CREDIT SUISSE

Financial statements

Credit Suisse (Schweiz) AG

6M17

Key metrics

in / end of	**6M17**
Results (CHF million, except where indicated)	
Net revenues	2,907
Provision for credit losses	41
Total operating expenses	1,991
Income before taxes	875
Net income attributable to shareholders	772
Cost/income ratio (%)	68.5
Assets under management and net new assets (CHF billion)	
Assets under management	554.6
Net new assets	3.6
Balance sheet metrics (CHF million)	
Total assets	247,280
Net loans	165,102
Customer deposits	184,366
Total shareholders' equity	14,143
Swiss regulatory capital and leverage metrics – Look-through (%)	
Swiss CET1 ratio	15.2
Swiss CET1 leverage ratio	4.8
Long-term credit rating	
Fitch	A

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For purposes of this report, unless the context otherwise requires, the terms "Credit Suisse" and "the Group" mean Credit Suisse Group AG and its consolidated subsidiaries and the terms "Credit Suisse Schweiz" and "the Company" mean Credit Suisse (Schweiz) 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 "Credit Suisse Bank" when we are only referring to Credit Suisse AG and its consolidated subsidiaries.

Capital adequacy disclosures for Credit Suisse Group and Credit Suisse (Schweiz) AG are presented in the publications "Pillar 3 and regulatory disclosures – Credit Suisse Group AG" and "Regulatory disclosures – Subsidiaries", respectively, which are available on Credit Suisse Group's website www.credit-suisse.com/regulatorydisclosures.

Publications referenced in this report, whether via website links or otherwise, are not incorporated into this report.

In various tables, use of "–" indicates not meaningful or not applicable.

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Independent Auditors' Review Report

The Board of Directors of Credit Suisse (Schweiz) AG, Zurich

We have reviewed the accompanying condensed consolidated balance sheet of Credit Suisse (Schweiz) AG and subsidiaries ("Credit Suisse Schweiz") as of June 30, 2017, the related condensed consolidated statements of operations, comprehensive income, changes in equity and cash flows for the six-month period ended June 30, 2017.

Management's Responsibility

Credit Suisse Schweiz's management is responsible for the preparation and fair presentation of the interim financial information in accordance with U.S. generally accepted accounting principles; this responsibility includes the design, implementation, and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of interim financial information in accordance with U.S. generally accepted accounting principles.

Auditors' Responsibility

Our responsibility is to conduct our review in accordance with auditing standards generally accepted in the United States of America applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial information. Accordingly, we do not express such an opinion.

Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim financial information for it to be in accordance with U.S. generally accepted accounting principles.

KPMG AG

Ralph Dicht *Licensed Audit Expert*	Nicholas Edmonds *Licensed Audit Expert*

Zurich, Switzerland
August 30, 2017

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

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Condensed consolidated financial statements – unaudited

Consolidated statement of operations (unaudited)

	Reference to notes	in 6M17
Consolidated statement of operations (CHF million)		
Interest and dividend income		1,554
Interest expense		(193)
Net interest income		1,361
Commissions and fees		1,187
Trading revenues	4	88
Other revenues		271
Net revenues		**2,907**
Provision for credit losses		**41**
Compensation and benefits		711
General and administrative expenses		995
Commission expenses		278
Restructuring expenses	5	7
Total other operating expenses		1,280
Total operating expenses		**1,991**
Income before taxes		**875**
Income tax expense	10	103
Net income attributable to shareholders		**772**

Consolidated statement of comprehensive income (unaudited)

in	6M17
Comprehensive income/(loss) (CHF million)	
Net income	772
Gains/(losses) on cash flow hedges	(3)
Unrealized gains/(losses) on securities	(1)
Gains/(losses) on liabilities related to credit risk	1
Other comprehensive income/(loss), net of tax	(3)
Comprehensive income attributable to shareholders	**769**

The accompanying notes to the unaudited condensed consolidated financial statements are an integral part of these statements.

Consolidated balance sheet (unaudited)

	Reference to notes	end of 6M17
Assets (CHF million)		
Cash and due from banks		49,323
of which reported at fair value		141
Interest-bearing deposits with banks		544
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions		14,543
of which reported at fair value		219
Securities received as collateral, at fair value		5,410
of which encumbered		5,353
Trading assets, at fair value		7,468
of which encumbered		1,472
Investment securities	6	486
of which reported at fair value		486
Other investments		735
Net loans	7	165,102
of which reported at fair value		26
allowance for loan losses		(425)
Premises and equipment		214
Goodwill		320
Brokerage receivables		756
Other assets		2,379
Total assets		**247,280**
Liabilities and equity (CHF million)		
Due to banks		10,757
of which reported at fair value		1,364
Customer deposits		184,366
of which reported at fair value		531
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions		5,071
Obligation to return securities received as collateral, at fair value		5,410
Trading liabilities, at fair value		2,126
Short-term borrowings		4,330
of which reported at fair value		174
Long-term debt		18,956
of which reported at fair value		303
Brokerage payables		94
Other liabilities		2,027
of which reported at fair value		22
Total liabilities		**233,137**
Common shares		100
Additional paid-in capital		11,116
Retained earnings		2,916
Accumulated other comprehensive income/(loss)	8	11
Total shareholders' equity		**14,143**
Total liabilities and equity		**247,280**

The accompanying notes to the unaudited condensed consolidated financial statements are an integral part of these statements.

Consolidated statement of changes in equity (unaudited)

					Attributable to shareholders
	Common shares	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income/(loss)	**Total shareholders' equity**
6M17 (CHF million)					
Balance at beginning of period	**100**	**12,014**	**1,478**	**14**	**13,606**
Net income/(loss)	–	–	772	–	772
Cumulative effect of accounting changes, net of tax	–	(740) [1]	740 [1]	–	–
Total other comprehensive income/(loss), net of tax	–	–	–	(3)	(3)
Share-based compensation, net of tax	–	(7)	–	–	(7)
Dividends on share-based compensation, net of tax	–	(4)	–	–	(4)
Dividends paid	–	(148)	(75)	–	(223)
Other	–	1	1	–	2
Balance at end of period	**100**	**11,116**	**2,916**	**11**	**14,143**

[1] Reflects the impact of the adoption of ASU 2016-16, "Intra-Entity Transfers of Assets Other Than Inventory". Refer to "Recently adopted accounting standards" in Note 2 – Recently issued accounting standards for further information.

Consolidated statement of cash flows (unaudited)

in	6M17
Operating activities (CHF million)	
Net income	**772**
Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities (CHF million)	
Impairment, depreciation and amortization	16
Provision for credit losses	41
Deferred tax provision/(benefit)	77
Share of net income/(loss) from equity method investments	(120)
Trading assets and liabilities, net	2,474
(Increase)/decrease in other assets	(339)
Increase/(decrease) in other liabilities	(333)
Other, net	(44)
Total adjustments	1,772
Net cash provided by/(used in) operating activities	**2,544**
Investing activities (CHF million)	
(Increase)/decrease in interest-bearing deposits with banks	116
(Increase)/decrease in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	(948)
Purchase of investment securities	(37)
Maturities of investment securities	117
Investments in subsidiaries and other investments	(1,078)
Proceeds from sale of other investments	19
(Increase)/decrease in loans	63
Proceeds from sales of loans	242
Capital expenditures for premises and equipment and other intangible assets	(25)
Other, net	(1)
Net cash provided by/(used in) investing activities	**(1,532)**
Financing activities (CHF million)	
Increase/(decrease) in due to banks and customer deposits	4,770
Increase/(decrease) in short-term borrowings	(3,580)
Increase/(decrease) in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	1,120
Issuances of long-term debt	3,587
Repayments of long-term debt	(712)
Dividends paid	(219)
Other, net	(11)
Net cash provided by/(used in) financing activities	**4,955**
Effect of exchange rate changes on cash and due from banks (CHF million)	
Effect of exchange rate changes on cash and due from banks	**(16)**
Net increase/(decrease) in cash and due from banks (CHF million)	
Net increase/(decrease) in cash and due from banks	**5,951**
Cash and due from banks at beginning of period	43,372
Cash and due from banks at end of period	**49,323**

Supplemental cash flow information (unaudited)

in	6M17
Cash paid for income taxes and interest (CHF million)	
Cash paid for income taxes	61
Cash paid for interest	167

The accompanying notes to the unaudited condensed consolidated financial statements are an integral part of these statements.

Notes to the condensed consolidated financial statements – unaudited

1 Summary of significant accounting policies

The Company

Credit Suisse (Schweiz) AG is a Swiss bank incorporated as a joint stock corporation, with its registered office in Zurich, Switzerland.

Credit Suisse (Schweiz) AG is a 100% subsidiary of Credit Suisse AG and Credit Suisse AG is a 100% subsidiary of Credit Suisse Group AG, both domiciled in Switzerland.

Credit Suisse (Schweiz) AG was established to support the realization of the strategic objectives of Credit Suisse Group AG and its subsidiaries (the Group), to further increase its resilience and to meet developing and future regulatory requirements related to the Swiss "Too Big To Fail" regime. Credit Suisse (Schweiz) AG received its banking license as of October 14, 2016 and started its business operations as a standalone Swiss bank on November 20, 2016, with retroactive effect as of August 1, 2016, the date that Credit Suisse AG transferred its universal bank business for Swiss customers, comprising a significant part of the Swiss Universal Bank business division and parts of the business area Sales and Trading Services (STS), to Credit Suisse (Schweiz) AG. STS provides innovative cross asset solutions as well as trading, brokerage and advisory services. This business transfer was executed through a transfer of assets and liabilities in accordance with the Swiss Merger Act. As a licensed Swiss bank, Credit Suisse (Schweiz) AG is generally subject to the same rules and standards as Credit Suisse AG, including regulatory requirements on client protection, asset segregation and Swiss banking confidentiality.

Credit Suisse (Schweiz) AG and its subsidiaries (Credit Suisse Schweiz; the Company) provide a full range of banking services to private, corporate and institutional clients based in Switzerland. The private clients business includes ultra-high-net-worth individuals, high-net-worth individuals and affluent and retail customers. The corporate & institutional clients business covers a variety of corporations, from large Swiss corporates to small and medium-sized enterprises, pension funds and external asset managers.

Basis of presentation

The accompanying unaudited condensed consolidated financial statements of Credit Suisse Schweiz are prepared in accordance with accounting principles generally accepted in the US (US GAAP) and are stated in Swiss francs (CHF). The financial year for Credit Suisse Schweiz ends on December 31.

The consolidation started in the second half year of 2016 in line with the effective date, August 1, 2016, that Credit Suisse AG transferred its universal bank business for Swiss customers to Credit Suisse (Schweiz) AG. No comparative information is presented.

Certain financial information, which is normally included in annual consolidated financial statements prepared in accordance with US GAAP but not required for interim reporting purposes, has been condensed or omitted. These condensed consolidated financial statements reflect, in the opinion of management, all adjustments that are necessary for a fair presentation of the condensed consolidated financial statements for the period presented. The results of operations for an interim period are not indicative of results for the entire year.

In preparing these condensed consolidated financial statements, management is required to make estimates and assumptions including, but not limited to, the fair value measurements of certain financial assets and liabilities, the allowance for loan losses, the evaluation of variable interest entities (VIEs), the impairment of assets other than loans, recognition of deferred tax assets, tax uncertainties and various contingencies. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the consolidated balance sheet and the reported amounts of revenues and expenses during the reporting period. While management evaluates its estimates and assumptions on an ongoing basis, actual results could differ materially from management's estimates. Market conditions may increase the risk and complexity of the judgments applied in these estimates.

Principles of consolidation

The consolidated financial statements include the financial statements of Credit Suisse (Schweiz) AG and its subsidiaries. Credit Suisse Schweiz subsidiaries are entities in which it holds, directly or indirectly, more than 50% of the voting rights or where it exercises control. Credit Suisse Schweiz also consolidates VIEs if Credit Suisse Schweiz is the primary beneficiary in accordance with Accounting Standards Codification (ASC) Topic 810 – Consolidation. The effects of material intercompany transactions and balances have been eliminated.

Foreign currency translation

Transactions denominated in currencies other than the functional currency of the related entity are recorded by remeasuring them in the functional currency of the related entity using the foreign exchange rate on the date of the transaction. As of the date of the consolidated balance sheet, monetary assets and liabilities, such as receivables and payables, are reported using the spot foreign exchange rates as of the end of the reporting period. Foreign exchange rate differences are recorded in the consolidated

statement of operations. Non-monetary assets and liabilities are recorded using the historic exchange rate.

The Company does not record translation adjustments as the functional currency of all Credit Suisse Schweiz companies is Swiss francs.

Fair value measurement and option

The fair value measurement guidance establishes a single authoritative definition of fair value and sets out a framework for measuring fair value. The fair value option creates an alternative measurement treatment for certain financial assets and financial liabilities. The fair value option can be elected at initial recognition of the eligible item or at the date when the Company enters into an agreement which gives rise to an eligible item (e.g., a firm commitment or a written loan commitment). If not elected at initial recognition, the fair value option can be applied to an item upon certain triggering events that give rise to a new basis of accounting for that item. The application of the fair value option to a financial asset or a financial liability does not change its classification on the face of the balance sheet and the election is irrevocable. Changes in fair value resulting from the election are recorded in trading revenues.

‣ Refer to "Fair value option" in Note 15 – Financial instruments for further information.

Cash and due from banks

Cash and due from banks consists of currency on hand, demand deposits with banks or other financial institutions and cash equivalents. Cash equivalents are defined as short-term, highly liquid instruments with original maturities of three months or less, which are held for cash management purposes.

Reverse repurchase and repurchase agreements

Purchases of securities under resale agreements (reverse repurchase agreements) and securities sold under agreements to repurchase substantially identical securities (repurchase agreements) do not constitute economic sales and are therefore treated as collateralized financing transactions and are carried in the consolidated balance sheet at the amount of cash disbursed or received, respectively. Reverse repurchase agreements are recorded as collateralized assets while repurchase agreements are recorded as liabilities, with the underlying securities sold continuing to be recognized in trading assets or investment securities. The fair value of securities to be repurchased and resold is monitored on a daily basis, and additional collateral is obtained as needed to protect against credit exposure.

Assets and liabilities recorded under these agreements are accounted for on one of two bases, the accrual basis or the fair value basis. Under the accrual basis, interest earned on reverse repurchase agreements and interest incurred on repurchase agreements are reported in interest and dividend income and interest expense, respectively. The fair value basis of accounting may be elected, and any resulting change in fair value is reported in trading revenues. Accrued interest income and expense are recorded in the same manner as under the accrual method. The Company has elected the fair value basis of accounting on some of its agreements.

Reverse repurchase and repurchase agreements are netted if they are with the same counterparty, have the same maturity date, settle through the same clearing institution and are subject to the same enforceable master netting agreement.

Securities lending and borrowing transactions

Securities borrowed and securities loaned that are cash-collateralized are included in the consolidated balance sheet at amounts equal to the cash advanced or received. If securities received in a securities lending and borrowing transaction as collateral may be sold or repledged, they are recorded as securities received as collateral in the consolidated balance sheet and a corresponding liability to return the security is recorded. Securities lending transactions against non-cash collateral in which the Company has the right to resell or repledge the collateral received are recorded at the fair value of the collateral initially received. For securities lending transactions, the Company receives cash or securities collateral in an amount generally in excess of the market value of securities lent. The Company monitors the fair value of securities borrowed and loaned on a daily basis with additional collateral obtained as necessary.

Fees and interest received or paid are recorded in interest and dividend income and interest expense, respectively, on an accrual basis. If the fair value basis of accounting is elected, any resulting change in fair value is reported in trading revenues. Accrued interest income and expense are recorded in the same manner as under the accrual method.

Transfers of financial assets

The Company transfers various financial assets, which may result in the sale of these assets to special purpose entities (SPEs), which in turn issue securities to investors. The Company values its beneficial interests at fair value using quoted market prices, if such positions are traded on an active exchange or financial models that incorporate observable and unobservable inputs.

‣ Refer to "Note 14 – Transfer of financial assets and variable interest entities" for further information on the Company's transfer activities.

Trading assets and liabilities

Trading assets and liabilities include debt and equity securities, derivative instruments, commodities and precious metals. Items included in the trading portfolio are carried at fair value and classified as held for trading purposes based on management's intent. Regular-way security transactions are recorded on a trade-date basis. Unrealized and realized gains and losses on trading positions are recorded in trading revenues.

Derivatives

Freestanding derivative contracts are carried at fair value in the consolidated balance sheet regardless of whether these instruments are held for trading or risk management purposes. When derivative features embedded in certain contracts that meet the

definition of a derivative are not considered clearly and closely related to the host contract, either the embedded feature is accounted for separately at fair value or the entire contract, including the embedded feature, is accounted for at fair value. In both cases, changes in fair value are recorded in the consolidated statement of operations. If separated for measurement purposes, the derivative is recorded in the same line item in the consolidated balance sheet as the host contract.

Derivatives classified as trading assets and liabilities include those held for trading purposes and those used for risk management purposes that do not qualify for hedge accounting. Derivatives held for trading purposes arise from proprietary trading activity and from customer-based activity. Realized gains and losses, changes in unrealized gains and losses and interest flows are included in trading revenues. Derivative contracts designated and qualifying as fair value hedges or cash flow hedges are reported as other assets or other liabilities.

The fair value of exchange-traded derivatives is typically derived from observable market prices and/or observable market parameters. Fair values for over-the-counter (OTC) derivatives are determined on the basis of proprietary models using various input parameters. Derivative contracts are recorded on a net basis per counterparty, where an enforceable master netting agreement exists. Where no such agreement exists, fair values are recorded on a gross basis.

Where hedge accounting is applied, the Company formally documents all relationships between hedging instruments and hedged items, including the risk management objectives and strategy for undertaking hedge transactions. At inception of a hedge and on an ongoing basis, the hedge relationship is formally assessed to determine whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items attributable to the hedged risk. The Company discontinues hedge accounting prospectively in the following circumstances:

(i) the derivative is no longer effective in offsetting changes in the fair value or cash flows of a hedged item (including forecasted transactions);
(ii) the derivative expires or is sold, terminated or exercised;
(iii) the derivative is no longer designated as a hedging instrument because it is unlikely that the forecasted transaction will occur; or
(iv) the designation of the derivative as a hedging instrument is otherwise no longer appropriate.

For derivatives that are designated and qualify as fair value hedges, the carrying value of the underlying hedged items is adjusted to fair value for the risk being hedged. Changes in the fair value of these derivatives are recorded in the same line item of the consolidated statement of operations as the change in fair value of the risk being hedged for the hedged assets or liabilities to the extent the hedge is effective. The change in fair value representing hedge ineffectiveness is recorded separately in trading revenues.

When the Company discontinues fair value hedge accounting because it determines that the derivative no longer qualifies as an effective fair value hedge, the derivative will continue to be carried in the consolidated balance sheet at its fair value, and the hedged asset or liability will no longer be adjusted for changes in fair value attributable to the hedged risk. Interest-related fair value adjustments made to the underlying hedged items will be amortized to the consolidated statement of operations over the remaining life of the hedged item. Any unamortized interest-related fair value adjustment is recorded in the consolidated statement of operations upon sale or extinguishment of the hedged asset or liability, respectively. Any other fair value hedge adjustments remain part of the carrying amount of the hedged asset or liability and are recognized in the consolidated statement of operations upon disposition of the hedged item as part of the gain or loss on disposition.

For hedges of the variability of cash flows from forecasted transactions and floating rate assets or liabilities, the effective portion of the change in the fair value of a designated derivative is recorded in accumulated other comprehensive income/(loss) (AOCI). These amounts are reclassified into the line item in the consolidated statement of operations in which the hedged item is recorded when the variable cash flow from the hedged item impacts earnings (for example, when periodic settlements on a variable rate asset or liability are recorded in the consolidated statement of operations or when the hedged item is disposed of). The change in fair value representing hedge ineffectiveness is recorded separately in trading revenues.

When hedge accounting is discontinued on a cash flow hedge, the net gain or loss will remain in AOCI and be reclassified into the consolidated statement of operations in the same period or periods during which the formerly hedged transaction is reported in the consolidated statement of operations. When the Company discontinues hedge accounting because it is probable that a forecasted transaction will not occur within the specified date or period plus two months, the derivative will continue to be carried in the consolidated balance sheet at its fair value, and gains and losses that were previously recorded in AOCI will be recognized immediately in the consolidated statement of operations.

Investment securities

Investment securities include debt securities classified as held-to-maturity and debt and marketable equity securities classified as available-for-sale. Regular-way security transactions are recorded on a trade-date basis.

Debt securities where the Company has the positive intent and ability to hold such securities to maturity are classified as such and are carried at amortized cost, net of any unamortized premium or discount.

Debt and equity securities classified as available-for-sale are carried at fair value. Unrealized gains and losses, which represent

the difference between fair value and amortized cost, are recorded in AOCI. Amounts reported in AOCI are net of income taxes.

Amortization of premiums or discounts is recorded in interest and dividend income using the effective yield method through the maturity date of the security.

Recognition of an impairment on debt securities is recorded in the consolidated statement of operations if a decline in fair value below amortized cost is considered other-than-temporary, that is, amounts due according to the contractual terms of the security are not considered collectible, typically due to deterioration in the creditworthiness of the issuer. No impairment is recorded in connection with declines resulting from changes in interest rates to the extent the Company does not intend to sell the investments, nor is it more likely than not that the Company will be required to sell the investments before the recovery of their amortized cost bases, which may be maturity.

Recognition of an impairment on equity securities is recorded in the consolidated statement of operations if a decline in fair value below the cost basis of an investment is considered other-than-temporary. The Company generally considers unrealized losses on equity securities to be other-than-temporary if the fair value has been below cost for more than six months or has decreased by more than 20% below cost.

Recognition of an impairment for debt or equity securities establishes a new cost basis, which is not adjusted for subsequent recoveries.

Unrealized losses on available-for-sale securities are recognized in the consolidated statement of operations when a decision has been made to sell a security.

Other investments

Other investments include equity method investments and non-marketable equity securities for which the Company has neither significant influence nor control over the investee, and real estate held for investment.

Equity method investments are investments where the Company has the ability to significantly influence the operating and financial policies of an investee. Significant influence is typically characterized by ownership of 20% to 50% of the voting stock or in-substance common stock of a corporation. Equity method investments are accounted for under the equity method of accounting. Under the equity method of accounting, the Company's share of the profit or loss, and any impairment on the investee, if applicable, is reported in other revenues.

The Company's other non-marketable equity securities are carried at cost less other-than-temporary impairment.

Real estate held for investment purposes is carried at cost less accumulated depreciation and is depreciated over its estimated useful life, generally 40 to 67 years. Land is carried at historical cost and is not depreciated. These assets are tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying amount may not be recoverable. Recognition of an impairment on such assets establishes a new cost base, which is not adjusted for subsequent recoveries in value.

Loans

Loans held-to-maturity

Loans, which the Company intends to hold until maturity, are carried at outstanding principal balances plus accrued interest, net of the following items: unamortized premiums, discounts on purchased loans, deferred loan origination fees and direct loan origination costs on originated loans. Interest income is accrued on the unpaid principal balance and net deferred premiums/discounts and fees/costs are amortized as an adjustment to the loan yield over the term of the related loans.

Lease financing transactions where the Company is the lessor are classified as loans. Unearned income is amortized to interest and dividend income over the lease term using the effective interest method.

In accordance with Company policies, impaired loans include non-performing loans, non-interest-earning loans, restructured loans and potential problem loans.

‣ Refer to "Note 7 – Loans, allowance for loan losses and credit quality" for further information.

Allowance for loan losses on loans held-to-maturity

The allowance for loan losses is comprised of the following components: probable credit losses inherent in the portfolio and those losses specifically identified. Changes in the allowance for loan losses are recorded in the consolidated statement of operations in provision for credit losses and in interest income (for provisions on past due interest).

The Company evaluates many factors when estimating the allowance for loan losses, including the volatility of default probabilities, rating changes, the magnitude of potential loss, internal risk ratings, and geographic, industry and other economic factors. The component of the allowance representing probable losses inherent in the portfolio is for loans not specifically identified as impaired and that, on a portfolio basis, are considered to contain probable inherent loss. The estimate of this component of the allowance for the consumer loans portfolio involves applying historical and current default probabilities, historical recovery experience and related current assumptions to homogenous loans based on internal risk rating and product type. To estimate this component of the allowance for the corporate & institutional loans portfolio, the Company segregates loans by risk, industry or country rating. Excluded from this estimate process are consumer and corporate & institutional loans that have been specifically identified as impaired or are held at fair value. For lending-related commitments, a provision for losses is estimated based on historical loss and recovery experience and recorded in other liabilities. Changes in the estimate of losses for lending-related commitments are recorded in the consolidated statement of operations in provision for credit losses.

The estimate of the component of the allowance for specifically identified credit losses on impaired loans is based on a regular and detailed analysis of each loan in the portfolio considering collateral and counterparty risk. The Company considers a loan impaired when, based on current information and events, it is probable that the Company will be unable to collect the amounts due according

to the contractual terms of the loan agreement. For certain non-collateral-dependent impaired loans, an impairment is measured using the present value of estimated future cash flows. For collateral-dependent impaired loans, an impairment is measured using the fair value of the collateral.

A loan is classified as non-performing no later than when the contractual payments of principal and/or interest are more than 90 days past due. However, management may determine that a loan should be classified as non-performing notwithstanding that contractual payments of principal and/or interest are less than 90 days past due. For non-performing loans, a provision is recorded in an amount equal to any accrued but unpaid interest at the date the loan is classified as non-performing, resulting in a charge to the consolidated statement of operations. In addition, the Company continues to add accrued interest receivable to the loan's balance for collection purposes; however, a provision is recorded resulting in no interest income recognition. Thereafter, the outstanding principal balance is evaluated at least annually for collectibility and a provision is established as necessary.

A loan can be further downgraded to non-interest-earning when the collection of interest is considered so doubtful that further accrual of interest is deemed inappropriate. At that time, and on at least a quarterly basis thereafter depending on various risk factors, the outstanding principal balance, net of provisions previously recorded, is evaluated for collectibility and additional provisions are established as required.

Generally, non-performing loans and non-interest-earning loans may be restored to performing status only when delinquent principal and interest are brought up to date in accordance with the terms of the loan agreement and when certain performance criteria are met.

Interest collected on non-performing loans and non-interest-earning loans is accounted for using the cash basis.

Loans that were modified in a troubled debt restructuring are reported as restructured loans. Generally, a restructured loan would have been considered impaired and an associated allowance for loan losses would have been established prior to the restructuring. Loans modified in a troubled debt restructuring are reported as restructured loans to the end of the reporting year in which the loan was modified or for as long as an allowance for loan losses based on the terms specified by the restructuring agreement is associated with the restructured loan or an interest concession made at the time of the restructuring exists. In making the determination of whether an interest rate concession has been made, market interest rates for loans with comparable risk to borrowers of the same credit quality are considered. Loans that have been restructured in a troubled debt restructuring and are performing according to the new terms continue to accrue interest. Loan restructurings may include the receipt of assets in satisfaction of the loan, the modification of loan terms (e.g., reduction of interest rates, extension of maturity dates at a stated interest rate lower than the current market rate for new loans with similar risk, or reduction in principal amounts and/or accrued interest balances) or a combination of both.

Potential problem loans are impaired loans where contractual payments have been received according to schedule, but where doubt exists as to the collection of future contractual payments. Potential problem loans are evaluated for impairment on an individual basis and an allowance for loan losses is established as necessary. Potential problem loans continue to accrue interest.

The amortization of net loan fees or costs on impaired loans is generally discontinued during the periods in which matured and unpaid interest or principal is outstanding. On settlement of a loan, if the loan balance is not collected in full, an allowance is established for the uncollected amount, if necessary, and the loan is then written off, net of any deferred loan fees and costs.

Write-off of a loan occurs when it is considered certain that there is no possibility of recovering the outstanding principal. Recoveries of loans previously written off are recorded based on the cash or estimated fair value of other amounts received.

▸ Refer to "Impaired loans" in Note 7 – Loans, allowance for loan losses and credit quality for further information on the write-off of a loan and related accounting policies.

Loans held-for-sale

Loans, which the Company intends to sell in the foreseeable future, are considered held-for-sale and are carried at the lower of amortized cost or market value. Loan values are determined on an individual basis. Loans held-for-sale are included in other assets. Revaluation losses incurred at the transfer into the held-for-sale category are generally recorded as credit losses. Gains and losses on loans held-for-sale subsequent to the transfer into the held-for-sale category are recorded in other revenues.

Premises and equipment

Premises and equipment, with the exception of land, are carried at cost less accumulated depreciation.

Buildings are depreciated on a straight-line basis over their estimated useful lives, generally 40 to 67 years, and building improvements are depreciated on a straight-line basis over their estimated useful lives, generally not exceeding five to ten years. Land is carried at historical cost and is not depreciated. Leasehold improvements, such as alterations and improvements to rented premises, are depreciated on a straight-line basis over the shorter of the lease term or estimated useful life, which generally does not exceed ten years. Equipment, such as computers, machinery, furnishings, vehicles and other tangible fixed assets, are depreciated using the straight-line method over their estimated useful lives, generally three to ten years.

The Company capitalizes costs relating to the acquisition, installation and development of software with a measurable economic benefit, but only if such costs are identifiable and can be reliably measured. The Company depreciates capitalized software costs on a straight-line basis over the estimated useful life of the software, generally not exceeding seven years, taking into consideration the effects of obsolescence, technology, competition and other economic factors.

Goodwill

Goodwill arises on the acquisition of subsidiaries and equity method investments. It is measured as the excess of the fair value of the consideration transferred, the fair value of any noncontrolling interest in the acquiree and the fair value of any previously held equity interest in the acquired subsidiary, over the net of the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed. Goodwill is not amortized; instead it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill may be impaired.

Recognition of an impairment on tangible fixed assets

The Company evaluates premises and equipment for impairment at least annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the asset is considered not to be recoverable, an impairment is recorded in general and administrative expenses to the extent the fair value of the asset is less than its carrying amount. Recognition of an impairment on such assets establishes a new cost base, which is not adjusted for subsequent recoveries in value.

Income taxes

Deferred tax assets and liabilities are recorded for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities at the date of the consolidated balance sheet and their respective tax bases. Deferred tax assets and liabilities are computed using currently enacted tax rates and are recorded in other assets and other liabilities, respectively. Income tax expense or benefit is recorded in income tax expense/(benefit), except to the extent the tax effect relates to transactions recorded directly in total shareholders' equity. Deferred tax assets are reduced by a valuation allowance, if necessary, to the amount that management believes will more likely than not be realized. Deferred tax assets and liabilities are adjusted for the effect of changes in tax laws and rates in the period in which changes are approved by the relevant authority. Deferred tax assets and liabilities are presented on a net basis for the same tax-paying component within the same tax jurisdiction.

The Company follows the guidance in ASC Topic 740 – Income Taxes, which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions. The Company determines whether it is more likely than not that an income tax position will be sustained upon examination based on the technical merits of the position. Sustainable income tax positions are then measured to determine the amount of benefit eligible for recognition in the consolidated financial statements. Each such sustainable income tax position is measured at the largest amount of benefit that is more likely than not to be realized upon ultimate settlement.

Brokerage receivables and brokerage payables

The Company recognizes receivables and payables from transactions in financial instruments purchased from and sold to customers, banks and broker-dealers. The Company is exposed to risk of loss resulting from the inability of counterparties to pay for or deliver financial instruments purchased or sold, in which case the Company would have to sell or purchase, respectively, these financial instruments at prevailing market prices. To the extent an exchange or clearing organization acts as counterparty to a transaction, credit risk is generally considered to be limited. The Company establishes credit limits for each customer and requires them to maintain margin collateral in compliance with applicable regulatory and internal guidelines. In order to conduct trades with an exchange or a third-party bank, the Company is required to maintain a margin. This is usually in the form of cash and deposited in a separate margin account with the exchange or broker. If available information indicates that it is probable that a brokerage receivable is impaired, an allowance is established. Write-offs of brokerage receivables occur if the outstanding amounts are considered uncollectible.

Other assets

Derivative instruments used for hedging

Derivative instruments are carried at fair value. The fair values of derivative instruments held for hedging are included as other assets or other liabilities in the consolidated balance sheet. The accounting treatment used for changes in fair value of hedging derivatives depends on the designation of the derivative as either a fair value hedge or cash flow hedge. Changes in fair value representing hedge ineffectiveness are reported in trading revenues.

Customer deposits

Customer deposits represent funds held from customers, both retail and commercial, and banks and consist of interest-bearing demand deposits, savings deposits and time deposits. Interest is accrued based on the contractual provisions of the deposit contract.

Long-term debt

Total long-term debt is comprised of debt issuances which do not contain derivative features (vanilla debt) as well as hybrid debt instruments with embedded derivatives, which are issued as part of the Company's treasury and structured product activities.

The vanilla debt is accounted for at amortized cost. Debt issuance costs are deferred and included in the instruments carrying value. The debt issuance cost are amortized over the contractual life of the instruments as an adjustment to the yield of the instrument. The Company actively manages interest rate risk on vanilla debt through the use of derivative contracts, primarily interest rate swaps. In particular, fixed rate debt is hedged with receive-fixed, pay-floating interest rate swaps.

For capital management purpose the Company has issued hybrid capital instruments in the form of high-trigger tier 1 capital notes, with a write-off feature. The embedded derivative is bifurcated for accounting purpose; the embedded derivative is measured separately and changes in fair value are recorded in trading revenue. The debt host is accounted for under the amortized cost method.

The Company's long-term debt also includes various equity-linked and other indexed structured products with embedded

derivative features, for which payments and redemption values are linked to commodities, stocks, indices, currencies or other assets. The Company elected to account for these instruments at fair value. Changes in the fair value of these instruments are recognized as a component of trading revenues, except for changes in fair value attributed to own credit risk, which is recorded in other comprehensive income, net of tax, and recycled to trading revenue when the debt is de-recognized.

Other liabilities

Guarantees

In cases where the Company acts as a guarantor, the Company recognizes in other liabilities, at the inception of a guarantee, a liability for the fair value of the obligations undertaken in issuing such a guarantee, including its ongoing obligation to perform over the term of the guarantee in the event that certain events or conditions occur.

Pension benefits

The Group sponsors a defined benefit pension plan in Switzerland (Group plan) that covers eligible employees of the Company domiciled in Switzerland. For the Company's participation in the Group plan, no retirement benefit obligation is recognized in the consolidated balance sheet of the Company. Defined contribution accounting is applied, as the Company is not the sponsoring entity of the Group plan.

The Company records pension expense for defined contribution plans when the employee renders service to the Company, essentially coinciding with the cash contributions to the plans and only recognizes a liability for any contributions due and unpaid.

Share-based compensation

Each share award unit granted entitles the holder of the award to receive one share of Credit Suisse Group AG (Group share), subject to service conditions. For all share-based awards granted to employees, compensation expense is measured on the fair value of the award at the grant date for which requisite service is expected to be rendered and is recognized in the consolidated statements of operations over the required service period on a straight-line basis.

Windfall and shortfall tax benefits, representing the incremental tax effects of the difference between the compensation expense recorded in the US GAAP accounts and the tax deduction received, are recorded in the income statement at the point in time the deduction for tax purposes is recorded.

Compensation expense for share-based awards that vest in their entirety at the end of the vesting period (cliff vesting) and awards that vest in annual installments (graded vesting), but which only contain a service condition that affects vesting, is recognized on a straight-line basis over the service period for the entire award. However, if awards with graded vesting contain a performance condition, then each installment is expensed as if it were a separate award ("front-loaded" expense recognition). Furthermore, recognition of compensation expense is accelerated to the date an employee becomes eligible for retirement.

Certain share-based awards also contain a performance condition, where the number of Group shares the employee is to receive is dependent on the performance (e.g., net income or return on equity (ROE)) of Credit Suisse Group AG, the Company or a division of the Group. If the employee is also required to provide the service stipulated in the award terms, the amount of compensation expense attributed to the incremental units expected to be received at vesting due to this performance condition is estimated on the grant date and subsequent changes in this estimate are recorded in the consolidated statement of operations over the remaining service period.

Net interest income

Interest income and interest expense arising from interest-bearing assets and liabilities other than those carried at fair value or the lower of cost or market are accrued, and any related net deferred premiums, discounts, origination fees or costs are amortized as an adjustment to the yield over the life of the related asset and liability. Interest from debt securities and dividends on equity securities carried as trading assets and trading liabilities are recorded in interest and dividend income.

▸ Refer to "Loans" for further information on interest on loans.

Commissions and fees

Fee revenue is recognized when all of the following criteria have been met: persuasive evidence of an arrangement exists, services have been rendered, the price is fixed or determinable and collectibility is reasonably assured. Fee income can be divided into two broad categories: income earned from services that are provided over a certain period of time, for which customers are generally billed on an annual or semi-annual basis, and income earned from providing transaction-type services. Fees earned from services that are provided over a certain period of time are recognized ratably over the service period. Fees earned from providing transaction-type services are recognized when the service has been completed. Performance-linked fees or fee components are recognized at any contractual measurement date when the contractually agreed thresholds are met.

Fees from mergers and acquisitions and other corporate finance advisory services are recorded at the time the underlying transactions are substantially completed and there are no other contingencies associated with the fees.

Transaction-related expenses are deferred until the related revenue is recognized, assuming they are deemed direct and incremental; otherwise, they are expensed as incurred. Expenses associated with financial advisory services are recorded in operating expenses unless reimbursed by the client.

In circumstances where the Company contracts to provide multiple products, services or rights to a counterparty, an evaluation is made as to whether separate revenue recognition events have occurred. This evaluation considers the stand-alone value of items already delivered and if there is a right of return on delivered items and services, and the probability of delivery of remaining

undelivered items or services. This evaluation is made on a transaction-by-transaction basis.

If the criteria noted are met, then the transaction is considered a multiple-deliverable arrangement where revenue recognition is determined separately for each deliverable. The consideration received on the total arrangement is allocated to the multiple deliverables based on the selling price of each deliverable. The selling price used for each deliverable will be based on vendor-specific objective evidence if available, third-party evidence if vendor-specific objective evidence is not available, or estimated selling price if neither vendor-specific objective evidence or third-party evidence is available.

Taxes collected from customers and remitted to governmental authorities are accounted for on a net basis.

Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions, or if another party controls both. The Company's related parties include key management personnel, close family members of key management personnel and entities that are controlled, significantly influenced by, or for which significant voting power is held by key management personnel or their close family members. Key management personnel are those individuals having authority and responsibility for planning, directing and controlling the activities of the Company and its direct and indirect shareholders Credit Suisse AG and Credit Suisse Group AG, that is, members of the Executive Board and the Board of Directors of the Company, Credit Suisse AG and Credit Suisse Group AG.

Banking relationships

The Company is a significant financial services provider in Switzerland. Many of the members of the Executive Board and the Board of Directors or companies associated with them maintain banking relationships with the Company. The Company or any of its banking subsidiaries may from time to time enter into financing and other banking agreements with companies in which current members of the Executive Board or the Board of Directors have a significant influence, such as holding executive and/or board level roles in these companies. Banking relationships with members of the Executive Board or the Board of Directors and such companies are in the ordinary course of business and are entered into at an arm's length basis. Also, unless otherwise noted, loans to members of the Executive Board, members of the Board of Directors or companies associated with them are made in the ordinary course of business, are made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and do not involve more than the normal risk of collectability or present other unfavorable features.

Related party loans

Executive Board and Board of Directors loans

Loans to members of the Executive Board and the Board of Directors are generally mortgages or loans against securities.

Mortgage loans to members of the Executive Board are granted either with variable or fixed interest rates. Typically, mortgages are granted for periods of up to ten years. Interest rates applied are based on refinancing costs plus a margin, and interest rates and other terms are consistent with those applicable to other employees. Loans against securities are granted at interest rates and on terms applicable to such loans granted to other employees. The same credit approval and risk assessment procedures apply to members of the Executive Board as for other employees. Loans to members of the Executive Board are made in the ordinary course of business and substantially on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and in consideration of the terms which apply to all Group employees. These loans do not involve more than the normal risk of collectability or present other unfavorable features.

Members of the Board of Directors with loans do not benefit from employee conditions, but are subject to conditions applied to clients with a comparable credit standing. Loans to members of the Board of Directors are made in the ordinary course of business and substantially on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons. Such loans do not involve more than the normal risk of collectability or present other unfavorable features.

Equity method investees loans

The Company grants loans to equity method investees in the normal course of business.

Transactions with shareholders

Credit Suisse AG owns all of the Company's outstanding voting registered shares and Credit Suisse Group AG owns all of Credit Suisse AG's outstanding voting registered shares. The Company is involved in significant financing and other transactions with Credit Suisse Group AG and Credit Suisse AG and their subsidiaries. The Company generally enters into these transactions in the ordinary course of business and believes that these transactions are generally on market terms that could be obtained from unrelated third parties.

2 Recently issued accounting standards

Recently adopted accounting standards

ASC Topic 350 – Intangibles – Goodwill and Other

In January 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2017-04, "Simplifying the Test for Goodwill Impairment" (ASU 2017-04), an update to ASC Topic 805 – Business Combinations. ASU 2017-04 simplifies the subsequent measurement of goodwill by eliminating step two from the goodwill impairment test. ASU 2017-04 is effective for annual reporting periods beginning after December 15, 2021, and for the interim periods within annual reporting periods. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. ASU 2017-04 is to be applied on a prospective basis. The Company elected to early adopt ASU 2017-04 on January 1, 2017, which did not have a material impact on the Company's financial position, results of operations or cash flows.

ASC Topic 718 – Compensation – Stock Compensation

In March 2016, the FASB issued ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting" (ASU 2016-09), an update to ASC Topic 718 – Compensation—Stock Compensation. The amendments in ASU 2016-09 provide simplification updates for several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 is effective for annual reporting periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. Early adoption is permitted. The Company elected to early adopt ASU 2016-09 on January 1, 2017, which did not have a material impact on the Company's financial position, results of operations or cash flows.

ASC Topic 740 – Income Taxes

In October 2016, the FASB issued ASU 2016-16, "Intra-Entity Transfers of Assets Other Than Inventory" (ASU 2016-16), an update to ASC Topic 740 – Income Taxes. The amendments in ASU 2016-16 eliminate the exception for an intra-entity transfer of an asset other than inventory. ASU 2016-16 is required to be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. ASU 2016-16 is effective for annual reporting periods beginning after December 15, 2018, and for the interim periods within annual reporting periods beginning after December 15, 2019. Early adoption is permitted. The Company elected to early adopt ASU 2016-16 on January 1, 2017. As a result of the adoption, a reclassification from additional paid-in capital (APIC) to retained earnings of CHF 740 million was recorded.

ASC Topic 825 – Financial Instruments – Overall

In January 2016, the FASB issued ASU 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities" (ASU 2016-01), an update to ASC Topic 825 – Financial Instruments – Overall. The amendments in ASU 2016-01 address certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The amendments primarily affect the accounting for equity investments, financial liabilities under the fair value option and the presentation and disclosure requirements for financial instruments. ASU 2016-01 is effective for annual reporting periods beginning after December 15, 2018, and for the interim periods within annual reporting periods beginning after December 15, 2019. Early adoption of the full standard is not permitted; however, certain sections of ASU 2016-01 relating to fair value option-elected financial liabilities can be early adopted in isolation. These amendments to ASU 2016-01 require the changes in fair value relating to instrument-specific credit risk of fair value option elected financial liabilities to be presented separately in AOCI. The Company has early adopted these sections of the update on August 1, 2016. As a result of adoption, a reclassification of a loss from retained earnings to AOCI of CHF 2 million, net of tax, was recorded. The Company is currently evaluating the impact of the adoption of the remaining sections of ASU 2016-01 on the Company's financial position, results of operations and cash flows.

Standards to be adopted in future periods

ASC Topic 230 – Statement of Cash Flows

In August 2016, the FASB issued ASU 2016-15, "Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force)" (ASU 2016-15), an update to ASC Topic 230 – Statement of Cash Flows. The amendments in ASU 2016-15 provide guidance regarding classification of certain cash receipts and payments where diversity in practice was observed. ASU 2016-15 is required to be applied retrospectively to all periods presented beginning in the year of adoption. ASU 2016-15 is effective for annual reporting periods beginning after December 15, 2018, and for the interim periods within annual reporting periods beginning after December 15, 2019. Early adoption is permitted, including adoption in an interim period. The Company is currently evaluating the impact of the adoption of ASU 2016-15 on the Company's financial position, results of operations and cash flows.

ASC Topic 326 – Financial Instruments – Credit Losses

In June 2016, the FASB issued ASU 2016-13, "Measurement of Credit Losses on Financial Instruments" (ASU 2016-13), creating ASC Topic 326 – Financial Instruments – Credit Losses. ASU 2016-13 is intended to improve financial reporting by requiring timelier recording of credit losses on financial assets measured at amortized cost basis (including, but not limited to loans), net investments in leases recognized as lessor and off-balance sheet credit exposures. ASU 2016-13 eliminates the probable initial recognition threshold under the current incurred loss methodology for recognizing credit losses. Instead, ASU 2016-13 requires the measurement

of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions and reasonable and supportable forecasts. The Company will incorporate forward-looking information and macroeconomic factors into its credit loss estimates. ASU 2016-13 requires enhanced disclosures to help investors and other financial statement users to better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality of an organization's portfolio. ASU 2016-13 is effective for annual reporting periods beginning after December 15, 2020, and for the interim periods within annual reporting periods beginning after December 15, 2021. Early application will be permitted for annual reporting periods and for the interim periods within annual reporting periods, beginning after December 15, 2018.

The Company is represented in the Group's cross-functional implementation team and in the governance structure for the project. The Company has decided on a current expected credit loss (CECL) methodology while it is adjusting for key interpretive issues. Furthermore, the implementation team will continue to monitor the initial scope assessment as a basis to determine the requirements and data sourcing of the CECL models, and to design, build and test the models until the effective date.

The Company expects that the new CECL methodology would generally result in increased and more volatile allowance for loan losses. The main impact drivers include:

- the remaining life of the loans measured at amortized cost and the off-balance sheet credit exposures at the adoption date and subsequent reporting dates because of the new requirement to measure lifetime expected credit losses;
- the point of time in the economic cycle at the adoption date and subsequent reporting dates because of the new requirement to incorporate reasonable and supportable forward looking information and macroeconomic factors; and
- the credit quality of the loans measured at amortized cost and the off-balance sheet credit exposures at the adoption date and subsequent reporting dates.

Upon adoption of the standard, the Company expects an adjustment to be posted to retained earnings for any changes in loan losses. As the implementation progresses, the Company will continue to evaluate the extent of the impact of the adoption of ASU 2016-13 on the Company's financial position, results of operations and cash flows.

ASC Topic 606 – Revenue from Contracts with Customers

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers" (ASU 2014-09), an update to ASC Topic 606 – Revenue from Contracts with Customers. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU outlines key steps that an entity should follow to achieve the core principle. ASU 2014-09 and its subsequent amendments are effective for the annual reporting period beginning after December 15, 2017, and for the interim periods within annual reporting periods beginning after December 15, 2018.

The Company is represented in the Group's cross-functional implementation team and in the governance structure for the project. The Company's implementation efforts include the identification of revenue within the scope of the guidance, as well as the evaluation of revenue contracts under the new guidance and related accounting policies. The guidance does not apply to revenue associated with financial instruments, including loans and securities that are accounted for under other US GAAP guidance. To date, the recognition and timing impacts that the Company has identified related to the timing of certain fees. The new guidance eliminates industry specific guidance and as a result will have an impact on the gross versus net presentation of certain income and expenses. The changes identified thus far are not expected to have a material impact on the Company's financial position, results of operation or cash flows; however, the evaluation remains ongoing.

ASC Topic 842 – Leases

In February 2016, the FASB issued ASU 2016-02, "Leases" (ASU 2016-02), creating ASC Topic 842 – Leases. ASU 2016-02 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. ASU 2016-02 also includes disclosure requirements to provide more information about the amount, timing and uncertainty of cash flows arising from leases. Lessor accounting is substantially unchanged compared to the current accounting guidance. Under the current lessee accounting model the Company is required to distinguish between finance leases, which are recognized on the balance sheet, and operating leases, which are not. ASU 2016-02 will require lessees to present a right-of-use asset and a corresponding lease liability on the balance sheet for all leases with a lease term of greater than twelve months. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2019, and for the interim periods within annual reporting periods beginning after December 15, 2019. Early adoption is permitted.

The Company is represented in the Group's cross-functional implementation team and in the governance structure for the project. The Company is currently reviewing its existing contracts to determine the impact of the adoption of ASU 2016-02. The Company expects an increase in total assets and total liabilities as a result of recognizing right-of-use assets and lease liabilities for all leases under the new guidance and is currently evaluating the extent of the impact of the adoption of ASU 2016-02 on the Company's financial position, results of operations and cash flows.

3 Business developments

Credit Suisse (Schweiz) AG corporate structure

In order to align the corporate structure of Credit Suisse (Schweiz) AG with that of the Swiss Universal Bank division, a business division held by Credit Suisse AG, the following equity stakes held by Credit Suisse Group AG were transferred to Credit Suisse (Schweiz) AG: (i) 100% equity stake in Neue Aargauer Bank AG, (ii) 100% equity stake in BANK-now AG, and (iii) 50% equity stake in Swisscard AECS GmbH. The transfer of these equity stakes took place by way of an a-fonds-perdu contribution from Credit Suisse Group AG 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 took place at the respective equity stakes' aggregate Swiss GAAP carrying value as recorded by Credit Suisse Group AG. The transfer was executed on March 31, 2017.

In February 2017, Credit Suisse (Schweiz) AG and Credit Suisse Asset Management International Holding Ltd (CSAM IHAG), which is wholly owned by Credit Suisse AG, with participating interests 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% into four fund management companies and into Credit Suisse Asset Management (Schweiz) AG (CSAM Schweiz) to Credit Suisse (Schweiz) AG by way of an a-fonds-perdu contribution (i.e., without consideration). Subsequently, Credit Suisse (Schweiz) AG contributed these participating interests to CSAM Holding. The remaining 51% in these five entities were contributed to CSAM Holding through CSAM IHAG. CSAM Schweiz was incorporated in February 2017 and received the Swiss-related asset management business from Credit Suisse AG through a transfer of assets in accordance with the Swiss Merger Act. All transfers of participations were made at the participations' Swiss GAAP carrying value as recorded by the transferor.

The impact of the transfers noted above was reflected retroactively as of August 1, 2016, in line with the effective date that Credit Suisse AG transferred its universal bank business for Swiss customers to Credit Suisse (Schweiz) AG.

New business

As of January 1, 2017, Credit Suisse (Schweiz) AG and Credit Suisse AG agreed to jointly manage and develop the investment fund platform of Credit Suisse AG, with participating interests of 49% and 51%, respectively. Credit Suisse AG incorporated Credit Suisse InvestLab AG, domiciled in Switzerland, with fully paid-in capital. Credit Suisse AG transferred its investment fund platform, including the related staff, into Credit Suisse InvestLab AG. Subsequently, Credit Suisse AG sold 49% of the entity to Credit Suisse (Schweiz) AG. The new entity bundles the service of Credit Suisse (Schweiz) AG and Credit Suisse AG to fund providers and provides additional specialized services to the fund providers and the funds on this platform. The income from this new entity is included as of January 1, 2017.

4 Trading revenues

in	6M17
Trading revenues (CHF million)	
Interest rate products	44
Foreign exchange products	276
of which foreign exchange risk hedging activities by treasury function [1]	200
Equity/index-related products	(214)
Credit products	(34)
Commodity and energy products	16
Total	**88**

Represents revenues on a product basis which are not representative of individual business results, as those businesses utilize financial instruments across various product types.

[1] The treasury function of Credit Suisse (Schweiz) AG enters into economic hedges to manage foreign currency risk using short duration foreign currency swaps. The result of these hedges includes implicit interest income and expenses from the difference between spot rates and forward rates.

Trading revenues include revenues from trading financial assets and liabilities as follows:
- Equities;
- Commodities;
- Listed and OTC derivatives;
- Domestic, corporate and sovereign debt, convertible and non-convertible preferred stock and short-term securities such as floating rate notes and commercial paper;
- Market making and positioning in foreign exchange products; and
- Trading and securitizing all forms of securities that are based on underlying pools of assets.

Trading revenues also include changes in the fair value of financial assets and liabilities elected to fair value under US GAAP. The main components include certain instruments from the following categories:
- Central bank funds purchased/sold;
- Securities purchased/sold under resale/repurchase agreements;
- Securities borrowing/lending transactions;
- Loans and loan commitments; and
- Certain structured customer deposits and structured notes.

Managing the risks

As a result of the Company's broad involvement in financial products and markets, its trading strategies are correspondingly diverse and exposures are generally spread across a diversified range of risk factors. The Company uses an economic capital limit structure to limit overall risk taking. The level of risk incurred by the businesses is further restricted by a variety of specific limits, including consolidated controls over trading exposures. Also, as part of its overall risk management, the Company holds a portfolio of economic hedges. Hedges are impacted by market movements, similar to trading securities, and may result in gains or losses on the hedges which offset losses or gains on the portfolios they were designed to economically hedge. The Company manages its trading risk with regard to both market and credit risk. For market risk, it uses tools capable of calculating comparable exposures across its many activities, as well as focused tools that can specifically model unique characteristics of certain instruments or portfolios.

The principal measurement methodology for trading assets, as well as most instruments for which the fair value option was elected, is value-at-risk. The Company holds securities or cash as collateral and enters into credit default swaps (CDS) to mitigate the credit risk on these products.

5 Restructuring expenses

In connection with the strategic review of the Group, restructuring expenses of CHF 7 million were recognized by the Company in 6M17. Restructuring expenses primarily include severance expenses of CHF 6 million in connection with headcount reductions.

6 Investment securities

end of	6M17
Investment securities (CHF million)	
Securities available-for-sale	486
Total investment securities	**486**

Investment securities by type

end of				6M17
	Amortized cost	Gross unrealized gains	Gross unrealized losses	**Fair value**
Investment securities by type (CHF million)				
Debt securities issued by the Swiss federal, cantonal or local governmental entities	197	15	0	212
Debt securities issued by foreign governments	30	3	0	33
Corporate debt securities	238	0	0	238
Debt securities available-for-sale	465	18	0	483
Banks, trust and insurance companies	1	2	0	3
Equity securities available-for-sale	1	2	0	3
Securities available-for-sale	**466**	**20**	**0**	**486**

There were no proceeds from sales of investment securities in 6M17.

Amortized cost, fair value and average yield of debt securities

			Debt securities available-for-sale
end of	Amortized cost	Fair value	Average yield (in %)
6M17 (CHF million)			
Due within 1 year	238	238	0.43
Due from 1 to 5 years	144	154	1.65
Due from 5 to 10 years	75	81	0.98
Due after 10 years	8	10	2.00
Total debt securities	**465**	**483**	**0.92**

7 Loans, allowance for loan losses and credit quality

Loans are divided in two portfolio segments, "consumer" and "corporate & institutional". Consumer loans are disaggregated into the classes of mortgages, loans collateralized by securities and consumer finance. Corporate and institutional loans are disaggregated into the classes of real estate, commercial and industrial loans, financial institutions, and governments and public institutions.

The determination of the loan classes is primarily driven by the customer segmentation in the private banking, corporate and institutional businesses across the Company's core businesses, all of which are engaged in lending activities.

The Company assigns both counterparty and transaction ratings to its credit exposures. The counterparty rating reflects the probability of default (PD) of the counterparty. The transaction rating reflects the expected loss, considering collateral, on a given transaction if the counterparty defaults. Credit risk is assessed and monitored on the single obligor and single obligation level as well as on the credit portfolio level as represented by the classes of loans. Credit limits are used to manage counterparty credit risk.

Loans

end of	6M17
Loans (CHF million)	
Mortgages	100,225
Loans collateralized by securities	6,887
Consumer finance	3,368
Consumer	110,480
Real estate	23,264
Commercial and industrial loans	27,142
Financial institutions	3,844
Governments and public institutions	746
Corporate & institutional	54,996
Gross loans	**165,476**
of which held at amortized cost	165,450
of which held at fair value	26
Net (unearned income)/deferred expenses	51
Allowance for loan losses	(425)
Net loans	**165,102**
Gross loans by location (CHF million)	
Switzerland	153,991
Foreign	11,485
Gross loans	**165,476**
Impaired loan portfolio (CHF million)	
Non-performing loans	375
Non-interest-earning loans	128
Total non-performing and non-interest-earning loans	503
Restructured loans	61
Potential problem loans	161
Total other impaired loans	222
Gross impaired loans	**725**

Allowance for loan losses

	6M17		
	Consumer	Corporate & institutional	Total
Allowance for loan losses (CHF million)			
Balance at beginning of period	**120**	**308**	**428**
Net movements recognized in statement of operations	25	18	43
Gross write-offs	(27)	(28)	(55)
Recoveries	4	4	8
Net write-offs	(23)	(24)	(47)
Provisions for interest	0	3	3
Foreign currency translation impact and other adjustments, net	1	(3)	(2)
Balance at end of period	**123**	**302**	**425**
of which individually evaluated for impairment	88	212	300
of which collectively evaluated for impairment	35	90	125
Gross loans held at amortized cost (CHF million)			
Balance at end of period	**110,480**	**54,970**	**165,450**
of which individually evaluated for impairment [1]	341	384	725
of which collectively evaluated for impairment	110,139	54,586	164,725

[1] Represents gross impaired loans both with and without a specific allowance.

Purchases, reclassifications and sales

in	6M17
	Total
Loans held at amortized cost (CHF million)	
Purchases [1]	**1,092**
Reclassifications to loans held-for-sale [2]	**242**
Sales [2]	**242**

Relates to Corporate & institutional loans.
[1] Includes drawdowns under purchased loan commitments.
[2] All loans held at amortized cost which are sold are reclassified to loans held-for-sale on or prior to the date of the sale.

Credit quality of loans held at amortized cost

Management monitors the credit quality of loans through its credit risk management processes, which are structured to assess, measure, monitor and manage risk on a consistent basis. This process requires careful consideration of proposed extensions of credit, the setting of specific limits, monitoring during the life of the exposure, active use of credit mitigation tools and a disciplined approach to recognizing credit impairment.

Management evaluates many factors when assessing the credit quality of loans. These factors include the volatility of default probabilities, rating changes, the magnitude of potential loss, internal risk ratings, and geographic, industry and other economic factors. For the purpose of credit quality disclosures, the Company uses detailed internal risk ratings which are aggregated to

the credit quality indicators investment grade and non-investment grade.

The Company employs a set of credit ratings for the purpose of internally rating counterparties. Credit ratings are intended to reflect the risk of default of each counterparty. Ratings are assigned based on internally developed rating models and processes, which are subject to governance and internally independent validation procedures.

Internal ratings are assigned to all loans reflecting the Company's internal view of the credit quality of the counterparty. Internal ratings may differ from a counterparty's external ratings, if such ratings are available. Internal ratings are regularly reviewed depending on loan type, client segment, collateral or event-driven developments. For the calculation of internal risk estimates and risk-weighted assets, a PD is assigned to each loan. Generally, an internal rating or a PD is calculated directly by proprietary statistical rating models. These models are based on internally compiled data comprising both quantitative factors (primarily balance sheet information for corporates and loan-to-value ratio and the borrower's income level for mortgage lending) and qualitative factors (e.g., credit histories from credit reporting bureaus). For models calculating a PD, an equivalent rating based on the Standard & Poor's rating scale is assigned based on the PD band associated with each rating, which is used for disclosure purposes. The PD for each internal rating is calibrated to historic default experience using internal data and external data from Standard & Poor's.

Reverse repurchase agreements are fully collateralized and in the event of counterparty default the reverse repurchase agreement provides Credit Suisse Schweiz the right to liquidate the collateral held. The Company's risk management manages these instruments on the basis of the value of the underlying collateral, as opposed to loans, which are risk-managed on the ability of the counterparty to repay. Therefore the underlying collateral coverage is the most appropriate credit quality indicator for reverse repurchase agreements. As such, reverse repurchase agreements have not been included in the following tables.

The following tables present the Company's recorded investment in loans held at amortized cost by aggregated internal counterparty credit ratings investment grade and non-investment grade that are used as credit quality indicators for the purpose of this disclosure, and a related aging analysis.

Gross loans held at amortized cost by internal counterparty rating

	Investment grade	Non-investment grade		
end of	AAA to BBB	BB to C	D	**Total**
6M17 (CHF million)				
Mortgages	90,312	9,750	163	100,225
Loans collateralized by securities	6,786	100	1	6,887
Consumer finance	1,208	2,038	122	3,368
Consumer	98,306	11,888	286	110,480
Real estate	18,242	4,968	54	23,264
Commercial and industrial loans	13,231	13,628	259	27,118
Financial institutions	2,783	1,018	41	3,842
Governments and public institutions	728	18	0	746
Corporate & institutional	34,984	19,632	354	54,970
Gross loans held at amortized cost	**133,290**	**31,520**	**640**	**165,450**
Value of collateral [1]	126,499	25,250	325	152,074

[1] Includes the value of collateral up to the amount of the outstanding related loans. For mortgages, the value of collateral is determined at the time of granting the loan and thereafter regularly reviewed according to the Credit Suisse Schweiz risk management policies and directives, with maximum review periods determined by property type, market liquidity and market transparency.

Value of collateral

In the Company's private clients and corporate and institutional clients businesses, all collateral values for loans are regularly reviewed according to its risk management policies and directives, with maximum review periods determined by collateral type, market liquidity and market transparency. For example, traded securities are revalued on a daily basis and property values are appraised over a period of more than one year considering the characteristics of the property, current developments in the relevant real estate market and the current level of credit exposure to the borrower. If the credit exposure to a borrower has changed significantly, in volatile markets or in times of increasing general market risk, collateral values may be appraised more frequently. Management judgment is applied in assessing whether markets are volatile or general market risk has increased to a degree that warrants a more frequent update of collateral values. Movements in monitored risk metrics that are statistically different compared to historical experience are considered in addition to analysis of externally-provided forecasts, scenario techniques and macro-economic research. For impaired loans, the fair value of collateral is determined within 90 days of the date the impairment was identified and thereafter regularly revalued by credit risk management within the impairment review process.

Gross loans held at amortized cost – aging analysis

end of	Current	Past due					Total
		Up to 30 days	31-60 days	61-90 days	More than 90 days	Total	
6M17 (CHF million)							
Mortgages	98,700	1,371	15	26	113	1,525	100,225
Loans collateralized by securities	6,886	0	0	0	1	1	6,887
Consumer finance	2,933	245	39	28	123	435	3,368
Consumer	108,519	1,616	54	54	237	1,961	110,480
Real estate	22,694	523	2	10	35	570	23,264
Commercial and industrial loans	26,220	674	15	57	152	898	27,118
Financial institutions	3,703	95	2	1	41	139	3,842
Governments and public institutions	736	10	0	0	0	10	746
Corporate & institutional	53,353	1,302	19	68	228	1,617	54,970
Gross loans held at amortized cost	**161,872**	**2,918**	**73**	**122**	**465**	**3,578**	**165,450**

Impaired loans

Categories of impaired loans

In accordance with the Company policies, impaired loans include non-performing loans, non-interest-earning loans, restructured loans and potential problem loans.

‣ Refer to "Loans" in Note 1 – Summary of significant accounting policies for further information on categories of impaired loans.

Gross impaired loans by category

end of	Non-performing and non-interest earning loans			Other impaired loans			Total
	Non-performing	Non-interest-earning	Total	Re-structured	Potential problem	Total	
6M17 (CHF million)							
Mortgages	138	9	147	13	56	69	216 [1]
Loans collateralized by securities	0	1	1	0	0	0	1
Consumer finance	121	2	123	0	1	1	124
Consumer	259	12	271	13	57	70	341
Real estate	37	1	38	0	19	19	57
Commercial and industrial loans	79	74	153	48	85	133	286
Financial institutions	0	41	41	0	0	0	41
Corporate & institutional	116	116	232	48	104	152	384
Gross impaired loans	**375**	**128**	**503**	**61**	**161**	**222**	**725**

[1] As of the end of 6M17, CHF 60 million were related to consumer mortgages secured by residential real estate for which formal foreclosure proceedings according to local requirements of the applicable jurisdiction were in process.

Write-off and recovery of loans

Write-off of a loan occurs when it is considered certain that there is no possibility of recovering the outstanding principal. In the Company's private banking, corporate and institutional businesses, write-offs are made based on an individual counterparty assessment performed by credit risk management, if it is certain that parts of a loan will not be recoverable. For collateralized loans, the collateral is assessed and the unsecured exposure is written off. Write-offs on uncollateralized loans are based on the borrower's ability to pay back the outstanding loan out of free cash flow. The Company evaluates the recoverability of the loans granted, if a borrower is expected to default wholly or partly on its payment obligations or to meet these only with third-party support. Adjustments are made to reflect the estimated realizable value of the loan or any collateral. Triggers to assess the creditworthiness of a borrower to absorb the adverse developments include i) a default on interest or principal payments by more than 90 days, ii) a waiver of interest or principal by the Company, iii) a downgrade of the loan to non-interest-earning, iv) the collection of the debt through seizure order, bankruptcy proceedings or realization of collateral, or v) the insolvency of the borrower. Based on such assessment, credit risk management evaluates the need for write-offs individually and on an ongoing basis.

Recoveries of loans previously written off are recorded based on the cash or estimated fair value of other amounts received.

Gross impaired loan detail

end of			6M17
	Recorded investment	Unpaid principal balance	Associated specific allowance
Gross impaired loan detail (CHF million)			
Mortgages	149	142	21
Loans collateralized by securities	1	0	1
Consumer finance	124	110	66
Consumer	274	252	88
Real estate	53	49	8
Commercial and industrial loans	249	240	171
Financial institutions	41	41	33
Corporate & institutional	343	330	212
Gross impaired loans with a specific allowance	**617**	**582**	**300**
Mortgages	67	67	–
Consumer	67	67	–
Real estate	4	4	–
Commercial and industrial loans	37	37	–
Corporate & institutional	41	41	–
Gross impaired loans without specific allowance	**108**	**108**	**–**
Gross impaired loans	**725**	**690**	**300**
of which consumer	341	319	88
of which corporate & institutional	384	371	212

Gross impaired loan detail (continued)

in			6M17
	Average recorded investment	Interest income recognized	Interest income recognized (cash basis)
Gross impaired loan detail (CHF million)			
Mortgages	159	1	0
Loans collateralized by securities	1	0	0
Consumer finance	124	0	0
Consumer	284	1	0
Real estate	55	0	0
Commercial and industrial loans	215	1	1
Financial institutions	48	0	0
Corporate & institutional	318	1	1
Gross impaired loans with a specific allowance	**602**	**2**	**1**
Mortgages	55	1	0
Consumer	55	1	0
Real estate	1	0	0
Commercial and industrial loans	28	1	0
Corporate & institutional	29	1	0
Gross impaired loans without specific allowance	**84**	**2**	**0**
Gross impaired loans	**686**	**4**	**1**
of which consumer	339	2	0
of which corporate & institutional	347	2	1

Allowance for specifically identified credit losses on impaired loans

The Company considers a loan impaired when, based on current information and events, it is probable that the Company will be unable to collect the amounts due according to the contractual terms of the loan agreement. The Company performs an in-depth review and analysis of impaired loans considering factors such as recovery and exit options as well as collateral and counterparty risk. In general, all impaired loans are individually assessed. The trigger to detect an impaired loan is non-payment of interest or other contractual payment obligations. In addition, loans to corporates and institutions are regularly reviewed depending on loan type, client segment, collateral or event-driven developments. Loans that are not impaired, but which are of special concern due to changes in covenants, downgrades, negative financial news and other adverse developments, are included on a watch list. All loans on the watch list are reviewed at least quarterly to determine whether they should be moved to recovery management, at which point they are reviewed quarterly for impairment. If an individual loan specifically identified for evaluation is considered impaired, the allowance is determined as a reasonable estimate of credit losses existing as of the end of the reporting period. Thereafter, the allowance is revalued by credit risk management at least annually or more frequently depending on the risk profile of the borrower or credit relevant events. For non-collateral-dependent impaired loans, an impairment is determined using the present value of estimated future cash flows. If the present value of estimated future cash flows is used, the impaired loan and related allowance are revalued at least quarterly to reflect the passage of time. For collateral-dependent impaired loans, an impairment is determined using the fair value of the collateral.

Restructured loans held at amortized cost

in			6M17
	Number of contracts	Recorded investment pre-modification	Recorded investment post-modification
Restructured loans (CHF million, except where indicated)			
Commercial and industrial loans	8	24	24
Total	**8**	**24**	**24**

In 6M17, the loan modifications of the Company included extended loan repayment terms, including the suspension of quarterly and annual loan amortizations, modifications of covenants and a waiver of a loan termination.

In 6M17, the Company did not experience a default on any loan that had been restructured within the previous 12 months.

8 Accumulated other comprehensive income

	Gains/ (losses) on cash flow hedges	Unrealized gains/ (losses) on securities	Gains/ (losses) on liabilities relating to credit risk	**Accumu-lated other compre-hensive income/ (loss)**
6M17 (CHF million)				
Balance at beginning of period	**4**	**10**	**0**	**14**
Increase/(decrease)	(1)	(1)	1	(1)
Reclassification adjustments, included in net income/(loss)	(2)	0	0	(2)
Total increase/(decrease)	(3)	(1)	1	(3)
Balance at end of period	**1**	**9**	**1**	**11**

9 Offsetting of financial assets and financial liabilities

The disclosures set out in the tables below include derivatives, reverse repurchase and repurchase agreements, and securities lending and borrowing transactions that:
- are offset in the Company's consolidated balance sheet; or
- are subject to an enforceable master netting agreement or similar agreement (enforceable master netting agreements), irrespective of whether they are offset in the Company's consolidated balance sheet.

Similar agreements include derivative clearing agreements, global master repurchase agreements and global master securities lending agreements.

Derivatives

The Company transacts bilateral OTC derivatives (OTC derivatives) mainly under International Swaps and Derivatives Association (ISDA) Master Agreements and Swiss Master Agreements for OTC derivative instruments. These agreements provide for the net settlement of all transactions under the agreement through a single payment in the event of default or termination under the agreement. They allow the Company to offset balances from derivative assets and liabilities as well as the receivables and payables to related cash collateral transacted with the same counterparty. Collateral for OTC derivatives is received and provided in the form of cash and marketable securities. Such collateral may be subject to the standard industry terms of an ISDA Credit Support Annex. The terms of an ISDA Credit Support Annex provide that securities received or provided as collateral may be pledged or sold during the term of the transactions and must be returned upon maturity of the transaction. These terms also give each counterparty the right to terminate the related transactions upon the other counterparty's failure to post collateral. Financial collateral received or pledged for OTC derivatives may also be subject to collateral agreements which restrict the use of financial collateral.

For derivatives transacted with exchanges (exchange-traded derivatives) and central clearing counterparties (OTC-cleared derivatives), positive and negative replacement values (NRV) and related cash collateral may be offset if the terms of the rules and regulations governing these exchanges and central clearing counterparties permit such netting and offset.

Where no such agreements exist, fair values are recorded on a gross basis.

Exchange-traded derivatives or OTC-cleared derivatives, that are fully margined and for which the daily margin payments constitute settlement of the outstanding exposure, are not included in the offsetting disclosures because they are not subject to offsetting due to the daily settlement. The daily margin payments, which are not settled until the next settlement cycle is conducted, are presented in brokerage receivables or brokerage payables. The notional amount for these daily settled derivatives is included in the fair value of derivative instruments table in "Note 12 – Derivatives and hedging activities".

Under US GAAP, the Company elected to account for substantially all financial instruments with an embedded derivative that is not considered clearly and closely related to the host contract at fair value. There is an exception for a bifurcatable hybrid debt instrument which the Company did not elect to account for at fair value. However, this bifurcated embedded derivative is not subject to an enforceable master netting agreement and is not recorded as derivative instrument under trading assets and liabilities or other assets and other liabilities. Information on bifurcated embedded derivatives has therefore not been included in the offsetting disclosures.

The following table presents the gross amount of derivatives subject to enforceable master netting agreements by contract and transaction type, the amount of offsetting, the amount of derivatives not subject to enforceable master netting agreements and the net amount presented in the consolidated balance sheet.

Offsetting of derivatives

end of	6M17	
	Derivative assets	Derivative liabilities
Gross derivatives subject to enforceable master netting agreements (CHF million)		
OTC	2,429	2,660
Exchange-traded	1	0
Interest rate products	**2,430**	**2,660**
OTC	1,483	2,163
Foreign exchange products	**1,483**	**2,163**
OTC	468	344
Exchange-traded	551	1,247
Equity/index-related products	**1,019**	**1,591**
OTC	47	37
Credit derivatives	**47**	**37**
OTC	25	24
Exchange-traded	1	5
Other products [2]	**26**	**29**
OTC	4,452	5,228
Exchange-traded	553	1,252
Total gross derivatives subject to enforceable master netting agreements	**5,005**	**6,480**
Offsetting (CHF million)		
OTC	(2,007)	(4,164)
Exchange-traded	(502)	(1,082)
Offsetting	**(2,509)**	**(5,246)**
of which counterparty netting	(2,452)	(2,452)
of which cash collateral netting	(57)	(2,794)
Net derivatives presented in the consolidated balance sheet (CHF million)		
OTC	2,445	1,064
Exchange-traded	51	170
Total net derivatives subject to enforceable master netting agreements	**2,496**	**1,234**
Total derivatives not subject to enforceable master netting agreements [1]	**109**	**74**
Total net derivatives presented in the consolidated balance sheet	**2,605**	**1,308**
of which recorded in trading assets and trading liabilities	2,605	1,308

[1] Represents derivatives where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.
[2] Primarily precious metals.

Reverse repurchase and repurchase agreements and securities lending and borrowing transactions

Reverse repurchase and repurchase agreements are generally covered by global master repurchase agreements. In certain situations, for example, in the event of default, all contracts under the agreements are terminated and are settled net in one single payment. Global master repurchase agreements also include payment or settlement netting provisions in the normal course of business that state that all amounts in the same currency payable by each party to the other under any transaction or otherwise under the global master repurchase agreement on the same date shall be set off.

Transactions under such agreements are netted in the consolidated balance sheet if they are with the same counterparty, have the same maturity date, settle through the same clearing institution and are subject to the same master netting agreement. The amounts offset are measured on the same basis as the underlying transaction (i.e., on an accrual basis or fair value basis).

Securities lending and borrowing transactions are generally executed under global master securities lending agreements with netting terms similar to ISDA Master Agreements. In certain situations, for example in the event of default, all contracts under the agreement are terminated and are settled net in one single payment. Transactions under these agreements are netted in the consolidated balance sheet if they meet the same right of offset criteria as for reverse repurchase and repurchase agreements. In general, most securities lending and borrowing transactions do not meet the criterion of having the same settlement date specified at inception of the transaction, and therefore they are not eligible for netting in the consolidated balance sheet. However, securities lending and borrowing transactions with explicit maturity dates may be eligible for netting in the consolidated balance sheet.

Reverse repurchase and repurchase agreements are collateralized principally by government securities, money market instruments and corporate bonds and have terms ranging from overnight to a longer or unspecified period of time. In the event of counterparty default, the reverse repurchase agreement or securities lending agreement provides the Company with the right to liquidate the collateral held. In certain circumstances, financial collateral received may be restricted during the term of the agreement (e.g., in tri-party arrangements).

The following table presents the gross amount of securities purchased under resale agreements and securities borrowing transactions subject to enforceable master netting agreements, the amount of offsetting, the amount of securities purchased under resale agreements and securities borrowing transactions not subject to enforceable master netting agreements and the net amount presented in the consolidated balance sheet.

Offsetting of securities purchased under resale agreements and securities borrowing transactions

end of		6M17	
	Gross	Offsetting	Net book value
Securities purchased under resale agreements and securities borrowing transactions (CHF million)			
Securities purchased under resale agreements	15,849	(1,601)	14,248
Securities borrowing transactions	295	0	295
Total subject to enforceable master netting agreements	**16,144**	**(1,601)**	**14,543** [1]

[1] CHF 219 million of the total net amount are reported at fair value.

The following table presents the gross amount of securities sold under repurchase agreements and securities lending transactions subject to enforceable master netting agreements, the amount of offsetting, the amount of securities sold under repurchase agreements and securities lending transactions not subject to enforceable master netting agreements and the net amount presented in the consolidated balance sheet.

Offsetting of securities sold under repurchase agreements and securities lending transactions

end of			6M17
	Gross	Offsetting	Net book value
Securities sold under repurchase agreements and securities lending transactions (CHF million)			
Securities sold under repurchase agreements	5,576	(1,601)	3,975
Securities lending transactions	1,096	0	1,096
Obligation to return securities received as collateral, at fair value	5,353	0	5,353
Total subject to enforceable master netting agreements	**12,025**	**(1,601)**	**10,424**
Total not subject to enforceable master netting agreements [1]	**57**	**–**	**57**
Total	**12,082**	**(1,601)**	**10,481**
of which securities sold under repurchase agreements and securities lending transactions	6,672	(1,601)	5,071
of which obligation to return securities received as collateral, at fair value	5,410	0	5,410

[1] Represents securities sold under repurchase agreements and securities lending transactions where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.

The following table presents the net amount presented in the consolidated balance sheet of financial assets and liabilities subject to enforceable master netting agreements and the gross amount of financial instruments and cash collateral not offset in the consolidated balance sheet. The table excludes derivatives, reverse repurchase and repurchase agreements and securities lending and borrowing transactions not subject to enforceable master netting agreements where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place. Net exposure reflects risk mitigation in the form of collateral.

Amounts not offset in the consolidated balance sheet

end of				6M17
	Net book value	Financial instruments [1]	Cash collateral received/ pledged [1]	Net exposure
Financial assets subject to enforceable master netting agreements (CHF million)				
Derivatives	2,496	0	0	2,496
Securities purchased under resale agreements	14,248	14,248	0	0
Securities borrowing transactions	295	295	0	0
Total financial assets subject to enforceable master netting agreements	**17,039**	**14,543**	**0**	**2,496**
Financial liabilities subject to enforceable master netting agreements (CHF million)				
Derivatives	1,234	0	0	1,234
Securities sold under repurchase agreements	3,975	3,975	0	0
Securities lending transactions	1,096	1,071	0	25
Obligation to return securities received as collateral, at fair value	5,353	5,202	0	151
Total financial liabilities subject to enforceable master netting agreements	**11,658**	**10,248**	**0**	**1,410**

[1] The total amount reported in financial instruments (recognized financial assets and financial liabilities and non-cash financial collateral) and cash collateral is limited to the amount of the related instruments presented in the consolidated balance sheet and therefore any over-collateralization of these positions is not included.

Net exposure is subject to further credit mitigation through the transfer of the exposure to other market counterparties by the use of CDS and credit insurance contracts. Therefore the net exposure presented in the table above is not representative of the Company's counterparty exposure.

10 Tax

The effective tax rate of 11.8% in 6M17 mainly reflected the impact of lower taxed income in Switzerland. Further details are outlined in the tax expense reconciliation below.

The Company remains open to examination from Swiss federal, state, provincial or similar local jurisdictions from its incorporation in 2015.

Tax expense reconciliation

in	6M17
CHF million	
Income tax expense computed at the statutory tax rate of 22%	**193**
Increase/(decrease) in income taxes resulting from	
Tax rate differential	(11)
Lower taxed income	(78)
Changes in tax law and rates	(1)
Changes in deferred tax valuation allowance	(2)
Tax on intra group dividends	2
Income tax expense	**103**

Tax rate differential

6M17 included a tax benefit of CHF 11 million in respect of earnings in lower tax jurisdictions within Switzerland.

Lower taxed income

6M17 included the impact of CHF 53 million relating to lower taxed dividend income and CHF 25 million relating to net income from equity method investments.

Net deferred tax assets

end of	6M17
Net deferred tax assets (CHF million)	
Deferred tax assets	648
of which net operating losses	35
of which deductible temporary differences	613
Deferred tax liabilities	(2)
Net deferred tax assets	**646**

11 Pension benefits

The Company and its subsidiaries participate in a defined benefit pension plan sponsored by the Group (Group plan). The Group plan, which is located in Switzerland, provides benefits in the event of retirement, death and disability. Various legal entities within the Group participate in the Group plan, which is set up as an independent trust domiciled in Zurich. Benefits in the Group plan are determined on the basis of the accumulated employer and employee contributions and accumulated interest credited.

The Company accounts for the defined benefit pension plan sponsored by the Group as a multi-employer pension plan because other legal entities within the Group also participate in the Group plan and the assets contributed by the Company are not segregated into a separate account or restricted to provide benefits only to employees of the Company. The assets contributed by the Company are commingled with the assets contributed by the other legal entities of the Group and can be used to provide benefits to any employee of any participating legal entity.

The Company accounts for the Group plan on a defined contribution basis whereby it only recognizes the amounts required to be contributed to the Group plan as net periodic pension expense and only recognizes a liability for any contributions due and unpaid. No other expenses or balance sheet amounts related to the Group plan were recognized by the Company. The Company expects to contribute CHF 160 million to the Group plan in 2017. In 6M17, the Company made contributions of CHF 87 million to the Group plan.

12 Derivatives and hedging activities

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

The Company also enters into contracts that are not considered derivatives in their entirety but include embedded derivative features. Such transactions primarily include issued and purchased structured debt instruments where the return may be calculated by reference to an equity security, index or third-party credit risk, or that have non-standard interest or foreign exchange terms.

On the date a derivative contract is entered into, the Company designates it as belonging to one of the following categories:

- trading activities;
- a risk management transaction that does not qualify as a hedge under accounting standards (referred to as an economic hedge);
- a hedge of the fair value of a recognized asset or liability; or
- a hedge of the variability of cash flows to be received or paid relating to a recognized asset or liability or a forecasted transaction.

The Company has no investments in a foreign operation and for this reason does not apply net investment hedging.

Trading activities

The Company is active in most of the principal trading markets and transacts in many trading and hedging products. As noted above, this includes the use of swaps, futures, options and structured products, such as custom transactions using combinations of derivatives, in connection with its sales and trading activities. Trading activities include market making, positioning and arbitrage activities. The majority of the Company's derivatives were used for trading activities.

Economic hedges

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

- interest rate derivatives to manage net interest rate risk on certain core banking business assets and liabilities;
- foreign exchange derivatives to manage foreign exchange risk on certain core banking business revenue and expense items, as well as on core banking business assets and liabilities;
- credit derivatives to manage credit risk on certain loan portfolios;
- futures to manage risk on equity positions including convertible bonds; and
- equity derivatives to manage equity/index risks on certain structured products.

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

Hedge accounting

Fair value hedges

The Company designates fair value hedges as part of an overall interest rate risk management strategy that incorporates the use of derivative instruments to minimize fluctuations in earnings that are caused by interest rate volatility.

Cash flow hedges

The Company designates cash flow hedges as part of its strategy to mitigate its risk to variability of cash flows on loans by using interest rate swaps to convert variable rate assets to fixed rates. Further, the Company uses derivatives to hedge its cash flows associated with forecasted transactions.

Hedge effectiveness assessment

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

Fair value of derivative instruments

The tables below present gross derivative replacement values by type of contract and whether the derivative is used for trading purposes or in a qualifying hedging relationship. Notional amounts have also been provided as an indication of the volume of derivative activity within the Company.

Information on bifurcated embedded derivatives has not been included in these tables. Under US GAAP, the Company elected to account for substantially all financial instruments with an embedded derivative that is not considered clearly and closely related to the host contract at fair value.

▸ Refer to "Note 15 – Financial instruments" for further information.

Fair value of derivative instruments

	Trading			Hedging [1]		
end of 6M17	Notional amount	Positive replacement value (PRV)	Negative replacement value (NRV)	Notional amount	Positive replacement value (PRV)	Negative replacement value (NRV)
Derivative instruments (CHF million)						
Forwards and forward rate agreements	12,650	0	0	0	0	0
Swaps	175,549	1,904	1,990	20,713	154	233
Options bought and sold (OTC)	6,987	390	438	0	0	0
Futures	9,156	0	0	0	0	0
Options bought and sold (exchange-traded)	20	1	0	0	0	0
Interest rate products	**204,362**	**2,295**	**2,428**	**20,713**	**154**	**233**
Forwards	255,300	1,437	2,096	0	0	0
Swaps	326	13	13	0	0	0
Options bought and sold (OTC)	10,428	103	112	0	0	0
Foreign exchange products	**266,054**	**1,553**	**2,221**	**0**	**0**	**0**
Swaps	4,841	94	98	0	0	0
Options bought and sold (OTC)	8,989	375	260	0	0	0
Futures	2,180	0	0	0	0	0
Options bought and sold (exchange-traded)	35,495	551	1,247	0	0	0
Equity/index-related products	**51,505**	**1,020**	**1,605**	**0**	**0**	**0**
Credit derivatives [2]	**3,518**	**63**	**37**	**0**	**0**	**0**
Forwards	2,331	4	6	0	0	0
Swaps	3	0	0	0	0	0
Options bought and sold (OTC)	1,438	24	19	0	0	0
Futures	49	0	0	0	0	0
Options bought and sold (exchange-traded)	24	1	5	0	0	0
Other products [3]	**3,845**	**29**	**30**	**0**	**0**	**0**
Total derivative instruments	**529,284**	**4,960**	**6,321**	**20,713**	**154**	**233**

The notional amount, PRV and NRV (trading and hedging) was CHF 549,997 million, CHF 5,114 million and CHF 6,554 million, respectively, as of June 30, 2017.
[1] Relates to derivative contracts that qualify for hedge accounting under US GAAP.
[2] Primarily credit default swaps.
[3] Primarily precious metals.

Netting of derivative instruments

▸ Refer to “Note 9 – Offsetting of financial assets and financial liabilities” for further information on the offsetting of derivative instruments.

Fair value hedges

in	6M17
Gains/(losses) recognized in income on derivatives (CHF million)	
Interest rate products	28
Total	**28**
Gains/(losses) recognized in income on hedged items (CHF million)	
Interest rate products	(27)
Total	**(27)**
Details of fair value hedges (CHF million)	
Net gains/(losses) on the ineffective portion	1

Represents gains/(losses) recognized in trading revenues.

Cash flow hedges

in	6M17
Gains/(losses) recognized in AOCI on derivatives (CHF million)	
Interest rate products	(1)
Total	**(1)**
Gains/(losses) reclassified from AOCI into income (CHF million)	
Interest rate products	3 [1]
Total	**3**
Details of cash flow hedges (CHF million)	
Net gains on the ineffective portion [2]	1

[1] Included in interest and dividend income.
[2] Included in trading revenues.

As of the end of 6M17, the maximum length of time over which the Company hedged its exposure to the variability in future cash flows for forecasted transactions, excluding those forecasted transactions related to the payment of variable interest on existing financial instruments, was four years.

The Company includes all derivative instruments not included in hedge accounting relationships in its trading activities.

‣ Refer to "Note 4 – Trading revenues" for gains and losses on trading activities by product type.

Credit derivatives

Credit derivatives are contractual agreements in which the buyer generally pays a fee in exchange for a contingent payment by the seller if there is a credit event on the underlying referenced entity or asset. They are generally privately negotiated OTC contracts, with numerous settlement and payment terms, and most are structured so that they specify the occurrence of an identifiable credit event, which can include bankruptcy, insolvency, receivership, material adverse restructuring of debt or failure to meet obligations when due.

The credit derivatives most commonly transacted by the Company are CDS and credit swaptions. CDSs are contractual agreements in which the buyer of the swap pays an upfront and/or a periodic fee in return for a contingent payment by the seller of the swap following a credit event of the referenced entity or asset. Credit swaptions are options with a specified maturity to buy or sell protection under a CDS on a specific referenced credit event.

The Company enters into credit derivative contracts in the normal course of business, buying and selling protection to facilitate client transactions or to hedge the Company's loan book. Finally, the Company also takes on relative value positions in credit derivatives contracts as part of its normal client facilitation-oriented business, i.e., the Company purchases and sells credit protection with different maturities on the same underlying reference instrument.

In addition, to reduce its credit risk, the Company enters into legally enforceable netting agreements with its derivative counterparties. Collateral on these derivative contracts is usually posted on a net counterparty basis and cannot be allocated to a particular derivative contract.

‣ Refer to "Note 9 – Offsetting of financial assets and financial liabilities" for further information on netting.

Credit derivatives used to facilitate client transactions

The Company enters into credit derivative transactions to facilitate client transactions including providing structured credit products for its clients to enable them to hedge their credit risk. The referenced instruments of these structured credit products are both investment grade and non-investment grade and could include corporate bonds, sovereign debt, ABS and loans. These instruments can be formed as single items (single-named instruments) or combined on a portfolio basis (multi-named instruments).

Credit derivatives used as hedges for the corporate loan book

The Company is actively using credit derivatives for the purpose of hedging credit risk of its corporate loan book. These hedges are typically in the form of CDS under which the Company is purchasing protection on its loan exposure and other corporate exposures such as letters of credit, guarantees and commitments. Such CDS are fully collateralized by the protection seller in the form of cash deposits with Credit Suisse AG or other high quality assets like government bonds. These CDS are also tailored to account for Swiss bankruptcy law and are therefore different to CDS that are typically traded in the inter-dealer market using ISDA credit derivatives definitions. In particular, the settlement amounts which can be claimed by the Company upon a credit event of a referenced entity is determined by reference to the losses incurred by the Company. To create an alignment of interest when a loan is worked out by the Company, the Company commits to retain at least 20% of its exposure unhedged.

CDS can be single-name instruments or multi-name instruments. In the case of multi-name instruments, the Company typically purchases protection only on a first loss basis in order to keep the hedge as efficient as possible while still holding enough protection to be covered for losses even in stress scenarios.

The use of credit hedges also allows the Company to grow its business by providing credit facilities to clients also if the Company's credit exposure on an unhedged basis would exceed its credit risk appetite.

Credit protection sold

Credit protection sold is the maximum potential payout, which is based on the notional value of derivatives and represents the amount of future payments that the Company would be required to make as a result of credit risk-related events. The Company believes that the maximum potential payout is not representative of the actual loss exposure based on historical experience. This amount has not been reduced by the Company's rights to the underlying assets and the related cash flows. In accordance with most credit derivative contracts, should a credit event (or settlement trigger) occur, the Company is usually liable for the difference between the credit protection sold and the recourse it holds in the value of the underlying assets. The maximum potential amount of future payments has not been reduced for any cash collateral paid to a given counterparty as such payments would be calculated after netting all derivative exposures, including any credit derivatives with that counterparty in accordance with a related master netting agreement. Due to such netting processes, determining the amount of collateral that corresponds to credit derivative exposures only is not possible.

To reflect the quality of the payment risk on credit protection sold, the Company assigns an internally generated rating to those instruments referenced in the contracts. Internal ratings are assigned by experienced credit analysts based on expert judgment that incorporates analysis and evaluation of both quantitative and qualitative factors. The specific factors analyzed, and their

relative importance, are dependent on the type of counterparty. The analysis emphasizes a forward-looking approach, concentrating on economic trends and financial fundamentals, and making use of peer analysis, industry comparisons and other quantitative tools. External ratings and market information are also used in the analysis process where available.

Credit protection purchased

Credit protection purchased represents those instruments where the underlying reference instrument is identical to the reference instrument of the credit protection sold. The maximum potential payout amount of credit protection purchased for each individual identical underlying reference instrument may be greater or lower than the notional amount of protection sold.

The Company also considers estimated recoveries that it would receive if the specified credit event occurred, including both the anticipated value of the underlying referenced asset that would, in most instances, be transferred to the Company and the impact of any purchased protection with an identical reference instrument and product type.

Other protection purchased

In the normal course of business, the Company purchases protection to offset the risk of credit protection sold that may have similar, but not identical, reference instruments, and may use similar, but not identical, products, which reduces the total credit derivative exposure. Other protection purchased is based on the notional value of the instruments.

The Company purchases its protection from banks and broker dealers, other financial institutions and other counterparties.

Fair value of credit protection sold

The fair values of the credit protection sold give an indication of the amount of payment risk, as the negative fair values increase when the potential payment under the derivative contracts becomes more probable.

Credit protection sold/purchased

The following tables do not include all credit derivatives and differ from the credit derivatives in the “Fair value of derivative instruments” tables. This is due to the exclusion of certain credit derivative instruments under US GAAP, which defines a credit derivative as a derivative instrument (a) in which one or more of its underlyings are related to the credit risk of a specified entity (or a group of entities) or an index based on the credit risk of a group of entities and (b) that exposes the seller to potential loss from credit risk-related events specified in the contract.

Credit protection sold/purchased

end of					6M17
	Credit protection sold	Credit protection purchased [1]	**Net credit protection (sold)/ purchased**	Other protection purchased	Fair value of credit protection sold
Instruments (CHF million)					
Single-name instruments	(1,223)	864	(359)	29	17
Multi-name instruments	(188)	43	(145)	1,171	9
Total instruments	**(1,411)**	**907**	**(504)**	**1,200**	**26**

[1] Represents credit protection purchased with identical underlyings and recoveries.

The following table reconciles the notional amount of credit derivatives included in the table “Fair value of derivative instruments” to the table “Credit protection sold/purchased”.

Credit derivatives

end of	6M17
Credit derivatives (CHF million)	
Credit protection sold	1,411
Credit protection purchased	907
Other protection purchased	1,200
Total credit derivatives	**3,518**

The segregation of the future payments by maturity range and underlying risk gives an indication of the current status of the potential for performance under the derivative contracts.

Maturity of credit protection sold

end of	Maturity less than 1 year	Maturity between 1 to 5 years	Maturity greater than 5 years	Total
6M17 (CHF million)				
Single-name instruments	61	987	175	1,223
Multi-name instruments	10	178	0	188
Total instruments	**71**	**1,165**	**175**	**1,411**

13 Guarantees and commitments

Guarantees

In the ordinary course of business, guarantees are provided that contingently obligate the Company to make payments to third parties if the counterparty fails to fulfill its obligation under a borrowing or other contractual arrangement. The total gross amount disclosed within the Guarantees table reflects the maximum potential payment under the guarantees. The carrying value represents the higher of the initial fair value (generally the related fee received or receivable) less cumulative amortization and the Company's current best estimate of payments that will be required under existing guarantee arrangements.

Guarantees provided by the Company are classified as follows: credit guarantees and similar instruments, performance guarantees and similar instruments, derivatives and other guarantees.

Guarantees

end of	Maturity less than 1 year	Maturity greater than 1 year	**Total gross amount**	Total net amount [1]	Carrying value	Collateral received
6M17 (CHF million)						
Credit guarantees and similar instruments [2]	687	6,895	7,582	7,582	5	383
Performance guarantees and similar instruments	2,165	1,226	3,391	3,261	48	1,843
Derivatives [3]	1,979	693	2,672	2,672	161	– [4]
Other guarantees	2,875	1,586	4,461	4,456	23	3,074
Total guarantees	**7,706**	**10,400**	**18,106**	**17,971**	**237**	**5,300**

[1] Total net amount is computed as the gross amount less any participations.
[2] Includes a credit guarantee of CHF 6,729 million in relation to a covered bonds program under which the Company holds the underlying mortgages.
[3] Excludes derivative contracts with certain active commercial and investment banks and certain other counterparties, as such contracts can be cash settled and Credit Suisse Schweiz had no basis to conclude it was probable that the counterparties held, at inception, the underlying instruments.
[4] Collateral for derivatives accounted for as guarantees is not considered significant.

Credit guarantees and similar instruments

Credit guarantees and similar instruments are contracts that require the Company to make payments should a third party fail to do so under a specified existing credit obligation.

Standby letters of credit are made in connection with the corporate lending business and other corporate activities, where the Company provides guarantees to counterparties in the form of standby letters of credit, which represent obligations to make payments to third parties if the counterparties fail to fulfill their obligations under a borrowing arrangement or other contractual obligation.

Performance guarantees and similar instruments

Performance guarantees and similar instruments are arrangements that require contingent payments to be made when certain performance-related targets or covenants are not met. Such covenants may include a customer's obligation to deliver certain products and services or to perform under a construction contract. Performance guarantees are frequently executed as part of project finance transactions.

Derivatives

Derivatives are issued in the ordinary course of business, generally in the form of written put options. Disclosures about derivative contracts are not required under US GAAP if such contracts may be cash settled and the Company has no basis to conclude it is probable that the counterparties held, at inception, the underlying instruments related to the derivative contracts. The Company has concluded that these conditions were met for certain active commercial and investment banks and certain other counterparties, and accordingly, the Company has not included such contracts as guarantees.

The Company manages its exposure to these derivatives by engaging in various hedging strategies to reduce its exposure. For some contracts, such as written interest rate caps or foreign exchange options, the maximum payout is not determinable as interest rates or exchange rates could theoretically rise without limit. For these contracts, notional amounts were disclosed in the table above in order to provide an indication of the underlying exposure. In addition, the Company carries all derivatives at fair value in the consolidated balance sheet and has considered the performance triggers and probabilities of payment when determining those fair values. It is more likely than not that written put options that are in-the-money to the counterparty will be exercised, for which the Company's exposure was limited to the carrying value reflected in the table.

Other guarantees

Other guarantees include bankers' acceptances, residual value guarantees, deposit insurance and all other guarantees that were not allocated to one of the categories above.

Deposit-taking banks and securities dealers in Switzerland are required to ensure the payout of privileged deposits in case of specified restrictions or compulsory liquidation of a deposit-taking bank. In Switzerland, deposit-taking banks and securities dealers jointly guarantee an amount of up to CHF 6 billion. Upon occurrence of a payout event triggered by a specified restriction of business imposed by the Swiss Financial Market Supervisory Authority FINMA (FINMA) or by the compulsory liquidation of another deposit-taking bank, the Company's contribution will be calculated based on its share of privileged deposits in proportion to total privileged deposits. Until June 30, 2017, the deposit insurance guarantee related to deposits transferred to the Company remained with Credit Suisse AG and was reported as a contingent liability of Credit Suisse AG. The first time FINMA determined the share of the Company in the deposit insurance guarantee program was for the period commencing July 1, 2017 to June 30, 2018. For the period July 1, 2017 to June 30, 2018, the Company's share in this deposit insurance guarantee program based on FINMA's estimate will be CHF 489 million.

Joint and several liability and other indemnifications

The Company has certain guarantees for which its maximum contingent liability cannot be quantified. These guarantees are discussed below.

Joint and several liability

Business transfer

On November 20, 2016, Credit Suisse AG transferred its universal bank business for Swiss customers, comprising a significant part of the Swiss Universal Bank division and parts of STS to the Company. This business transfer was executed through a transfer of assets and liabilities in accordance with the Swiss Merger Act. By operation of the Swiss Merger Act, Credit Suisse AG assumed a three-year statutory joint and several liability for obligations existing at the transfer date on November 20, 2016 and which were transferred to the Company.

With respect to transferred employees, the employment relationship and all attendant rights and obligations passed from Credit Suisse AG to Credit Suisse (Schweiz) AG as of the day of the transfer, unless the employee refused such transfer. Where the transferred relationship was governed by a collective employment contract, Credit Suisse (Schweiz) AG is obliged to abide by it for one year unless it expires or is terminated sooner. In the event that an employee refused the transfer, the employment relationship ends on expiry of the statutory notice period and until then, Credit Suisse (Schweiz) AG and the respective employee are obliged to perform the contract. Credit Suisse AG and Credit Suisse (Schweiz) AG are jointly and severally liable for claims of employees arising under employment contracts and which fall due up to the date upon which the employment relationship could ordinarily have been terminated or was terminated by the employee, if the employee declined to transfer to Credit Suisse (Schweiz) AG.

The transfer of assets also included assets at a carrying value of CHF 9,172 million as of the end of 6M17, which are pledged under a covered bonds program of Credit Suisse AG and for which the related liabilities of CHF 6,729 million as of the end of 6M17 were reported by Credit Suisse AG. As of the end of 6M17, the contingent liabilities of Credit Suisse (Schweiz) AG under the covered bond program were CHF 6,729 million. Credit Suisse (Schweiz) AG also entered into a contractual arrangement under which it assumed joint and several liability with respect to liabilities of Credit Suisse (Schweiz) AG arising in connection with Credit Suisse (Schweiz) AG's roles under the covered bonds program.

Value-added tax

Credit Suisse (Schweiz) AG and its consolidated subsidiaries are members of Credit Suisse Group AG's Swiss VAT group and therefore subject to joint and several liability according to Art. 15 para. 1 lit. c of the Swiss VAT Act.

Other indemnifications

The Company provides indemnifications to certain counterparties in connection with its normal operating activities, for which it is not possible to estimate the maximum amount that it could be obligated to pay. With the inception of business operations in 2016, Credit Suisse (Schweiz) AG entered into a contractual relationship with Credit Suisse AG. The purpose of this contractual relationship is to collaboratively operate the Swiss portion of the STS business while acting independently, with each of Credit Suisse (Schweiz) AG and Credit Suisse AG acting in its own name externally and not in joint name. The collaboration does not have legal effects for external parties and has been entered into for a fixed minimum period of three years, renewable in three year increments. Net profits of the collaboration are shared equally between Credit Suisse AG and Credit Suisse (Schweiz) AG. Net losses are shared equally between Credit Suisse AG and Credit Suisse (Schweiz) AG, with the maximum loss participation for Credit Suisse (Schweiz) AG limited to 50% of the aggregated net profits reported by the parties with respect to the collaboration for the preceding three financial years. For the three financial years until December 31, 2018, the maximum loss participation is determined by a fixed amount for the first year, and by a combination of a fixed amount and a variable amount depending on prior period net profits with respect to the collaboration for the following two years. Under US GAAP, contingencies under this contract are recognized as other indemnification.

The Company is a member of certain securities exchanges and clearing houses and may, as a result of its membership arrangements, be required to perform if another member defaults and available amounts as defined in the relevant exchange's or clearing house's default waterfalls are not sufficient to cover losses of another member's default. The exchange's or clearing house's default management procedures may provide for cash calls to non-defaulting members which may be limited to the amount (or a

multiple of the amount) of the Company's contribution to the guarantee fund. However, if these cash calls are not sufficient to cover losses, the default waterfall and default management procedures may foresee further loss allocation. Furthermore, some clearing house arrangements require members to assume a proportionate share of non-default losses, if such losses exceed the specified resources allocated for such purpose by the clearing house. Non-default losses result from the clearing house's investment of guarantee fund contributions and initial margin or are other losses unrelated to the default of a clearing member. The Company has determined that it is not possible to reasonably estimate the maximum potential amount of future payments due under the membership arrangements. In addition, the Company believes that any potential requirement to make payments under these membership arrangements is remote.

Other commitments

					6M17
end of	Maturity less than 1 year	Maturity greater than 1 year	**Total gross amount**	Total net amount [1]	Collateral received
Other commitments (CHF million)					
Irrevocable commitments under documentary credits	4,513	1	4,514	4,478	3,047
Irrevocable loan commitments [2]	2,030	6,456	8,486	8,486	1,343
Other commitments	96	5	101	101	1
Total other commitments	**6,639**	**6,462**	**13,101**	**13,065**	**4,391**

[1] Total net amount is computed as the gross amount less any participations.
[2] Irrevocable loan commitments do not include a total gross amount of CHF 68,753 million of unused credit limits as of the end of 6M17, which were revocable at the Company's sole discretion upon notice to the client.

Other commitments

Irrevocable commitments under documentary credits

Irrevocable commitments under documentary credits include exposures from trade finance related to commercial letters of credit under which the Company guarantees payments to exporters against presentation of shipping and other documents.

Irrevocable loan commitments

Irrevocable loan commitments are irrevocable credit facilities extended to clients and include fully or partially undrawn commitments that are legally binding and cannot be unconditionally cancelled by the Company.

Other commitments

Other commitments include private equity commitments, commitments arising from deferred payment letters of credit and from acceptances in circulation and liabilities for call and put options on shares and other equity instruments.

14 Transfers of financial assets and variable interest entities

In the normal course of business, the Company enters into transactions with, and makes use of, special purpose entities (SPEs). An SPE is an entity in the form of mutual funds and fund-like structures, trusts or other legal structures designed to fulfill a specific limited need of the company that organized it and is generally structured to isolate the SPE's assets from creditors of other entities, including the Company. The principal uses of SPEs are to assist the Company in creating investment products and opportunities for clients, to facilitate special financing solutions or to transfer loans or credit risk from the loan portfolio of the Company to the SPEs.

TRANSFERS OF FINANCIAL ASSETS

When the Company transfers assets into an SPE, it must assess whether that transfer is accounted for as a sale of the assets. Transfers of assets may not meet sale requirements if the assets have not been legally isolated from the Company and/or if the Company's continuing involvement is deemed to give it effective control over the assets. If the transfer is not deemed a sale, it is instead accounted for as a secured borrowing, with the transferred assets as collateral.

Transfer of financial assets accounted for as a sale

In the normal course of business, the Company may transfer financial assets to independent third parties or to SPEs and account for these transactions as a sale. The Company may enter into agreements in contemplation of that initial transfer with the same counterparty to retain a beneficial interest in the assets transferred or the Company has continuing involvement from servicing obligations for the assets transferred or from the provision of liquidity facilities to the purchasing SPE. Gains and losses from the transfer of financial assets depend, in part, on the carrying values of mortgages and loans involved in the transfer and are generally allocated between the assets sold and any beneficial interests retained according to the relative fair values at the date of sale.

In 6M17, the Company transferred mortgages into an SPE in the form of an investment fund. This transfer was accounted for as a sale of assets. The Company has not retained any beneficial interests in the transferred mortgages, however, it retained servicing responsibilities on the mortgages transferred and provided a revocable liquidity facility to the investment fund which was unused as of the end of 6M17.

The following table provides the gains or losses and proceeds from the transfer of mortgages in 6M17 that qualify for sale accounting and subsequent derecognition, along with the cash flows between the Company and the SPE.

Transfer of financial assets accounted for as a sale

in	6M17
Gains and cash flows (CHF million)	
Net gain	1
Proceeds from transfer of assets	228

Securities sold under repurchase agreements and securities lending transactions accounted for as secured borrowings

For securities sold under repurchase agreements and securities lending transactions accounted for as secured borrowings, US GAAP requires the disclosure of the collateral pledged and the associated risks to which a transferor continues to be exposed after the transfer. This provides an understanding of the nature and risks of short-term collateralized financing obtained through these types of transactions.

Securities sold under repurchase agreements and securities lending transactions represent collateralized financing transactions used to earn net interest income, increase liquidity or facilitate trading activities. These transactions are collateralized principally by government debt securities, corporate debt securities, asset-backed securities, equity securities and other collateral and have terms ranging from on demand to a longer period of time.

In the event of the Company's default or a decline in fair value of collateral pledged, the repurchase agreement provides the counterparty with the right to liquidate the collateral held or request additional collateral. Similarly, in the event of the Company's default, the securities lending transaction provides the counterparty with the right to liquidate the securities borrowed.

The following tables provide the gross obligation relating to securities sold under repurchase agreements, securities lending transactions and obligation to return securities received as collateral by the class of collateral pledged and by remaining contractual maturity as of the end of 6M17.

Securities sold under repurchase agreements, securities lending transactions and obligation to return securities received as collateral – by class of collateral pledged

end of	6M17
CHF million	
Government debt securities	3,733
Corporate debt securities	1,737
Asset-backed securities	36
Equity securities	70
Securities sold under repurchase agreements	**5,576**
Government debt securities	61
Corporate debt securities	236
Equity securities	531
Other	268
Securities lending transactions	**1,096**
Government debt securities	599
Corporate debt securities	1,262
Asset-backed securities	45
Equity securities	3,424
Other	80
Obligation to return securities received as collateral, at fair value	**5,410**
Total	**12,082**

Securities sold under repurchase agreements, securities lending transactions and obligation to return securities received as collateral – by remaining contractual maturity

		Remaining contractual maturities			
end of	On demand [1]	Up to 30 days [2]	31-90 days	More than 90 days	Total
6M17 (CHF million)					
Securities sold under repurchase agreements	3,324	2,252	0	0	5,576
Securities lending transactions	1,096	0	0	0	1,096
Obligation to return securities received as collateral, at fair value	2,545	98	1,740	1,027	5,410
Total	**6,965**	**2,350**	**1,740**	**1,027**	**12,082**

[1] Includes contracts with no contractual maturity that may contain termination arrangements subject to a notice period.
[2] Includes overnight transactions.

▸ Refer to "Note 9 – Offsetting of financial assets and financial liabilities" for further information on the gross amount of securities sold under repurchase agreements, securities lending transactions and obligation to return securities received as collateral and the net amounts disclosed in the consolidated balance sheet.

VARIABLE INTEREST ENTITIES

As a normal part of its business, the Company engages in various transactions that include entities that are considered VIEs and are primarily related to financial intermediation. VIEs are SPEs that typically either lack sufficient equity to finance their activities without additional subordinated financial support or are structured such that the holders of the voting rights do not substantively participate in the gains and losses of the entity. VIEs may be sponsored by the Company, unrelated third parties or clients. Such entities are required to be assessed for consolidation, compelling the primary beneficiary to consolidate the VIE. The consolidation assessment requires an entity to determine whether it has the power to direct the activities that most significantly affect the economics of the VIE as well as whether the reporting entity has potentially significant benefits or losses in the VIE. The primary beneficiary assessment must be re-evaluated on an ongoing basis. The Company had no consolidated VIEs as of the end of 6M17.

Non-consolidated variable interest entities

Total variable interest assets for which the company has involvement represent the carrying value of the variable interests in non-consolidated VIEs that are recorded in the consolidated balance sheet of the Company (for example, direct holdings in investment funds and loans).

Maximum exposure to loss represents the carrying value of total variable interest assets in non-consolidated VIEs of the Company and the notional amounts of guarantees and off-balance

sheet commitments which are variable interests that have been extended to non-consolidated VIEs. Such amounts, particularly notional amounts of derivatives and guarantees, do not represent the anticipated losses in connection with these transactions as they do not take into consideration the effect of collateral, recoveries or the probability of loss. In addition, they exclude the effect of offsetting financial instruments that are held to mitigate these risks and have not been reduced by unrealized losses previously recorded by the Company in connection with guarantees or derivatives.

Total assets of non-consolidated VIEs are the assets of the non-consolidated VIEs themselves and are typically unrelated to the exposures that the Company has with the entity due to variable interests held by third-party investors. Thus are not amounts that are considered for risk management purposes.

The Company has not provided financial or other support to non-consolidated VIEs that it was not contractually required to provide.

Financial intermediation

The Company has significant involvement with VIEs in its role as a financial intermediary on behalf of clients.

The Company considers the likelihood of incurring a loss equal to the maximum exposure to be remote because of its risk mitigation efforts, including, but not limited to, economic hedging strategies and collateral arrangements. The Company's economic risks associated with non-consolidated VIE exposures arising from financial intermediation, together with all relevant risk mitigation initiatives, are included in the Company's risk management framework.

Financial intermediation consists of funds and loans.

Funds

Funds include investment structures such as mutual funds, funds of funds, private equity funds and fund-linked products where the investors' interest is typically in the form of debt rather than equity, thereby making them VIEs. The Company may have various relationships with such VIEs in the form of structurer, investment advisor, investment manager, administrator, custodian, placement agent, market maker and/or as prime broker. These activities include the use of VIEs in structuring fund-linked products, hedge funds of funds or private equity investments to provide clients with investment opportunities in alternative investments. In such transactions, a VIE holds underlying investments and issues securities that provide the investors with a return based on the performance of those investments.

The maximum exposure to loss consists of the fair value of instruments issued by such structures that are held by the Company as a result of market-making activities and financing provided to the vehicles. The investors typically retain the risk of loss on such transactions. The Company's maximum exposure to loss does not include any effects from financial instruments used to economically hedge the risk of the VIEs.

For total assets of funds and similar SPEs, the fair value of the fund assets as of the balance sheet date is used.

Loans

Loans are special purpose or single-asset financing SPEs where the Company provides financing for specified assets or business ventures and the respective owner of the assets or manager of the businesses provides the equity in the vehicle. These tailored lending arrangements are established to purchase, lease or otherwise finance and manage clients' assets.

The maximum exposure to loss is the carrying value of the Company's loan exposure, which is subject to the same credit risk management procedures as loans issued directly to clients. The clients' creditworthiness is carefully reviewed, loan-to-value ratios are strictly set and, in addition, clients provide equity, additional collateral or guarantees, all of which significantly reduce the Company's exposure. The Company considers the likelihood of incurring a loss equal to the maximum exposure to be remote because of the Company's risk mitigation efforts, which includes over-collateralization and effective monitoring to ensure that a sufficient loan-to-value ratio is maintained.

The third-party sponsor of the VIE will typically have control over the assets during the life of the structure and have the potential to absorb significant gains and losses; the Company is typically not the primary beneficiary of these structures and will not have to consolidate them. However, a change in the structure, such as a default of the sponsor, may result in the Company gaining control over the assets. If the Company's lending is significant, it may then be required to consolidate the entity.

For total assets of loans, the assets as of the last available financial statement of the financing vehicle is used.

Non-consolidated VIEs

end of	Funds	Loans	Total
6M17 (CHF million)			
Trading assets	32	0	32
Net loans	2,276	90	2,366
Total variable interest assets	**2,308**	**90**	**2,398**
Maximum exposure to loss	**2,308**	**90**	**2,398**
Total assets of non-consolidated VIEs	**69,848**	**215**	**70,063**

Certain VIEs have not been included in the above table, including VIEs in which the Company's interest is in the form of certain repurchase financings to funds not sponsored by the Company to which the Company provides financing but has very little risk of loss due to seniority of lending, over-collateralization and guarantees.

15 Financial instruments

The disclosure of the Company's financial instruments below includes the following sections:
- Fair value measurement; and
- Fair value option.

FAIR VALUE MEASUREMENT

A minor portion of the Company's financial instruments are carried at fair value. Deterioration of financial markets could impact the fair value of these financial instruments and the results of operations.

The fair value of substantially all of the Company's financial instruments carried at fair value is based on quoted prices in active markets or observable inputs. These instruments include government and agency securities, certain commercial paper, most investment grade corporate debt, certain high yield debt securities, exchange-traded and certain OTC derivative instruments and most listed equity securities.

In addition, for an immaterial portion of the Company's financial instruments no prices are available and these instruments have little or no observable inputs. For these instruments, the determination of fair value requires subjective assessment and judgment, depending on liquidity, pricing assumptions, the current economic and competitive environment and the risks affecting the specific instrument. In such circumstances, valuation is determined based on management's own judgments about the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. These instruments include certain OTC derivatives, including equity and credit derivatives and certain corporate equity-linked securities. The fair value measurement disclosures exclude derivative transactions that are daily settled.

ASU 2011-04 permits a reporting entity to measure the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position or paid to transfer a net short position for a particular risk exposure in an orderly transaction between market participants at the measurement date. As such, the Company continues to apply bid and offer adjustments to net portfolios of cash securities and/or derivative instruments to adjust the value of the net position from a mid-market price to the appropriate bid or offer level that would be realized under normal market conditions for the net long or net short position for a specific market risk. In addition, the Company reflects the net exposure to credit risk for its derivative instruments where the Company has legally enforceable agreements with its counterparties that mitigate credit risk exposure in the event of default. Valuation adjustments are recorded in a reasonable and consistent manner that results in an allocation to the relevant disclosures in the notes to the financial statements as if the valuation adjustment had been allocated to the individual unit of account.

Fair value hierarchy

The levels of the fair value hierarchy are defined as follows:
- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access. This level of the fair value hierarchy provides the most reliable evidence of fair value and is used to measure fair value whenever available.
- Level 2*:* Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. These inputs include: (i) quoted prices for similar assets or liabilities in active markets; (ii) quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current or price quotations vary substantially either over time or among market makers, or in which little information is publicly available; (iii) inputs other than quoted prices that are observable for the asset or liability; or (iv) inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3: Inputs that are unobservable for the asset or liability. These inputs reflect the Company's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available in the circumstances, which include the Company's own data. The Company's own data used to develop unobservable inputs is adjusted if information indicates that market participants would use different assumptions.

The Company records net open positions at bid prices if long, or at ask prices if short, unless the Company is a market maker in such positions, in which case mid-pricing is utilized. Fair value measurements are not adjusted for transaction costs.

Qualitative disclosures of valuation techniques

Overview

The Company has implemented and maintains a valuation control framework, which is supported by policies and procedures that define the principles for controlling the valuation of the Company's financial instruments. Product Control and Risk Management create, review and approve significant valuation policies and procedures. The framework includes three main internal processes: (i) valuation governance; (ii) independent price verification and significant unobservable inputs review; and (iii) a cross-functional pricing model review. Through this framework, the Company determines the reasonableness of the fair value of its financial instruments.

On a monthly basis, meetings are held for each business line with senior representatives of the Front Office and Product Control to discuss independent price verification results, valuation adjustments, and other significant valuation issues. On a quarterly basis, a review of significant changes in the fair value of financial instruments is undertaken by Product Control and conclusions are

reached regarding the reasonableness of those changes. Additionally, on a quarterly basis, meetings are held for each business line with senior representatives of the Front Office, Product Control, Risk Management, and Financial Accounting to discuss independent price verification results, valuation issues, business and market updates, as well as a review of significant changes in fair value from the prior quarter, significant unobservable inputs and prices used in valuation techniques, and valuation adjustments.

The results of Credit Suisse (Schweiz) AG are aggregated with the results of other Credit Suisse legal entities for presentation to the Group's Valuation Risk Management Committee (VARMC). The Group's VARMC, which is comprised of the Group's Executive Board members and the heads of the business and control functions, meets to review and ratify valuation review conclusions, and to resolve significant valuation issues for the Company. Oversight of the valuation control framework in the case of material price testing differences is through reporting directly to the Company's Executive Board.

One of the key components of the governance process is the segregation of duties between the Front Office and Product Control. The Front Office is responsible for measuring inventory at fair value on a daily basis, while Product Control is responsible for independently reviewing and validating those valuations on a periodic basis. The Front Office values the inventory using, wherever possible, observable market data which may include executed transactions, dealer quotes or broker quotes for the same or similar instruments. Product Control validates this inventory using independently sourced data that also includes executed transactions, dealer quotes, and broker quotes.

Product Control utilizes independent pricing service data as part of its review process. Independent pricing service data is analyzed to ensure that it is representative of fair value including confirming that the data corresponds to executed transactions or executable broker quotes, review and assessment of contributors to ensure they are active market participants, review of statistical data and utilization of pricing challenges. The analysis also includes understanding the sources of the pricing service data and any models or assumptions used in determining the results. The purpose of the review is to judge the quality and reliability of the data for fair value measurement purposes and its appropriate level of usage within the Product Control independent valuation review.

Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions

Securities purchased under resale agreements and securities sold under repurchase agreements are measured at fair value using discounted cash flow analysis. Future cash flows are discounted using observable market interest rate repurchase/resale curves for the applicable maturity and underlying collateral of the instruments. As such, the significant majority of both securities purchased under resale agreements and securities sold under repurchase agreements are included in level 2 of the fair value hierarchy. Structured resale and repurchase agreements include embedded derivatives, which are measured using the same techniques as described below for stand-alone derivative contracts held for trading purposes or used in hedge accounting relationships. If the value of the embedded derivative is determined using significant unobservable inputs, those structured resale and repurchase agreements are classified within level 3 of the fair value hierarchy. The significant unobservable input is funding spread.

Securities purchased under resale agreements are usually fully collateralized or over collateralized by government securities, money market instruments, corporate bonds, or other debt instruments. In the event of counterparty default, the collateral service agreement provides the Company with the right to liquidate the collateral held.

Assets and liabilities measured at fair value on a recurring basis

end of 6M17	Level 1	Level 2	Level 3	Netting impact [1]	Assets/ liabilities measured at net asset value per share [2]	Total
Assets (CHF million)						
Cash and due from banks	0	141	0	–	–	141
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	0	219	0	–	–	219
Debt	1,556	1,385	0	–	–	2,941
of which corporates	817	1,324	0	–	–	2,141
Equity	2,344	125	0	–	–	2,469
Securities received as collateral	3,900	1,510	0	–	–	5,410
Debt	152	1,180	93	–	–	1,425
of which Swiss federal, cantonal or local governmental entities	132	0	0	–	–	132
of which corporates	0	1,131	93	–	–	1,224
Equity	2,062	0	2	–	49	2,113
Derivatives	303	4,624	33	(2,355)	–	2,605
of which interest rate products	0	2,277	18	–	–	–
of which foreign exchange products	0	1,553	0	–	–	–
of which equity/index-related products	303	717	0	–	–	–
of which credit derivatives	0	47	15	–	–	–
Other	1,324	0	1	–	–	1,325
Trading assets	3,841	5,804	129	(2,355)	49	7,468
Investment securities	151	335	0	–	–	486
of which debt	148	335	0	–	–	483
Loans	0	26	0	–	–	26
of which commercial and industrial loans	0	26	0	–	–	26
Other assets	0	154	0	(154)	–	0
Total assets at fair value	**7,892**	**8,189**	**129**	**(2,509)**	**49**	**13,750**
Liabilities (CHF million)						
Due to banks	0	1,364	0	–	–	1,364
Customer deposits	0	531	0	–	–	531
Debt	1,556	1,385	0	–	–	2,941
of which corporates	817	1,324	0	–	–	2,141
Equity	2,344	125	0	–	–	2,469
Obligation to return securities received as collateral	3,900	1,510	0	–	–	5,410
Debt	22	333	13	–	–	368
of which corporates	0	312	13	–	–	325
Equity	383	44	6	–	17	450
Derivatives	506	5,795	19	(5,012)	–	1,308
of which interest rate products	0	2,409	18	–	–	–
of which foreign exchange products	0	2,221	0	–	–	–
of which equity/index-related products	505	1,100	0	–	–	–
Trading liabilities	911	6,172	38	(5,012)	17	2,126
Short-term borrowings	0	154	20	–	–	174
Long-term debt	0	303	0	–	–	303
Other liabilities	0	236	20	(234)	–	22
Total liabilities at fair value	**4,811**	**10,270**	**78**	**(5,246)**	**17**	**9,930**

[1] Derivative contracts are reported on a gross basis by level. The impact of netting represents legally enforceable master netting agreements.
[2] In accordance with US GAAP, certain investments that are measured at fair value using the net asset value per share practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheet.

Debt securities

Corporates

Corporate bonds are priced to reflect current market levels either through recent market transactions or broker or dealer quotes. Where a market price for the particular security is not directly available, valuations are obtained based on yields reflected by other instruments in the specific or similar entity's capital structure and adjusting for differences in seniority and maturity, benchmarking to a comparable security where market data is available (taking into consideration differences in credit, liquidity and maturity), or through the application of cash flow modeling techniques utilizing observable inputs, such as current interest rate curves and observable CDS spreads. Significant unobservable inputs may include price, correlation and credit spread. For securities using market comparable price, the differentiation between level 2 and level 3 is based upon the relative significance of any yield adjustments as well as the accuracy of the comparison characteristics (i.e., the observable comparable security may be in the same country but a different industry and may have a different seniority level – the lower the comparability the more likely the security will be level 3).

Equity securities

The majority of the Company's positions in equity securities are traded on public stock exchanges for which quoted prices are readily and regularly available and are therefore categorized as level 1 instruments. Level 2 and level 3 equities include fund-linked products, convertible bonds or equity securities with restrictions that are not traded in active markets. Significant unobservable inputs may include market comparable price, earnings before interest, taxes, depreciation and amortization (EBITDA) multiple and volatility.

Derivatives

Derivatives held for trading purposes or used in hedge accounting relationships include both OTC and exchange-traded derivatives. The fair values of exchange-traded derivatives measured using observable exchange prices are included in level 1 of the fair value hierarchy. For exchange-traded derivatives where the volume of trading is low, the observable exchange prices may not be considered executable at the reporting date. These derivatives are valued in the same manner as similar observable OTC derivatives and are included in level 2 of the fair value hierarchy. If the similar OTC derivative used for valuing the exchange-traded derivative is not observable, the exchange-traded derivative is included in level 3 of the fair value hierarchy.

The fair values of OTC derivatives are determined on the basis of either industry standard models or internally developed proprietary models. Both model types use various observable and unobservable inputs in order to determine fair value. The inputs include those characteristics of the derivative that have a bearing on the economics of the instrument. The determination of the fair value of many derivatives involves only a limited degree of subjectivity because the required inputs are observable in the marketplace, while more complex derivatives may use unobservable inputs that rely on specific proprietary modeling assumptions. Where observable inputs (prices from exchanges, dealers, brokers or market consensus data providers) are not available, attempts are made to infer values from observable prices through model calibration (spot and forward rates, mean reversion, benchmark interest rate curves and volatility inputs for commonly traded option products). For inputs that cannot be derived from other sources, estimates from historical data may be made. OTC derivatives where the majority of the value is derived from market observable inputs are categorized as level 2 instruments, while those where the majority of the value is derived from unobservable inputs are categorized as level 3 of the fair value hierarchy.

The valuation of derivatives includes an adjustment for the cost of funding uncollateralized OTC derivatives.

Interest rate derivatives

OTC vanilla interest rate products, such as interest rate swaps, swaptions, and caps and floors are valued by discounting the anticipated future cash flows. The future cash flows and discounting are derived from market standard yield curves and industry standard volatility inputs. Where applicable, exchange-traded prices are also used to value exchange-traded futures and options and can be used in yield curve construction. For more complex products, inputs include, but are not limited to correlation, volatility skew, prepayment rate, credit spread, basis spread, mean reversion, funding spread and gap risk.

Foreign exchange derivatives

Foreign exchange derivatives include vanilla products such as spot, forward and option contracts where the anticipated discounted future cash flows are determined from foreign exchange forward curves and industry standard optionality modeling techniques. Where applicable, exchange-traded prices are also used for futures and option prices. For more complex products inputs include, but are not limited to prepayment rate and correlation.

Equity and index-related derivatives

Equity derivatives include a variety of products ranging from vanilla options and swaps to exotic structures with bespoke payoff profiles. The main inputs in the valuation of equity derivatives may include price, volatility, EBITDA multiple, buyback probability and correlation.

Generally, the interrelationship between the volatility and correlation is positively correlated.

Credit derivatives

Credit derivatives include index and single-name and multi-name CDS in addition to more complex structured credit products. Vanilla products are valued using industry standard models and

inputs that are generally market observable including credit spread and recovery rate.

Short-term borrowings and long-term debt

The Company's short-term borrowings and long-term debt include structured notes (hybrid financial instruments that are both bifurcatable and non-bifurcatable) and vanilla debt. The fair value of structured notes is based on quoted prices, where available. When quoted prices are not available, fair value is determined by using a discounted cash flow model incorporating the Company's credit spreads, the value of derivatives embedded in the debt and the residual term of the issuance based on call options. Derivatives structured into the issued debt are valued consistently with the Company's stand-alone derivative contracts held for trading purposes or used in hedge accounting relationships as discussed above. The fair value of structured debt is heavily influenced by the combined call options and performance of the underlying derivative returns. Significant unobservable inputs for long-term debt include buyback probability, gap risk, correlation, volatility, credit spread and price.

Generally, the interrelationships between volatility, correlation, gap risk and credit spread inputs are positively correlated.

Fair value measurements of investments in certain entities that calculate NAV per share

Investments in funds held in trading assets and liabilities primarily include positions held in equity funds of funds as an economic hedge for structured notes and derivatives issued to clients that reference the same underlying risk and liquidity terms of the fund. A majority of these funds have limitations imposed on the amount of withdrawals from the fund during the redemption period due to illiquidity of the investments. In other instances, the withdrawal amounts may vary depending on the redemption notice period and are usually larger for the longer redemption notice periods. In addition, penalties may apply if redemption is within a certain time period from initial investment.

Furthermore, for these investments held in trading assets that are nonredeemable, the underlying assets of such funds are expected to be liquidated over the life of the fund, which is generally up to 10 years.

The following table pertains to investments in certain entities that calculate net asset value (NAV) per share or its equivalent, primarily private equity and hedge funds. These investments do not have a readily determinable fair value and are measured at fair value using NAV.

Fair value, unfunded commitments and term of redemption conditions

end of				6M17
	Non-redeemable	Redeemable	Total fair value	Unfunded commitments
Fair value and unfunded commitments (CHF million)				
Equity funds	4	45 [1]	49	0
Equity funds sold short	0	(17)	(17)	0
Total funds held in trading assets and liabilities	4	28	32	0
Total fair value	**4**	**28**	**32**	**0**

[1] 84% of the redeemable fair value amount of equity funds is redeemable on a quarterly basis with a notice period of more than 45 days, 9% is redeemable on a monthly basis with a notice period of more than 45 days, and 7% is redeemable on an annual basis with a notice period of more than 60 days.

FAIR VALUE OPTION

The Company has availed itself of the simplification in accounting offered under the fair value option. This has been accomplished generally by electing the fair value option, both at initial adoption and for subsequent transactions, on items impacted by the hedge accounting requirements of US GAAP. That is, for instruments for which there was an inability to achieve hedge accounting and for which the Company is economically hedged, the Company has elected the fair value option. Similarly, where the Company manages an activity on a fair value basis but previously has been unable to achieve fair value accounting, the Company has utilized the fair value option to align its risk management reporting to its financial accounting.

As of August 1, 2016, the Company made initial elections under the fair value option for certain of its financial statement captions as follows:

Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions

The Company has elected to account for structured resale agreements and most matched book resale agreements at fair value. These activities are managed on a fair value basis; thus, fair value accounting is deemed more appropriate for reporting purposes. The Company did not elect the fair value option for firm financing resale agreements as these agreements are generally overnight agreements which approximate fair value, but which are not managed on a fair value basis.

Due to banks

The Company elected the fair value option for certain structured time deposits.

Customer deposits

The Company's customer deposits include structured deposits. The Company elected the fair value option for these structured

deposits. Structured products are managed on a fair value basis and fair value accounting was deemed more appropriate for reporting purposes.

Difference between the aggregate fair value and the aggregate unpaid principal balances on loans and financial instruments

end of			6M17
	Aggregate fair value	Aggregate unpaid principal	Difference
Financial instruments (CHF million)			
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	219	219	0
Loans	26	26	0
Due to banks and customer deposits	(239)	(239)	0
Short-term borrowings	(174)	(164)	(10)
Long-term debt	(303)	(291)	(12)

Gains and losses on financial instruments

in	6M17
	Net gains/ (losses)
Financial instruments (CHF million)	
Loans	1 [1]
Due to banks and customer deposits	(1) [2]
Short-term borrowings	(11) [2]
Long-term debt	(14) [2]
Other liabilities	(1) [2]
of which related to credit risk	(1)

[1] Primarily recognized in net interest income.
[2] Primarily recognized in trading revenues.

Interest income and expense are calculated based on contractual rates specified in the transactions. Interest income and expense are recorded in the consolidated statement of operations depending on the nature of the instrument and related market convention. When interest is included as a component of the change in the instrument's fair value, it is included in trading revenues. Otherwise, it is included in interest and dividend income or interest expense. Dividend income is recognized separately from trading revenues.

The impacts of credit risk on debt securities held as assets presented in the table above have been calculated as the component of the total change in fair value, excluding the impact of changes in base or risk-free interest rates. The impacts of changes in own credit risk on liabilities presented in the table above have been calculated as the difference between the fair values of those instruments as of the reporting date and the theoretical fair values of those instruments calculated by using the yield curve prevailing at the end of the reporting period, adjusted up or down for changes in the Company's own credit spreads from the transition date to the reporting date.

The following table provides additional information regarding the gains and losses attributable to changes in instrument-specific credit risk on fair value option elected liabilities which are recorded through AOCI. The table includes both the amount of change during the period and cumulatively that is attributable to the changes in instrument-specific credit risk. In addition it includes the gains and losses related to instrument-specific credit risk that was previously recorded in AOCI that have been transferred during the period to net income.

Own credit gains/(losses) on fair value option elected instruments recorded in AOCI

	Gains/(losses) recorded into AOCI [1]		Gains/(losses) recorded in AOCI transferred to net income [1]
in	6M17	Cumulatively	6M17
Financial instruments (CHF million)			
Deposits	1	(1)	0
Long-term debt	2	3	0
of which structured notes over two years	2	3	0
Total	**3**	**2**	**0**

[1] Amounts are reflected gross of tax.

16 Litigation

The Company is involved in a number of legal proceedings concerning matters arising in connection with the conduct of its businesses. Some of these proceedings have been brought on behalf of various claimants and seek damages of material and/or indeterminate amounts.

The Company accrues loss contingency litigation provisions and takes a charge to income in connection with certain proceedings when losses, additional losses or ranges of loss are probable and reasonably estimable. The Company also accrues litigation provisions for the estimated fees and expenses of external lawyers and other service providers in relation to such proceedings, including in cases for which it has not accrued a loss contingency provision. The Company accrues these fee and expense litigation provisions and takes a charge to income in connection therewith when such fees and expenses are probable and reasonably estimable. The Company reviews its legal proceedings each quarter to determine the adequacy of its litigation provisions and may increase or release provisions based on management's judgment and the advice of counsel. The establishment of additional provisions or releases of litigation provisions may be necessary in the future as developments in such proceedings warrant.

It is inherently difficult to determine whether a loss is probable or even reasonably possible or to estimate the amount of any loss or loss range for many of the Company's legal proceedings. Estimates, by their nature, are based on judgment and currently available information and involve a variety of factors, including, but not limited to, the type and nature of the proceeding, the progress of the matter, the advice of counsel, the Company's defenses and its experience in similar matters, as well as its assessment of matters, including settlements, involving other defendants in similar or related cases or proceedings. Factual and legal determinations, many of which are complex, must be made before a loss, additional losses or ranges of loss can be reasonably estimated for any proceeding.

Some matters pending against the Company seek damages of an indeterminate amount. While certain matters specify the damages claimed, such claimed amount may not represent the Company's reasonably possible losses. The Company's aggregate litigation provisions include estimates of losses, additional losses or ranges of loss for proceedings for which such losses are probable and can be reasonably estimated.

In 6M17, the Company recorded net litigation provisions of CHF 29 million for several legal matters, including for matters where Credit Suisse (Schweiz) AG is not directly liable but will indemnify Credit Suisse AG for expenses incurred in accordance with the asset transfer agreement dated November 17, 2016 between Credit Suisse AG and Credit Suisse (Schweiz) AG. After taking into account its litigation provisions, the Company believes, based on currently available information and advice of counsel, that the results of its legal proceedings, in the aggregate, will not have a material adverse effect on the Company's financial condition. However, in light of the inherent uncertainties of such proceedings, including those brought by regulators or other governmental authorities, the ultimate cost to the Company of resolving such proceedings may exceed current litigation provisions and any excess may be material to its operating results for any particular period, depending, in part, upon the operating results for such period.

List of abbreviations

A	
ABS	Asset-backed securities
AOCI	Accumulated other comprehensive income/(loss)
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
C	
CDS	Credit default swaps
CECL	Current expected credit loss
CET1	Common equity tier 1
E	
EBITDA	Earnings before interest, taxes, depreciation and amortization
F	
FASB	Financial Accounting Standards Board
FINMA	Swiss Financial Market Supervisory Authority FINMA
I	
ISDA	International Swaps and Derivatives Association
N	
NAV	Net asset value
NRV	Negative replacement value
O	
OTC	Over-the-counter
P	
PD	Probability of default
PRV	Positive replacement value
R	
ROE	Return on equity
S	
SPE	Special purpose entity
STS	Sales and Trading Services
U	
US	United States of America
US GAAP	US generally accepted accounting principles
V	
VARMC	Valuation and Risk Management Committee
VIE	Variable interest entity

Cautionary statement regarding forward-looking information

This report contains statements that constitute forward-looking statements. In addition, in the future we, and others on our behalf, may make statements that constitute forward-looking statements. Such forward-looking statements may include, without limitation, statements relating to the following:

- our plans, objectives or goals;
- our future economic performance or prospects;
- the potential effect on our future performance of certain contingencies; and
- assumptions underlying any such statements.

Words such as "believes", "anticipates", "expects", "intends" and "plans" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. We do not intend to update these forward-looking statements except as may be required by applicable securities laws.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other outcomes described or implied in forward-looking statements will not be achieved. We caution you that a number of important factors could cause results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include:

- the ability to maintain sufficient liquidity and access capital markets;
- market volatility and interest rate fluctuations and developments affecting interest rate levels;
- the strength of the global economy in general and the strength of the economies of the countries in which we conduct our operations, in particular the risk of continued slow economic recovery or downturn in the US or other developed countries or in emerging markets in 2017 and beyond;
- the direct and indirect impacts of deterioration or slow recovery in residential and commercial real estate markets;
- adverse rating actions by credit rating agencies in respect of us, sovereign issuers, structured credit products or other credit-related exposures;
- the ability to achieve our strategic objectives, including cost efficiency, net new asset, pre-tax income/(loss), capital ratios and return on regulatory capital, leverage exposure threshold, risk-weighted assets threshold and other targets and ambitions;
- the ability of counterparties to meet their obligations to us;
- the effects of, and changes in, fiscal, monetary, exchange rate, trade and tax policies, as well as currency fluctuations;
- political and social developments, including war, civil unrest or terrorist activity;
- the possibility of foreign exchange controls, expropriation, nationalization or confiscation of assets in countries in which we conduct our operations;
- operational factors such as systems failure, human error, or the failure to implement procedures properly;
- the risk of cyberattacks on our business or operations;
- actions taken by regulators with respect to our business and practices and possible resulting changes to our business organization, practices and policies in countries in which we conduct our operations;
- the effects of changes in laws, regulations or accounting policies or practices in countries in which we conduct our operations;
- the potential effects of proposed changes in our legal entity structure;
- competition or changes in our competitive position in geographic and business areas in which we conduct our operations;
- the ability to retain and recruit qualified personnel;
- the ability to maintain our reputation and promote our brand;
- the ability to increase market share and control expenses;
- technological changes;
- the timely development and acceptance of our new products and services and the perceived overall value of these products and services by users;
- acquisitions, including the ability to integrate acquired businesses successfully, and divestitures, including the ability to sell non-core assets;
- the adverse resolution of litigation, regulatory proceedings, and other contingencies; and
- other unforeseen or unexpected events and our success at managing these and the risks involved in the foregoing.

We caution you that the foregoing list of important factors is not exclusive. When evaluating forward-looking statements, you should carefully consider the foregoing factors and other uncertainties and events.

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