contractual obligations.
For Credit Suisse and the Bank, please see III – Treasury, Risk, Balance sheet and Off-balance sheet – Balance sheet, off-balance sheet and other contractual obligations – Contractual obligations and other commercial commitments on page 175 of the attached Annual Report 2016.
Item 6. Directors, senior management and employees.
A – Directors and senior management.
For Credit Suisse and the Bank, please see IV – Corporate Governance and Compensation – Corporate Governance – Board of Directors, – Board Committees, – Biographies of the Board Members, – Executive Board and – Biographies of the Executive Board Members on pages 186 to 210 of the attached Annual Report 2016.
B – Compensation.
For Credit Suisse and the Bank, please see IV – Corporate Governance and Compensation – Compensation on pages 215 to 248 of the attached Annual Report 2016. In addition, for Credit Suisse, please see Note 11 – Compensation and benefits in V – Consolidated financial statements – Credit Suisse Group on page 278, Note 29 – Employee deferred compensation in V – Consolidated financial statements – Credit Suisse Group on pages 308 to 312, Note 31 – Pension and other post-retirement benefits in V – Consolidated financial statements – Credit Suisse Group on pages 315 to 324, Note 6 – Personnel expenses in VI – Parent company financial statements – Credit Suisse Group on page 407 and Note 23 – Shareholdings of the Board of Directors, Executive Board and employees in VI – Parent company financial statements – Credit Suisse Group on pages 414 to 415 of the attached Annual Report 2016. For the Bank, please see Note 11 – Compensation and benefits in VII – Consolidated financial statements – Credit Suisse (Bank) on page 433, Note 28 – Employee deferred compensation in VII – Consolidated financial statements – Credit Suisse (Bank) on pages 455 to 457, Note 30 – Pension and other post-retirement benefits in VII – Consolidated financial statements – Credit Suisse (Bank) on pages 458 to 464, Note 6 – Personnel expenses in VIII – Parent company financial statements – Credit Suisse (Bank) on page 527, Note 17 – Pension plans in VIII – Parent company financial statements – Credit Suisse (Bank) on pages 536 to 537 and Note 23 – Shareholdings of the Board of Directors, Executive Board and employees and information on compensation plans in VIII – Parent company financial statements – Credit Suisse (Bank) on pages 541 to 542 of the attached Annual Report 2016.

C – Board practices.
For Credit Suisse and the Bank, please see IV – Corporate Governance and Compensation – Corporate Governance on pages 178 to 214 of the attached Annual Report 2016.
D – Employees.
For Credit Suisse and the Bank, please see IV – Corporate Governance and Compensation – Corporate Governance – Corporate Governance framework – Employee relations on page 180 of the attached Annual Report 2016. In addition, for both Credit Suisse and the Bank, please see II – Operating and financial review – Credit Suisse – Employees on page 60 of the attached Annual Report 2016.
E – Share ownership.
For Credit Suisse and the Bank, please see IV – Corporate Governance and Compensation – Compensation on pages 215 to 248 of the attached Annual Report 2016. In addition, for Credit Suisse, please see Note 29 – Employee deferred compensation in V – Consolidated financial statements – Credit Suisse Group on pages 308 to 312, and Note 23 –Shareholdings of the Board of Directors, Executive Board and employees in VI – Parent company financial statements – Credit Suisse Group on pages 414 to 415 of the attached Annual Report 2016. For the Bank, please see Note 28 – Employee deferred compensation in VII – Consolidated financial statements – Credit Suisse (Bank) on pages 455 to 457, and Note 23 – Shareholdings of the Board of Directors, Executive Board and employees and information on compensation plans in VIII – Parent company financial statements – Credit Suisse (Bank) on pages 541 to 542 of the attached Annual Report 2016.
Item 7. Major shareholders and related party transactions.
A – Major shareholders.
For Credit Suisse, please see IV – Corporate Governance and Compensation – Corporate Governance – Shareholders on pages 181 to 185 of the attached Annual Report 2016. In addition, for Credit Suisse, please see Note 3 – Business developments, significant shareholders and subsequent events in V – Consolidated financial statements – Credit Suisse Group on pages 271 to 273, Note 17 – Credit Suisse Group shares held by subsidiaries in VI – Parent company financial statements – Credit Suisse Group on page 411, Note 18 – Purchases and sale of treasury shares held by Credit Suisse Group in VI – Parent company financial statements – Credit Suisse Group on page 412 and Note 19 – Significant shareholders in VI – Parent company financial statements – Credit Suisse Group on page 412 of the attached Annual Report 2016. Credit Suisse's major shareholders do not have different voting rights. The Bank has 4,399,680,200 shares outstanding and is a wholly-owned subsidiary of Credit Suisse. See Note 22 – Significant shareholders and groups of shareholders in VIII – Parent company financial statements – Credit Suisse (Bank) on page 540 of the attached Annual Report 2016.
B – Related party transactions.
For Credit Suisse and the Bank, please see IV – Corporate Governance and Compensation – Compensation on pages 215 to 248 and – Corporate Governance – Banking relationships with Board and Executive Board Members and related party transactions on page 211 of the attached Annual Report 2016. In addition, for Credit Suisse, please see Note 30 – Related parties in V – Consolidated financial statements – Credit Suisse Group on pages 313 to 314 and Note 21 – Assets and liabilities with related parties in VI – Parent company financial statements – Credit Suisse Group on page 413 of the attached Annual Report 2016. For the Bank, please see Note 29 – Related parties in VII – Consolidated financial statements – Credit Suisse (Bank) on pages 457 to 458 and Note 24 – Amounts receivable from and amounts payable to related parties in VIII – Parent company financial statements – Credit Suisse (Bank) on page 543 of the attached Annual Report 2016.
C – Interests of experts and counsel.
Not applicable because this Form 20-F is filed as an annual report.
Item 8. Financial information.
A – Consolidated statements and other financial information.
Please see Item 18 of this Form 20-F.
For a description of Credit Suisse's legal and arbitration proceedings, please see Note 39 – Litigation in V – Consolidated financial statements – Credit Suisse Group on pages 374 to 382 of the attached Annual Report 2016. For a description of the Bank's legal and arbitration proceedings, please see Note 38 – Litigation in VII – Consolidated financial statements – Credit Suisse (Bank) on page 497 of the attached Annual Report 2016.

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

B – Significant changes.

None.

Item 9. The offer and listing.

A – Offer and listing details, C – Markets.

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

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

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

Item 10. Additional information.

A – Share capital.

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

B – Memorandum and Articles of Association.

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

C – Material contracts.

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

D – Exchange controls.

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

E – Taxation.

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

F – Dividends and paying agents.

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

G – Statement by experts.

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

H – Documents on display.

Credit Suisse and the Bank file annual reports on Form 20-F and furnish or file quarterly and other reports on Form 6-K and other information with the SEC pursuant to the requirements of the Securities Exchange Act of 1934, as amended. These materials are available to the public over the Internet at the SEC's website at www.sec.gov 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.

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

I – Subsidiary information.

Not applicable.

Item 11. Quantitative and qualitative disclosures about market risk.

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

Item 12. Description of securities other than equity securities.

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

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

D – American Depositary Shares.

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

Part II

Item 13. Defaults, dividend arrearages and delinquencies.

None.

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

None.

Item 15. Controls and procedures.

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

Item 16A. Audit committee financial expert.

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

Item 16B. Code of ethics.

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

Item 16C. Principal accountant fees and services.
For Credit Suisse and the Bank, please see IV – Corporate Governance and Compensation – Corporate Governance – External audit on page 212 of the attached Annual Report 2016.
Item 16D. Exemptions from the listing standards for audit committee.
None.
Item 16E. Purchases of equity securities by the issuer and affiliated purchasers.
For Credit Suisse, please see III – Treasury, Risk, Balance sheet and Off-balance sheet – Capital management – Shareholders' Equity and Share Metrics – Share repurchases on page 133 of the attached Annual Report 2016. The Bank does not have any class of equity securities registered pursuant to Section 12 of the Exchange Act.
Item 16F. Change in registrants' certifying accountant.
None.
Item 16G. Corporate governance.
For Credit Suisse, please see IV – Corporate Governance and Compensation – Corporate Governance – Additional Information – Complying with rules and regulations on page 213 of the attached Annual Report 2016. Shares of the Bank are not listed.
Item 16H. Mine Safety Disclosure.
None.
Part III
Item 17. Financial statements.
Not applicable.
Item 18. Financial statements.
Credit Suisse's consolidated financial statements, together with the notes thereto and the Report of the Independent Registered Public Accounting Firm thereon, are set forth on pages 249 to 398 of the attached Annual Report 2016 and incorporated by reference herein. The Bank's consolidated financial statements, together with the notes thereto (and any notes or portions thereof in the consolidated financial statements of Credit Suisse Group referred to therein) and the Report of the Independent Registered Public Accounting Firm thereon, are set forth on pages 417 to 502 of the attached Annual Report 2016 and incorporated by reference herein.

Item 19. Exhibits.

1.1 Articles of association (Statuten) of Credit Suisse Group AG as of October 26, 2016 (incorporated by reference to Exhibit 3.1 of Credit Suisse Group AG's current report on Form 6-K filed on November 8, 2016).

1.2 Articles of association (Statuten) of Credit Suisse AG as of September 4, 2014 (incorporated by reference to Exhibit 1.2 of Credit Suisse Group AG's and Credit Suisse AG's annual report on Form 20-F for the year ended December 31, 2014 filed on March 20, 2015).

1.3 Organizational Guidelines and Regulations of Credit Suisse Group AG and Credit Suisse AG as of February 9, 2017.

2.1 Pursuant to the requirement of this item, we agree to furnish to the SEC upon request a copy of any instrument defining the rights of holders of long-term debt of us or of our subsidiaries for which consolidated or unconsolidated financial statements are required to be filed.

4.1 Agreement, dated February 13, 2011, among Competrol Establishment, Credit Suisse Group (Guernsey) II Limited and Credit Suisse Group AG (incorporated by reference to Exhibit 99.1 of Credit Suisse Group AG's and Credit Suisse AG's current report on Form 6-K filed on March 12, 2013).

4.2 Agreement, dated February 13, 2011, among Qatar Holding LLC, Credit Suisse Group (Guernsey) II Limited and Credit Suisse Group AG (incorporated by reference to Exhibit 99.2 of Credit Suisse Group AG's and Credit Suisse AG's current report on Form 6-K filed on March 12, 2013).

4.3 Amendment Agreement, dated July 18, 2012, among Competrol Establishment, Credit Suisse Group (Guernsey) II Limited, Credit Suisse Group AG and Credit Suisse AG, acting through its Guernsey Branch (incorporated by reference to Exhibit 99.3 of Credit Suisse Group AG's and Credit Suisse AG's current report on Form 6-K filed on March 12, 2013).

4.4 Purchase and Underwriting Agreement, dated as of July 17, 2012, between Credit Suisse AG and Competrol Establishment (incorporated by reference to Exhibit 4.4 of Credit Suisse Group AG's and Credit Suisse AG's annual report on Form 20-F for the year ended December 31, 2012 filed on March 22, 2013).

4.5 Purchase and Underwriting Agreement, dated as of July 18, 2012, between Credit Suisse AG and Qatar Holding LLC (incorporated by reference to Exhibit 4.5 of Credit Suisse Group AG's and Credit Suisse AG's annual report on Form 20-F for the year ended December 31, 2012 filed on March 22, 2013).

4.6 Agreement, dated October 10, 2013, among Qatar Holding LLC, Credit Suisse Group (Guernsey) II Limited, Credit Suisse Group AG and Credit Suisse AG, acting through its Guernsey Branch (incorporated by reference to Exhibit 4.6 of Credit Suisse Group AG's and Credit Suisse AG's annual report on Form 20-F for the year ended December 31, 2013 filed on April 3, 2014).

7.1 Computations of ratios of earnings to fixed charges of Credit Suisse and of the Bank are set forth under IX – Additional Information – Statistical information – Ratio of earnings to fixed charges – Group and – Ratio of earnings to fixed charges – Bank on page 562 of the attached Annual Report 2016 and incorporated by reference herein.

8.1 Significant subsidiaries of Credit Suisse are set forth in Note 40 – Significant subsidiaries and equity method investments in V – Consolidated financial statements – Credit Suisse Group on pages 383 to 385, and significant subsidiaries of the Bank are set forth in Note 39 – Significant subsidiaries and equity method investments in VII – Consolidated financial statements – Credit Suisse (Bank) on pages 498 to 500 of the attached Annual Report 2016 and incorporated by reference herein.

9.1 Consent of KPMG AG, Zurich with respect to Credit Suisse Group AG consolidated financial statements.

9.2 Consent of KPMG AG, Zurich with respect to the Credit Suisse AG consolidated financial statements.

12.1 Rule 13a-14(a) certification of the Chief Executive Officer of Credit Suisse Group AG and Credit Suisse AG, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

12.2 Rule 13a-14(a) certification of the Chief Financial Officer of Credit Suisse Group AG and Credit Suisse AG, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

13.1 Certifications pursuant to 18 U.S.C. Section 1350, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for Credit Suisse Group AG and Credit Suisse AG.

101.1 Interactive Data Files (XBRL-Related Documents).

SIGNATURES

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

CREDIT SUISSE GROUP AG
(Registrant)
Date: March 24, 2017

/s/ Tidjane Thiam	/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

20-F/15

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 billion[1] of net savings during the year. This means that we exceeded our end-2016 target of CHF 1.4 billion by a meaningful margin. Importantly, we delivered these cost reductions while investing CHF 0.5 billion in strengthening our client franchises and improving our control framework. This has resulted in a significant increase in operating leverage for the bank going forward.

We were pleased with the preparations we made ahead of a number of significant market events in 2016. Again, the UK referendum in mid-2016 is a good example; our careful planning and coordination of our trading, risk and support functions proved effective and we stood out by our ability to provide our clients with seamless and uninterrupted market access throughout the day in what were extremely volatile trading conditions. The hard work of our teams enabled us to handle significantly increased volumes, coupled with extreme price volatility in many asset classes, and helped us to provide quality execution for our clients.

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

Urs Rohner: The successful launch of operations of our Swiss legal entity Credit Suisse (Schweiz) AG in November 2016 was without a doubt one of the key events of the past year. This critical and highly complex undertaking was completed on schedule and designed to enhance the Group's resolvability in accordance with regulatory requirements.
Another defining event for Credit Suisse was the final settlement reached with the DOJ in relation to our legacy RMBS business – a business conducted through 2007. This settlement removed a major source of uncertainty for the bank. It was a key strategic objective to put this matter behind us and we are pleased to have reached an amicable settlement while also safeguarding the interests of our stakeholders. The bank can now draw a line under this matter and we can focus our full attention on the future.
Tidjane Thiam: Credit Suisse is delivering profitable growth which is a key aspect of our long-term strategy as outlined in October 2015. In our Wealth Management businesses we attracted CHF 27.5 billion[2] of net asset inflows in 2016, an increase of 53% compared to 2015. Importantly, this growth was not achieved at the expense of profitability, as we were able to attract higher inflows and importantly at higher margins. We are beginning to see the benefits of our integrated approach to serving ultra-high-net-worth individual and entrepreneur clients that combines our wealth management offering with our advisory and financing capabilities. We ended 2016 with record assets under management of CHF 733 billion[2], 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 2017[6].

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

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

While we were building up our liquidity position and adjusted our capital and total loss-absorbing capital in line with the Swiss "Too-Big-to-Fail" regulations, we consider it important that a level playing field is now established at the international level. For this, Credit Suisse is actively engaging with international standard setting bodies, like the BCBS and the Financial Stability Board, as well as industry forums to ensure that the impact of regulation is made transparent and that all information is available before finalizing regulations.

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

Tidjane Thiam: When you embark on a restructuring of this magnitude, it is important to remain agile and to adapt your plan in the near to medium term if market conditions change, in order to stay on course to reach your long-term objectives. If we look back at the first quarter of 2016 in particular, we were faced with some of the most challenging

market conditions on record with extreme levels of volatility across fixed income and commodities. Across the industry, banks were faced with sharp declines in client activity levels and significantly lower transaction volumes. However, we reacted quickly. To mitigate the impact of these market conditions on our business, we used a number of levers – specifically cost control and reductions in risk-weighted assets and leverage. We accelerated our cost savings program and further increased our end-2016 cost savings target across the Group.

What are the next milestones for Credit Suisse?

Tidjane Thiam: We are continuing to make strong progress in the execution of our strategic plan. During 2016, we delivered CHF 1.9 billion[1] 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 billion[1] of net cost savings during the year, exceeding our end-2016 target of CHF 1.4 billion and taking our adjusted* cost base from CHF 21.2 billion to CHF 19.4 billion measured at constant foreign exchange rates at the end of 2016, compared to our target of below CHF 19.8 billion. Importantly, we have lowered costs while continuing to invest for the future, with CHF 0.5 billion strengthening our client franchises and improving our control framework. These actions led to a significant increase in operating leverage for the bank going forward. At our Investor Day in December 2016, we raised our end-2018 net cost savings target from CHF 3.2 billion to over CHF 4.2 billion and we are on track to achieve our end-2018 target operating cost base of below CHF 17.0 billion. We also reaffirmed our 2018 profit targets across our Wealth Management businesses. Given the challenging market conditions, we adjusted down our pre-tax income targets relating to our markets and trading activities in Asia Pacific (APAC) and our Asset Management business in International Wealth Management (IWM). We believe the operating leverage we are creating will protect our profitability in periods of unsupportive market conditions, while providing significant upside for our shareholders when conditions improve – taking us closer to our strategic objective of being able to generate capital through the cycle.

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

In our home market Switzerland, the Swiss Universal Bank (SUB) improved its profitability with adjusted* pre-tax income (excluding Swisscard[3]) 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.

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

In SUB Wealth Management, mandates penetration was 30% in the fourth quarter of 2016, an increase of 4 percentage points compared to the same period of 2015, primarily driven by Credit Suisse Invest. In 2016, asset inflows were CHF 2.1 billion, offset by further outflows from our proactive actions to implement selected External Asset Manager (EAM) exits and regularization of CHF 3.8 billion. Assets under management remained solid at CHF 242.9 billion at end-2016. Our market-leading Corporate & Institutional Banking business delivered a strong performance for the full year and additionally, we retained our number one positions in terms of announced mergers & acquisitions (M&A) transactions[4] and debt capital market deals[5]. Our pipeline of business is strong and includes our advisory role in Johnson & Johnson's announced USD 30 billion acquisition of the Swiss biotech firm Actelion Pharmaceuticals Ltd. Further, we reached a milestone with the successful launch of operations of our Swiss legal entity Credit Suisse (Schweiz) AG. This step enhances the Group's resolvability, in accordance with regulatory requirements. We are on track with the preparatory work for a planned partial initial public offering (IPO) of Credit Suisse (Schweiz) AG in the second half of 2017, market conditions permitting[6] and subject to the approval of the Board of Directors.
IWM delivered a strong performance in 2016 with 9% growth in adjusted* pre-tax income to CHF 1,109 million and an increase in revenues in a challenging market environment. Adjusted* total operating expenses remained stable compared to the previous year, reflecting IWM's success in combining investments in growth with disciplined cost reductions. Overall, IWM generated an adjusted* return on regulatory capital[7] of 23% for 2016.

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

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

APAC significantly increased its profitability in Wealth Management and connected activities[8] with pro-forma pre-tax income of CHF 513 million in 2016 compared to 2015 and a pro-forma return on regulatory capital[7] of 23% in 2016. The resilience of our client-driven integrated model and the geographic diversification of our franchise allowed us to increase our profits and underwriting and advisory business market share in challenging markets[9]. 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 annualized[10] adjusted* operating cost base of less than USD 5.2 billion[11] compared to USD 6.0 billion at end-2015. We remain on track to realize our adjusted* target of less than USD 4.8 billion of costs and to generate an adjusted* return on regulatory capital[7] of 10-15% by end-2018. Going forward, we believe GM is well positioned to further capitalize on the upside potential across the bank. While creating operating leverage, we have been able to maintain our strong client franchises, as demonstrated by top rankings including: number one in our asset finance franchise since 2013[12], number one in institutional loans and high yield franchise for 2016[13] and number one in US institutional loan underwriter[13], as well as number two in global cash since 2007[14], one of the top three in global prime brokerage since 2012[15], and the number three issuer of US structured notes[16].

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

March 2017

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

[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

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.

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

Divisions

sWISS UNIVERSAL BANK

Business profile

Within Swiss Universal Bank, we offer comprehensive advice and a broad range of financial solutions to private, corporate and institutional clients primarily domiciled in Switzerland. The division comprises the Private Banking and Corporate & Institutional Banking businesses.

Our **Private Banking** business has a leading client franchise in Switzerland, serving approximately 1.6 million clients, including >>>UHNWI, >>>high-net-worth individual (HNWI), >>>affluent and retail clients. Our service offering is based on our structured advisory process, distinct client-segment-specific value propositions and coverage models as well as access to a broad range of comprehensive products and services. We also have a specialized consumer finance business branded BANK-now. In addition, we offer best-in-class service, platform and technology support to external asset managers in Switzerland. Our Swiss network includes 1,490 relationship managers in 170 branches, including 32 branches of the bank's affiliate, Neue Aargauer Bank.

Our **Corporate & Institutional Banking** business offers expert advice and high-quality services to a wide range of clients, serving the needs of over 100,000 corporations and institutions, including large corporate clients, small and medium-size enterprises, institutional clients, financial institutions and commodity traders. This business also includes our Swiss investment banking business, serving corporate clients and financial institutions in connection with financing transactions in debt and equity capital markets and advising on M&A transactions. Our business includes 480 relationship managers who serve our clients out of 48 locations.

Key data – Swiss Universal Bank

			in / end of
	2016	2015	2014
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:

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

			in / end of
	2016	2015	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.

Awards and market share momentum

Credit Suisse received a number of key industry awards in 2016, including:

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

ASIA PACIFIC

Business profile

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

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

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

Key data – Asia Pacific

			in / end of
	2016	2015	2014
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, QueensIand Investment Corporation, Global Infrastructure Partners and Borealis Infrastructure, on their acquisition of a 50-year lease of the Port of Melbourne (infrastructure), Vocus Communications Ltd. (telecommunications) on its acquisition of Nextgen Networks and associated equity raising, and we advised Genesis Care Ltd. (healthcare) on the sale of a majority stake of its business to a consortium comprising China Resources Group and Macquarie Capital.

– Elsewhere, we advised on Samsung BioLogics Co. Ltd.'s (healthcare) IPO in Korea and on HDFC Bank Ltd.'s (financial services) bond in India.

Awards and market share momentum

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

– Best Private Bank – Asia for 2016 for the second consecutive year – *Asian Private Banker*

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

Global markets

Business profile

In 2016, Global Markets completed the restructuring which brings together our equities, credit and solutions businesses into one division to create a fully integrated franchise for our clients. Global Markets provides a broad range of financial products and services to client-driven businesses and also supports the Group's private banking, Investment Banking & Capital Markets and Asia Pacific businesses and their clients. Our suite of equities, solutions and credit products and services includes global securities sales, trading and execution, prime brokerage and comprehensive investment research. Our clients include financial institutions, corporations, governments, institutional investors, such as pension funds and hedge funds, and private individuals around the world. We deliver our global markets capabilities through regional and local teams based in both major developed and emerging market centers. Our integrated business model enables us to gain a deeper understanding of our clients and deliver creative, high-value, customized solutions based on expertise from across Credit Suisse.

Key data – Global Markets

			in / end of
	2016	2015	2014
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.

Key data – Investment Banking & Capital Markets

			in / end of
	2016	2015	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).

strategic resolution unit

Business profile

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

Key data – Strategic Resolution Unit

			in / end of
	2016	2015	2014
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.

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

EU

The EU, the UK and other national European jurisdictions have also proposed and enacted a wide range of prudential, securities and governance regulations to address systemic risk and to further

regulate financial institutions, products and markets. These proposals are at various stages of the EU pre-legislative, legislative and rule-making processes, and their final form and cumulative impact remain uncertain.
Supervision
On July 19, 2016, the European Securities and Markets Authority (ESMA) published its advice that there are no obstacles to extending the passporting regime under the Alternative Investment Fund Managers Directive (AIFMD) to jurisdictions such as Canada, Guernsey, Jersey, Japan and Switzerland, and noted relatively minor obstacles to the extension of the AIFMD passport to Hong Kong, Singapore and Australia. Such passporting regime allows authorized alternative investment fund managers to market alternative investment funds to professional investors throughout the EU. In relation to the US, ESMA noted that there remained a concern that to extend the AIFMD passport to the US would result in a disparity of treatment between EU and non-US Alternative Investment Fund Managers in relation to funds marketed to professional investors which do involve a public offering.
On June 30, 2016, the benchmarks regulation, which introduces new rules aimed at ensuring greater accuracy and integrity of benchmarks in financial instruments, entered into force. The regulation sets out various requirements which will govern the activities of benchmark administrators and submitters. The majority of the provisions of the benchmark regulation will apply from January 1, 2018. Certain restrictions and rules introduced by the benchmark regulation have applied to Credit Suisse in its capacity as a contributor to certain critical benchmarks from June 30, 2016. On July 1, 2016, the application date of MiFID II and the Markets in Financial Instruments Regulation (MiFIR) was postponed from January 3, 2017 to January 3, 2018. The European Commission has adopted a number of delegated and implementing acts, which supplement the requirements of MiFID II and MiFIR, and which either have been published in the EU Official Journal, or which will be published following non-objection by the European Parliament and European Council.
Derivative regulation
On December 21, 2015, the European Commission Delegated Regulation concerning the regulatory technical standards (RTS) on the clearing obligation for certain classes of >>>over-the-counter (OTC) interest rate derivatives under the European Market Infrastructure Regulation (EMIR) entered into force. The regulation governs certain interest rate swaps denominated in the G4 currencies (euro, British pound, US dollar, Japanese yen) such as basis swaps, fixed-to-float interest rate swaps, forward rate agreements and overnight index swaps. The phase-in application based on counterparty type classification began on June 21, 2016 for the largest in-scope market participants with their frontloading obligation coming into effect on February 21, 2016 in respect of contracts entered into or novated on or after that date.
On May 9, 2016, the European Commission Delegated Regulation supplementing EMIR with regard to RTS on the clearing obligation for certain OTC credit derivative contracts entered into force. The phase-in application dates for these clearing obligations began on February 9, 2017 for the largest market participants with the frontloading obligation coming into effect on October 9, 2016 for the two largest categories of market participants in respect of contracts entered into or novated on or after that date.
On August 9, 2016, the European Commission Delegated Regulation supplementing EMIR with regard to RTS on the clearing obligation for certain OTC interest rate derivatives denominated in Norwegian krone, Polish zloty and Swedish krone entered into force. The phase-in application for these clearing obligations began on February 9, 2017 for the largest market participants, with the frontloading obligations coming into effect on October 9, 2016 for the two largest categories of market participants in respect of contracts entered into or novated on or after that date.
On February 10, 2016, the European Commission published a statement setting out the agreed approach with the CFTC regarding the requirements for transatlantic central counterparties (CCPs). The agreement reached between the European Commission and the CFTC is intended to facilitate the EU CCPs' ability to operate in the US, as well as the US CCPs' ability to provide services to EU companies. The European Commission's equivalence decision under EMIR with respect to CFTC requirements for US CCPs entered into force on April 5, 2016, paving the way for the recognition by the European Securities and Markets Authority (ESMA) of CFTC-registered US CCPs whose internal rules and procedures meet the conditions set out in the decision. On March 16, 2016, the CFTC adopted a substituted compliance framework for dually-registered EU CCPs, together with a comparability determination with respect to certain EU CCP requirements and a no-action letter providing limited relief from the application of CFTC requirements to certain aspects of a derivatives clearing organization/CCP's non-US clearing activities, which became effective immediately upon the determination's publication in the Federal Register on March 22, 2016.

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

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

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

(MoU) it has entered into with the South Korean Financial Services Commission and Financial Supervisory Service under EMIR. The MoU establishes co-operation arrangements regarding CCPs established and authorized in South Korea which have applied to ESMA for recognition under EMIR in order to provide clearing services to clearing members or trading venues established in the EU. The memorandum of understanding provides ESMA with tools to monitor those South Korean CCPs' on-going compliance with the recognition conditions in EMIR.
On January 5, 2017, ten implementing decisions entered into force relating to the equivalence of the regulatory regimes of India, New Zealand, Brazil, Dubai International Financial Center, United Arab Emirates, Japan, Singapore, Japan, Australia and Canada for CCPs and trading venues under EMIR.
On January 4, 2017, the European Commission Delegated Regulation supplementing EMIR with regard to regulatory technical standards for risk mitigation techniques for OTC derivatives not cleared by a central counterparty entered into force. The Delegated Regulation imposes a requirement on financial counterparties and non-financial counterparties above the clearing threshold to collect initial margin and variation margin in respect of certain non-centrally cleared OTC derivative transactions. The requirements relating to initial margin and variation margin apply from February 4, 2017 in relation to the largest market participants. Other market participants will become subject to the requirements relating to initial margin through a series of annual phase-in dates, starting September 1, 2017. Requirements relating to variation margin apply for all financial and non-financial counterparties above the clearing threshold from March 1, 2017.
In order to comply with the new regime for variation margin, firms must make significant changes, including negotiating amendments to legal documentation and making appropriate operational arrangements to enable the exchange of variation margin. In common with the other firms, we have put in place plans to achieve full compliance for all in-scope transactions entered into from March 1, 2017. The Financial Conduct Authority (FCA) and other regulators have acknowledged the challenges in complying with the new regulatory technical standards and have announced that they will take a risk-based approach and use judgement as to the adequacy of firm's progress.
Although the EU margin rules are generally consistent with rules of other jurisdictions, including the US, material differences remain, in particular in relation to entity and product scope. This could impair the ability of CSI and CSSEL to engage effectively in cross-border derivatives activities. The availability of substituted compliance or equivalence determinations in certain non-EU jurisdictions may help resolve the situation, but there remain many cases in which more than one regime applies and substituted compliance or equivalence is not yet available. A number of current substituted compliance or equivalence determinations in non-EU jurisdictions are provisional or temporary measures that could be reduced or eliminated in the future. There are no EU equivalence determinations to date, nor is it clear whether and when these will be issued.
On January 12, 2016, the regulation on transparency of securities financing transactions entered into force with certain provisions applying from that date and other provisions being phased-in. The regulation requires that counterparties to securities financing transactions report the details of any securities financing transactions to a trade repository and allows them to reuse financial instruments received as collateral subject to certain conditions.
Market abuse
On January 7, 2016, the European Commission implementing directive on reporting to competent authorities actual or potential infringements of the EU Market Abuse Regulation (MAR) entered into force and has applied in EU member states since July 3, 2016. MAR requires EU member states to ensure that competent authorities establish mechanisms to enable infringements of MAR to be reported to the authorities. Different communication channels will be implemented by the competent authorities and adequate protection will be provided to whistle-blowers against retaliation, discrimination or any other type of unfair treatment by their employers.
In the first quarter 2016, the European Commission published a number of delegated regulations supplementing MAR. The delegated regulations relate to buy-back programs and stabilization measures, establish rules on reporting orders and transactions that could constitute insider dealing or market manipulation and set out requirements on recommendations produced on an issuer or financial instrument. The delegated regulations also set out rules relating to indicators of market manipulation as well as rules on the circumstances under which trading during closed periods may be permitted and the types of managers' transactions which may need to be notified.
Intermediate EU Parent Undertakings
On November 23, 2016, the European Commission adopted legislative proposals to amend CRD IV, the Capital Requirements Regulation (CRR) and the BRRD. These proposals include a requirement for non-EU groups that are

Global Systemically Important Institutions, or which have entities in the EU with total assets of EUR 30 billion or more, to establish an intermediate parent undertaking in the EU. The requirement would apply where two or more firms established in the EU have the same parent undertaking, established outside the EU.

Tax

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

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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

contracts when facing counterparties under foreign laws. Certain G20 member nations introduced such requirements in 2015 and 2016, and more are expected to do so in the coming years.
In Switzerland, the Swiss Federal Council introduced amendments to the Banking Ordinance that will require banks, including Credit Suisse, to include terms in their contracts (and in contracts entered into by their subsidiaries) that are not governed by Swiss law or that provide for jurisdiction outside of Switzerland that ensure that FINMA's stay powers under the Swiss Federal Act on Banks and Savings Banks of November 8, 1934, as amended (Bank Law) would be enforceable with respect to such contracts. These requirements have been set forth in the Banking Ordinance since January 1, 2016. FINMA is responsible for determining the appropriate time for complying with this requirement in line with international standards.
In the UK, the PRA published final rules in November 2015 requiring UK entities, including CSI and CSSEL, to ensure that their counterparties under a broad range of financial arrangements are subject to the stays on early termination rights under the UK Banking Act that would be applicable upon their resolution. UK entities have been required to comply with these rules since June 2016.
ISDA has developed another protocol, the ISDA Resolution Stay Jurisdictional Modular Protocol (JMP Protocol) to facilitate market-wide compliance with these new requirements by both dealers, such as Credit Suisse, and their counterparties.
Switzerland
Banking regulation and supervision
Although Credit Suisse Group is not a bank according to the Bank Law and the Banking Ordinance, the Group is required, pursuant to the provisions on consolidated supervision of financial groups and conglomerates of the Bank Law, to comply with certain requirements for banks. Such requirements include capital adequacy, solvency and risk concentration on a consolidated basis, and certain reporting obligations. Our banks in Switzerland are regulated by >>>FINMA on a legal entity basis and, if applicable, on a consolidated basis.
Our banks in Switzerland operate under banking licenses granted by FINMA pursuant to the Bank Law and the Banking Ordinance. In addition, certain of these banks hold securities dealer licenses granted by FINMA pursuant to the Swiss Federal Act on Stock Exchanges and Securities Trading (SESTA).
FINMA is the sole bank supervisory authority in Switzerland and is independent from the Swiss National Bank (SNB). Under the Bank Law, FINMA is responsible for the supervision of the Swiss banking system. The SNB is responsible for implementing the government's monetary policy relating to banks and securities dealers and for ensuring the stability of the financial system. Under the >>>"Too Big to Fail" legislation, the SNB is also responsible for determining which banks in Switzerland are systemically relevant banks and which functions are systemically relevant in Switzerland. The SNB has identified the Group on a consolidated basis as a systemically relevant bank for the purposes of Swiss law.
Our banks in Switzerland are subject to close and continuous prudential supervision and direct audits by FINMA. Under the Bank Law, our banks are subject to inspection and supervision by an independent auditing firm recognized by FINMA, which is appointed by the bank's shareholder meeting and required to perform annual audits of the bank's financial statements and to assess whether the bank is in compliance with laws and regulations, including the Bank Law, the Banking Ordinance and FINMA regulations.
Swiss banks are subject to the >>>Basel III framework and the Swiss "Too Big to Fail" legislation and regulations thereunder, which include capital, liquidity, leverage and large exposure requirements, and rules for emergency plans designed to maintain systemically relevant functions in the event of threatened insolvency.
Our regulatory capital is calculated on the basis of accounting principles generally accepted in the US, with certain adjustments required by, or agreed with, FINMA.
> Refer to "Liquidity and funding management" and "Capital management" in III – Treasury, Risk, Balance sheet and Off-balance sheet for further information regarding our current regulatory framework and expected changes to this framework affecting capital and liquidity standards.
Under Swiss banking law, banks and securities dealers are required to manage risk concentration within specific limits. Aggregated credit exposure to any single counterparty or a group of related counterparties must bear an adequate relationship to the bank's adjusted eligible capital (for systemically relevant banks like us, to their core tier 1 capital) taking into account counterparty risks and >>>risk mitigation instruments.

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

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

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

Securities dealer and asset management regulation and supervision

Our securities dealer activities in Switzerland are conducted primarily through the Bank and are subject to regulation under SESTA, which regulates all aspects of the securities dealer business in Switzerland, including regulatory capital, risk concentration,

sales and trading practices, record-keeping requirements and procedures and periodic reporting procedures. Securities dealers are supervised by FINMA.

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

Resolution regime

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

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

If FINMA were to open restructuring proceedings with respect to Credit Suisse AG, Credit Suisse (Schweiz) AG or since January 1, 2016 Credit Suisse Group AG, it would have discretion to take decisive actions, including (i) transferring the assets of the banks or Credit Suisse Group AG, as applicable, or a portion thereof, together with its debt and other liabilities, or a portion thereof, and contracts, to another entity, (ii) staying (for a maximum of two working days) the termination of, and the exercise of rights to terminate netting rights, rights to enforce or dispose of certain types of collateral or rights to transfer claims, liabilities or certain collateral, under contracts to which the banks or Credit Suisse Group AG, as applicable, is a party, (iii) converting the debt of the banks or Credit Suisse Group AG, as applicable, into equity (debt-to-equity swap), and/or (iv) partially or fully writing off the obligations of the banks or Credit Suisse Group AG, as applicable (>>>haircut).

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

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

US

Banking regulation and supervision

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

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

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

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

Our operations are also subject to reporting and examination requirements under US federal banking laws. Our US non-banking operations are subject to examination by the Fed in its capacity as our US umbrella supervisor. The New York Branch is also subject to examination by the Fed and is subject to federal banking law requirements and limitations on the acceptance and maintenance

of deposits. Because the New York Branch does not engage in retail deposit taking, it is not a member of, and its deposits are not insured by, the FDIC.
US federal banking laws provide that a state-licensed branch (such as the New York Branch) or agency of a foreign bank may not, as a general matter, engage as principal in any type of activity that is not permissible for a federally licensed branch or agency of a foreign bank unless the Fed has determined that such activity is consistent with sound banking practice. In addition, regulations which the FSOC and the Fed may adopt could affect the nature of the activities which the Bank (including the New York Branch) may conduct, and may impose restrictions and limitations on the conduct of such activities.
The Fed may terminate the activities of a US branch or agency of a foreign bank if it finds that the foreign bank: (i) is not subject to comprehensive supervision in its home country; (ii) has violated the law or engaged in an unsafe or unsound banking practice in the US; or (iii) for a foreign bank that presents a risk to the stability of the US financial system, the home country of the foreign bank has not adopted, or made demonstrable progress toward adopting, an appropriate system of financial regulation to mitigate such risk.
Credit Suisse Group and the Bank became financial holding companies for purposes of US federal banking law in 2000 and, as a result, may engage in a broad range of non-banking activities in the US, including insurance, securities, private equity and other financial activities, in each case subject to regulatory requirements and limitations. Credit Suisse Group is still required to obtain the prior approval of the Fed (and potentially other US banking regulators) before acquiring, directly or indirectly, the ownership or control of more than 5% of any class of voting shares of (or otherwise controlling) any US bank, bank holding company or many other US depositary institutions and their holding companies, and as a result of the Dodd-Frank Act, before making certain acquisitions involving large non-bank companies. The New York Branch is also restricted from engaging in certain tying arrangements involving products and services, and in certain transactions with certain of its affiliates. If Credit Suisse Group or the Bank ceases to be well-capitalized or well-managed under applicable Fed rules, or otherwise fails to meet any of the requirements for financial holding company status, it may be required to discontinue certain financial activities or terminate its New York Branch. Credit Suisse Group's ability to undertake acquisitions permitted by financial holding companies could also be adversely affected.
Credit Suisse is also subject to the so-called "Volcker Rule", which limits the ability of banking entities to sponsor or invest in certain private equity or hedge funds, broadly defined, and to engage in certain types of proprietary trading for their own account. These restrictions are subject to certain exclusions and exemptions, including with respect to underwriting, market-making, risk-mitigating hedging and certain asset and fund management activities, and with respect to certain transactions and investments occurring solely outside of the US. The Volcker Rule requires banking entities to establish an extensive array of compliance policies, procedures and quantitative metrics reporting designed to ensure and monitor compliance with restrictions under the Volcker Rule. It also requires an annual attestation either by the CEO of the top-tier foreign banking organization or the senior management officer in the US as to the implementation of a compliance program reasonably designed to achieve compliance with the Volcker Rule. The Volcker Rule's implementing regulations became effective in April 2014 and Credit Suisse was generally required to come into compliance with the Volcker Rule by July 2015, with the exception of "legacy" investments in, and bank relationships with, certain private funds, that were in place prior to December 31, 2013, for which the Fed has extended the compliance deadline to July 21, 2017. Credit Suisse implemented a Volcker Rule compliance program reasonably designed to satisfy the requirements of the Volcker Rule. The Volcker Rule's implementing regulations are highly complex and may be subject to further regulatory interpretation and guidance, and its full impact will not be known with certainty for some time. In December 2016, the Fed issued guidance on how banking entities may seek an extension of the Volcker Rule conformance period for up to five additional years (i.e., until July 21, 2022) to hold legacy (pre-May 1, 2010) investments in illiquid funds that meet certain criteria. CS has applied for an extension for certain of its illiquid fund holdings.
Fed regulations implementing the Dodd-Frank Act required Credit Suisse to create a single US IHC to hold all of its US subsidiaries with limited exceptions by July 1, 2017. The IHC requirement does not apply to the New York Branch. The IHC is subject to US risk-based capital and leverage requirements that are largely consistent with the Basel III framework published by the BCBS, though they diverge in several important respects due to the requirements of the Dodd-Frank Act. The IHC will also be subject to additional requirements under the Fed's final TLAC framework for IHCs, described above. In addition, both the IHC itself and the combined US operations of

Credit Suisse (including the IHC and the New York Branch) are subject to other new prudential requirements, including with respect to liquidity risk management, separate liquidity buffers for each of the IHC and the New York Branch, and stress testing. Under proposals that remain under consideration, the IHC and the combined US operations of Credit Suisse may become subject to limits on credit exposures to any single counterparty, and the combined US operations of Credit Suisse may also become subject to an early remediation regime which could be triggered by risk-based capital, leverage, stress tests, liquidity, risk management and market indicators. The Fed has also indicated that it is considering future rulemakings that could apply the US rules implementing the Basel III LCR and >>>net stable funding ratio (NSFR) to the US operations of certain large foreign banking organizations.

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

A major focus of US policy and regulation relating to financial institutions has been to combat money laundering and terrorist financing. These laws and regulations impose obligations to maintain appropriate policies, procedures and controls to detect, prevent

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

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

Broker-dealer and asset management regulation and supervision

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

Our US broker-dealers are registered with the SEC and our primary US broker-dealer is registered in all 50 states, the District of Columbia, Puerto Rico and the US Virgin Islands. Our US registered entities are subject to extensive regulatory requirements that apply to all aspects of their business activity, including where applicable: capital requirements; the use and safekeeping of customer funds and securities; the suitability of customer investments; record-keeping and reporting requirements; employee-related matters; limitations on extensions of credit in securities transactions; prevention and detection of money laundering and terrorist financing; procedures relating to research analyst independence; procedures for the clearance and settlement of trades; and communications with the public.

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

Our securities and asset management businesses include legal entities registered and regulated as a broker-dealer and investment adviser by the SEC. The SEC-registered mutual funds that we advise are subject to the Investment Company Act of 1940. For pension fund customers, we are subject to the Employee Retirement Income Security Act of 1974 and similar state statutes.

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

Derivative regulation and supervision

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

Each of CSI and CSSEL is registered with the CFTC as a swap dealer as a result of its swap activities with US persons and is therefore subject to requirements relating to reporting, record-keeping, swap confirmation, swap portfolio reconciliation and compression, mandatory clearing, mandatory exchange-trading, swap trading relationship documentation, external business conduct, risk management, chief compliance officer duties and reports, internal controls, and margin requirements.

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

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

In addition, it is possible the SEC will finalize some of its rules implementing the derivatives provisions of the Dodd-Frank Act during 2017. However, the timing remains unclear. While the SEC's proposals have largely paralleled many of the CFTC's rules, significant differences between the final CFTC and SEC rules could materially increase the compliance costs associated with, and hinder the efficiency of, our equity and credit derivatives businesses with US persons. In particular, significant differences between the SEC rules regarding capital, margin and segregation requirements for OTC derivatives and related CFTC rules, as well as the cross-border application of SEC and CFTC rules, could have such effects.

FATCA

The Foreign Account Tax Compliance Act (FATCA) became law in the US on March 18, 2010. The legislation requires foreign financial institutions (FFIs) (such as Credit Suisse) to enter into an FFI agreement and agree to identify and provide the US Internal Revenue Service (IRS) with information on accounts held by US persons and certain US-owned foreign entities, or otherwise face 30% withholding tax on withholdable payments. In addition, FFIs that have entered into an FFI agreement will be required to withhold on such payments made to FFIs that have not entered into an FFI agreement, account holders who fail to provide sufficient information to classify an account as a US or non-US account, and US account holders who do not agree to the FFI reporting their account to the IRS. Switzerland and the US entered into a “Model 2” intergovernmental agreement to implement the reporting and withholding tax provisions of FATCA that became effective on June 2, 2014. FATCA requirements entered into force on July 1, 2014. The intergovernmental agreement enables FFIs in Switzerland to comply with FATCA while remaining in compliance with Swiss law. Under the agreement, US authorities may ask Swiss authorities for administrative assistance in connection with group requests where consent to provide information regarding potential US accounts is not provided to the FFI. The Swiss Federal Council announced on October 8, 2014 that it intends to negotiate a Model 1 intergovernmental agreement that would replace the existing agreement, and that would instead require FFIs in Switzerland to report US accounts to the Swiss authorities, with an AEOI between Swiss and US authorities. Complying with the required identification, withholding and reporting obligations requires significant investment in an FFI’s compliance and reporting framework. The new regime is not expected to come into force before 2018. We are continuing to follow developments regarding FATCA closely and are coordinating with all relevant authorities.

Resolution regime

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

In addition, the Dodd-Frank Act and related rules promulgated by Fed and the FDIC require bank holding companies with total consolidated assets of USD 50 billion or more, such as us, and certain designated non-bank financial firms to submit annually to the Fed and the FDIC resolution plans describing the strategy for rapid and orderly resolution under the US Bankruptcy Code or other applicable insolvency regimes, though such plans may not rely on the Orderly Liquidation Authority. The Federal Reserve and FDIC delayed our deadline for submission of our next US resolution plans until July 2017. We have not yet received formal feedback on our 2015 US resolution plan, but based on public feedback given to US-headquartered G-SIBs, we expect to be asked to do additional work for our 2017 plan.

EU

Financial services regulation and supervision

Since it was announced in 1999, the EU’s Financial Services Action Plan has given rise to numerous measures (both directives and regulations) aimed at increasing integration and harmonization in the European market for financial services. While regulations have immediate and direct effect in EU member states, directives must be implemented through national legislation. As a result, the terms of implementation of directives are not always consistent from country to country. In response to the financial crisis and in order to strengthen European supervisory arrangements, the EU established the European Systemic Risk Board, which has macro-prudential oversight of the financial system. The EU has also established three supervisory authorities responsible for promoting greater harmonization and consistent application of EU legislation by national regulators: the EBA, the ESMA and the EIOPA.

CRD IV came into force on January 1, 2014. The CRD IV package implemented in various EU countries, including the UK, the Basel III capital framework for banking groups operating in the EU. CRD IV wholly replaced the current Capital Requirements Directive, which implemented the Basel II capital framework. CRD IV creates a single

prudential rule book for banks, introduces new corporate governance and certain new remuneration requirements, including a cap on variable remuneration, and enhances the powers of regulators.

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

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

The Single Supervisory Mechanism Framework Regulation has entered into force and it empowers the European Central Bank (ECB) to act as a single supervisor for banks in the 17 eurozone countries and for certain non-eurozone countries which may choose to participate in the Single Supervisory Mechanism. The ECB assumed its prudential supervisory duties on November 4, 2014.

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

Resolution regime

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

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

The BRRD also requires banks to hold a certain amount of bail-inable loss-absorbing capacity at both individual and consolidated levels from 2016, although these requirements will be phased in with fully loaded requirements from 2019/20 onwards. This requirement is known as the MREL, and is conceptually similar to the TLAC framework. The deadline for transposing the directive into member states' laws and regulations was December 31, 2014 and national authorities were obligated to apply the provisions of the BRRD (with the exception of the bail-in tool) by January 1, 2015. On November 23, 2016, the European Commission adopted legislative proposals relating to the implementation of the FSB TLAC standard, by introducing the harmonized minimum level of the TLAC standard. The proposals would amend the CRR, the BRRD and the Regulation for the single resolution mechanism. Their effect would be to integrate the TLAC standard with the EU's existing MREL framework, and would amend the requirements of the BRRD which relate to the insolvency ranking of holders of debt instruments issued by EU banks.

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

UK

Banking regulation and supervision

The principal statutory regulators of financial services activity in the UK are the PRA, a part of the Bank of England, which is responsible for the micro-prudential regulation of banks and larger investment firms, and the FCA, which regulates markets, the conduct of business of all financial firms, and the prudential regulation of firms not regulated by the PRA. In addition, the Financial Policy Committee of the Bank of England was established as responsible for macro-prudential regulation. Under the Bank of England and Financial Services Act 2016, the functions of the PRA Board were transferred to a new committee of the Bank of England, the Prudential Regulation Committee, and the status of the PRA as a subsidiary of the Bank of England was ended on March 1, 2017.

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

CSI, Credit Suisse (UK) Limited and Credit Suisse AG, London Branch are authorized to take deposits. We also have a number of entities authorized to conduct investment business and asset management activities. In deciding whether to grant authorization, the PRA must first determine whether a firm satisfies the threshold conditions for authorization, which include suitability and the requirement for the firm to be fit and proper. In addition to regulation by the PRA, certain wholesale money markets activities are subject to the Non-Investment Products Code, a voluntary code of conduct published by the Bank of England which PRA-regulated firms are expected to follow when conducting wholesale money market business.
Our London Branch will be required to continue to comply principally with Swiss home country regulation. However, as a response to the global financial crisis, the PRA made changes to its prudential supervision rules in its Handbook of Rules and Guidance, applying a principle of "self-sufficiency", such that CSI, CSSEL and Credit Suisse (UK) Limited are required to maintain adequate liquidity resources, under the day-to-day supervision of the entity's senior management, held in a custodian account in the name of the entity, unencumbered and attributed to the entity balance sheet. In addition, the PRA requires CSI, CSSEL and Credit Suisse (UK) Limited to maintain a minimum capital ratio and to monitor and report large exposures in accordance with the rules implementing the CRD.
With effect from January 1, 2014, CRD IV replaced the previous CRD with new measures implementing Basel III and other requirements. Compliance with these requirements includes receiving approval by the PRA of certain models with respect to regulatory capital requirements of our UK subsidiaries.
The PRA has implemented the requirements of CRD IV and imposed a 1:1 cap on variable remuneration which can rise to 1:2 with explicit shareholder approval.
The UK Financial Services Act 2013 (Banking Reform Act), enacted in December 2013, provides for the creation of a "retail ring-fence" that will prohibit large retail deposit banks from carrying out a broad range of investment and other banking activities in the same entity. The Banking Reform Act has been implemented by secondary legislation. Banks are expected to be required to comply with the ring-fencing requirements by 2019. However, it is expected that our private banking businesses in the UK may benefit from the de minimis exemption from the retail ring-fence requirements which is anticipated to exclude certain banks that hold core deposits of below GBP 25 billion. The Banking Reform Act establishes a more stringent regulatory regime for senior managers and specified risk takers in a bank or PRA authorized investment firm; it also makes reckless misconduct in the management of a bank a criminal offense. These rules impact our UK entities, such as CSI and CSSEL.
Broker-dealer and asset management regulation and supervision
Our London bank and broker-dealer subsidiaries are authorized under the FSMA and are subject to regulation by the PRA and FCA. In addition, our asset management companies are authorized under the FSMA and are subject to regulation by the FCA. In deciding whether to authorize an investment firm in the UK, the PRA and FCA will consider the threshold conditions, which include suitability and the general requirement for a firm to be fit and proper. The PRA and FCA are responsible for regulating most aspects of an investment firm's business, including its regulatory capital, sales and trading practices, use and safekeeping of customer funds and securities, record-keeping, margin practices and procedures, registration standards for individuals carrying on certain functions, anti-money laundering systems and periodic reporting and settlement procedures.
Resolution regime
The UK legislation related to the recovery and resolution of credit institutions such as Credit Suisse consists of the special resolution regime (SRR), the PRA recovery and resolution framework and the FCA recovery and resolution requirements. The UK Banking Act and the related secondary legislation govern the application of the SRR, which grants the UK authorities powers to handle systemically important firms, such as banks, in case of highly likely failure. The UK resolution authority is the Bank of England which is empowered, among other things, to direct firms and their parent undertakings to address or remove barriers to resolvability, to enforce resolution actions and to carry out resolvability assessments of credit institutions. Separately, the PRA and the FCA have the power to require parent undertakings of firms subject to this regime to take actions such as the preparation and submission of group recovery plans or the facilitation of the use of resolution powers. With effect from January 1, 2015, changes have been made primarily to the UK Banking Act, the Financial Services and Markets Act 2000 (FSMA) and the Insolvency Act 1986 in order to reflect the BRRD requirements in relation to the recovery and resolution regime. Extensive changes were made to the SRR through the UK Banking Act to cover matters related to the special resolution objectives, the conditions for triggering the SRR, the asset separation tool, the government's stabilization options and the write-down

of capital instruments, as well as the implementation of the bail-in tool. Furthermore, as a result of the changes introduced by the BRRD, the Bank of England, the PRA and the FCA have been granted additional powers to manage the recovery and resolution process of the relevant credit institutions subject to this regime.

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

Risk factors

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

Liquidity risk

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

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

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

Our ability to borrow on a secured or unsecured basis and the cost of doing so can be affected by increases in interest rates or credit spreads, the availability of credit, regulatory requirements relating to liquidity or the market perceptions of risk relating to us, certain of our counterparties or the banking sector as a whole, including our perceived or actual creditworthiness. An inability to obtain financing in the unsecured long-term or short-term debt capital markets, or to access the secured lending markets, could have a substantial adverse effect on our liquidity. In challenging credit markets, our funding costs may increase or we may be unable to raise funds to support or expand our businesses, adversely affecting our results of operations. Following the financial crisis in 2008 and 2009, our costs of liquidity have been significant, and we expect to incur additional costs as a result of regulatory requirements for increased liquidity and the continued challenging economic environment in Europe, the US, Asia and elsewhere.

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

Our businesses rely significantly on our deposit base for funding

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

Changes in our ratings may adversely affect our business

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

Market risk

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

Although we continued to strive to reduce our balance sheet and made significant progress in implementing our strategy in 2016, we continue to maintain large trading and investment positions and hedges in the debt, currency and equity markets, and in private equity, hedge funds, real estate and other assets. These positions could be adversely affected by volatility in financial and other markets, that is, the degree to which prices fluctuate over a particular period in a particular market, regardless of market levels. To the extent that we own assets, or have net long positions, in any of those markets, a downturn in those markets could result in losses from a decline in the value of our net long positions. Conversely, to the extent that we have sold assets that we do not own or have net short positions in any of

those markets, an upturn in those markets could expose us to potentially significant losses as we attempt to cover our net short positions by acquiring assets in a rising market. Market fluctuations, downturns and volatility can adversely affect the >>>fair value of our positions and our results of operations. Adverse market or economic conditions or trends have caused, and in the future may cause, a significant decline in our net revenues and profitability.

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

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

Continued concern about European economies, including the refugee crisis, and political uncertainty, including in relation to the UK's withdrawal from the EU, could cause disruptions in market conditions in Europe and around the world. On June 23, 2016, the UK voted through a referendum in favor of leaving the EU. UK Prime Minister Theresa May confirmed that the government would initiate the two-year process of negotiations for withdrawal from the EU by March 2017, with an expected date of withdrawal in early 2019. The results of this negotiation and the macroeconomic impact of this decision are difficult to predict and are expected to remain uncertain for a prolonged period. Among the significant global implications of the referendum was the increased uncertainty concerning a potentially more persistent and widespread imposition by central banks of negative interest rate policies. We cannot accurately predict the impact of the UK leaving the EU on Credit Suisse and such impact may negatively affect our future results of operations and financial condition. The environment of political uncertainty in continental Europe may also affect our business. The increased popularity of nationalistic sentiments and the upcoming elections in France and Germany may result in significant shifts in national policy and a move away from European integration and the eurozone. Similar uncertainties exist regarding the impact and potential effects of the new US presidential administration.

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

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

Unfavorable market or economic conditions have affected our businesses over the last years, including the low interest rate environment, continued cautious investor behavior and changes in market structure, particularly in our macro businesses. These negative factors have been reflected in lower commissions and fees from our client-flow sales and trading and asset management activities, including commissions and fees that are based on the value of our clients' portfolios. Investment performance that is below that of competitors or asset management benchmarks could result in a decline in assets under management and related fees and make it harder to attract new clients. There has been a fundamental shift in client demand away from more complex products and significant client deleveraging, and our results of operations related to private banking and asset management activities have been and could continue to be adversely affected as long as this continues.

Adverse market or economic conditions have also negatively affected our private equity investments since, if a private equity investment substantially declines in value, we may not receive any increased share of the income and gains from such investment (to

which we are entitled in certain cases when the return on such investment exceeds certain threshold returns), may be obligated to return to investors previously received excess carried interest payments and may lose our pro rata share of the capital invested. In addition, it could become more difficult to dispose of the investment, as even investments that are performing well may prove difficult to exit.

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

We may incur significant losses in the real estate sector

We finance and acquire principal positions in a number of real estate and real estate-related products, primarily for clients, and originate loans secured by commercial and residential properties. As of December 31, 2016, our real estate loans as reported to the SNB totaled approximately CHF 143 billion. We also securitize and trade in commercial and residential real estate and real estate-related whole loans, mortgages, and other real estate and commercial assets and products, including >>>CMBS and >>>RMBS. Our real estate-related businesses and risk exposures could be adversely affected by any downturn in real estate markets, other sectors and the economy as a whole. In particular, the risk of potential price corrections in the real estate market in certain areas of Switzerland could have a material adverse effect on our real estate-related businesses.

Holding large and concentrated positions may expose us to large losses

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

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

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

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

Our hedging strategies may not prevent losses

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

Market risk may increase the other risks that we face

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

Credit risk

We may suffer significant losses from our credit exposures

Our businesses are subject to the fundamental risk that borrowers and other counterparties will be unable to perform their obligations. Our credit exposures exist across a wide range of transactions that we engage in with a large number of clients and counterparties, including lending relationships, commitments and letters of credit, as well as >>>derivative, currency exchange and other transactions. Our exposure to credit risk can be exacerbated by adverse economic or market trends, as well as increased volatility in relevant markets or instruments. In addition, disruptions

in the liquidity or transparency of the financial markets may result in our inability to sell, syndicate or realize the value of our positions, thereby leading to increased concentrations. Any inability to reduce these positions may not only increase the market and credit risks associated with such positions, but also increase the level of >>>risk-weighted assets on our balance sheet, thereby increasing our capital requirements, all of which could adversely affect our businesses.

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

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

Management’s determination of the provision for loan losses is subject to significant judgment. Our banking businesses may need to increase their provisions for loan losses or may record losses in excess of the previously determined provisions if our original

estimates of loss prove inadequate, which could have a material adverse effect on our results of operations.
> Refer to “Credit risk” in III – Treasury, Risk, Balance sheet and Off-balance sheet – Risk management – Risk coverage and management and “Note 1 – Summary of significant accounting policies”, “Note 10 – Provision for credit losses” and “Note 19 – Loans, allowance for loan losses and credit quality” in V – Consolidated financial statements – Credit Suisse Group for information on provisions for loan losses and related risk mitigation.
Under certain circumstances, we may assume long-term credit risk, extend credit against illiquid collateral and price derivative instruments aggressively based on the credit risks that we take. As a result of these risks, our capital and liquidity requirements may continue to increase.

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

Concerns or even rumors about or a default by one institution could lead to significant liquidity problems, losses or defaults by other institutions because the commercial soundness of many financial institutions may be closely related as a result of credit, trading, clearing or other relationships between institutions. This risk is sometimes referred to as systemic risk. Concerns about defaults by and failures of many financial institutions, particularly those with significant exposure to the eurozone, continued in 2016 and could continue to lead to losses or defaults by financial institutions and financial intermediaries with which we interact on a daily basis, such as clearing agencies, clearing houses, banks, securities firms and exchanges. Our credit risk exposure will also increase if the collateral we hold cannot be realized or can only be liquidated at prices insufficient to cover the full amount of exposure.

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

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

Risks relating to our strategy

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

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

The implementation of our strategy may increase our exposure to certain risks, including but not limited to, credit risks, market risks, operational risks and regulatory risks. We also seek to achieve certain cost savings, which may or may not be successful. We have announced our intention, market conditions permitting, to conduct an initial public offering by the end of 2017 of a minority stake of Credit Suisse (Schweiz) AG, which is an indirect subsidiary of Credit Suisse Group AG that started its business operations as an independent Swiss bank in November 2016. Any

such initial public offering would be subject to, among other things, all necessary approvals and would be intended to generate additional capital for Credit Suisse AG or Credit Suisse (Schweiz) AG. There is no guarantee that we will be able to conduct such an initial public offering by such time, in such form or at all. Finally, changes to the organizational structure of our business, as well as changes in personnel and management, may lead to temporary instability of our operations.

In addition, acquisitions and other similar transactions we undertake as part of our strategy subject us to certain risks. Even though we review the records of companies we plan to acquire, it is generally not feasible for us to review all such records in detail. Even an in-depth review of records may not reveal existing or potential problems or permit us to become familiar enough with a business to assess fully its capabilities and deficiencies. As a result, we may assume unanticipated liabilities (including legal and compliance issues), or an acquired business may not perform as well as expected. We also face the risk that we will not be able to

integrate acquisitions into our existing operations effectively as a result of, among other things, differing procedures, business practices and technology systems, as well as difficulties in adapting an acquired company into our organizational structure. We face the risk that the returns on acquisitions will not support the expenditures or indebtedness incurred to acquire such businesses or the capital expenditures needed to develop such businesses. We also face the risk that unsuccessful acquisitions will ultimately result in our having to write down or write off any goodwill associated with such transactions. For example, our results for the fourth quarter of 2015 included a goodwill impairment charge of CHF 3,797 million, the most significant component of which arose from the acquisition of Donaldson, Lufkin & Jenrette Inc. in 2000. We continue to have a significant amount of goodwill relating to this and other transactions recorded on our balance sheet that could result in additional goodwill impairment charges.
We may also seek to engage in new joint ventures (within the Group and with external parties) and strategic alliances. Although we endeavor to identify appropriate partners, our joint venture efforts may prove unsuccessful or may not justify our investment and other commitments.
We have announced a program to evolve our legal entity structure and cannot predict its final form or potential effects
In 2013, we announced key components of our program to evolve our legal entity structure. The execution of the program evolving the Group's legal entity structure to meet developing and future regulatory requirements has continued to progress and we have reached a number of significant milestones over the course of the year. This program remains subject to a number of uncertainties that may affect its feasibility, scope and timing. In addition, significant legal and regulatory changes affecting us and our operations may require us to make further changes in our legal structure. The implementation of these changes will require significant time and resources and may potentially increase operational, capital, funding and tax costs as well as our counterparties' credit risk.
> Refer to "Evolution of legal entity structure" in Strategy for further information on our legal entity structure.
Risks from estimates and valuations
We make estimates and valuations that affect our reported results, including measuring the >>>fair value of certain assets and liabilities, establishing provisions for contingencies and losses for loans, litigation and regulatory proceedings, accounting for goodwill and intangible asset impairments, evaluating our ability to realize deferred tax assets, valuing equity-based compensation awards, modeling our risk exposure and calculating expenses and liabilities associated with our pension plans. These estimates are based upon judgment and available information, and our actual results may differ materially from these estimates.
> Refer to "Critical accounting estimates" in II – Operating and financial review and "Note 1 – Summary of significant accounting policies" in V – Consolidated financial statements – Credit Suisse Group for information on these estimates and valuations.
Our estimates and valuations rely on models and processes to predict economic conditions and market or other events that might affect the ability of counterparties to perform their obligations to us or impact the value of assets. To the extent our models and processes become less predictive due to unforeseen market conditions, illiquidity or volatility, our ability to make accurate estimates and valuations could be adversely affected.
Risks relating to off-balance sheet entities
We enter into transactions with special purpose entities (SPEs) in our normal course of business, and certain SPEs with which we transact business are not consolidated and their assets and liabilities are off-balance sheet. We may have to exercise significant management judgment in applying relevant accounting consolidation standards, either initially or after the occurrence of certain events that may require us to reassess whether consolidation is required. Accounting standards relating to consolidation, and their interpretation, have changed and may continue to change. If we are required to consolidate an SPE, its assets and liabilities would be recorded on our consolidated balance sheets and we would recognize related gains and losses in our consolidated statements of operations, and this could have an adverse impact on our results of operations and capital and leverage ratios.
> Refer to "Off-balance sheet" in III – Treasury, Risk, Balance sheet and Off-balance sheet – Balance sheet, off-balance sheet and other contractual obligations for information on our transactions with and commitments to SPEs.
COuntry and CURRENCY exchange risk
Country risks may increase market and credit risks we face
Country, regional and political risks are components of market and credit risk. Financial markets and economic conditions generally have been and may in the future be materially affected by such risks. Economic or political pressures in a country or region, including those arising from local market disruptions, currency crises, monetary

controls or other factors, may adversely affect the ability of clients or counterparties located in that country or region to obtain foreign currency or credit and, therefore, to perform their obligations to us, which in turn may have an adverse impact on our results of operations.

We may face significant losses in emerging markets

A key element of our strategy is to scale up our private banking businesses in emerging market countries. Our implementation of that strategy will necessarily increase our existing exposure to economic instability in those countries. We monitor these risks, seek diversity in the sectors in which we invest and emphasize client-driven business. Our efforts at limiting emerging market risk, however, may not always succeed. In addition, various emerging market countries, in particular China and Brazil during 2016, have experienced and may continue to experience severe economic and financial disruptions or slower economic growth than in prior years. The possible effects of any such disruptions may include an adverse impact on our businesses and increased volatility in financial markets generally.

Currency fluctuations may adversely affect our results of operations

We are exposed to risk from fluctuations in exchange rates for currencies, particularly the US dollar. In particular, a substantial portion of our assets and liabilities are denominated in currencies other than the Swiss franc, which is the primary currency of our financial reporting. Our capital is also stated in Swiss francs, and we do not fully hedge our capital position against changes in currency exchange rates. Despite some weakening, the Swiss franc remained strong against the US dollar and euro in 2016.

As we incur a significant part of our expenses in Swiss francs while we generate a large proportion of our revenues in other currencies, our earnings are sensitive to changes in the exchange rates between the Swiss franc and other major currencies. Although we have implemented a number of measures designed to offset the impact of exchange rate fluctuations on our results of operations, the appreciation of the Swiss franc in particular and exchange rate volatility in general have had an adverse impact on our results of operations and capital position in recent years and may have such an effect in the future.

Operational risk

We are exposed to a wide variety of operational risks, including information technology risk

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

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

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

Given our global footprint and the high volume of transactions we process, the large number of clients, partners and counterparties with which we do business, our growing use of digital, mobile and internet-based services, and the increasing sophistication of cyber-attacks, a cyber-attack could occur without detection for an extended period of time. In addition, we expect that any investigation of a cyber-attack will be inherently unpredictable and it may take time before any investigation is complete. During such time, we may not know the extent of the harm or how best to remediate it and certain errors or actions may be repeated or compounded before they are discovered and rectified, all or any of which would further increase the costs and consequences of a cyber-attack.

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

We may suffer losses due to employee misconduct

Our businesses are exposed to risk from potential non-compliance with policies or regulations, employee misconduct or negligence and fraud, which could result in civil or criminal investigations and charges, regulatory sanctions and serious reputational or financial harm. In recent years, a number of multinational financial institutions have suffered material losses due to, for example, the actions of traders performing unauthorized trades or other employee

misconduct. It is not always possible to deter employee misconduct and the precautions we take to prevent and detect this activity may not always be effective.

Risk management

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

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

Legal and regulatory risks

Our exposure to legal liability is significant

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

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

> Refer to “Note 39 – Litigation” in V – Consolidated financial statements – Credit Suisse Group for information relating to these and other legal and regulatory proceedings involving our investment banking and other businesses.

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

> Refer to “Critical accounting estimates” in II – Operating and financial review and “Note 1 – Summary of significant accounting policies” in V – Consolidated financial statements – Credit Suisse Group for more information.

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

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

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

For example, the additional requirements related to minimum regulatory capital, leverage ratios and liquidity measures imposed by >>>Basel III, together with more stringent requirements imposed by the Swiss >>>“Too Big To Fail” legislation and its implementing ordinances and related actions by our regulators, have contributed to our decision to reduce >>>risk-weighted assets and the size of our balance sheet, and could potentially impact our access to capital markets and increase our funding costs. In addition, the ongoing implementation in the US of the provisions of the Dodd-Frank Act, including the “Volcker Rule”, >>>derivatives regulation, and other regulatory developments described in “Regulation and supervision”, have imposed, and will continue to impose, new regulatory burdens on certain of our operations. These requirements have contributed to our decision to exit certain businesses (including a number of our private equity businesses) and may lead us to exit other businesses. New CFTC and SEC rules could materially increase the operating costs, including compliance, information technology and related costs, associated with our

derivatives businesses with US persons, while at the same time making it more difficult for us to transact derivatives business outside the US. Further, in 2014, the Fed adopted a final rule under the Dodd-Frank Act that created a new framework for regulation of the US operations of foreign banking organizations such as ours. Although the final impact of the new rule cannot be fully predicted at this time, it is expected to result in our incurring additional costs and to affect the way we conduct our business in the US, including through our US intermediate holding company. Certain of these proposals are not final, and the ultimate impact of any final requirements cannot be predicted at this time. Further, already enacted and possible future cross-border tax regulation with extraterritorial effect, such as the US Foreign Account Tax Compliance Act, and other bilateral or multilateral tax treaties and agreements on the automatic exchange of information in tax matters, impose detailed reporting obligations and increased compliance and systems-related costs on our businesses. Additionally, implementation of EMIR and its Swiss counterpart, FMIA, CRD IV and the MiFID II reforms may negatively affect our business activities. If Switzerland does not

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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

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

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

Under Swiss regulatory capital rules, we are required to issue a significant amount of contingent capital instruments, certain of which will convert into common equity upon the occurrence of specified triggering events, including our CET1 ratio falling below prescribed thresholds (7%, in the case of high-trigger instruments), or a determination by FINMA that conversion is necessary, or that we require extraordinary public sector capital support, to prevent us from becoming insolvent. As of December 31, 2016, we had 2,089,897,378 common shares outstanding and we had already issued in the aggregate an equivalent of CHF 6.8 billion in principal amount of such contingent convertible capital instruments, and we may issue more such contingent convertible capital instruments in the future. The conversion of some or all of our contingent convertible capital instruments due to the occurrence of any of such triggering events will result in the dilution of the ownership interests of our then existing shareholders, which dilution could be substantial. Additionally, any conversion, or the anticipation of the possibility of a conversion, could depress the market price of our ordinary shares.

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

Competition

We face intense competition

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

Our competitive position could be harmed if our reputation is damaged

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

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

We must recruit and retain highly skilled employees

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

We face competition from new trading technologies

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

Operating and financial review
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.

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.

Credit Suisse

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

Results

			in / end of		% change
	2016	2015	2014	16 / 15	15 / 14
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)

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.
55

Results Summary

2016 results

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

2015 results

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

2016 Results

Net revenues

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

Provision for credit losses

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

Total operating expenses

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

Income tax expense

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

> Refer to “Note 28 – Tax” in V – Consolidated financial statements – Credit Suisse Group for further information.

RMBS settlement

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

Subsequent event

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

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

Overview of Results

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

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.
57

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

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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.

Capital distribution proposal

Our Board of Directors will propose to the shareholders at the Annual General Meeting on April 28, 2017, a distribution of CHF 0.70 per share out of capital contribution reserves for the financial year 2016. The distribution will be free of Swiss withholding tax and will not be subject to income tax for Swiss resident individuals holding the shares as a private investment. The distribution will be payable in cash or, subject to any legal restrictions applicable in shareholders' home jurisdictions, in new Credit Suisse Group shares at the option of the shareholder.

Compensation and benefits

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

Our shareholders' equity reflects the effect of share-based compensation. Share-based compensation expense (which is generally based on >>>fair value at the time of grant) reduces equity; however, the recognition of the obligation to deliver the shares increases equity by a corresponding amount. Equity is generally unaffected by the granting and vesting of share-based awards and by the settlement of these awards through the issuance of shares from approved conditional capital. The Group issues shares from conditional capital to meet its obligations to deliver share-based compensation awards. If Credit Suisse purchases shares from the market to meet its obligation to employees, these purchased treasury shares reduce equity by the amount of the purchase price. Shareholders' equity also includes, as additional paid-in capital, the excess tax benefits/charges that arise at the time of settlement of share-based awards.

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

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

> Refer to "Tax benefits associated with share-based compensation" in Note 28 – Tax in V – Consolidated financial statements – Credit Suisse Group for further information.

Allocations and funding

Revenue sharing

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

Cost allocation

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

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

Funding

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

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

> Refer to "Funding" in "Note 5 – Segment information" in V – Consolidated financial statements – Credit Suisse Group for further information.

Fair valuations

Fair value can be a relevant measurement for financial instruments when it aligns the accounting for these instruments with how we manage our business. The levels of the fair value hierarchy as defined by the relevant accounting

guidance are not a measurement of economic risk, but rather an indication of the observability of prices or valuation inputs. Certain private equity investments which are measured at fair value based on their published net asset values are no longer categorized within the fair value hierarchy.

> Refer to “Note 1 – Summary of significant accounting policies” and “Note 35 – Financial instruments” in V – Consolidated financial statements – Credit Suisse Group for further information.

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

In addition, the Group holds financial instruments for which no prices are available and which have little or no observable inputs (level 3). For these instruments, the determination of fair value requires subjective assessment and judgment depending on liquidity, pricing assumptions, the current economic and competitive environment and the risks affecting the specific instrument.

In such circumstances, valuation is determined based on management's own judgments about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These instruments include certain OTC derivatives, including equity and credit derivatives, certain corporate equity-linked securities, mortgage-related and >>>collateralized debt obligation (CDO) securities, private equity investments, certain loans and credit products, including leveraged finance, certain syndicated loans and certain high yield bonds, and life finance instruments.

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

As of the end of 2016, 39% and 24% of our total assets and total liabilities, respectively, were measured at fair value. The majority of our level 3 assets are recorded in our investment banking businesses. Total assets at fair value recorded as level 3 instruments decreased CHF 9.6 billion to CHF 23.4 billion as of the end of 2016, primarily reflecting net sales, mainly in loans held-for sale, net settlements, mainly in trading assets, and net transfers out of level 3 assets, mainly in loans and loans held-for-sale, partially offset by the foreign exchange translation impact, mainly in trading assets and loans.

Our level 3 assets, excluding assets attributable to noncontrolling interests and assets of consolidated variable interest entities (VIEs) that are not risk-weighted assets under the Basel framework, were CHF 23.0 billion, compared to CHF 29.3 billion as of the end of 2015. As of the end of 2016, these assets comprised 3% of total assets and 7% of total assets measured at fair value, both adjusted on the same basis, compared to 4% and 9%, respectively, as of the end of 2015.

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

Core Results

2016 results

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

2015 results

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

Core Results by business activity

in							2016	2015	2014
(CHF million)	Swiss Universal Bank	International Wealth Management	Asia Pacific	Global Markets	Investment Banking & Capital Markets	Corporate Center	Core Results	Core Results	Core Results
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

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**

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

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

			Group			Bank
in	2016	2015	2014	2016	2015	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

		Group		Bank
end of	2016	2015	2016	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

		Group		Bank
end of	2016	2015	2016	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
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

1
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

			in / end of		% change
	2016	2015	2014	16 / 15	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

1

Calculated using a return excluding interest costs for allocated goodwill.

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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

	Private Banking			Corporate & Institutional Banking			Swiss Universal Bank		
in	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

			in	% change	
	2016	2015	2014	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.

margins

Gross margin

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

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

Net margin

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

Assets under management

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

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

Assets under management – Private Banking

		in / end of		% change	
	2016	2015	2014	16 / 15	15 / 14
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**	–	–

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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)

		in / end of		% change	
	2016	2015	2014	16 / 15	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

	Private Banking			Asset Management			International Wealth Management		
in	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.

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.

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

			in / end of		% change
	2016	2015	2014	16 / 15	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			