

Annual Report

Credit Suisse (Schweiz) AG

Key metrics

in / end of	2017
Results (CHF million, except where indicated)	
Net revenues	5,584
Provision for credit losses	70
Total operating expenses	4,000
Income before taxes	1,514
Net income attributable to shareholders	1,291
Cost/income ratio (%)	71.6
Balance sheet metrics (CHF million)	
Total assets	246,345
Net loans	168,393
Customer deposits	177,358
Total shareholders' equity	14,681
Swiss regulatory capital and leverage metrics – Phase-in (CHF million, except where indicated)	
Swiss CET1 capital	12,638
Total loss-absorbing capacity (TLAC)	20,663
Swiss CET1 ratio (%)	14.9
Swiss CET1 leverage ratio (%)	4.6
TLAC ratio (%)	24.4
TLAC leverage ratio (%)	7.5
Assets under management and net new assets (CHF billion)	
Assets under management	563.6
Net new assets	(9.3)
Number of employees (full-time equivalents)	
Number of employees	8,480
Long-term credit rating	
Fitch	А

Represents consolidated financial information of Credit Suisse (Schweiz) AG and its subsidiaries.

Annual Report 2017

Credit Suisse (Schweiz) AG

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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 Credit Suisse Group AG, is substantially similar to the Group, and we use these terms to refer to both when the subject is the same or substantially similar.

Capital adequacy disclosures for the Group and the Company 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 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.



Alexandre Zeller, Chairman of the Board of Directors (left) and Thomas Gottstein, Chief Executive Officer.

MESSAGE FROM THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

Our increased focus on the Swiss business helped to further strengthen the market position of the Swiss legal entity in 2017.

Dear clients and colleagues

We are pleased to present the first consolidated Annual Report for Credit Suisse (Schweiz) AG, which covers our first full financial year. This marks a major milestone for Credit Suisse (Schweiz) AG, which was established in November 2016. Last year, we generated net income¹ of CHF 1.3 billion and ended 2017 with assets under management of CHF 563.6 billion. The Swiss legal entity has a strong capital base with a phase-in common equity tier 1 (CET1) ratio of 14.9% as of end-2017.

Credit Suisse (Schweiz) AG has its own banking license and is a wholly owned subsidiary of Credit Suisse AG. It largely consists of the clients and businesses of the Swiss Universal Bank division of Credit Suisse Group AG. The bank was founded in compliance with the regulatory requirements of the Swiss "Too Big to Fail" regime, is supervised by the Swiss Financial Market Supervisory Authority FINMA and considered a systemically important bank in Switzerland.

Credit Suisse has been a reliable and innovative financial partner to private, corporate and institutional clients for more than 160 years. With Credit Suisse (Schweiz) AG as an independent Swiss full-service bank that also benefits from Credit Suisse Group AG's global network, we look forward to writing the next chapter in our success story.

The needs of our clients are and will always be at the heart of everything we do, as we offer them our wealth of expertise while harnessing the power of new and innovative technologies to enhance the delivery of services and to run our business efficiently. With this in mind, we have rolled out a number of initiatives since the Swiss legal entity was established. Alongside these measures, we strengthened our market position in Switzerland and made good progress in terms of growth and profitability.

One of the strategic cornerstones of our business is our focus on entrepreneurship in Switzerland, continuing the tradition of Credit Suisse's founder Alfred Escher. Since 2016, we have taken targeted steps to strengthen our Entrepreneurs & Executives business, which manages the personal finances of this key group of clients. By bringing together expertise from our Private Clients and Corporate & Institutional Clients businesses, we can now offer entrepreneurs a complete range of services for their personal

and business banking needs. By combining these offerings, we were able to successfully expand our Entrepreneurs & Executives coverage in 2017. We achieved excellent results in our business with ultra-high-net-worth individuals and small and medium-sized enterprises in particular. We also maintained our leading position in Investment Banking in Switzerland in 2017, and with our global capabilities, we have a distinctive and broad-based presence in this market.

In response to evolving client needs, we continued to invest in the digitalization of our business in 2017. For example, we introduced a purely digital account opening process, generally allowing new clients to open a banking relationship with us in around 15 minutes. In 2017, our Viva Kids offering and the "Digipigi" digital money box were launched to provide children up to the age of 12 with a fun way of learning how to manage their money. This initiative fits perfectly with our mission to be a reliable financial partner to families in Switzerland and to be at our clients' side through every stage of their lives.

While we invested in the further development of our services in 2017, cost efficiency remained a priority. We will continue on this path in the year ahead in our effort to further grow our profitability.

We would like to thank our employees for their enormous commitment and our clients for the trust they have placed in Credit Suisse (Schweiz) AG.

Best regards

Alexandre Zeller Chairman of the Board of Directors Thomas Gottstein Chief Executive Officer

March 2018

¹ Reflects the consolidated net income attributable to shareholders of Credit Suisse (Schweiz) AG according to US GAAP.

Important Information

As of January 1, 2013, Basel III was implemented in Switzerland along with the Swiss "Too Big to Fail" legislation and regulations thereunder (in each case, subject to certain phase-in periods). As of January 1, 2015, the Bank for International Settlements (BIS) leverage ratio framework, as issued by the Basel Committee on Banking Supervision (BCBS), was implemented in Switzerland by FINMA. Our related disclosures are in accordance with our interpretation of such requirements, including relevant assumptions. Changes in the interpretation of these requirements in Switzerland or in any of our assumptions or estimates could result in different numbers from those shown herein.

Management report

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Information on the company

BUSINESS PROFILE

Credit Suisse (Schweiz) AG is a wholly owned subsidiary of Credit Suisse AG and was established to support the realization of Credit Suisse Group AG's (the Group) strategic objectives, to further increase its resilience, to meet developing regulatory requirements and to emphasize our strong commitment to the Swiss home market. Credit Suisse (Schweiz) AG has received its banking license and started its business operations as a Swiss bank in the fourth quarter of 2016.

Credit Suisse (Schweiz) AG and its subsidiaries (Credit Suisse Schweiz or the Company) offer comprehensive advice and a broad range of financial solutions to private, corporate and institutional clients primarily domiciled in Switzerland. The Group's Swiss Universal Bank division's operations are conducted primarily through Credit Suisse Schweiz.

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

Our **Corporate & Institutional Clients** business offers expert advice and high-quality services to a wide range of clients, serving the needs of over 100,000 corporations and institutions, including large corporate clients, small and medium-size enterprises, institutional clients, external asset managers, financial institutions and commodity traders. This business also includes our Swiss investment banking business, serving corporate clients and financial institutions in connection with financing transactions in debt and equity capital markets and advising on mergers and acquisitions (M&A) transactions. Our business includes 540 relationship managers who serve our clients out of 43 locations. Credit Suisse Asset Management & Investor Services (Schweiz) Holding AG, a business in which we hold a 49% participation, offers asset management and investor services for private and institutional clients.

BUSINESS ENVIRONMENT

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

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

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

BUSINESS STRATEGY

Switzerland, our home market, is the key market for our bank. We are well-positioned to meet the needs of our clients, both individual and corporate, with a broad suite of customized products and services.

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

Bank for Switzerland

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

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

Bank for Entrepreneurs

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

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

Bank for the Digital World

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

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

Bank for the Next Generation

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

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

Operating and financial review

Operating and financial review

OPERATING ENVIRONMENT

In 2017, the Swiss economy benefited from the favorable economic situation abroad and the depreciation of the Swiss franc against the euro. Equity markets appreciated strongly during the year, both globally and in Switzerland. Yields on government bonds were mixed and even negative for Swiss government bonds.

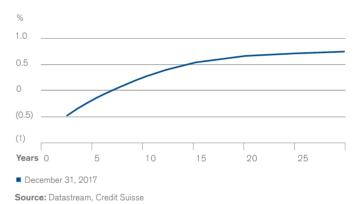
The Swiss economy finally overcame the 2015 shock of the strong Swiss franc. Among the sectors mostly affected by the appreciation of the Swiss franc in 2015, mainly the mechanical engineering, electrical and metal industries demonstrated growing momentum, while the watchmaking industry managed a turnaround and the tourism sector was able to report a clear recovery. This positive development was primarily attributable to the robust acceleration of economic growth in major markets and in particular to the strong dynamics of Switzerland's key trade partners in Europe. Following the euro-friendly outcome of the French elections in mid-2017, the long-awaited reduction of appreciation pressure on the Swiss franc proved to be a supporting factor. Meanwhile, domestically oriented sectors were supported by solid household consumption as consumer sentiment improved on the back of lower unemployment. On the other hand, net immigration - a key driver of consumption growth in Switzerland - continued to slow down and declined to the lowest level since the free movement of persons with the EU was introduced in 2007. The slowdown largely reflects the improved labor market situation in the European countries of origin. Weaker growth in the Swiss population has started to weigh on the housing market where vacancy rates for rental apartments rose further, fueled by a high level of construction activity. On the other hand, vacancies in owner-occupied housing are still low. Swiss mortgage rates remained low with the average rate calculated by the Swiss National Bank (SNB) reaching a new record low.

Against the backdrop of the weakening Swiss franc the inflation rate rose slightly. After five years of a falling or stagnating consumer price index, the price level in 2017 was on average 0.5% higher than in 2016. The SNB left its monetary policy unchanged throughout 2017. The SNB continued to maintain a negative interest rate of 0.75% on sight deposits held with the SNB and also its willingness to intervene in the foreign exchange market as deemed necessary. In the development of SNB sight deposits we saw indications that the SNB appears to have reduced its interventions in the second half of 2017 in parallel with the Swiss franc's depreciation against the euro.

Central banks in most other advanced economies kept monetary policy unchanged too, except for the US Federal Reserve (Fed) which continued to raise the target range for the federal funds rate with three 25 basis point hikes, and the Bank of Canada and the Bank of England, which returned their policy rates to the levels prevailing before their most recent emergency rate cuts in 2015 and 2016, respectively. The European Central Bank (ECB) kept its monetary policy unchanged in 2017 but announced in October a reduction in the pace of its monthly asset purchases to EUR 30 billion beginning in January 2018.

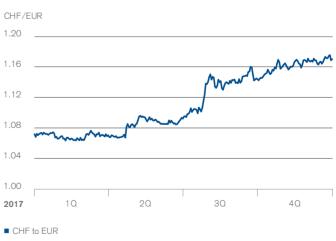
CHF yield curve

In 2017, the CHF yield curve remained at low levels and negative for Swiss government bonds.



Foreign exchange rate (EUR/CHF)

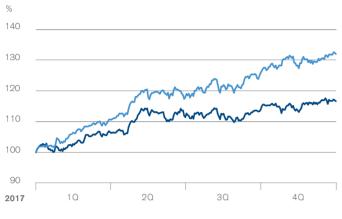
In the second half of 2017, the euro recovered strongly against the Swiss franc.



Source: Datastream, Credit Suisse

Swiss equity markets

Swiss equity markets appreciated strongly during 2017 in line with global equity markets.



■ MSCI Switzerland Large Cap Total Return ■ MSCI Switzerland SMID Cap Total Return Source: Datastream, MSCI Barra, Credit Suisse

In 2017, global equities returned more than 18% due to the supportive growth environment and strong corporate earnings. Among developed markets, US and Japanese equities outperformed global equity markets while Canada, Australia and the eurozone markets underperformed. Emerging market equities was the strongest segment, with a total return of more than 30%, benefitting from the recovery in global growth, easing monetary policy and a weaker US dollar. The Swiss Market Index (SMI) increased 14% in 2017. However, when considering an international comparable total return index which includes dividend payments, the Swiss market returned almost 18% in 2017. In the Swiss market, small and mid-caps clearly outperformed both on a total return and price index basis. Among sectors, technology, basic materials and industrials were the top performers in the Swiss market while consumer services, utilities and health care were the bottom performers in 2017.

Bonds did not perform as well, but despite the low or, in the case of Swiss government bonds, even negative yields, total returns were mostly positive, except for German and Swiss government bonds, which delivered slightly negative returns. Despite the rate hikes by the Fed and the strong economic momentum, long-dated US government bond yields ended the year broadly unchanged given the subdued inflation pressure. For the euro and the Swiss franc, longer-dated yields increased slightly with better growth prospects and signs of a gradual increase in inflation expectations. Reflecting a decrease in the eurozone risk premium, peripheral European bonds outperformed core European sovereigns, with Greece and Portugal leading the move. In credits, European subordinated financial debt benefited the most from this improved sentiment.

Among major currencies, the US dollar underperformed in 2017. It depreciated from strong levels at the beginning of 2017, despite the continued tightening of US monetary policy, as disappointing US inflation weighed on the currency. The euro appreciated the most, following easing political concerns after the French elections, strong economic growth in the eurozone and ECB's October announcement on monetary policy plans. The Swiss franc also gained against the US dollar over the year, but depreciated against the euro as economic and political risks in the eurozone receded and safe-haven inflows of capital began to reverse.

FINANCIAL REVIEW

The financial review presents consolidated financial information and Swiss regulatory capital and leverage metrics of Credit Suisse (Schweiz) AG and its subsidiaries.

2017 Results

In 2017, we reported net income of CHF 1,291 million. Our common equity tier 1 (CET1) capital was CHF 12.6 billion and our Swiss CET1 ratio on a phase-in basis was 14.9% as of December 31, 2017.

Results

Nesuits	
in / end of	2017
Statements of operations (CHF million)	
Net interest income	2,463
Commissions and fees	2,316
Trading revenues	254
Other revenues	551
Net revenues	5,584
Provision for credit losses	70
Compensation and benefits	1,462
General and administrative expenses	1,998
Commission expenses	530
Restructuring expenses	10
Total other operating expenses	2,538
Total operating expenses	4,000
Income before taxes	1,514
Income tax expense	223
Net income attributable to shareholders	1,291
Statement of operations metrics (%)	
Cost/income ratio	71.6
Balance sheet metrics (CHF million)	
Total assets	246,345
Net loans	168,393
Customer deposits	177,358
Total shareholders' equity	14,681
Number of employees (full-time equivalents)	
Number of employees	8,480
Average number of employees	8,710

Operating and financial review

Net revenues

Net revenues of CHF 5,584 million in 2017 included net interest income of CHF 2,463 million, commissions and fees of CHF 2,316 million, trading revenues of CHF 254 million and other revenues of CHF 551 million.

Net interest income included interest and dividend income of CHF 2,850 million, primarily from mortgages and loans to corporate and institutional clients, partially offset by interest expense of CHF 387 million, primarily from long-term debt, securities lending transactions and client deposits.

Commissions and fees mainly included investment and portfolio management fees of CHF 744 million from advisory and discretionary mandates and custody accounts, brokerage fees of CHF 717 million from foreign exchange and equity transactions with clients and fees of CHF 532 million from other services including banking services.

Trading revenues reflected primarily gains from foreign exchange risk hedging activities and valuation adjustments on equity products which were offset by related dividends recorded in net interest income.

Other revenues were primarily related to revenues from services provided to related parties of CHF 293 million, mainly for IT operations and business support services, and income from equity method investments of CHF 200 million.

Provision for credit losses

The loan portfolio is substantially comprised of residential mortgages in Switzerland and loans to corporate and institutional clients secured by real estate, securities and other financial collaterals.

In 2017, we recorded provision for credit losses of CHF 70 million, primarily related to our consumer finance business and corporate and institutional clients.

Total operating expenses

Total operating expenses of CHF 4,000 million in 2017 included general and administrative expenses of CHF 1,998 million, compensation and benefits of CHF 1,462 million, commission expenses of CHF 530 million and restructuring expenses of CHF 10 million.

Compensation and benefits included mainly salaries and discretionary compensation expenses of CHF 1,168 million, pension expense of CHF 182 million, and social security of CHF 94 million.

General and administrative expenses were primarily related to services received from related parties of CHF 1,179 million, professional services of CHF 292 million and occupancy expenses of CHF 228 million.

Balance sheet

As of December 31, 2017, we reported CHF 246.3 billion total assets in our consolidated balance sheet. Net loans of CHF 168.4 billion were our largest asset position and customer deposits of

CHF 177.4 billion were our largest liability position in our consolidated balance sheet. Our shareholders' equity was CHF 14.7 billion as of December 31, 2017.

Regulatory capital

As of December 31, 2017, our Swiss CET1 ratio on a phase-in basis was 14.9% and CET1 capital was CHF 12.6 billion.

Swiss regulatory capital and leverage metrics

in / end of	2017
Phase-in (CHF million, except where indicated)	
Swiss CET1 capital	12,638
Total loss-absorbing capacity	20,663
Swiss CET1 ratio (%)	14.9
Swiss CET1 leverage ratio (%)	4.6
TLAC ratio (%)	24.4
TLAC leverage ratio (%)	7.5

Assets under management

As of December 31, 2017, we had assets under management of CHF 563.6 billion. Net asset outflows of CHF 9.3 billion were primarily due to redemptions of CHF 13.3 billion from a single public sector mandate, partially offset by net inflows from UHNWI clients and entrepreneurs.

Assets under management and net new assets

in / end of	2017
Assets under management and net new assets (CHF billion)	
Assets under management	563.6
Net new assets	(9.3)

Significant transactions and developments

Corporate developments

► Refer to "Note 3 – Business developments and subsequent events" in II – Consolidated financial statements for further information.

OUTLOOK

We believe that the banking industry in our Swiss home market remains very attractive and continues to have positive growth prospects.

It is our ambition to further develop and grow our universal bank business in combination with moderate balance sheet growth, while at the same time closely observing the current market environment and potential disruptions. We believe that we have set the right direction with our strategy and its key priorities – Bank for Switzerland, Bank for Entrepreneurs, Bank for the Digital World and Bank for the Next Generation – to advance our business and further cement our standing as a leading Swiss bank.

Corporate Governance

OVERVIEW

Credit Suisse (Schweiz) AG's corporate governance framework reflects requirements of Swiss corporate law, the standards of Swiss Financial Market Supervisory Authority FINMA (FINMA) circular 2017/1, "Corporate governance – banks", the banking license decree from FINMA dated October 14, 2016, the standards of the Swiss Code of Best Practice for Corporate Governance issued by economiesuisse and additional requirements of the Group. We are committed to safeguarding the interests of our stakeholders and recognize the importance of good corporate governance. We know that transparent disclosure of our governance helps stakeholders assess the quality of Credit Suisse (Schweiz) AG's corporate governance.

We regularly monitor developments in corporate governance guidelines, regulations and best practice standards relevant to our business operations. FINMA circular 2017/1 "Corporate governance – banks", which emphasizes the importance of modern corporate governance and appropriate and efficient risk management for banks, became effective on July 1, 2017. Credit Suisse (Schweiz) AG's existing corporate governance framework, including its risk management framework, largely reflects the guidance and standards set forth in this new circular.

Key elements of the corporate governance framework

Credit Suisse (Schweiz) AG's corporate governance framework consists of its governing bodies and its corporate governance policies and procedures, which define the competencies of the governing bodies and other corporate governance rules, as well as the practices to be followed throughout Credit Suisse (Schweiz) AG, in line with Swiss corporate law and best practice standards for corporate governance. The governing bodies of Credit Suisse (Schweiz) AG are:

- the General Meeting of Shareholders;
- the Board of Directors (Board);
- the Executive Board; and
- the external auditors.

The shareholders elect the members of the Board and the external auditors on an annual basis and approve required resolutions at the Annual General Meeting (AGM), such as the annual financial statements, the appropriation of earnings and amendments to Credit Suisse (Schweiz) AG's Articles of Association. The Board is responsible for the overall strategic direction, supervision and control of Credit Suisse (Schweiz) AG and appoints the members of the Executive Board. The Executive Board is responsible for the

day-to-day operational management of Credit Suisse (Schweiz) AG's business and for developing and implementing business plans.

Credit Suisse (Schweiz) AG's corporate governance policies and procedures, adopted by the Board, are defined in a series of documents. These shall comply with all applicable law and regulations and, to the extent possible, be consistent with the principles and rules as stated in the Organizational Guidelines and Regulations of Credit Suisse Group AG (Group OGR). They include:

- Articles of Association (AoA): define the purpose of the business, the capital structure and the basic organizational framework.
- Code of Conduct: defines the conduct and ethics standards that the members of the Board and all employees are required to follow
- Organizational Guidelines and Regulations (OGR): define the organizational structure of Credit Suisse (Schweiz) AG and the responsibilities and sphere of authority of the Board, its committees and the management organization within Credit Suisse (Schweiz) AG, as well as the relevant reporting procedures.
- Board and Board committee charters: outline the organization and responsibilities of the Board and the Board committees.
- Board Group Governance Manual: sets corporate standards to ensure the efficient and harmonized steering of Credit Suisse Group AG (the Group).

Credit Suisse (Schweiz) AG is a registered company and licensed bank in Switzerland. The business purpose of the Bank, as set forth in Article 1 of its AoA, is to operate as a bank, with all related banking, finance, consultancy, service and trading activities in Switzerland.

Company details

Legal name	Credit Suisse (Schweiz) AG
Business purpose	Operate as a bank
Registration details	Commercial register of the Canton of Zurich as of April 29, 2015; No. CHE-166.233.400
Date incorporated, with unlimited duration	April 29, 2015
Registered office	Paradeplatz 8 8001 Zurich Switzerland

Group governance of subsidiaries

The Group Board assumes oversight responsibility for establishing appropriate governance for Credit Suisse (Schweiz) AG and further major subsidiaries of the Group. The governance of the Group is based on the principles of an integrated oversight and management structure with global scope, which enables the management of the Group as one economic unit. The Group Board sets corporate governance standards to ensure the efficient and harmonized steering of the Group. In accordance with the Group OGR, the Group Board nominates the chairperson and the members of the Board of Credit Suisse (Schweiz) AG and the other major subsidiaries of the Group and approves their compensation. The governance of the major subsidiaries, subject to compliance with all applicable local laws and regulations, should be consistent with the corporate governance principles of the Group. Directors and officers of the Group and the Group's major subsidiaries are committed to ensuring transparency and collaboration throughout the Group.

Code of Conduct

At Credit Suisse (Schweiz) AG, we are convinced that our responsible approach to business is a decisive factor in determining our long-term success. The conduct and ethics standards as described in our Code of Conduct shall ensure that we act with responsibility, respect, honesty, transparency and compliance at all times in order to secure the trust of our stakeholders.

Corporate responsibility

For Credit Suisse (Schweiz) AG, corporate responsibility is about creating sustainable value for our clients, shareholder, employees and other stakeholders. We strive to comply with the conduct and ethics standards set out in our Code of Conduct in every aspect of our work, including in our relationship with our stakeholders. We do so based on a broad understanding of our duties as a

financial services provider and employer and as an integral part of the economy and society. This approach also reflects our commitment to protecting the environment. To ensure that we supply the full breadth of information required by our stakeholders, the Group publishes a Corporate Responsibility Report each year.

Employee relations

As of December 31, 2017, we had 8,480 employees. Our corporate titles include managing director, director, vice president, assistant vice president and non-officer staff.

SHAREHOLDERS

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

► Refer to "IV – Corporate Governance" of the Credit Suisse Group Annual Report 2017 for further information on shareholders of Credit Suisse Group.

BOARD OF DIRECTORS

Membership and qualifications

The AoA provide that the Board shall consist of a minimum of six members. The Board currently consists of six members. We believe that the size of the Board must be such that the Board committees can be staffed with qualified members. At the same time, the Board must be small enough to ensure an effective and rapid decision-making process. Board members are elected at the AGM individually for a period of one year and are eligible for re-election. One year of office is understood to be the period of time from one AGM to the close of the next AGM. Members of the Board shall generally retire after having served on the Board for 12 years. Under certain circumstances, the Board may extend the limit of terms of office for a particular Board member for a maximum of three additional years.

An overview of the Board and the committee membership is shown in the following table.

Members of the Board and Board committees

	Board member since	Independence ¹	Audit Committee	Risk Committee
December 31, 2017				
Alexandre Zeller, Chairman	2016		_	_
Peter Derendinger, Vice-Chairman	2016	Independent	Member	Chairman
Alexander Gut	2016		Chairman	_
Patrizia Pesenti	2017	Independent	Member	Member
Urs Rohner	2015			Member
Tidjane Thiam	2016			

¹ As per the independence requirements defined by FINMA circular 2017/1, "Corporate governance – banks".

The background, skills and experience of our Board members are diverse and broad and include holding or having held top management positions at financial services and industrial companies in Switzerland, as well as leading positions in government, academia and international or large national organizations. The Board is composed of individuals with diverse experience and the necessary expertise in key areas such as financial management, audit, risk management, as well as legal and regulatory affairs.

Board changes

At the extraordinary general meeting on April 18, 2017, Patrizia Pesenti was elected as new member of the Board while Andreas Koopmann and Severin Schwan stepped down from the Board.

Independence

According to FINMA circular 2017/1, one third of the Board members must meet the independence criteria as set out in the circular. The circular stipulates that a director of Credit Suisse (Schweiz) AG who is or has been an employee of the Group for the past two years, or tasked with another function within the Group, is deemed to be non-independent. The Board members Peter Derendinger and Patrizia Pesenti meet the independence definition according to FINMA circular 2017/1.

According to Article 4.2 of the OGR, a director is considered independent if he or she is not and has not for the past three years been a member of the Executive Board of the Group or any of its major subsidiaries, and is not and has not for the past three years been an employee or affiliate of the external auditor of the Group or Credit Suisse (Schweiz) AG, and – in the opinion of the Board – does not maintain a material or direct or indirect business relationship with the Group or any of its subsidiaries. Pursuant to Article 4.1 of the OGR, at least five members of the Board shall fulfill the independence criteria as reflected in the OGR. With the exception of Tidjane Thiam, all Board members meet the independence definition according to Article 4.2 of the OGR.

Board responsibilities

In accordance with the OGR, the Board delegates certain tasks to Board committees and delegates the management of the company and the preparation and implementation of Board resolutions to certain management bodies or executive officers to the extent permitted by law, in particular Article 716a and 716b of the Swiss Code of Obligations, and the AoA.

With responsibility for the overall direction, supervision and control of the company, the Board:

- regularly assesses our competitive position and approves our strategic and financial plans;
- receives a status report at each ordinary meeting on our financial results, capital, funding and liquidity situation;
- receives, on a quarterly basis, management information packages, which provide detailed information on our performance and financial status, as well as quarterly risk reports outlining recent developments and outlook scenarios;

- is provided by management with regular updates on key issues and significant events, as deemed appropriate or requested;
- has access to all information concerning Credit Suisse (Schweiz) AG in order to appropriately discharge its responsibilities;
- reviews and approves significant changes in our structure and organization;
- provides oversight on significant projects including acquisitions, divestitures, investments and other major projects; and
- along with its committees, is entitled, without consulting with management and at Credit Suisse (Schweiz) AG's expense, to consult independent legal, financial or other advisors, as it deems appropriate, on subjects in its area of responsibility.

BOARD COMMITTEES

The Board has two standing committees: the Audit Committee and the Risk Committee. The committee members are appointed by the Board for a term of one year.

At each Board meeting, the committee chairmen report to the Board about the activities of the respective committees. In addition, the minutes and documentation of the committee meetings are accessible to all Board members.

Each committee has its own charter, which has been approved by the Board, and performs a self-assessment once a year, where it reviews its own performance against the responsibilities listed in its charter and the committee's objectives and determines any special focus objectives for the coming year.

Audit Committee

The Audit Committee consists of at least three members, all of whom must be independent as determined in Article 4.2 of the OGR. The Board appoints the chairman and the members of the Audit Committee from among its members.

The Audit Committee charter stipulates that the members of the Audit Committee must have a sound knowledge of financial matters.

Pursuant to its charter, the Audit Committee holds at least four meetings per year. Additional meetings can be held if necessary. In addition, the Audit Committee usually convenes for additional meetings throughout the year in order to appropriately discharge its responsibilities. The meetings are attended by management representatives, as appropriate, the Head of Internal Audit and senior representatives of the external auditor. The Head of Internal Audit reports directly to the Audit Committee chairman.

The primary function of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities, taking account of the Swiss Code of Obligations, Swiss banking legislation and other directives and regulations, the rules of the Group, and the AoA and OGR of Credit Suisse (Schweiz) AG. This particularly includes the following responsibilities, in each case considering the role and position of Credit Suisse (Schweiz) AG within the Group:

 monitoring and assessing the integrity of the consolidated financial statements as well as disclosures of the financial Corporate Governance

- condition, results of operations and cash flows of Credit Suisse (Schweiz) AG;
- monitoring the adequacy of the financial accounting and reporting processes and the effectiveness of internal controls over financial reporting;
- monitoring processes within Credit Suisse (Schweiz) AG
 designed to ensure compliance with legal and regulatory provisions in the financial sector, including disclosure controls and
 procedures, and the impact (or potential impact) of developments related thereto;
- monitoring the adequacy of the management of operational risks, jointly with the Risk Committee of Credit Suisse (Schweiz) AG, including assessing the effectiveness of internal controls that go beyond the area of financial reporting;
- monitoring the adequacy of the management of reputational risks, jointly with the Risk Committee of Credit Suisse (Schweiz) AG; and
- monitoring the qualifications, independence and performance of the external auditors with reference to their audit activity at Credit Suisse (Schweiz) AG.

The Audit Committee's task is one of oversight, recognizing that management is responsible for preparing the financial statements of Credit Suisse (Schweiz) AG and for developing and maintaining systems of internal controls. The Audit Committee is responsible for the oversight of the External Auditors. The External Auditors shall report directly to the Audit Committee and the Board for their audit of the financial statements of Credit Suisse (Schweiz) AG and are ultimately accountable to the shareholders.

While the Audit Committee has the responsibilities and powers set forth in the OGR and the Audit Committee charter, it is not the duty of the Audit Committee to plan or conduct audits or to produce financial statements. Nor is it the duty of the Audit Committee to conduct investigations or to assure compliance with applicable laws and regulations and internal rules and regulations such as the Code of Conduct.

In addition to those expressly set forth in the Audit Committee charter, the Audit Committee shall have such other responsibilities as are required by the rules and regulations of FINMA and any other applicable law or regulation. The Audit Committee shall also carry out responsibilities delegated to it by the Board as required.

Risk Committee

The Risk Committee consists of at least three members. With the exception of the chairman, it may include non-independent members. The Board appoints the chairman and the members of the Risk Committee from among its members.

Pursuant to its charter, the Risk Committee holds at least four meetings a year. In addition, the Risk Committee usually convenes for additional meetings throughout the year in order to appropriately discharge its responsibilities. The meetings are attended by management representatives, as appropriate.

The Risk Committee's primary function is to assist the Board in fulfilling its risk management oversight responsibilities as defined

by the Swiss Code of Obligations, Swiss banking legislation and other directives and regulations, the rules of the Group, and the AoA and the OGR of Credit Suisse (Schweiz) AG, which forms part of the Group as one economic entity. This particularly includes the following responsibilities, in each case considering the role and position of Credit Suisse (Schweiz) AG within the Group:

- reviewing and assessing the integrity and adequacy of the risk management function of Credit Suisse (Schweiz) AG, in particular as it relates to market, credit and liquidity and funding risks:
- reviewing the capital adequacy of Credit Suisse (Schweiz) AG (from economic and regulatory viewpoints and also with regard to the rating agencies' criteria) and its allocation to the various business areas of Credit Suisse (Schweiz) AG, together with risk limits and methodologies;
- reviewing certain risk limits and regular risk reports, including risk capacity and risk appetite;
- reviewing and assessing the adequacy of the management of reputational risks, jointly with the Audit Committee;
- reviewing and assessing the adequacy of the management of operational risks at Credit Suisse (Schweiz) AG, including the adequacy of the internal control system at Credit Suisse (Schweiz) AG, jointly with the Audit Committee of Credit Suisse (Schweiz) AG; and
- reviewing the policy of Credit Suisse (Schweiz) AG in respect of corporate responsibility and sustainable development.

The Risk Committee's task is one of oversight, while management is responsible for executing the risk management policy of Credit Suisse (Schweiz) AG. While the Risk Committee has the responsibilities and powers set forth in the OGR and the Risk Committee charter, it is not the duty of the Risk Committee to plan or conduct risk management tasks. Nor is it the duty of the Risk Committee to conduct investigations or to assure compliance with applicable laws and regulations, and internal rules and regulations such as the Code of Conduct. In addition to those expressly set forth in the Risk Committee charter, the Risk Committee shall have such other responsibilities as are required by the rules and regulations of FINMA and any other applicable law or regulation. The Risk Committee shall also carry out responsibilities delegated to it by the Board as required.

Risk assessment

The Risk Committee is responsible for assisting the Board in fulfilling its oversight responsibilities by providing guidance regarding risk governance and the development of the risk profile and capital adequacy, including the regular review of major risk exposures and overall risk limits. The Risk Committee carries out a risk assessment at least once a year.

▶ Refer to "Note 3 – Risk management, use of derivative financial instruments and hedge accounting" in III – Parent company financial statements for further information on our risk management organization as well as risk management methodologies and processes.

EXECUTIVE BOARD

Membership

The Executive Board is the most senior management body of Credit Suisse (Schweiz) AG. Its members are appointed by the Board. With the appointment of Didier Denat and Florence Schnydrig Moser effective January 1, 2017, the Executive Board currently consists of thirteen members. There were no other changes in the composition of the Executive Board during 2017. The individual members of the Executive Board are listed in the table below.

Members of the Executive Board

	Executive Board member since	Role
December 31, 2017		
Thomas Gottstein, Chief Executive Officer	2016	CEO
Felix Baumgartner, Premium Clients	2016	Business Head
Urs Beeler, ITS Switzerland	2016	Business Head
Antoine Boublil, Chief Financial Officer	2016	Corporate Function Head
Philippe Clémençon, Chief Risk Officer	2016	Corporate Function Head
Didier Denat, Corporate & Investment Banking	2017	Business Head
Serge Fehr, Private & Wealth Management Clients	2016	Business Head
Erwin Grob, Chief Compliance Officer	2016	Corporate Function Head
Thomas Grotzer, General Counsel	2016	Corporate Function Head
André Helfenstein, Institutional Clients	2016	Business Head
Dagmar M. Kamber Borens, Chief Operating Officer	2016	Corporate Function Head
Florence Schnydrig Moser, Products & Investment Services	2017	Business Head
Claude Täschler, Human Resources	2016	Corporate Function Head

Responsibilities

The Executive Board is responsible for the day-to-day operational management of Credit Suisse (Schweiz) AG as an economic unit of the Group under the leadership of the Chief Executive Officer (CEO). Its main duties and responsibilities include:

- establishment of the strategic business plans for Credit Suisse (Schweiz) AG within the limits of the Group, subject to approval by the Board;
- regular review and coordination of significant initiatives, projects and business developments in the business areas and the corporate functions, including important risk management matters;
- regular review of the financial performance, including progress on key performance indicators, as well as Credit Suisse (Schweiz) AG's capital and liquidity positions;
- based on the guidance provided by the Group, appointment and dismissal of senior managers, with the exception of managers from Internal Audit, and the periodic review of senior management talent across Credit Suisse (Schweiz) AG and talent development programs;

- review and approval of business transactions, including mergers, acquisitions, establishment of joint ventures and establishment of subsidiary companies; and
- approval of key policies for Credit Suisse (Schweiz) AG within the limits of the Group.

EXTERNAL AUDIT

External audit forms an integral part of Credit Suisse (Schweiz) AG's corporate governance framework and plays a key role by providing an independent assessment of our operations and internal controls.

The AGM elects the external auditors annually. Our statutory auditor is KPMG AG, Badenerstrasse 172, 8004 Zurich, Switzerland.

In addition, we have mandated BDO AG, Fabrikstrasse 50, 8031 Zurich, Switzerland, as special auditor for the purposes of issuing the legally required report for capital increases in accordance with Article 652f of the Swiss Code of Obligations, mainly relating to the valuation of companies in consideration of the qualified capital increases involving contributions in kind.

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Consolidated financial statements

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Report of the Statutory Auditor

To the General Meeting of Shareholders of Credit Suisse (Schweiz) AG, Zurich

Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Credit Suisse (Schweiz) AG and subsidiaries (the "Company"), which comprise the balance sheet, statement of operations, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes for the year ended December 31, 2017.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the consolidated financial statements in accordance with U.S. Generally Accepted Accounting Principles and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as Auditing Standards Generally Accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended December 31, 2017 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with U.S. Generally Accepted Accounting Principles, and comply with Swiss law.

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Report of the Statutory Auditor



Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG

Ralph Dicht Licensed Audit Expert Auditor in Charge

Nicholas Edmonds Licensed Audit Expert

Zurich, Switzerland March 23, 2018

Consolidated financial statements

Consolidated statement of operations

	Reference to notes	in
		2017
Consolidated statement of operations (CHF million)		2017
Interest and dividend income		2,850
Interest expense	,	(387)
Net interest income		2,463
Commissions and fees		2,316
Trading revenues	4	254
Other revenues		551
Net revenues		5,584
Provision for credit losses		70
Compensation and benefits		1,462
General and administrative expenses		1,998
Commission expenses		530
Restructuring expenses	5	10
Total other operating expenses		2,538
Total operating expenses		4,000
Income before taxes		1,514
Income tax expense	15	223
Net income attributable to shareholders		1,291

Consolidated statement of comprehensive income

in	2017
Comprehensive income/(loss) (CHF million)	
Net income	1,291
Gains/(losses) on cash flow hedges	(7)
Unrealized gains/(losses) on securities	1
Gains/(losses) on liabilities related to credit risk	3
Other comprehensive income/(loss), net of tax	(3)
Comprehensive income attributable to shareholders	1,288

Consolidated financial statements

Consolidated balance sheet

	Reference to notes	end of
		2017
Assets (CHF million)		
Cash and due from banks		45,138
of which reported at fair value		138
Interest-bearing deposits with banks		1,951
Securities purchased under resale agreements		40.000
and securities borrowing transactions		12,630
of which reported at fair value Securities received as collateral, at fair value		246
of which encumbered		5,874
		5,809 7,863
Trading assets, at fair value of which encumbered		1,063
Investment securities	6	469
of which reported at fair value		469
Other investments	7	761
Net loans	8	168,393
of which reported at fair value		34
allowance for loan losses		(430)
Premises and equipment	9	290
Goodwill	10	320
Brokerage receivables	10	685
Other assets		1,971
Total assets		246,345
Liabilities and equity (CHF million)		
Due to banks	11	8,530
of which reported at fair value		969
Customer deposits	11	177,358
of which reported at fair value		570
Securities sold under repurchase agreements and securities lending transactions		2,847
of which reported at fair value		63
Obligation to return securities received as collateral, at fair value		5,874
Trading liabilities, at fair value		1,435
Short-term borrowings		13,048
of which reported at fair value		245
Long-term debt	12	20,720
of which reported at fair value		317
Brokerage payables		66
Other liabilities		1,786
of which reported at fair value		27
Total liabilities		231,664
Common shares		100
Additional paid-in capital		11,136
Retained earnings		3,434
Accumulated other comprehensive income/(loss)	13	11
Total shareholders' equity		14,681
Total liabilities and equity		246,345

Consolidated statement of changes in equity

			,	Attributable to s	hareholders
	Common shares	Additional paid-in capital	Retained earnings	Accumu- lated other compre- hensive income/ (loss)	Total share- holders' equity
2017 (CHF million)					
Balance at beginning of period	100	12,014	1,478	14	13,606
Net income/(loss)	-	-	1,291	-	1,291
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	_	13	_	_	13
Dividends on share-based compensation, net of tax	_	(4)	_	_	(4)
Dividends paid	_	(148)	(75)	_	(223)
Other	_	1	_	_	1
Balance at end of period	100	11,136	3,434	11	14,681

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

Consolidated statement of cash nows	
in	2017
Operating activities (CHF million)	
Net income	1,291
Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities (CHF million)	
Impairment, depreciation and amortization	35
Provision for credit losses	70
Deferred tax provision/(benefit)	167
Share of net income/(loss) from equity method investments	(148)
Trading assets and liabilities, net	1,385
(Increase)/decrease in other assets	85
Increase/(decrease) in other liabilities	(600)
Other, net	(65)
Total adjustments	929
Net cash provided by/(used in) operating activities	2,220
Investing activities (CHF million)	
(Increase)/decrease in interest-bearing deposits with banks	(1,291)
(Increase)/decrease in securities purchased under	
resale agreements and securities borrowing transactions	965
Purchase of investment securities	(49)
Maturities of investment securities	146
Investments in subsidiaries and other investments	(1,082)
Proceeds from sale of other investments	20
(Increase)/decrease in loans	(3,737)
Proceeds from sales of loans	686
Capital expenditures for premises and equipment and other intangible assets	(120)
Other, net	(1)
Net cash provided by/(used in) investing activities	(4,463)
Financing activities (CHF million)	
Increase/(decrease) in due to banks and customer deposits	(4,463)
Increase/(decrease) in short-term borrowings	5,150
Increase/(decrease) in securities sold under	
repurchase agreements and securities lending transactions	(1,103)
Issuances of long-term debt	9,325
Repayments of long-term debt	(4,676)
Dividends paid	(219)
Other, net	4
Net cash provided by/(used in) financing activities	4,018
Effect of exchange rate changes on cash and due from banks (CHF million)	
Effect of exchange rate changes on cash and due from banks	(9)
Net increase/(decrease) in cash and due from banks (CHF million)	
Net increase/(decrease) in cash and due from banks	1,766
Cash and due from banks at beginning of period	43,372
Cash and due from banks at end of period	45,138
Supplemental cash flow information	
<u>in</u>	2017
Cash paid for income taxes and interest (CHF million)	
Cash paid for income taxes	61
Cash paid for interest	382

Notes to the consolidated financial statements

1 Summary of significant accounting policies

Basis of presentation

The accompanying 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 was prepared in 2017 for the first time. No comparative information is presented.

In preparing these 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 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. 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 22 – 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 selected agreements.

Reverse repurchase and repurchase agreements are netted if they are with the same counterparty, have the same maturity date, Notes to the consolidated financial statements

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 21 – 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 (ETDs) 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:

- 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 nonmarketable 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

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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 8 – Loans, allowance for loan losses and credit quality" for further information.

Allowance for loan losses on loans held-to-maturity

The allowance for loan losses is composed of the following components: probable credit losses inherent in the portfolio and those losses specifically identified. Changes in the allowance for loan losses are recorded in the consolidated 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 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 collectability and a provision is established as necessary.

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

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

Interest collected on non-performing loans and non-interestearning 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 assets received.

▶ Refer to "Impaired loans" in Note 8 – 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, not exceeding 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

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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 composed of debt issuances which do not contain derivative features (vanilla debt) as well as hybrid debt instruments with embedded derivatives, which are issued as part of the 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 costs 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 purposes, the Group issues hybrid capital instruments in the form of tier 1 capital notes, with a writeoff feature. These instruments have an embedded derivative that is bifurcated for accounting purposes. The embedded derivative is measured separately and changes in fair value are recorded in trading revenue. The debt host is accounted for under the amortized cost method.

The Company's long-term debt also includes various equitylinked 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. In the event of either a negative return on equity (ROE) of Credit Suisse Group AG, the Company or Credit Suisse Group AG's Swiss Universal Bank division, any outstanding performance share awards will be subject to a reduction. The amount of compensation expense recorded includes an estimate of any expected reductions. For each reporting period after the grant date, the expected

number of shares to be ultimately delivered upon vesting is reassessed and reflected as an adjustment to the cumulative compensation expense recorded in the income statement. The basis for the ROE calculation may vary from year to year, depending on the Compensation Committee's determination for the year in which the performance shares are granted.

Net interest income

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

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

Commissions and fees

Fee revenue is recognized when all of the following criteria have been met: persuasive evidence of an arrangement exists, services have been rendered, the price is fixed or determinable and collectability is reasonably assured. Fee income can be divided into two broad categories: income earned from services that are provided over a certain period of time, for which customers are generally billed on an annual or semi-annual basis, and income earned from

providing transaction-type services. Fees earned from services that are provided over a certain period of time are recognized ratably over the service period. Fees earned from providing transaction-type services are recognized when the service has been completed. Performance-linked fees or fee components are recognized at any contractual measurement date when the contractually agreed thresholds are met.

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.

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

2 Recently issued accounting standards

For the Company's adoption of new accounting standards, the implementation guidance for non-public entities is relevant.

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 simplified the subsequent measurement of goodwill by eliminating step two from the goodwill impairment test. ASU 2017-04 was effective for annual and any interim impairment test performed for periods beginning after December 15, 2021. Early adoption was permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. ASU 2017-04 was to be applied on a prospective basis. The 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 provided simplification updates for several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. ASU 2016-09 was effective for annual reporting periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. 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 eliminated the exception for an intra-entity transfer of an asset other than inventory. ASU 2016-16 was required to be applied on a modified retrospective basis through a cumulative effect adjustment directly to retained earnings as of the beginning of the period of adoption. ASU 2016-16 was effective for annual reporting periods beginning after December 15, 2018, including interim reporting periods within annual reporting periods beginning after December 15, 2019. Early adoption was permitted. The Company elected to early adopt ASU 2016-16 on January 1, 2017,

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which resulted in a reclassification of CHF 740 million from additional paid-in capital to retained earnings, with no impact on total shareholders' equity.

ASC Topic 825 - Financial Instruments - Overall

In January 2016, the FASB issued ASU 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities" (ASU 2016-01), an update to ASC Topic 825 - Financial Instruments - Overall. The amendments in ASU 2016-01 addressed certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The amendments primarily affected the accounting for equity investments, financial liabilities under the fair value option and the presentation and disclosure requirements for financial instruments. Early adoption of the full standard was not permitted before annual reporting periods after December 15, 2017, including interim periods within those reporting periods. The amendments to ASU 2016-01 required the changes in fair value relating to instrument-specific credit risk of fair value option elected financial liabilities to be presented separately in AOCI. The Company early adopted these sections of the update on August 1, 2016. As a result of the adoption, the Company reclassified CHF 2 million, net of tax, from retained earnings to AOCI.

The early adoption of the remaining amendments to ASU 2016-01 on January 1, 2018 resulted in a reclassification of unrealized gains and losses previously reported in AOCI for available-for-sale equity securities to retained earnings of CHF 4 million, net of tax. ASU 2016-01 also required that certain equity instruments without readily determinable fair value be measured at fair value, excluding instances in which measurement alternative is applied, however this requirement did not have a material impact on the Company's financial position, results of operations or cash flows.

Standards to be adopted in future periods

ASC Topic 230 - Statement of Cash Flows

In November 2016, the FASB issued ASU 2016-18, "Restricted Cash (a consensus of the FASB Emerging Issues Task Force)" (ASU 2016-18), an update to ASC Topic 230 - Statement of Cash Flows. ASU 2016-18 required that cash amounts described as restricted cash and cash equivalents be included in cash and cash equivalents when reconciling total amounts in the statements of cash flows. ASU 2016-18 was effective for annual reporting periods beginning after December 15, 2018, including interim reporting periods within annual reporting periods beginning after December 15, 2019. ASU 2016-18 was required to be applied retrospectively to all periods presented beginning in the year of adoption. The early adoption of ASU 2016-18 on January 1, 2018 did not have an impact on the Company's financial position, results of operations and cash flows.

In August 2016, the FASB issued ASU 2016-15, "Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force)" (ASU 2016-15), an update to ASC Topic 230 - Statement of Cash Flows. The amendments in ASU 2016-15 provided guidance regarding classification of certain cash receipts and payments where diversity in practice was observed. ASU 2016-15 was effective for annual reporting periods beginning after December 15, 2018, including interim reporting periods within annual reporting periods beginning after December 15, 2019. ASU 2016-15 was required to be applied retrospectively to all periods presented beginning in the year of adoption. The early adoption of ASU 2016-15 on January 1, 2018 did not have an impact on the Company's financial position, results of operations and cash flows and, as such, prior periods were not restated.

ASC Topic 326 - Financial Instruments - Credit Losses

In June 2016, the FASB issued ASU 2016-13, "Measurement of Credit Losses on Financial Instruments" (ASU 2016-13), creating ASC Topic 326 - Financial Instruments - Credit Losses. ASU 2016-13 is intended to improve financial reporting by requiring timelier recording of credit losses on financial assets measured at amortized cost basis (including, but not limited to loans), net investments in leases recognized as lessor and off-balance sheet credit exposures. ASU 2016-13 eliminates the probable initial recognition threshold under the current incurred loss methodology for recognizing credit losses. Instead, ASU 2016-13 requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions and reasonable and supportable forecasts. The 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, including interim periods within those annual reporting periods beginning after December 15, 2021. Early adoption will be permitted for annual reporting periods, including interim periods within those 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 Group has decided on a current expected credit loss (CECL) methodology while it is adjusting for key interpretive issues. Furthermore, the Group's 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), creating ASC Topic 606 – Revenue from Contracts with Customers and superseding ASC Topic 605 – Revenue Recognition. The core principle of the guidance was that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflected the consideration to which the entity expected to be entitled in exchange for those goods or services. ASU 2014-09 outlined key steps that an entity should follow to achieve the core principle. ASU 2014-09 also included disclosure requirements that enabled users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contract with customers.

ASU 2014-09 and its subsequent amendments were effective for the annual reporting period beginning after December 15, 2018, including interim reporting periods within that reporting period. Early adoption was permitted for annual reporting periods beginning after December 15, 2018, including interim reporting periods within that reporting period.

The Company is represented in the Group's cross-functional implementation team and governance structure for the project. The Group's implementation efforts include the identification of revenue and costs within the scope of the guidance, as well as the evaluation of revenue contracts under the new guidance and related accounting policies. The guidance did not apply to revenue associated with financial instruments, including loans and securities that were accounted for under other US GAAP guidance.

The Company early adopted ASU 2014-09 on January 1, 2018 using the modified retrospective approach with a transition adjustment recognized in retained earnings without restating comparatives. As a result of adoption, there was an decrease in retained earnings, net of tax, of CHF 24 million due to a change in timing of the recognition of certain fees in private banking.

Additionally, the new revenue recognition criteria required the Company to present reimbursed expenses from client advisory activities gross of offsetting expenses, in contrast to prior periods in which the financial statements presented these amounts net of offsetting expenses; this change in presentation from net to gross would have increased the revenues and expenses in 2017 by CHF 1 million, which was not included in the previously stated transition amount. Furthermore with the adoption of

ASU 2014-09, the brokerage, clearing and exchange expenses, which are incurred when acting as an agent on behalf of clients buying or selling exchange traded cash securities, exchange traded derivatives or centrally cleared OTC derivatives, are offset against the commission income. The change in presentation of brokerage, clearing and exchange expenses would have decreased the revenues and expenses in 2017 by CHF 41 million, which was not included in the previously stated transition amount. Certain revenues and expenses in relation to transfer pricing agreements and revenue sharing agreements with other Group companies must be presented gross under ASU 2014-09, which would have increased revenues and expenses in 2017 by CHF 34 million.

ASC Topic 815 - Derivatives and Hedging

In August 2017, the FASB issued ASU 2017-12, "Targeted Improvements to Accounting Hedging Activities" (ASU 2017-12), an update to ASC Topic 815 - Derivatives and Hedging. ASU 2017-12 makes changes to the hedge accounting model intended to facilitate financial reporting that more closely reflects an entity's risk management activities and to simplify the application of hedge accounting. The amendments in ASU 2017-12 provide more hedging strategies that will be eligible for hedge accounting, ease the documentation and effectiveness assessment requirements and result in changes to the presentation and disclosure requirements of hedge accounting activities. ASU 2017-12 is effective for annual reporting periods beginning after December 15, 2019, and for the interim periods within those annual reporting periods beginning after December 15, 2020. Early adoption, including adoption in an interim period, is permitted. The Company is currently evaluating the impact of the adoption of ASU 2017-12 on the Company's financial position, results of operations and cash flows.

ASC Topic 842 - Leases

In February 2016, the FASB issued ASU 2016-02, "Leases" (ASU 2016-02), creating ASC Topic 842 - Leases and superseding ASC Topic 840 - Leases. ASU 2016-02 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. ASU 2016-02 also includes disclosure requirements to provide more information about the amount, timing and uncertainty of cash flows arising from leases. Lessor accounting is substantially unchanged compared to the current accounting guidance. Under the current lessee accounting model the 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, as amended by ASU 2018-01 "Land Easement Practical Expedient for Transition to Topic 842", is effective for annual reporting periods beginning after December 15, 2019, and for interim periods within those annual reporting periods beginning after December 15, 2020. Early adoption is permitted.

Notes to the consolidated financial statements

The Company is represented in the Group's cross-functional implementation team and 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. The Company does not expect a material change in the timing of expense recognition and is currently evaluating the impact of the adoption of ASU 2016-02 on the Company's financial position, results of operations and cash flows.

3 Business developments and subsequent events

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 (i.e., without consideration) 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% in four fund management companies and in Credit Suisse Asset Management (Schweiz) AG (CSAM Schweiz) to Credit Suisse (Schweiz) AG by way of an a-fonds-perdu contribution. 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.

Other business developments

In the context of the Group's legal entity program, Swiss-based IT and operations employees related to the Swiss Universal Bank division were transferred in the second guarter of 2017 from Credit Suisse AG to Credit Suisse (Schweiz) AG.

Subsequent events

There were no subsequent events.

4 Trading revenues

in	2017
Trading revenues (CHF million)	
Interest rate products	(18)
Foreign exchange products	498
of which foreign exchange risk hedging activities by treasury function 1	402
Equity/index-related products	(182)
Credit products	(68)
Commodity products	25
Other products	(1)
Total	254

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:

- Domestic, corporate and sovereign debt, convertible and nonconvertible preferred stock and short-term securities such as floating rate notes and commercial paper;
- Market making and positioning in foreign exchange products;
- Equities;
- Commodities;
- Listed and OTC derivatives; 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:

- 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 ongoing implementation of the revised Group strategy, restructuring expenses of CHF 10 million were recognized by the Company in 2017. Restructuring expenses primarily included severance expenses of CHF 8 million in connection with headcount reductions.

In 2017, net additional charges of CHF 8 million and a utilization of CHF 7 million resulted in a total restructuring provision of CHF 6 million as of December 31, 2017, all related to compensation and benefits.

6 Investment securities

end of	2017
Investment securities (CHF million)	
Securities available-for-sale	469
Total investment securities	469

2017.

There were no proceeds from sales of investment securities in

Investment securities by type

end of				2017
A	mortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Investment securities by type (Cl	HF millior	1)		
Debt securities issued by the Swiss federal, cantonal or local governmental entities	197	13	0	210
Debt securities issued by foreign governments	30	3	0	33
Corporate debt securities	220	0	0	220
Debt securities available-for-sale	447	16	0	463
Banks, trust and insurance compar	ies 1	5	0	6
Equity securities available-for-sale	1	5	0	6
Securities available-for-sale	448	21	0	469

Amortized cost, fair value and average yield of debt securities

		_	ebt securities ilable-for-sale
end of	Amortized	Fair value	Average yield (in %)
2017 (CHF million)			
Due within 1 year	220	220	0.45
Due from 1 to 5 years	143	152	1.68
Due from 5 to 10 years	76	81	0.92
Due after 10 years	8	10	2.00
Total debt securities	447	463	0.92

7 Other investments

end of	2017
Other investments (CHF million)	
Equity method investments	468
Non-marketable equity securities ¹	285
Real estate held for investment	8
Total other investments	761

¹ Includes mainly investments in non-marketable stock exchange memberships and other non-public equity investments for which the Company has neither significant influence nor control over the investee.

All non-marketable equity securities are carried at cost less otherthan-temporary impairment. There were no non-marketable equity securities that have been in a continuous unrealized loss position.

The Company performs a regular impairment analysis of real estate portfolios. The carrying values of the impaired properties were written down to their respective fair values, establishing a new cost base. For these properties, the fair values were measured based on either discounted cash flow analyses or external market appraisals. The Company had no impairments in 2017.

Accumulated depreciation related to real estate held for investment amounted to CHF 43 million for 2017.

168,020

8 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. For lombard loans, the PD is primarily based on the collateral. The transaction rating reflects the expected loss or the loss given default (LGD), considering collateral, on a given transaction if the counterparty defaults. Credit risk is assessed and monitored on the single obligor and single obligation level as well as on the credit portfolio level as represented by the classes of loans. Credit limits are used to manage counterparty credit risk.

Loans

end of	2017
Loans (CHF million)	
Mortgages	100,532
Loans collateralized by securities	6,853
Consumer finance	3,077
Consumer	110,462
Real estate	23,158
Commercial and industrial loans	28,021
Financial institutions	6,411
Governments and public institutions	707
Corporate & institutional	58,297
Gross loans	168,759
of which held at amortized cost	168,725
of which held at fair value	34
Net (unearned income)/deferred expenses	64
Allowance for loan losses	(430)
Net loans	168,393
Gross loans by location (CHF million)	
Switzerland	157,009
Foreign	11,750
Gross loans	168,759
Impaired loan portfolio (CHF million)	
Non-performing loans	386
Non-interest-earning loans	138
Total non-performing and non-interest-earning loans	524
Restructured loans	66
Potential problem loans	115
Total other impaired loans	181
Gross impaired loans	705

Allowance for loan losses						
			2017			
		Corporate &				
	Consumer	institutional	Total			
Allowance for loan losses (CHF million)						
Balance at beginning of period	120	308	428			
Net movements recognized in statements of operations	40	34	74			
Gross write-offs	(54)	(49)	(103)			
Recoveries	12	12	24			
Net write-offs	(42)	(37)	(79)			
Provisions for interest	1	6	7			
Foreign currency translation impact and other adjustments, net	0	0	0			
Balance at end of period	119	311	430			
of which individually evaluated for impairment	86	219	305			
of which collectively evaluated for impairment	33	92	125			
Gross loans held at amortized cost (CHF mi	llion)					
Balance at end of period	110,462	58,263	168,725			
of which individually evaluated for impairment	¹ 313	392	705			

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

Purchases, reclassifications and sales

of which collectively evaluated for impairment 110,149

		2017
Consumor	Corporate &	Total
	mattational	10141
0	2,192	2,192
0	12	12
0	743	743
0	686	686
	0	Consumer institutional 0 2,192 0 12 0 743

- ¹ Includes drawdowns under purchased loan commitments.
- Includes loans previously reclassified to held-for-sale that were not sold and were reclassified back to loans held-to-maturity.
- 3 All loans held at amortized cost which are sold are reclassified to loans held-for-sale on or prior to the date of the sale.

Credit quality of loans held at amortized cost

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

Management evaluates many factors when assessing the credit quality of loans. These factors include the volatility of default probabilities, rating changes, the magnitude of potential loss, internal risk ratings, and geographic, industry and other economic factors. For the purpose of credit quality disclosures, the 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 exposure type, client segment, collateral or eventdriven developments. For the calculation of internal risk estimates (e.g., an estimate of expected loss in the event of a counterparty default) and risk-weighted assets, a PD, LGD and exposure at default are assigned to each facility. These three parameters are primarily derived from internally developed statistical models that have been backtested against internal experience, validated by a function independent of the model owners on a regular basis and approved by the Company's main regulators for application in the regulatory capital calculation in the advanced internal ratingsbased approach under the Basel framework. For the majority of clients and counterparties, internal ratings or PDs are calculated directly by proprietary statistical rating models. These models are based on internally compiled data comprising both quantitative factors (e.g., primarily balance sheet information for corporates and loan-to-value ratio and the borrower's income level for mortgage lending) and qualitative factors (e.g., credit histories from credit reporting bureaus) concentrating on economic trends and financial fundamentals. For statistical rating models calculating a PD, an equivalent rating based on the Standard & Poor's rating scale is assigned based on the PD band associated with each rating, which is used for disclosure purposes. 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
2017 (CHF million)				
Mortgages	91,159	9,234	139	100,532
Loans collateralized by securities	6,725	128	0	6,853
Consumer finance	838	2,119	120	3,077
Consumer	98,722	11,481	259	110,462
Real estate	18,681	4,424	53	23,158
Commercial and industrial loans	13,261	14,449	277	27,987
Financial institutions	5,545	824	42	6,411
Governments and public institutions	676	31	0	707
Corporate & institutional	38,163	19,728	372	58,263
Gross loans held at amortized cost	136,885	31,209	631	168,725
Value of collateral ¹	127,438	24,725	315	152,478

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

	Current					Past due	
end of		Up to 30 days	31-60 days	61-90 days	More than 90 days	Total	Total
2017 (CHF million)							
Mortgages	100,278	94	21	4	135	254	100,532
Loans collateralized by securities	6,844	0	0	0	9	9	6,853
Consumer finance	2,751	144	38	27	117	326	3,077
Consumer	109,873	238	59	31	261	589	110,462
Real estate	23,057	37	12	15	37	101	23,158
Commercial and industrial loans	27,434	243	15	123	172	553	27,987
Financial institutions	6,339	27	1	2	42	72	6,411
Governments and public institutions	706	1	0	0	0	1	707
Corporate & institutional	57,536	308	28	140	251	727	58,263
Gross loans held at amortized cost	167,409	546	87	171	512	1,316	168,725

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

		Non-performing and non-interest earning loans Other impaired			Other impaired loa		
end of	Non- performing	Non- interest- earning	Total	Re- structured	Potential problem	Total	Total
2017 (CHF million)							
Mortgages	133	12	145	13	25	38	183
Loans collateralized by securities	9	0	9	0	0	0	9
Consumer finance	118	3	121	0	0	0	121
Consumer	260	15	275	13	25	38	313
Real estate	46	0	46	0	19	19	65
Commercial and industrial loans	80	81	161	53	71	124	285
Financial institutions	0	42	42	0	0	0	42
Corporate & institutional	126	123	249	53	90	143	392
Gross impaired loans	386	138	524	66	115	181	705

¹ As of December 31, 2017, CHF 74 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 entire 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 or the entire loan will not be recoverable. For collateralized loans, the collateral is assessed and the unsecured exposure is written off. Write-offs on uncollateralized loans are based on the borrower's ability to pay back the outstanding loan out of free cash flow. The Company evaluates the recoverability of the loans granted, if a borrower is expected to default wholly or partly on its contractual payment obligations or to meet these only with third-party support. Adjustments are made to reflect the estimated realizable value of the loan or any collateral. Triggers to assess the creditworthiness of a borrower to absorb the adverse developments include i) a default on interest or principal payments by more than 90 days, ii) a waiver of interest or principal by the 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 assets received.

Gross impaired loan detail

end of			2017
	Recorded investment	Unpaid principal balance	Associated specific allowance
Gross impaired loan detail (CHF millio	on)		
Mortgages	150	143	22
Loans collateralized by securities	9	8	1
Consumer finance	121	106	63
Consumer	280	257	86
Real estate	55	50	8
Commercial and industrial loans	255	247	177
Financial institutions	42	42	34
Corporate & institutional	352	339	219
Gross impaired loans with a specific allowance	632	596	305
Mortgages	33	33	_
Consumer	33	33	_
Real estate	10	10	_
Commercial and industrial loans	30	30	
Corporate & institutional	40	40	_
Gross impaired loans without specific allowance	73	73	_
Gross impaired loans	705	669	305
of which consumer	313	290	86
of which corporate & institutional	392	379	219

Gross impaired loan detail (continued)

in			2017
	Average recorded investment	Interest income recognized	Interest income recognized (cash basis)
Gross impaired loan detail (CHF millio	n)		
Mortgages	151	2	1
Loans collateralized by securities	1	0	0
Consumer finance	123	0	0
Consumer	275	2	1
Real estate	56	0	0
Commercial and industrial loans	243	3	2
Financial institutions	45	0	0
Corporate & institutional	344	3	2
Gross impaired loans with a specific allowance	619	5	3
Mortgages	56	3	0
Consumer	56	3	0
Real estate	2	1	0
Commercial and industrial loans	31	2	0
Corporate & institutional	33	3	0
Gross impaired loans without specific allowance	89	6	0
Gross impaired loans	708	11	3
of which consumer	331	5	1
of which corporate & institutional	377	6	2

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, principal amounts 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 either transferred to recovery management or included on a watch list. All loans on the watch list are reviewed at least quarterly to determine whether they should be released, remain on the watch list or be moved to Group recovery management. For loans in recovery management, larger positions are reviewed on a quarterly basis for any event-driven changes. Otherwise, these loans are reviewed at least annually. If an individual loan specifically identified for evaluation is considered impaired, the allowance is determined as a reasonable estimate of credit losses existing as of the end of the reporting period. Thereafter, the allowance is revalued by credit risk management at least annually or more frequently depending on the risk profile of the borrower or credit relevant events. For non-collateral-dependent impaired loans, an impairment is measured using the present value of estimated future cash flows. If the present value of estimated future cash flows is used, the impaired loan and related allowance are revalued to reflect the passage of time. For collateral-dependent impaired loans, an impairment is measured using the fair value of the collateral.

Restructured loans held at amortized cost

in			2017
	Number of contracts	Recorded investment pre-modification	Recorded investment post- modification
Restructured loans (CHF million, exc	ept where indica	ted)	
Commercial and industrial loans	9	25	24
Total	9	25	24

In 2017, the loan modifications of the Company included extended loan repayment terms, including the suspension of quarterly and annual loan amortizations, modifications of covenants, a waiver of a loan termination and waivers of claims.

In 2017, the Company did not experience a default on any loan that had been restructured within the previous 12 months.

9 Premises and equipment

end of	2017
Premises and equipment (CHF million)	
Buildings and improvements	139
Land	9
Leasehold improvements	296
Software	140
Equipment	66
Premises and equipment	650
Accumulated depreciation	(360)
Total premises and equipment, net	290

Depreciation and impairment	
in	2017
CHF million	
Depreciation	34
Impairment	_

10 Goodwill

Goodwill included in the consolidated financial statements is based on the goodwill attributable to the companies and businesses that were transferred to the Company. The amounts correspond to the historically reported amounts in the consolidated financial statements of Credit Suisse AG. Prior to the legal business transfer, goodwill was tested based on the reporting structure used at that time by Credit Suisse AG to monitor goodwill as the Company and the new reporting structure did not exist in the past.

As of December 31, 2017, net book value of goodwill was CHF 320 million. The net goodwill balance has not been impaired in 2017 or since the start of the consolidation.

In accordance with US GAAP, the Company continually assesses whether or not there has been a triggering event requiring a review of goodwill.

The carrying value for the purpose of the goodwill impairment test is determined by considering the risk-weighted assets usage, leverage ratio exposure, deferred tax assets, goodwill and intangible assets.

In estimating the fair value, the Company applied a combination of the market approach and income approach. Under the market approach, consideration was given to price to projected earnings multiples or price to book value multiples for similarly

traded companies and prices paid in recent transactions that have occurred in its industry or in related industries. Under the income approach, a discount rate was applied that reflects the risk and uncertainty related to the projected cash flows, which are determined from the Company's financial plan as approved by the Board of Directors (Board).

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

Based on its goodwill impairment analysis performed as of December 31, 2017, the Company concluded that the estimated fair value substantially exceeded its carrying value and no impairment was necessary as of December 31, 2017.

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

42 Consolidated financial statements

Notes to the consolidated financial statements

11 Deposits

end of	2017
Deposits (CHF million)	
Non-interest-bearing demand deposits	1,829
Interest-bearing demand deposits	94,480
Savings deposits	62,740
Time deposits	26,839
Total deposits – Switzerland	185,888
of which due to banks	8,530
of which customer deposits	177,358

¹ Not included as of December 31, 2017 were CHF 128 million of overdrawn deposits reclassified as loans.

12 Long-term debt

Long-term debt	
end of	2017
Long-term debt (CHF million)	
Senior	20,218
Subordinated	502
Long-term debt	20,720
of which reported at fair value	317
of which structured notes	317

Structured notes by product	
end of	2017
Structured notes (CHF million)	
Equity	317
Total structured notes	317

Total long-term debt includes debt issuances managed by Treasury that do not contain derivative features (vanilla debt), as well as hybrid debt instruments with embedded derivatives, which are issued as part of the Company's structured product activities.

The aggregate maturities of long-term debt subsequent to December 31, 2017 and thereafter were CHF 1,002 million in 2018, CHF 1,221 million in 2019, CHF 8,686 million in 2020, CHF 762 million in 2021, CHF 1,299 million in 2022 and CHF 7,750 million thereafter.

13 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)
2017 (CHF million)				
Balance at beginning of period	4	10	0	14
Increase/(decrease)	(5)	1	3	(1)
Reclassification adjustments, included in net income/(loss)	(2)	0	0	(2)
Total increase/(decrease)	(7)	1	3	(3)
Balance at end of period	(3)	11	3	11

Refer to "Note 15 - Tax" for income tax expense/(benefit) on the movements of accumulated other comprehensive income/(loss).

14 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.

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.

Offsetting of derivatives

end of		2017
	Derivative assets	Derivative liabilities
Gross derivatives subject to enforceable master netting agreements (CHF million)		
OTC	2,226	2,453
Exchange-traded	1	0
Interest rate products	2,227	2,453
OTC	1,227	886
Foreign exchange products	1,227	886
OTC	553	456
Exchange-traded	512	1,130
Equity/index-related products	1,065	1,586
OTC	37	27
Credit derivatives	37	27
OTC	27	21
Exchange-traded	8	7
Other products ²	35	28
OTC	4,070	3,843
Exchange-traded	521	1,137
Total gross derivatives subject to enforceable master netting agreements	4,591	4,980
Offsetting (CHF million)		
OTC	(1,585)	(3,377)
Exchange-traded	(436)	(993)
Offsetting	(2,021)	(4,370)
of which counterparty netting	(1,919)	(1,919)
of which cash collateral netting	(102)	(2,451)
Net derivatives presented in the consolidated balance sheet (CHF million)		
OTC	2,485	466
Exchange-traded	85	144
Total net derivatives subject to enforceable master netting agreements	2,570	610
Total derivatives not subject to enforceable master netting agreements ¹	83	57
Total net derivatives presented in the consolidated balance sheet	2,653	667
of which recorded in trading assets and trading liabilities	2,653	667

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

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Notes to the consolidated financial statements

For ETDs and central clearing counterparties (OTC-cleared derivatives), positive and negative replacement values 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.

ETD 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 19 – Derivatives and hedging activities".

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 and securities sold under repurchase agreements and securities lending transactions subject to enforceable master netting agreements, the amount of offsetting, the respective amounts not subject to enforceable master netting agreements and the net amounts presented in the consolidated balance sheet.

Offsetting of securities purchased under resale agreements and securities borrowing transactions

end of			2017
	Gross	Offsetting	Net book value
Securities purchased under resale agreements and securities borrowing transactions (CHF million)			
Securities purchased under resale agreements	13,731	(1,263)	12,468
Securities borrowing transactions	112	0	112
Total subject to enforceable master netting agreements	13,843	(1,263)	12,580
Total not subject to enforceable master netting agreements ¹	50	-	50
Total	13,893	(1,263)	12,630

Represents securities purchased under resale agreements and securities borrowing transactions where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.

² CHF 246 million of the total net amount are reported at fair value.

Offsetting of securities sold under repurchase agreements and securities lending transactions

end of			2017
	Gross	Offsetting	Net book value
Securities sold under repurchase agreements and securities lending transactions (CHF million)			
Securities sold under repurchase agreements	3,092	(1,263)	1,829
Securities lending transactions	1,018	0	1,018
Obligation to return securities received as collateral, at fair value	5,809	0	5,809
Total subject to enforceable master netting agreements	9,919	(1,263)	8,656
Total not subject to enforceable master netting agreements ¹	65	-	65
Total	9,984	(1,263)	8,721
of which securities sold under repurchase agreements and securities lending transactions	4,110	(1,263)	2,847
of which obligation to return securities received as collateral, at fair value	5,874	0	5,874

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. Net exposure reflects risk mitigation in the form of collateral.

Amounts not offset in the consolidated balance sheet

end of				2017
	Net book value	Financial instruments 1	Cash collateral received/ pledged 1	Net exposure
Financial assets subject to enforceable master netting agreements (CHF million)				
Derivatives	2,570	0	0	2,570
Securities purchased under resale agreements	12,468	12,468	0	0
Securities borrowing transactions	112	112	0	0
Total financial assets subject to enforceable master netting agreements	15,150	12,580	0	2,570
Financial liabilities subject to enforceable master netting agreements (CHF million)				
Derivatives	610	0	0	610
Securities sold under repurchase agreements	1,829	1,829	0	0
Securities lending transactions	1,018	1,003	0	15
Obligation to return securities received as collateral, at fair value	5,809	5,530	0	279
Total financial liabilities subject to enforceable master netting agreements	9,266	8,362	0	904

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.

² CHF 63 million of the total net amount are reported at fair value.

15 Tax

Details of current and deferred taxes	
in	2017
Current and deferred taxes (CHF million)	
Current income tax expense	56
Deferred income tax expense	167
Income tax expense	223
Income tax expense/(benefit) reported in shareholders' equity related to:	
Gains/(losses) on cash flow hedges	(2)

Tax expense reconciliation

in	2017
Income/(loss) from continuing operations before taxes (CHF million)	
Income/(loss) from continuing operations before taxes	1,514
Reconciliation of taxes computed at the Swiss statutory rate (CHF million)	
Income tax expense computed at the statutory tax rate of 22%	333
Increase/(decrease) in income taxes resulting from	
Tax rate differential	(20)
Lower taxed income	(96)
Other	6
Income tax expense	223

Tax rate differential

2017 included a tax benefit of CHF 20 million in respect of earnings in lower tax jurisdictions within Switzerland.

Lower taxed income

2017 included a tax benefit of CHF 54 million relating to lower taxed dividend income and CHF 42 million relating to net income from equity method investments.

Deferred tax assets and liabilities	
end of	2017
Deferred tax assets and liabilities (CHF million)	
Compensation and benefits	1
Loans	9
Investment securities	2
Derivatives	4
Real estate	3
Net operating loss carry-forwards	35
Goodwill and intangible assets	531
Other	1
Gross deferred tax assets before valuation allowance	586
Less valuation allowance	(7)
Gross deferred tax assets net of valuation allowance	579
Compensation and benefits	(1)
Investment securities	(21)
Gross deferred tax liabilities	(22)
Net deferred tax assets	557
of which deferred tax assets	559
of which net operating losses	28
of which deductible temporary differences	531
of which deferred tax liabilities	(2)

Net deferred tax assets of CHF 557 million mainly related to the deferred tax asset of CHF 531 million on intangible asset/goodwill arising from the transfer of the universal bank business for Swiss customers from Credit Suisse AG to Credit Suisse (Schweiz) AG in 2016.

Amounts and expiration dates of net operating loss carry-forwards

end of 2017	Total
Net operating loss carry-forwards (CHF million)	
Due to expire within 1 year	5
Due to expire within 2 to 5 years	23
Amount due to expire	28
Amount not due to expire	198
Total net operating loss carry-forwards	226

Tax benefits associated with share-based compensation

in	2017
Tax benefits associated with share-based compensation (CHF million)	
Tax benefits recorded in the consolidated statements of operations ¹	9

¹ Calculated at the statutory tax rate before valuation allowance considerations.

[►] Refer to "Note 16 – Employee deferred compensation" for further information on share-based compensation.

► Refer to "Note 2 – Recently issued accounting standards" for further information on the adoption of ASU 2016-09.

Uncertain tax positions

As of December 31, 2017 and during the twelve month periods then ended, the Company did not have any uncertain tax positions

or any unrecognized tax benefits nor did the Company recognize any interest or penalties in the consolidated statements of operations or balance sheets.

The Company remains open to examination from Swiss federal, state, provincial or similar local jurisdictions from 2013 onward.

16 Employee deferred compensation

Payment of deferred compensation to employees is determined by the nature of the business, role, location and performance of the employee. Unless there is a contractual obligation, granting deferred compensation is solely at the discretion of senior management. Special deferred compensation granted as part of a contractual obligation is typically used to compensate new senior employees in a single year for forfeited awards from previous employers upon joining the Company. It is the Company's policy not to make multi-year guarantees.

Compensation expense recognized in the consolidated statement of operations for share-based and other awards that were granted as deferred compensation is recognized in accordance with the specific terms and conditions of each respective award and is primarily recognized over the future requisite service and vesting period, which is determined by the plan, retirement eligibility of employees, two-year moratorium periods on early retirement and certain other terms. All deferred compensation plans are subject to restrictive covenants, which generally include non-compete and non-solicit provisions. Compensation expense for share-based and other awards that were granted as deferred compensation also includes the current estimated outcome of applicable performance criteria, estimated future forfeitures and mark-to-market adjustments for certain cash awards that are still outstanding.

The following tables show the compensation expense for deferred compensation awards granted in 2017 and prior years that was recognized in the consolidated statements of operations during 2017, the total shares delivered, the estimated unrecognized expense for deferred compensation awards granted in 2017 and prior years outstanding as of December 31, 2017 and the remaining requisite service period over which the estimated unrecognized compensation expense will be recognized. The estimated unrecognized compensation expense was based on the fair value of each award on the grant date and included the current estimated outcome of relevant performance criteria and estimated future forfeitures but no estimate for future mark-to-market adjustments. The recognition of compensation expense for the deferred compensation awards granted in February 2018 began in 2018 and thus had no impact on the 2017 consolidated financial statements.

Deferred compensation awards for 2017

In February 2018, the Company granted share awards, performance share awards and Contingent Capital Awards (CCA) as deferred compensation. Deferred compensation was awarded to employees with total compensation of CHF 250,000 or higher.

Deferred compensation expense

in	2017
Deferred compensation expense (CHF million)	
Share awards	23
Performance share awards	18
Contingent Capital Awards	12
Contingent Capital share awards	1
Other cash awards	2
Total deferred compensation expense	56
Total shares delivered (million)	
Total shares delivered	1.9

Estimated unrecognized deferred compensation

end of	2017
Estimated unrecognized compensation expense (CHF million)	
Share awards	16
Performance share awards	7
Contingent Capital Awards	5
Other cash awards	1
Total	29
Aggregate remaining weighted-average requisite service period	d (years)
Aggregate remaining weighted-average requisite service period	1.2

Does not include the estimated unrecognized compensation expense relating to grants made in 2018 for 2017.

Share awards

Share awards granted in February 2018 are similar to those granted in February 2017. Each share award granted entitles the holder of the award to receive one Group share, subject to service conditions. Share awards vest over three years with one third of the share awards vesting on each of the three anniversaries of the grant date (ratable vesting). Share awards are expensed over the service period of the awards. The value of the share awards is solely dependent on the Group share price at the time of delivery.

The Company's share awards include other awards, such as special awards, which may be granted to new employees. Other share awards entitle the holder to receive one Group share and are generally subject to continued employment with the Company, contain restrictive covenants and cancellation provisions and generally vest between zero and five years.

On February 15, 2018, the Company granted 1.7 million share awards with a total value of CHF 30 million. The number of share

awards granted to employees was determined by dividing the deferred component of variable compensation being granted as share awards by the average price of a Group share over the ten consecutive trading days ended February 28, 2018. The fair value of each share award was CHF 17.22, the Group share price on the grant date. Share awards granted include the right to receive dividend equivalents on vested shares. The estimated unrecognized compensation expense of CHF 28 million was determined based on the fair value of the awards on the grant date, includes the current estimated future forfeitures and will be recognized over the vesting period, subject to early retirement rules.

Share award activities

		2017
	Number of share awards in million	Weighted- average grant-date fair value in CHF
Share awards		
Balance at beginning of period	2.4	18.50
Granted	2.0 ¹	14.50
Settled	(1.0)	19.90
Balance at end of period	3.4	15.70
of which vested	0.2	_
of which unvested	3.2	-

¹ Includes an adjustment for share awards granted in the second quarter of 2017 to compensate for the proportionate dilution of Group shares resulting from the rights offering approved on May 18, 2017. The number of deferred share-based awards held by each individual was increased by 3.64%. The terms and conditions of the adjusted shares were the same as the existing share-based awards, thereby ensuring that holders of the awards were neither advantaged nor disadvantaged by the additional shares granted.

Performance share awards

Managing directors and all material risk takers and controllers (employees whose activities are considered to have a potentially material impact on the Company's risk profile) received a portion of their deferred variable compensation in the form of performance share awards. Performance share awards are similar to share awards, except that the full balance of outstanding performance share awards, including those awarded in prior years, are subject to performance-related malus provisions.

Performance share awards are subject to a negative adjustment in the event of a loss by the Group's Swiss Universal Bank division or a negative ROE of the Group, whichever results in a larger adjustment. The basis for the ROE calculation may vary from year to year, depending on the Compensation Committee's determination for the year in which the performance shares are granted. The ROE calculation is based on adjusted results.

On February 15, 2018, the Company granted 1.5 million performance share awards with a total value of CHF 28 million. The number of performance share awards granted to employees was determined by dividing the deferred component of variable compensation being granted as performance share awards by the average price of a Group share over the ten consecutive trading days ended February 28, 2018. The fair value of each

performance share award was CHF 17.22, the Group share price on the grant date. Performance share awards granted include the right to receive dividend equivalents on vested shares. The estimated unrecognized compensation expense of CHF 26 million was determined based on the fair value of the awards on the grant date, includes the current estimated outcome of the relevant performance criteria and estimated future forfeitures and will be recognized over the vesting period, subject to early retirement rules. There was no negative adjustment applied to performance share awards granted in 2017 or in previous years as the Group's Swiss Universal Bank division's 2017 adjusted results and the adjusted ROE of the Group were both positive.

Performance share award activities

		2017
	Number of performance share awards in million	Weighted- average grant-date fair value in CHF
Performance share awards		
Balance at beginning of period	1.5	19.10
Granted	1.5 ¹	14.60
Settled	(0.7)	20.30
Balance at end of period	2.3	15.70
of which vested	0.2	_
of which unvested	2.1	

Includes an adjustment for performance share awards granted in the second quarter of 2017 to compensate for the proportionate dilution of Group shares resulting from the rights offering approved on May 18, 2017. The number of deferred share-based awards held by each individual was increased by 3.64%. The terms and conditions of the adjusted shares were the same as the existing share-based awards, thereby ensuring that holders of the awards were neither advantaged nor disadvantaged by the additional performance shares granted.

Contingent Capital Awards

CCA were granted in February 2018 and February 2017 to managing directors and directors as part of the 2017 and 2016 deferred variable compensation and have rights and risks similar to those of certain contingent capital instruments issued by the Group in the market. CCA are scheduled to vest on the third anniversary of the grant date and will be expensed over the vesting period. CCA provide a conditional right to receive semi-annual cash payments of interest equivalents until settled, with rates being dependent upon the vesting period.

CCA granted in 2018 and 2017 receive interest equivalents at a rate of 2.24% and 3.17%, respectively, per annum over the sixmonth Swiss franc London Interbank Offered Rate and vest three years from the date of grant.

The rates were set in line with market conditions at the time of grant and existing high-trigger contingent capital instruments that the Group has issued.

As CCA qualify as going concern loss-absorbing capital of the Group and the Company, the timing and form of distribution upon settlement is subject to approval by the Swiss Financial Market Supervisory Authority FINMA (FINMA). At settlement, employees

will receive either a contingent capital instrument or a cash payment based on the fair value of the CCA. The fair value will be determined by the Group. In the case of a cash settlement, the CCA award will be converted into Swiss francs.

CCA have loss-absorbing features such that prior to settlement, the principal amount of the CCA would be written down to zero and forfeited if any of the following trigger events were to occur:

- the Group's reported common equity tier 1 (CET1) ratio falls below 7%; or
- FINMA determines that cancellation of the CCA and other similar contingent capital instruments is necessary, or that the Group requires public sector capital support, in either case to prevent it from becoming insolvent or otherwise failing.

On February 15, 2018, the Company awarded CHF 14 million of CCA that will be expensed over the vesting period. The estimated unrecognized compensation expense of CHF 13 million was determined based on the fair value of the awards on the grant date and includes the current estimated outcome of the relevant performance criteria, the estimated future forfeitures and the expected semi-annual cash payments of interest equivalents and will be recognized over the vesting period.

Contingent Capital share awards

The Group executed a voluntary exchange offer, under which employees had the right to voluntarily convert all or a portion of their respective CCA into Contingent Capital share awards at a conversion price of CHF 14.57. Each Contingent Capital share award had a grant-date fair value of CHF 14.45 and contains the same contractual term, vesting period, performance criteria and other terms and conditions as the original CCA.

Contingent Capital share award activities

	2017
Contingent Capital share awards	
Balance at beginning of period	0.6
Settled	(0.2)
Balance at end of period	0.4
of which vested	0.1
of which unvested	0.3

Other cash awards

Other cash awards include certain share and performance share awards settled in cash.

17 Related parties

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

Related party assets and liabilities	
end of	2017
Assets (CHF million)	
Cash and due from banks	5,116
Interest-bearing deposits with banks	1,247
Securities purchased under resale agreements and securities borrowing transactions	5,954
Securities received as collateral	2,792
Trading assets	270
Net loans	3,521
Other assets	699
Total assets	19,599
Liabilities (CHF million)	
Due to banks/customer deposits	3,881
Securities sold under repurchase agreements and securities lending transactions	195
Obligation to return securities received as collateral	2,792
Trading liabilities	45
Short-term borrowings	12,803
Long-term debt	8,102
Other liabilities	629
Total liabilities	28,447

Related party revenues and expenses

in	2017
Revenues (CHF million)	
Interest and dividend income	47
Interest expense	(87)
Net interest income	(40)
Commissions and fees	45
Other revenues	293
Net revenues	298
Expenses (CHF million)	
Total operating expenses	1,179

Related party guarantees

end of	2017
Guarantees (CHF million)	
Credit guarantees and similar instruments	7,187
Other guarantees	4
Total guarantees	7,191

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.

Banking relationships

The Company is a significant financial services provider in Switzerland. Many of the members of the Executive Board and the Board, their close family members 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 have a significant influence, such as holding executive and/or board level roles in these companies. Relationships with members of the Executive Board or the Board and such companies are in the ordinary course of business and are entered into on an arm's length basis. Also, unless otherwise noted, all loans to members of the Executive Board, members of the Board, their close family members or companies associated with them were made in the ordinary course of business, were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and did not involve more than the normal risk of collectability or present other unfavorable features. As of December 31, 2017, there were no loan exposures to such related parties that were not made in the ordinary course of business and at prevailing market conditions.

Related party loans

Executive Board and Board of Directors loans

The majority of loans outstanding to members of the Executive Board and the Board are mortgages or loans against securities.

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

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

Executive Board and Board of Directors loans

	2017
Loans to members of the Executive Board (CHF million)	
Balance at beginning of period	22
Additions	9
Reductions	(1)
Balance at end of period	30
Loans to members of the Board of Directors (CHF million)	
Balance at beginning of period	24
Additions	1
Reductions	(5)
Balance at end of period	20

- ¹ The number of individuals with outstanding loans at the beginning and the end of the year was nine and ten, respectively.
- ² The number of individuals with outstanding loans at the beginning and the end of the year

Liabilities due to own pension plans

Liabilities due to the defined benefit pension plans sponsored by the Group as of December 31, 2017 of CHF 336 million were reflected in various liability accounts in the Company's consolidated balance sheet.

18 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. In 2017, the Company made contributions of CHF 177 million to the Group plan. The Company expects to contribute CHF 171 million to the Group plan in 2018.

19 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 to

facilitate client transactions and for hedging purposes, including economic hedges.

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 22 – Financial instruments" for further information.

Fair value of derivative instruments

			Trading			Hedging
end of 2017	Notional amount	Positive replacement value (PRV)	Negative replacement value (NRV)	Notional amount	Positive replacement value (PRV)	Negative replacement value (NRV)
Derivative instruments (CHF million)						
Forwards and forward rate agreements	10,500	0	0	0	0	0
Swaps	186,397	1,726	1,825	19,858	141	207
Options bought and sold (OTC)	4,969	378	421	0	0	0
Futures	8,260	0	0	0	0	0
Options bought and sold (exchange-traded)	7	1	0	0	0	0
Interest rate products	210,133	2,105	2,246	19,858	141	207
Forwards	281,806	1,161	835	0	0	0
Swaps	238	8	8	0	0	0
Options bought and sold (OTC)	7,867	104	96	0	0	0
Foreign exchange products	289,911	1,273	939	0	0	0
Swaps	5,404	129	179	0	0	0
Options bought and sold (OTC)	10,038	426	279	0	0	0
Futures	2,903	0	0	0	0	0
Options bought and sold (exchange-traded)	32,572	511	1,129	0	0	0
Equity/index-related products	50,917	1,066	1,587	0	0	0
Credit derivatives ²	2,534	46	27	0	0	0
Forwards	1,112	2	4	0	0	0
Swaps	52	11	0	0	0	0
Options bought and sold (OTC)	905	21	19	0	0	0
Futures	68	0	0	0	0	0
Options bought and sold (exchange-traded)	288	9	8	0	0	0
Other products ³	2,425	43	31	0	0	0
Total derivative instruments	555,920	4,533	4,830	19,858	141	207

The notional amount, PRV and NRV (trading and hedging) was CHF 575,778 million, CHF 4,674 million and CHF 5,037 million, respectively, as of December 31, 2017.

Netting of derivative instruments

► Refer to "Note 14 – Offsetting of financial assets and financial liabilities" for further information on the offsetting of derivative instruments.

Relates to derivative contracts that qualify for hedge accounting under US GAAP.

² Primarily credit default swaps.

³ Primarily precious metals.

Fair value hedges

in	2017
Gains/(losses) recognized in income on derivatives (CHF milli	on)
Interest rate products	41
Total	41
Gains/(losses) recognized in income on hedged items (CHF m	illion)
Interest rate products	(39)
Total	(39)
Details of fair value hedges (CHF million)	
Net gains/(losses) on the ineffective portion	2

Represents gains/(losses) recognized in trading revenues.

Cash flow hedges

in	2017
Gains/(losses) recognized in AOCI on derivatives (CHF million))
Interest rate products	(6)
Total	(6)
Gains/(losses) reclassified from AOCI into income (CHF millio	n)
Interest rate products ¹	3
Total	3
Details of cash flow hedges (CHF million)	
Net gains/(losses) on the ineffective portion ²	1

- ¹ Included in interest and other dividend income.
- ² Included in trading revenues.

As of December 31, 2017, the net loss associated with cash flow hedges expected to be reclassified from other assets and other liabilities to the statement of income within the next 12 months was CHF 2 million.

As of December 31, 2017, 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 five 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

The Company enters into credit derivative transactions to facilitate client transactions, including providing structured credit products, and into corresponding hedging transactions to mitigate the risk. The Company is also 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 primarily on its loan exposure. Such CDS are fully collateralized by the protection seller in the form of cash deposits with Credit Suisse (Schweiz) AG or other high quality assets like government bonds. 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.

Credit protection sold/purchased

The following table includes:

- credit protection sold, which represents the maximum potential payout; it 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:
- credit protection purchased, which represents those instruments where the underlying reference instrument is identical to the reference instrument of the credit protection sold;
- other protection purchased, which represents those instruments where the underlying reference instrument may be similar, but not identical, and may use similar, but not identical, products; it also includes credit derivatives for the purpose of hedging credit risk of the Company's corporate loan book; and
- fair value of the credit protection sold, which gives an indication of the amount of payment risk, as the negative fair value increases when the potential payment under the derivative contract becomes more probable.

Credit protection sold/purchased

end of					2017
	Credit protection sold	Credit protection purchased ¹	Net credit protection (sold)/ purchased	Other protection purchased	Fair value of credit protection sold
Instruments (CHF million)					
Investment grade ²	(552)	485	(67)	27	10
Non-investment grade	(301)	369	68	24	13
Single-name instruments	(853)	854	1	51	23
of which sovereign	(58)	78	20	12	2
of which non-sovereign	(795)	776	(19)	39	21
Multi-name instruments (CHF million)					
Non-investment grade	(57)	11	(46)	708 ³	4
Multi-name instruments	(57)	11	(46)	708	4
of which sovereign	0	0	0	3	0
of which non-sovereign	(57)	11	(46)	705	4
Total instruments (CHF million)					
Investment grade ²	(552)	485	(67)	27	10
Non-investment grade	(358)	380	22	732	17
Total instruments	(910)	865	(45)	759	27
of which sovereign	(58)	78	20	15	2
of which non-sovereign	(852)	787	(65)	744	25

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

2017
910
865
759
2,534

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
2017 (CHF million)				
Single-name instruments	85	747	21	853
Multi-name instruments	11	46	0	57
Total instruments	96	793	21	910

20 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.

² Based on internal ratings of BBB and above.

³ Includes synthetic securitized loan portfolios.

Guarantees

end of	Maturity less than 1 year	Maturity between 1 to 3 years	Maturity between 3 to 5 years	Maturity greater than 5 years	Total gross amount	Total net amount ¹	Carrying value	Collateral received
2017 (CHF million)								
Credit guarantees and similar instruments ²	2,310	2,218	2,988	732	8,248	8,248	6	410
Performance guarantees and similar instruments	2,175	1,160	262	68	3,665	3,485	41	1,953
Derivatives ³	1,462	58	54	19	1,593	1,593	7	_4
Other guarantees	3,798	933	656	500	5,887	5,882	33	3,587
Total guarantees	9,745	4,369	3,960	1,319	19,393	19,208	87	5,950

- ¹ Total net amount is computed as the gross amount less any participations.
- ² Includes a credit guarantee of CHF 7,185 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 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 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. Based on FINMA's estimate for the Company's banking entities in Switzerland, the Company's share in this deposit insurance guarantee program for the period July 1, 2017 to June 30, 2018 is CHF 489 million. These deposit insurance guarantees were reflected in other guarantees.

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 the former Sales and Trading Services (STS) business 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.

The transfer of assets also included assets at a carrying value of CHF 9,183 million as of December 31, 2017, which are pledged under a covered bonds program of Credit Suisse AG and for which the related liabilities of CHF 7,185 million as of December 31, 2017 were reported by Credit Suisse AG. As of December 31, 2017, the contingent liabilities of Credit Suisse (Schweiz) AG under the covered bond program were CHF 7,185 million. Credit Suisse (Schweiz) AG also entered into a contractual arrangement under which it assumed joint and several liability 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 former 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 nondefaulting 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.

Operating lease commitments

The Company has contractual commitments under operating lease arrangements for certain premises and equipment. Under operating leases, the leased property is not reported on the balance sheet of the lessee. Lease payments required by the contract are generally expensed on a straight-line basis over the term of the lease. The related commitments for future rental expenses under operating leases are included in the table "Lease commitments".

Lease commitments

2018	48
2019	47
2020	43
2021	39
2022	30
Thereafter	19
Future operating lease commitments	226
Less minimum non-cancellable sublease rentals	C
Total net future minimum lease commitments	226

Rental expense for operating leases

in	2017
Rental expense for operating leases (CHF million))
Minimum rental expense	49
Sublease rental income	(1)
Total net expenses for operating leases	48

Other commitments

Total other commitments	7,457	3,270	2,901	582	14,210	14,118	4,802
Other commitments	96	0	0	0	96	96	0
Irrevocable loan commitments 2	2,393	3,163	2,900	582	9,038	9,038	1,591
Irrevocable commitments under documentary credits	4,968	107	1	0	5,076	4,984	3,211
2017 (CHF million)							
end of	Maturity less than 1 year	Maturity between 1 to 3 years	Maturity between 3 to 5 years	Maturity greater than 5 years	Total gross amount	Total net amount ¹	Collateral received

¹ Total net amount is computed as the gross amount less any participations

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.

21 Transfers of financial assets and variable interest entities

In the normal course of business, the Company enters into transactions with, and makes use of, 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 2017, 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 December 31, 2017.

The following table provides the gains or losses and proceeds from the transfer of mortgages in 2017 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	2017
Gains and cash flows (CHF million)	
Net gain	4
Proceeds from transfer of assets	653

² Irrevocable loan commitments do not include a total gross amount of CHF 70,697 million of unused credit limits, which were revocable at the Company's sole discretion upon notice to the client.

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, assetbacked 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 December 31, 2017.

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

end of	2017
CHF million	
Government debt securities	1,629
Corporate debt securities	1,423
Asset-backed securities	17
Equity securities	24
Securities sold under repurchase agreements	3,093
Government debt securities	33
Corporate debt securities	189
Asset-backed securities	1
Equity securities	540
Other	255
Securities lending transactions	1,018
Government debt securities	641
Corporate debt securities	1,489
Asset-backed securities	52
Equity securities	3.577
Other	115
Obligation to return securities received	
as collateral, at fair value	5,874
Total	9,985

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

		Remaining contractual maturities				
end of	On demand ¹	Up to 30 days ²	31-90 days	More than 90 days	Total	
2017 (CHF million)						
Securities sold under repurchase agreements	1,651	1,380	63	(1)	3,093	
Securities lending transactions	1,018	0	0	0	1,018	
Obligation to return securities received as collateral, at fair value	3,546	0	1,305	1,023	5,874	
Total	6,215	1,380	1,368	1,022	9,985	

¹ Includes contracts with no contractual maturity that may contain termination arrangements subject to a notice period.

▶ Refer to "Note 14 – 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 December 31, 2017.

Non-consolidated variable interest entities

Total variable interest assets for which the company has involvement represent the carrying value of the variable interests in

² Includes overnight transactions.

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 these entities due to variable interests held by third-party investors. Accordingly, these amounts are not 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

Funds		
	Loans	Total
59	0	59
1,910	107	2,017
1,969	107	2,076
1,977	107	2,084
<i>A</i> 1 101	227	41.428
	1,910 1,969	1,910 107 1,969 107 1,977 107

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.

22 Financial instruments

The disclosure of the Company's financial instruments below includes the following sections:

- Concentrations of credit risk:
- Fair value measurement; and
- Fair value option.

CONCENTRATIONS OF CREDIT RISK

Credit risk concentrations arise when a number of counterparties are engaged in similar business activities, are located in the same geographic region or when there are similar economic features that would cause their ability to meet contractual obligations to be similarly impacted by changes in economic conditions.

The Company regularly monitors the credit risk portfolio by counterparties, industry, country and products to ensure that such potential concentrations are identified, using a comprehensive range of quantitative tools and metrics. Credit limits relating to counterparties and products are managed through counterparty limits which set the maximum credit exposures the Company is willing to assume to specific counterparties over specified periods. Country limits are established to avoid any undue country risk concentration.

From an industry point of view, the combined credit exposure of the Company is diversified. A large portion of the credit exposure is with individual clients, particularly through residential mortgages in Switzerland, or relates to transactions with corporate clients. In both cases, the customer base is extensive and the number and variety of transactions are broad.

FAIR VALUE MEASUREMENT

A minor portion of the Company's financial instruments is 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.

US GAAP permits a reporting entity to measure the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position or paid to transfer a net short position for a particular risk exposure in an orderly transaction between market participants at the measurement date. As such, the 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.

Assets and liabilities measured at fair value on a recurring basis

					Assets/ liabilities measured at net	
end of 2017	Level 1	Level 2	Level 3	Netting impact 1	asset value per share ²	Total
Assets (CHF million)					<u> </u>	
Cash and due from banks	0	138	0	-	-	138
Securities purchased under resale agreements		0.10				0.10
and securities borrowing transactions	0	246	0			246
Debt	1,080	1,616		· · · · · · · · · · · · · · · · · · ·		2,696
of which corporates	491	1,540		 .		2,031
Equity	3,112	66	0			3,178
Securities received as collateral	4,192	1,682	0			5,874
Debt		952	50	 .		1,094
of which Swiss federal, cantonal or local governmental entities		0	0	 .		87
of which corporates		940	50		<u></u>	990
Equity	2,464	63				2,593
Derivatives	229	4,294	10	(1,880)		2,653
of which interest rate products		2,104		 .		
of which foreign exchange products		1,273	0	 .		
of which equity/index-related products	228	838		 .		
of which credit derivatives	0			 .		
Other	1,523	0	0	_		1,523
Trading assets	4,308	5,309	61	(1,880)	65	7,863
Investment securities	153	316	0	. .	.	469
of which debt	147	316	0	_	_	463
Loans	0	34	0		.	34
of which commercial and industrial loans	0	34	0	_	_	34
Other assets	0	141	0	(141)	-	0
Total assets at fair value	8,653	7,866	61	(2,021)	65	14,624
Liabilities (CHF million)						
Due to banks	0	969	0	_	_	969
Customer deposits	0	570	0	_	_	570
Securities sold under repurchase agreements and securities lending transactions	0	63	0	-	_	63
Debt	1,080	1,616	0	-		2,696
of which corporates	491	1,540	0	-		2,031
Equity	3,112	66	0	_		3,178
Obligation to return securities received as collateral	4,192	1,682	0	-	-	5,874
Debt	51	277	1	_	_	329
of which corporates	0	264	1	_		265
Equity	401	29	0	-	9	439
Derivatives	370	4,459	1	(4,163)		667
of which interest rate products	0	2,246	0	_	- · · · · · · · · · · · · · · · · · · ·	
of which foreign exchange products	0	938	0		- · · · · · · · · · · · · · · · · · · ·	-
of which equity/index-related products	370	1,218	0	-		
Trading liabilities	822	4,765	2	(4,163)	9	1,435
Short-term borrowings	0	245	0		_	245
Long-term debt	0	317	0	_	_	317
Other liabilities	0	208	26	(207)	_	27
Total liabilities at fair value	5,014	8,819	28	(4,370)	9	9,500

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.

Gains and losses on assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (level 3)

in			2017
	Trading revenues	Other revenues	Total revenues
Gains and losses on assets and liabilities (CHF million)			
Net realized/unrealized gains/(losses) included in net revenues	3	(16)	(13)
Whereof:			
Unrealized gains/(losses) relating to assets and liabilities still held as of the reporting date	3	0	3

¹ Excludes net realized/unrealized gains/(losses) attributable to foreign currency translation impact.

Both observable and unobservable inputs may be used to determine the fair value of positions that have been classified within level 3. As a result, the unrealized gains and losses for assets and liabilities within level 3 presented in the table above may include changes in fair value that were attributable to both observable and unobservable inputs.

The Company employs various economic hedging techniques in order to manage risks, including risks in level 3 positions. Such techniques may include the purchase or sale of financial instruments that are classified in levels 1 and/or 2. The realized and unrealized gains and losses for assets and liabilities in level 3 presented in the table above do not reflect the related realized or unrealized gains and losses arising on economic hedging instruments classified in levels 1 and/or 2.

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.

Corporate bonds

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, buyback probability and volatility. 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).

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 correlation.

Sensitivity of fair value measurements to changes in significant unobservable inputs

For level 3 assets with a significant unobservable input of price, in general, an increase in the significant unobservable input would increase the fair value. For level 3 assets with a significant

unobservable input of correlation, volatility and buyback probability, in general, an increase in the significant unobservable input would decrease the fair value.

For level 3 liabilities, in general, an increase in the related significant unobservable inputs would have the inverse impact on fair value. An increase in the significant unobservable input mean reversion would increase the fair value. An increase in the significant unobservable input basis spread would decrease the fair value.

Interrelationships between significant unobservable inputs. There are no material interrelationships between the significant unobservable inputs for the financial instruments. As the significant unobservable inputs move independently, generally an increase or decrease in one significant unobservable input will have no impact on the other significant unobservable inputs.

Quantitative disclosures of valuation techniques

The following table provides the representative range of minimum and maximum values and the associated weighted averages of each significant unobservable input for level 3 assets and liabilities by the related valuation technique most significant to the related financial instrument.

Quantitative information about level 3 assets and liabilities at fair value

end of 2017	Fair value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average
Assets (CHF million, except where indicated)			· · ·			
Debt	50					
of which corporates	50					
of which	10	Option model	Volatility, in %	7	35	19
			Buyback probability, in % 2	50	100	71
of which	40	Market comparable	Price, in %	49	110	69
Equity	1	_	_	-	_	-
Derivatives	10					
of which credit derivatives	10	Option model	Correlation, in %	50	50	50
Trading assets	61					
Total level 3 assets at fair value	61					
Liabilities (CHF million, except where indicated)					
Trading liabilities	2	-	_	-	-	_
Other liabilities	26	-	-	_	_	_
Total level 3 liabilities at fair value	28					

¹ Cash instruments are generally presented on a weighted average basis, while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on an arithmetic mean basis.

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.

² Estimate of the probability of structured notes being put back to CS Schweiz at the option of the investor over the remaining life of the financial instruments.

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				2017
	Non- redeemable	Redeemable	Total fair value	Unfunded commit- ments
Fair value and unfunded commitments (CHF million)				
Equity funds	4	61 ¹	65	0
Equity funds sold short	0	(9)	(9)	0
Total funds held in trading assets and liabilities	4	52	56	0
Total fair value	4	52	56	0

^{1 79%} of the redeemable fair value amount of equity funds is redeemable on a quarterly basis with a notice period of more than 45 days, and 21% is redeemable on a monthly basis with a notice period primarily of less than 30 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:

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			2017
	Aggregate fair value	Aggregate unpaid principal	Difference
Financial instruments (CHF million)			
Securities purchased under resale agreeme and securities borrowing transactions	ents 246	246	0
Loans	34	34	0
Due to banks and customer deposits	(73)	(73)	0
Securities sold under repurchase agreement and securities lending transactions	nts (63)	(63)	0
Short-term borrowings	(245)	(214)	(31)
Long-term debt	(317)	(301)	(16)

Gains and losses on financial instruments

in	2017
	Net
	gains/
	(losses)
Financial instruments (CHF million)	
Loans	1 1
of which related to credit risk	0
Due to banks and customer deposits	(1) ²
Short-term borrowings	22
Long-term debt	(17) 2

- 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	2017	Cumulative	2017
Financial instruments (CHF million)			
Deposits	2	0	0
Long-term debt	3	3	0
of which structured notes over two years	3	3	0
Total	5	3	0

¹ Amounts are reflected gross of tax.

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23 Assets pledged and collateral

Assets pleaged		
end of	2017	
Assets pledged (CHF million)		
Total assets pledged or assigned as collateral	31,184 ¹	
of which encumbered	6,872	

Includes a portfolio of mortgage loans with a carrying value of CHF 9,183 million as of December 31, 2017, which is pledged to Credit Suisse Hypotheken AG under the covered bond program of Credit Suisse AG. The related actual liabilities of CHF 7,185 million as of December 31, 2017 are recorded in the financial statements of Credit Suisse AG and recognized as a contingent liability by the Company.

The Company pledges assets mainly for repurchase agreements and other securities financing. Certain pledged assets may be encumbered, meaning they have the right to be sold or repledged. The encumbered assets are disclosed on the consolidated balance sheet.

Collateral

end of	2017
Collateral (CHF million)	
Fair value of collateral received with the right to sell or repledge	35,898
of which sold or repledged	11,084

The Company receives cash and securities in connection with resale agreements, securities borrowing and loans, derivative transactions and margined broker loans. A substantial portion of the collateral and securities received by the Company was sold or repledged in connection with repurchase agreements, securities sold not yet purchased, securities borrowings and loans, pledges to clearing organizations, segregation requirements under securities laws and regulations, derivative transactions and bank loans.

Other information

end of	2017
Other information (CHF million)	
Cash and securities restricted under foreign banking regulations	0
Swiss National Bank required minimum liquidity reserves	1,880

24 Capital adequacy

Effective January 1, 2013, the Basel III framework was implemented in Switzerland along with the Swiss "Too Big to Fail" legislation and regulations thereunder (Swiss Requirements). Together with the related implementing ordinances, the legislation includes capital, liquidity, leverage and large exposure requirements and rules for emergency plans designed to maintain systemically relevant functions in the event of threatened insolvency. The legislation implementing the Basel III framework in Switzerland in respect of capital requirements for systemically relevant banks, including the Company, goes beyond the Basel III minimum standards for systemically relevant banks. The Swiss total loss-absorbing capacity (TLAC) standards are being phased in from 2016 through 2019 and are fully effective on January 1, 2020. Failure to comply with national capital requirements could result in restrictions being imposed by the Company's regulators. The Company, which is subject to regulation by FINMA, has based its capital adequacy calculations on US GAAP financial statements, as permitted by FINMA Circular 2013/1.

The Company is subject to two different minimum requirements for loss-absorbing capacity. The Company must hold sufficient capital that absorbs losses to ensure continuity of service (going concern requirement) and must issue sufficient debt instruments to fund an orderly resolution without recourse to public resources (gone concern requirement). Going concern capital and gone concern capital together form the Company's total loss-absorbing capacity. The going concern and gone concern requirements are generally aligned with the Financial Stability Board's total loss-absorbing capacity standard. The amended Capital Adequacy Ordinance came into effect on July 1, 2016, subject to phase-in provisions for certain outstanding instruments, and has to be fully applied by January 1, 2020.

The Company's balance sheet positions and off-balance sheet exposures translate into risk-weighted assets that are categorized as credit, market and operational risk-weighted assets. When assessing risk-weighted assets, it is not the nominal size, but rather the nature (including risk mitigation such as collateral or hedges) of the balance sheet positions or off-balance sheet exposures that determines the risk-weighted assets.

Leverage exposure consists of period-end balance sheet assets and prescribed regulatory adjustments.

Capital ratios measure the Company's capital components against risk-weighted assets and leverage ratios measure them against the end-of-period exposures.

As of December 31, 2017, the Company's current capital position exceeds its capital requirements under the regulatory provisions outlined under Swiss Requirements.

Swiss capital and leverage metrics

	Phase-in
end of	2017
Swiss capital (CHF million)	
Swiss CET1 capital	12,638
Going concern capital	13,063
Gone concern capital	7,600
Total loss-absorbing capacity	20,663
Swiss risk-weighted assets and leverage exposure (CHF million	1)
Swiss risk-weighted assets	84,832
Leverage exposure	275,977
Swiss capital and leverage metrics (%)	
Swiss CET1 ratio	14.9
Going concern capital ratio	15.4
Gone concern capital ratio	9.0
TLAC ratio	24.4
TLAC leverage ratio	7.5

Capital adequacy disclosures for the 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.

▶ Refer to credit-suisse.com/regulatorydisclosures for additional information.

Dividend restrictions

As of December 31, 2017, Credit Suisse (Schweiz) AG was not subject to restrictions on its ability to pay the proposed dividends.

25 Assets under management

The following disclosure provides information regarding client assets, assets under management and net new assets as regulated by FINMA.

Assets under management

Assets under management include assets for which the Company provides investment advisory or discretionary asset management services. The classification of assets under management is conditional upon the nature of the services provided by the Company and the clients' intentions. Assets are individually assessed on the

basis of each client's intentions and objectives and the nature of the banking services provided to that client. In order to be classified as assets under management, the Company must currently or in the foreseeable future expect to provide a service where the involvement of the Company's banking or investment expertise (e.g. as asset manager or investment advisor) is not purely executional or custodial in nature.

Assets under custody are client assets held mainly for execution-related or safekeeping/custody purposes only and therefore

are not considered assets under management since the Company does not generally provide asset allocation or financial advice.

Assets of corporate clients and public institutions that are used primarily for cash management or transaction executional purposes for which no investment advice is provided are classified as commercial assets or assets under custody and therefore do not qualify as assets under management.

For the purpose of classifying assets under management, clients with multiple accounts are assessed from an overall relationship perspective. Accounts that are clearly separate from the remainder of the client relationship and represent assets held for custody purposes only are not included as assets under management.

The initial classification of the assets may not be permanent as the nature of the client relationship is reassessed on an on-going basis. If changes in client intent or activity warrant reclassification between client asset categories, the required reclassification adjustments are made immediately when the change in intent or activity occurs.

Reclassifications between assets under management and assets held for transaction-related or custodial purposes result in corresponding net asset inflows or outflows.

Assets under management

end of	2017
Assets under management (CHF billion)	
Assets with discretionary mandates	125.8
Other assets under management	437.8
Assets under management (including double counting)	563.6
of which double counting	_

Changes in assets under management

	2017
Assets under management (CHF billion)	
Assets under management at beginning of period	532.1
Net new assets/(net asset outflows)	(9.3)
Market movements, interest, dividends and foreign exchange	41.3
of which market movements, interest and dividends 1	40.1
of which foreign exchange	1.2
Other effects	(0.5)
Assets under management at end of period	563.6

¹ Net of commissions and other expenses and net of interest expenses charged.

Net new assets

Net new assets measure the degree of success in acquiring assets under management or changes in assets under management through warranted reclassifications. The calculation is based on the direct method, taking into account individual cash payments, security deliveries and cash flows resulting from loan increases or repayments. Interest and dividend income credited to clients and commissions, interest and fees charged for banking services are not taken into account when calculating net new assets, as such charges are not directly related to the success of the Company in acquiring assets under management. Similarly, changes in assets under management due to currency and market volatility as well as asset inflows and outflows due to the acquisition or divestiture businesses are not part of net new assets.

26 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

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Notes to the consolidated financial statements

litigation provisions include estimates of losses, additional losses or ranges of loss for proceedings for which such losses are probable and can be reasonably estimated.

The following table presents a roll forward of the Company's aggregate litigation provisions.

Litigation provisions

	2017
CHF million	
Balance at beginning of period	30
Increase in litigation accruals	37
Decrease in litigation accruals	(2)
Decrease for settlements and other cash payments	(30)
Balance at end of period	35

Net litigation provisions relate to 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.

27 Significant subsidiaries and equity method investments

Equity interest in %	Company name	Domicile	Currency	Nominal capital in million
Decembe	r 31, 2017			
	Credit Suisse (Schweiz) AG			
100	BANK-now AG	Horgen, Switzerland	CHF	30.0
100	Fides Treasury Services AG	Zurich, Switzerland	CHF	2.0
100	Neue Aargauer Bank AG	Aarau, Switzerland	CHF	134.1
100	SVC-AG für KMU Risikokapital	Zurich, Switzerland	CHF	15.0

Significant equity method investments

Equity interest in %	Company name	Domicile
as of Decembe	r 31, 2017	
	Credit Suisse (Schweiz) AG	
50	Swisscard AECS GmbH	Horgen, Switzerland
49	Credit Suisse Asset Management & Investor Services (Schweiz) Holding AG	Zurich, Switzerland

28 Significant valuation and income recognition differences between US GAAP and Swiss GAAP banking law (true and fair view)

The Company's consolidated financial statements have been prepared in accordance with US GAAP.

FINMA requires Swiss-domiciled banks which present their financial statements under either US GAAP or International Financial Reporting Standards (IFRS) to provide a narrative explanation of the major differences between Swiss GAAP banking law (true and fair view) and its primary accounting standard.

The principal provisions of the Banking Ordinance and the FINMA Circular 2015/1, "Accounting – banks", governing financial reporting for banks (Swiss GAAP) differ in certain aspects from US GAAP. The following are the major differences:

▶ Refer to "Note 1 – Summary of significant accounting policies" for a detailed description of the Company's accounting policies.

Investments in securities

Under Swiss GAAP, classification and measurement of investments in securities depends on the nature of the investment.

Non-consolidated participations

Under US GAAP, investments in equity securities where a company has the ability to significantly influence the operating and financial policies of an investee are accounted for under the equity method of accounting or the fair value option. Under the equity method of accounting, a company's share of the profit or loss as well as any impairment on the participation are reported in other revenues.

Under Swiss GAAP, investments in equity securities which are held with the intention of a permanent investment or which are investments in financial industry infrastructure are included in participations irrespective of the percentage ownership of voting shares held. Other participating interests are initially recognized at historical cost and tested for impairment at least annually. The fair value option is not allowed for participations.

For the purpose of testing a company's participating interests for impairment, the portfolio method is applied. Impairment is recorded if the carrying value of a portfolio of participating interests exceeds its fair value. Should the fair value of the portfolio recover subsequently after an impairment and such recovery is considered sustainable, the impairment from prior periods can be reversed up to fair value but not exceeding the historical cost basis. A reversal of the impairment is recorded as extraordinary income in the statements of income.

Available-for-sale securities

Under US GAAP, available-for-sale securities are valued at fair value. Unrealized gains and losses due to fluctuations in fair value (including foreign exchange) are not recorded in the consolidated statements of operations but included net of tax in AOCI, which is part of total shareholders' equity. Declines in fair value below cost deemed to be other-than-temporary are recognized as impairments in the consolidated statements of operations, except for amounts

relating to factors other than credit loss on debt securities with no intent or requirement to sell that continue to be included in AOCI. The new cost basis will not be changed for subsequent recoveries in fair value.

Under Swiss GAAP, available-for-sale securities are accounted for at the lower of cost or market with valuation reductions and recoveries due to market fluctuations recorded in other ordinary expenses and income, respectively. Foreign exchange gains and losses are recognized in net income/(loss) from trading activities and fair value option.

Non-marketable equity securities

Under US GAAP, non-marketable equity securities are valued at cost less other-than-temporary impairment or at fair value.

Under Swiss GAAP, non-marketable equity securities are carried at the lower of cost or market.

Impairments on held-to-maturity securities

Under US GAAP, declines in fair value of held-to-maturity securities below cost deemed to be other-than-temporary are recognized as impairments in the consolidated statements of operations except for amounts relating to factors other than credit loss on debt securities held with no intent or requirement to sell that are included in AOCI. The impairment cannot be reversed in future periods.

Under Swiss GAAP, all impairments are recognized in the consolidated statements of income. Impairments recognized on held-to-maturity securities are reversed up to the amortized cost if the fair value of the instrument subsequently recovers. A reversal is recorded in the consolidated statements of income.

Fair value option

Unlike US GAAP, Swiss GAAP generally does not allow the fair value option concept that creates an optional alternative measurement treatment for certain non-trading financial assets and liabilities, guarantees and commitments. The fair value option permits the use of fair value for initial and subsequent measurement with changes in fair value recorded in the consolidated statements of operations.

For issued structured products that meet certain conditions, fair value measurement can be applied. The related changes in fair value of both the embedded derivative and the host contract are recorded in trading revenue, except for fair value adjustments relating to own credit that cannot be recognized in the consolidated statements of income. Impacts of changes in own credit spreads are recognized in the compensation accounts which are either recorded in other assets or other liabilities.

Derivative financial instruments used for fair value hedging

Under US GAAP, the full amount of unrealized gains or losses on derivatives classified as hedging instruments and the

corresponding losses or gains on the hedged items are recognized in income. Hedging ineffectiveness is recorded in trading income.

Under Swiss GAAP, the carrying value of hedged items is not adjusted. The amount representing the change in fair value of the hedged item due to the risk being hedged is recorded in the compensation account included in other assets or other liabilities. Hedging ineffectiveness is recorded in net income/(loss) from trading activities and fair value option.

Derivatives used for cash flow hedging

Under US GAAP, the effective portion of a cash flow hedge is reported in AOCI.

Under Swiss GAAP, the effective portion of a cash flow hedge is recorded in the compensation account included in other assets or other liabilities.

Debt issuance costs

Under US GAAP, debt issuance costs are presented as a direct deduction from the carrying amount of the related debt.

Under Swiss GAAP, debt issuance costs are reported as a balance sheet asset in accrued income and prepaid expenses.

Goodwill amortization

Under US GAAP, goodwill is not amortized but must be tested for impairment annually or more frequently if an event or change in circumstances indicates that the goodwill may be impaired.

Under Swiss GAAP, goodwill is amortized over its useful life, generally not exceeding five years, except for justified cases where a maximum useful life of up to ten years is acceptable. In addition, goodwill is tested at least annually for impairment.

Guarantees

US GAAP requires all guarantees to be initially recognized at fair value. Upon issuance of a guarantee, the guarantor is required to recognize a liability that reflects the initial fair value; simultaneously, a receivable is recorded to reflect the future guarantee fee income over the entire life of the guarantee.

Under Swiss GAAP, only accrued or prepaid guarantee fees are recorded on the balance sheet. No guarantee liability and receivable for future guarantee fees are recorded upon issuance of a guarantee.

Loan origination fees and costs

US GAAP requires the deferral of fees received upfront and direct costs incurred in connection with the origination of loans not held under the fair value option.

Under Swiss GAAP, only upfront payments or fees that are considered interest-related components are deferred (e.g., premiums and discounts). Fees received from the borrower which are considered service-related fees such as commitment fees, structuring fees and arrangement fees are immediately recognized in commission income.

Extraordinary income and expenses

Unlike US GAAP, Swiss GAAP does report certain expenses or revenues as extraordinary if the recorded income or expense is non-operating and non-recurring.

Security collateral received in securities lending transactions

Under US GAAP, security collateral received in securities lending transactions are recorded as assets and a corresponding liability to return the collateral is recognized.

Under Swiss GAAP, security collateral received and the obligation to return collateral of securities lending transactions are not recognized on the balance sheet.

Loan commitments

Under US GAAP, loan commitments include all commitments to extend loans, unfunded commitments under commercial lines of credit, revolving credit lines, credit guarantees in the future and overdraft protection agreements, except for commitments that can be revoked by the Company at any time at the Company's sole discretion without prior notice.

Under Swiss GAAP, loan commitments include all commitments to extend loans, unfunded commitments under commercial lines of credit, revolving credit lines, credit guarantees in the future and overdraft protection agreements, except for commitments that can be revoked by the Company at any time at the Company's sole discretion with a notice period not exceeding six weeks.

Parent company financial statements

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Report of the Statutory Auditor

To the General Meeting of Shareholders of Credit Suisse (Schweiz) AG, Zurich

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the accompanying financial statements of Credit Suisse (Schweiz) AG, which comprise the balance sheet, income statement, statement of changes in equity and notes for the year ended December 31, 2017.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the Bank's articles of association. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended December 31, 2017 comply with Swiss law and the Bank's articles of association.



Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the Bank's articles of association. We recommend that the financial statements submitted to you be approved.

KPMG AG

Ralph Dicht Licensed Audit Expert Auditor in Charge

Zurich, Switzerland March 23, 2018 Nicholas Edmonds Licensed Audit Expert

Financial statements

Statements of income

	Reference to notes		in
		2017	2016
Statements of income (CHF million)			
Interest and discount income		2.103	876
Interest and dividend income from trading activities		308	
Interest and dividend income from financial investments		3	 1
Interest expense		(358)	(122)
Gross income from interest activities		2,056	769
(Increase)/release of allowance for default risks and losses from interest activities		(49)	(42)
Net income from interest activities	4	2,007	727
Commission income from securities trading and investment activities		1,575	612
Commission income from lending activities		159	63
Commission income from other services		411	172
Commission expense		(428)	(155)
Net income from commission and service activities		1,717	692
Net income/(loss) from trading activities and fair value option	5	214	189
Income/(loss) from the disposal of financial investments		12	1
Income from participations		199	0
Income from real estate		2	1
Other ordinary income		388	179
Other ordinary expenses		(101)	(2)
Net income from other ordinary activities		500	179
Personnel expenses	6	1,383	538
General and administrative expenses	7	1,734	821
Total operating expenses		3,117	1,359
Impairment of participations, depreciation and amortization of tangible fixed assets and intangible assets		734	304
Increase/(release) of provisions and other valuation adjustments, and losses	8	32	34
Operating profit		555	90
Taxes	9	(41)	(20)
Net profit		514	70

¹ Financial year from August 1 to December 31, 2016.

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Financial statements

Balance sheets

	Reference to notes		end o
		2017	2016
Assets (CHF million)			
Cash and other liquid assets		35,803	37,363
Due from banks		18,598	5,555
Securities borrowing and reverse repurchase agreements	10	12,934	14,066
Due from customers	11	28,246	28,646
Mortgage loans	11	112,869	112,261
Trading assets	12	5,206	5,761
Positive replacement values of derivative financial instruments	13	2,621	3,597
Financial investments	14	309	270
Accrued income and prepaid expenses		358	321
Participations		1,596	112
Tangible fixed assets		187	100
Intangible assets		2,526	3,231
Other assets	15	1,678	1,752
Total assets		222,931	213,035
Total subordinated receivables		120	66
of which receivables subject to contractual mandatory conversion and/or cancellation		90	(
Liabilities and shareholders' equity (CHF million)			
Due to banks		21,508	19,084
Securities lending and repurchase agreements	10	2,853	3,954
Customer deposits		164,310	160,708
Trading liabilities	12	768	640
Negative replacement values of derivative financial instruments	13	663	938
Liabilities from other financial instruments held at fair value	12, 18	562	440
Medium-term notes		372	534
Bonds and mortgage-backed bonds		15,037	10,179
Accrued expenses and deferred income		959	1,167
Other liabilities	15	478	604
Provisions	19	74	67
Total liabilities		207,584	198,315
Share capital	20	100	100
Legal capital reserves		14,733	14,550
of which capital contribution reserves		14,422	14,550
Retained earnings		0	(
Net profit		514	70
Total shareholders' equity		15,347	14,720
Total liabilities and shareholders' equity		222,931	213,035
Total subordinated liabilities		507	
of which liabilities subject to contractual mandatory conversion and/or cancellation		500	

Off-balance sheet transactions

end of	2017	2016
Off-balance sheet transactions (CHF million)		
Contingent liabilities	22,043	20,862
Irrevocable commitments	8,580	8,615
Obligations for calls on shares and additional payments	47	47

Off-balance sheet transactions

Contingent liabilities to other bank entities include guarantees for obligations, performance-related guarantees and letters of comfort issued to third parties. Contingencies with a stated amount are included in the off-balance sheet section of the financial statements. In some instances, the exposure of Credit Suisse (Schweiz) AG is not defined as an amount but relates to specific circumstances such as the solvency of subsidiaries or the performance of a service.

Joint and several liability

On November 20, 2016, Credit Suisse AG transferred its universal bank business for Swiss customers, comprising a significant part of the Swiss Universal Bank division and parts of former Sales and Trading Services (STS), a business area providing sales and trading services, to Credit Suisse (Schweiz) AG. 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 Credit Suisse (Schweiz) AG.

The transfer of assets also included assets at a carrying value of CHF 9,183 million and CHF 11,278 million as of December 31, 2017 and 2016, respectively, which are pledged under the covered bonds program of Credit Suisse AG and for which the related liabilities of CHF 7,185 million and CHF 7,971 million as of December 31, 2017 and 2016 are reported by Credit Suisse

AG. As of December 31, 2017 and 2016, the contingent liabilities of Credit Suisse (Schweiz) AG under the covered bond program were CHF 7,185 million and CHF 7,971 million, respectively, and reflected in the table "Off-balance sheet transactions". Credit Suisse (Schweiz) AG also entered into a contractual arrangement under which it assumed joint and several liability in connection with Credit Suisse (Schweiz) AG's roles under the covered bonds program.

Credit Suisse (Schweiz) AG is a member of Credit Suisse Group AG's Swiss VAT group and therefore subject to joint and several liability according to the Swiss VAT Act.

Deposit insurance guarantee program

Deposit-taking banks and securities dealers in Switzerland are required to ensure the payout of privileged deposits in the case of specified restrictions or compulsory liquidation of a deposit-taking bank, and they jointly guarantee an amount of up to CHF 6 billion. Upon occurrence of a payout event triggered by a specified restriction of business imposed by the Swiss Financial Market Supervisory Authority FINMA (FINMA) or by the compulsory liquidation of another deposit-taking bank, the participating bank's contribution will be calculated based on its share of privileged deposits in proportion to total privileged deposits. Based on FINMA's estimate, Credit Suisse (Schweiz) AG's share in the deposit insurance guarantee program for the period July 1, 2017 to June 30, 2018 is CHF 419 million. This deposit insurance guarantee was reflected in contingent liabilities.

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Financial statements

Statement of changes in equity

	Share capital	Legal capital reserves	Retained earnings	Net profit	Total share- holder's equity
2017 (CHF million)					
Balance at beginning of period	100	14,550	0	70	14,720
Appropriation of net profit	_	_	70	(70)	
Capital contributions	_	331	_	_	331
Dividends and other distributions	_	(148)	(70)	_	(218)
Net profit	_	_	_	514	514
Balance at end of period	100	14,733 ¹	0	514	15,347

¹ Includes capital contribution reserves of CHF 14,422 million. Distributions from capital contribution reserves are free of Swiss withholding tax.

Capital contribution

In March 2017, Credit Suisse AG transferred participating interests of 49% in four fund management companies and in Credit Suisse Asset Management (Schweiz) AG (CSAM Schweiz) with a total value of CHF 331 million to Credit Suisse (Schweiz) AG by way of an a-fonds-perdu contribution. Subsequently, Credit Suisse (Schweiz) AG contributed these participating interests to Credit Suisse Asset Management & Investor Services (Schweiz) Holding AG. CSAM Schweiz was incorporated in February 2017 and received the Swiss-related asset management business from Credit Suisse AG through a transfer of assets in accordance with the Swiss Merger Act. All transfers of participations were made at the participations' Swiss GAAP carrying value as recorded by the transferor. Of the total capital contribution amount, CHF 20 million qualified for recognition in the capital contribution reserves.

▶ Refer to "Note 3 — Business developments and subsequent events" in II — Consolidated financial statements for further information.

1 Company details, business developments and subsequent events

Company details

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

Credit Suisse (Schweiz) AG is a wholly owned subsidiary of Credit Suisse AG and Credit Suisse AG is a wholly owned subsidiary of Credit Suisse Group AG (the Group), both domiciled in Switzerland.

Number of employees		
end of	2017	2016
Number of employees (full-time equivalents)		
Switzerland	7,600	6,590
Total	7,600	6,590

Business developments

► Refer to "Note 3 – Business developments and subsequent events" in II – Consolidated financial statements for further information on business developments.

Subsequent events

There were no subsequent events.

2 Accounting and valuation principles

Summary of significant accounting and valuation principles Basis for accounting

The Credit Suisse (Schweiz) AG stand-alone financial statements are prepared in accordance with the accounting rules of the Swiss Federal Law on Banks and Savings Banks (Bank Law), the corresponding Implementing Ordinance (Bank Ordinance) and FINMA circular 2015/1, "Accounting rules for banks, securities dealers, financial groups and conglomerates" (Swiss GAAP statutory) as applicable for the preparation of reliable assessment statutory single-entity financial statements (Statutarischer Einzelabschluss mit zuverlässiger Darstellung).

Credit Suisse (Schweiz) AG prepared its first annual financial statements as a Swiss bank for the financial year from August 1 to December 31, 2016.

Recording of transactions

Transactions are generally recognized on a trade date basis at the point in time when they become legally binding unless specific guidance is provided for settlement date accounting, such as for issuances of debt and structured notes.

Foreign currency translations

The functional currency of Credit Suisse (Schweiz) AG is Swiss francs (CHF). Transactions denominated in currencies other than the functional currency are recorded using the foreign exchange rates at the date of the transaction.

Receivables and payables denominated in foreign currency are translated to Swiss francs using spot rates as of the balance sheet date. Gains and losses from foreign exchange rate differences are recorded in the statement of income in net income/(loss) from trading activities and fair value option. Participations, tangible fixed assets and intangible assets denominated in foreign currency are translated to Swiss francs using the historical exchange rates.

The following table provides the foreign exchange rates applied for the preparation of the Credit Suisse (Schweiz) AG stand-alone financial statements.

Foreign exchange rates

		End of
	2017	2016
1 USD / 1 CHF	0.98	1.02
1 EUR / 1 CHF	1.17	1.07
1 GBP / 1 CHF	1.32	1.26
100 JPY / 1 CHF	0.87	0.87

Cash and other liquid assets

Cash and other liquid assets are recognized at their nominal value.

Due from banks

Amounts due from banks, including interest due but not paid, are recognized at their nominal value less any necessary valuation adjustments.

Due from customers and mortgage loans

Amounts due from customers and mortgage loans, including interest due but not paid, are recognized at their nominal value less any necessary valuation adjustments.

All customer loans are assessed individually for default risks and, where necessary, valuation adjustments are recorded in accordance with internal policies. These valuation adjustments take into account the value of the collateral and the financial standing of the borrower (counterparty risk). Credit Suisse (Schweiz) AG evaluates many factors when determining valuation adjustments, including the volatility of default probabilities, rating changes, the magnitude of potential loss, internal risk ratings, and geographic, industry and other economic factors.

Valuation adjustments are netted with the corresponding assets.

Trading assets and liabilities

In order to qualify as trading activity, positions (assets and liabilities) have to be actively managed with the objective of realizing gains from fluctuations in market prices which includes an ongoing willingness to increase, decrease, close or hedge risk positions. Trading positions also include positions held with the intention of generating gains from arbitrage. The designation as trading position has to be made, and documented accordingly, upon conclusion of the transaction.

Trading securities are carried at fair value with changes in fair value recorded in the statement of income in net income/(loss) from trading activities and fair value option. The fair value is determined using either the price set on a price-efficient and liquid market or a price calculated using a valuation model.

Interest and dividend income resulting from trading positions is recorded in gross income from interest activities. Refinancing costs are not charged to net income from trading activities and fair value option.

Reclassifications between trading assets, financial investments and participations are allowed. Such reclassifications are recorded at the fair value valid at the time when the decision to reclassify is made. Resulting gains or losses are recognized applying the same accounting principles as for the recognition of results from the disposal of such assets.

Derivative financial instruments and hedge accountingDerivative financial instruments consist of trading and hedging instruments.

Positive and negative replacement values of outstanding derivative financial instruments arising from transactions for Credit Suisse (Schweiz) AG's own account are disclosed as separate line items in the balance sheet, with related fair value changes recorded in net income from trading activities and fair value option.

Replacement values of derivative financial instruments arising from transactions for the account of customers are recognized only if a risk exists that a customer or other counterparty (e.g., exchange, exchange member, issuer of the instrument, broker) of a transaction is no longer able to meet its obligations resulting in an exposure to loss for Credit Suisse (Schweiz) AG during the remaining term of the contract.

Hedge accounting is determined, tested for effectiveness and disclosed in accordance with US GAAP as allowed under Swiss GAAP statutory accounting rules. Derivative financial instruments used as hedging instruments in hedging relationships are always recorded at fair value.

For fair value hedges, to the extent these hedges are effective, the gains and losses resulting from the valuation of the hedging instruments are recorded in the same statement of income line items in which gains and losses from the hedged items are recognized. Gains and losses resulting from fair valuing the risk being hedged of the hedged items are not recorded as an adjustment

to the carrying value of the hedged items but are recorded in the compensation account included in other assets or other liabilities. Any changes in fair value representing hedging ineffectiveness are recorded in net income from trading activities and fair value option.

For cash flow hedges, to the extent these hedges are effective, gains and losses resulting from the valuation of the hedging instruments are deferred and recorded in the compensation account included in other assets or other liabilities. The deferred amounts are released and recorded in the statement of income in the same period when the cash flows from the hedged transactions or hedged items are recognized in earnings. Any changes in fair value representing hedging ineffectiveness are recorded in net income from trading activities and fair value option.

Other financial instruments held at fair value and liabilities from other financial instruments held at fair value

Financial instruments which are not part of the trading portfolio may be measured at fair value and classified in other financial instruments held at fair value or liabilities from other financial instruments held at fair value if all of the following conditions are met:

- The financial instruments are valued at fair value and are subject to risk management corresponding to that for trading positions including a documented risk management and investment strategy which ensures appropriate recognition, measurement and limitation of the miscellaneous risks.
- An economic hedging relationship between the financial instruments on the asset side and the financial instruments on the liability side exists and gains and losses from the fair valuation of these financial instruments are largely offset (avoidance of an accounting mismatch).
- Impacts of changes in own credit spreads on the fair value of an issued debt instrument following initial recognition cannot be reflected in the statement of income. Impacts of changes in own credit spreads are recognized in the compensation account.

Changes in fair value are recorded in net income from trading activities and fair value option.

Participations

Equity securities in a company, which are owned by Credit Suisse (Schweiz) AG, qualify as a participation if these securities are held for the purpose of permanent investment, irrespective of the percentage of voting shares held, or, if these equity securities are in a banking and financial market infrastructure enterprise, in particular participations in joint organizations.

Participations are measured at acquisition cost less any impairments. Goodwill and intangible assets related to the acquisition of a participation are part of the participation's historical cost under Swiss GAAP statutory and not separately identified and recorded. Impairment is assessed individually for each participation at each balance sheet date or at any point in time when facts and circumstances would indicate that an event has occurred which triggers

an impairment review. An impairment is recorded if the carrying value exceeds the fair value of the participation. If the fair value of a participation recovers significantly and is considered sustainable, a prior period impairment can be reversed up to the historical cost value of the respective participation.

Intangible assets

Intangible assets may be acquired individually or as part of a group of assets assumed in a business transfer. Intangible assets mainly include but are not limited to: customer base, goodwill and trademarks. Intangible assets are initially measured at their acquisition costs. Intangible assets are amortized over a useful life not to exceed five years and tested for impairment annually, or more frequently if events or changes in circumstances indicate that the intangible assets may be impaired.

Other assets and other liabilities

Other assets and other liabilities are generally recorded at cost or nominal value. Other assets and other liabilities include the net balance of the compensation accounts. The compensation accounts are used to record the hedge effectiveness, impacts from changes in own credit spreads and deferred gains or losses from the sale of debt securities held-to-maturity.

Changes in the book values of assets and liabilities that are not recognized in the statement of income of a reporting period are recorded in the compensation account as assets or liabilities. The gross amounts of compensation account assets and liabilities are offset and reported net on the balance sheet either in other assets or in other liabilities.

Due to banks

Amounts due to banks are recognized at their nominal value.

Customer deposits

Amounts due in respect of customer deposits are recognized at their nominal value.

Bonds and mortgage-backed bonds

Bonds and mortgage-backed bonds are carried at amortized cost. Debt issuance costs are recorded in other assets and other liabilities, respectively.

Provisions

Provisions are recorded to cover specific risks related to a past event prior to the balance sheet date. Provisions represent a probable obligation for which amount and/or due date are uncertain but can be reasonably estimated. Where the time factor has a material impact, the amount of the provision is discounted.

Provisions which are no longer economically necessary and which are not used in the same reporting period to cover probable obligations of the same nature are released to income:

- tax provisions through line item taxes;
- provisions for pension benefit obligations and staff-related restructuring provisions through personnel expenses; and

 provisions for off-balance sheet related default risks and other provisions including litigation provisions through line item increase/(release) of provisions and other value adjustments, and losses.

Commission income

Commission income is recognized when arrangements exist, services have been rendered, the revenue is fixed or determinable and collectability is reasonably assured. As applicable, commissions and fees are recognized ratably over the service period and either accrued or deferred in the balance sheet in the line items accrued income and prepaid expenses and accrued expenses and deferred income, respectively.

Commission income and commission expense are generally recorded on a gross basis in the statement of income.

Income tax accounting

Income taxes are based on the tax laws of each tax jurisdiction and are expensed in the period in which the taxable profits are made.

Tax provisions are recognized in the statement of income in line item taxes and included in provisions on the balance sheet.

In line with the accounting rules for single-entity statutory financial statements, deferred tax assets on net operating losses are not recognized. Deferred taxation items for temporary differences between the carrying value of an asset or a liability under Swiss GAAP statutory and the respective value for tax reporting, i.e., its tax base, are also not recognized.

Extraordinary income and expense

The recognition of extraordinary income or expense is limited to either transactions which are non-recurring and non-operating, such as the disposal of fixed assets or participations, or income and expense related to other reporting periods if they account for the correction of errors with regards to non-operating transactions of prior periods.

Contingent liabilities and irrevocable commitments

Contingent liabilities are recorded as off-balance sheet transactions at their maximum potential payment amounts. Irrevocable commitments are recorded as off-balance sheet transactions at their nominal values, except for irrevocable commitments with a remaining maturity of less than six weeks which are excluded from the disclosure. As necessary, related provisions are recorded on the balance sheet in line item provisions.

Capital adequacy disclosures

Capital adequacy disclosures for the Group and Credit Suisse (Schweiz) AG are presented in the publications "Pillar 3 and regulatory disclosures – Credit Suisse Group AG" and "Regulatory disclosures – Subsidiaries", respectively.

▶ Refer to credit-suisse.com/regulatorydisclosures for additional information.

3 Risk management, use of derivative financial instruments and hedge accounting

Risk management

Fundamental to the business of Credit Suisse (Schweiz) AG is the prudent taking of risk in line with its strategic priorities. The primary objectives of risk management are to protect the financial strength and reputation of Credit Suisse (Schweiz) AG, while ensuring that capital is well deployed to support business growth and activities. The risk management framework of Credit Suisse (Schweiz) AG is based on transparency, management accountability and independent oversight. Risk management is an integral part of the business planning process with strong senior management and Board of Directors (Board) involvement.

Risk governance

Risk management of Credit Suisse (Schweiz) AG is aligned to the overall risk management governance of the Group. Credit Suisse (Schweiz) AG's risk governance includes a committee structure and a comprehensive set of corporate policies which are developed, reviewed and approved by the Board, the Executive Board, their respective committees, the Chief Risk Officer (CRO) and the Chief Compliance Officer, in accordance with their respective responsibilities and levels of authority.

The risk governance framework of Credit Suisse (Schweiz) AG is based on a "three lines of defense" governance model, where each line has a specific role with defined responsibilities collaborating with each other to identify, assess and mitigate risks.

The first line of defense is the front office, which is responsible for pursuing suitable business opportunities within the strategic risk objectives and compliance requirements of Credit Suisse (Schweiz) AG. Its primary responsibility is to ensure compliance with relevant legal and regulatory requirements and maintain effective internal controls.

The second line of defense is separate from the front office. It acts as an independent control function, responsible for reviewing, measuring and challenging front office activities and producing independent assessments and risk management reporting for senior management and regulatory authorities. The second line of defense includes functions such as risk management, compliance, legal and product control. It articulates standards and expectations for the management of risk and effectiveness of controls, including advising on applicable legal and regulatory requirements, publishing of related policies, monitoring and assessing compliance with regulatory and internal standards.

The third line of defense is the internal audit function, which monitors the effectiveness of controls across various functions and operations, including risk management and governance practices.

Board of Directors

The Board is responsible for the strategic direction, supervision and control of Credit Suisse (Schweiz) AG, and for defining its overall tolerance for risk in the form of a risk appetite statement and overall risk limits. The Board sets them in consultation with its Risk Committee.

The Risk Committee is responsible for assisting the Board in fulfilling its oversight responsibilities by providing guidance regarding risk governance and the development of the risk profile and capital adequacy of Credit Suisse (Schweiz) AG, including the regular review of major risk exposures and overall risk limits.

The Audit Committee is responsible for assisting the Board in fulfilling its oversight responsibilities by monitoring management's approach with respect to financial reporting, internal controls, accounting and legal and regulatory compliance. Additionally, the Audit Committee is responsible for monitoring the independence and performance of internal and external auditors.

Executive Board

The Executive Board is responsible for developing and implementing strategic business plans of Credit Suisse (Schweiz) AG, subject to approval by the Board. It further reviews and coordinates significant initiatives for the risk management function and oversees the establishment of bank-wide risk policies. The CRO of Credit Suisse (Schweiz) AG is a member of the Executive Board and represents the risk management function with a primary reporting line to the Group CRO and an additional reporting line to the Chief Executive Officer (CEO) of Credit Suisse (Schweiz) AG.

Executive Board risk committees

The Capital Allocation & Risk Management Committee (CARMC) of Credit Suisse (Schweiz) AG is responsible for overseeing and directing the risk profile, recommending risk limits to the Risk Committee and the Board, establishing and allocating risk appetite among the various businesses, reviewing new significant business strategies or changes in business strategies including business migrations, making risk-related decisions on escalations, and for applying measures, methodologies and tools to monitor and manage the risk portfolio. CARMC of Credit Suisse (Schweiz) AG operates in two committees: the Risk Management Committee (RMC) and the Asset Liability Management Committee (ALMC). The RMC is the main governance and decision-making body with respect to market, liquidity, credit and position risk-related matters as well as with respect to operational risks, legal, compliance and regulatory issues and internal control matters. The RMC is responsible for the supervision and control of the risk profile, its future development and its adequacy with the risk strategy of Credit Suisse (Schweiz) AG. The RMC is also responsible for assessing the allocation of risk capital and making recommendations to the Board as well as establishing and allocating risk limits. The ALMC is responsible for capital, liquidity and funding-related matters, including interest rate risk management, foreign exchange risk and balance sheet development within defined limits.

The Risk Processes & Standards Committee (RPSC) reviews major risk management processes, issues general instructions, standards and processes concerning risk management, approves material changes in market, credit and operational risk management standards, policies and related methodologies, and approves

the standards of Credit Suisse (Schweiz) AG's internal models used for calculating regulatory capital requirements.

The Reputational Risk Committee (RRC) sets policies and reviews processes and significant cases relating to reputational risks and sustainability issues. It also ensures adherence to Credit Suisse (Schweiz) AG's reputational and sustainability policies and oversees their implementation.

Risk appetite framework

Credit Suisse (Schweiz) AG maintains a comprehensive risk appetite framework, which is governed by a policy and provides a robust foundation for risk appetite setting and management. A key element of the framework is a detailed statement of the Board-approved risk appetite which is aligned to the financial and capital plans of Credit Suisse (Schweiz) AG. The framework also encompasses the processes and systems for assessing the appropriate level of risk appetite required to constrain the overall risk profile of Credit Suisse (Schweiz) AG.

The Credit Suisse (Schweiz) AG risk appetite framework is aligned to and reflected as a distinct part of the Group risk appetite framework, which is governed by an overarching global policy that encompasses the suite of specific policies, processes and systems with which the risk constraints are calibrated and the risk profile is managed. The risk appetite framework of Credit Suisse (Schweiz) AG was established in 2016 and is guided by the following strategic risk objectives:

- maintaining capital adequacy above minimum regulatory requirements under both normal and stressed conditions;
- promoting stability of earnings to support performance in line with financial objectives;
- ensuring sound management of liquidity and funding risk in normal and stressed conditions;
- proactively controlling concentration risks;
- managing operational and compliance risk to ensure sustainable performance;
- minimizing reputational risk; and
- managing and mitigating conduct risk.

The risk appetite of Credit Suisse (Schweiz) AG is determined in partnership with the financial and capital planning process on an annual basis, based on bottom-up forecasts that reflect planned risk-usage by the businesses and top-down, Board-driven strategic risk objectives and risk appetite. Scenario stress testing of financial and capital plans is an essential element in the risk appetite calibration process as a key means through which strategic risk objectives, financial resources and business plans are aligned. The capital plans are also analyzed using the economic capital coverage ratio, which provides a further means of assessing bottom-up risk plans with respect to available capital resources. The risk appetite is approved through a number of internal governance forums, including joint approval by both the CRO and the Chief Financial Officer (CFO), the RMC of Credit Suisse (Schweiz) AG, the Board's Risk Committee and subsequently by the Board of Credit Suisse (Schweiz) AG.

A core aspect of the Credit Suisse (Schweiz) AG risk appetite framework is a sound system of integrated risk constraints to maintain the risk profile of Credit Suisse (Schweiz) AG within its overall risk appetite. Risk constraints are classified according to type and authority, with the principal control types comprising limits, guidelines and tolerances. The risk controls restrict the maximum balance sheet and off-balance sheet exposure as well as key risk exposures of Credit Suisse (Schweiz) AG given the market environment, business strategy and financial resources available to absorb losses.

Risk coverage and management

Credit Suisse (Schweiz) AG uses a wide range of risk management practices to address the variety of risks that arise from its business activities. Policies, limits, guidelines, processes, standards, risk assessment and measurement methodologies, and risk monitoring and reporting are key components of Credit Suisse (Schweiz) AG's risk management practices. The risk management practices of Credit Suisse (Schweiz) AG complement each other in the analysis of potential loss, support the identification of interdependencies and interactions of risks across the organization and provide a comprehensive view of its exposures. Credit Suisse (Schweiz) AG regularly reviews and updates its risk management practices to ensure consistency with its business activities and relevance to its business and financial strategies.

The key risk types, their definitions and key risk evaluation methods are summarized below.

It is important both to evaluate each risk type separately and assess the risk types' combined impact on Credit Suisse (Schweiz) AG, which helps ensure that its overall risk profile remains within the risk appetite of Credit Suisse (Schweiz) AG.

The primary evaluation methods used to assess bank-wide quantifiable risks include economic risk capital and stress testing.

Economic risk capital

Economic risk capital is used as a consistent and comprehensive tool for capital management and limit monitoring. Economic risk capital is a fundamental Credit Suisse (Schweiz) AG risk management tool for measuring and reporting the combined impact from quantifiable risks such as market, credit, operational, pension, expense and model risks, each of which has an impact on the capital position.

Under the Basel framework, Credit Suisse (Schweiz) AG is required to maintain a robust and comprehensive framework for assessing capital adequacy, defining internal capital targets and ensuring that these capital targets are consistent with its overall risk profile and the current operating environment. Credit Suisse (Schweiz) AG's economic risk capital model represents its internal view of the amount of capital required to support its business activities.

Stress testing

Stress testing or scenario analysis provides an additional approach to risk management and formulates hypothetical questions,

including what would happen to Credit Suisse (Schweiz) AG's portfolio if, for example, historic or adverse forward-looking events were to occur.

Stress testing is a fundamental element of Credit Suisse (Schweiz) AG's risk appetite framework included in overall risk management to ensure that Credit Suisse (Schweiz) AG's financial position and risk profile provide sufficient resilience to withstand the impact of severe economic conditions. Stress testing results are monitored against limits, used in risk appetite discussions and strategic business planning, and to support Credit Suisse (Schweiz) AG's internal capital adequacy assessment. Within the risk appetite framework, CARMC sets stressed position loss limits to correspond to minimum post-stress capital ratios.

Credit risk

Credit risk is the risk of financial loss arising as a result of a borrower or counterparty failing to meet its financial obligations or as a result of deterioration in the credit quality of the borrower or counterparty.

The majority of the credit risk of Credit Suisse (Schweiz) AG is concentrated in the Swiss private banking, corporate and institutional businesses. Credit risk arises from lending products, irrevocable loan commitments, credit guarantees and letters of credit, and results from counterparty exposure arising from derivatives, foreign exchange and other transactions.

Effective credit risk management is a structured process to assess, measure, monitor and manage risk on a consistent basis. This requires careful consideration of proposed extensions of credit, the setting of specific limits, monitoring during the life of the exposure, active use of credit mitigation tools and a disciplined approach to recognizing credit impairment.

The credit risk management framework of Credit Suisse (Schweiz) AG covers its credit exposure with third parties and includes the following core components:

- individual counterparty rating systems;
- transaction rating systems;
- a counterparty credit limit system;
- country concentration limits;
- product limits;
- active credit portfolio management;
- a credit risk provisioning methodology;
- stress testing; and
- portfolio risk models (economic risk capital calculation).

Credit Suisse (Schweiz) AG employs a set of credit ratings for the purpose of internally rating counterparties to whom it is exposed to credit risk as the contractual party, including loans, loan commitments, securities financings or over-the counter (OTC) derivative contracts. Credit ratings are intended to reflect the risk of default of each counterparty. Ratings are assigned based on internally developed rating models and processes, which are subject to governance and internally independent validation procedures. The internal ratings of Credit Suisse (Schweiz) AG may differ from counterparties' external ratings, if one is available. Internal ratings for private individual loans and for corporates are reviewed

both regularly and event-driven depending on exposure type, client segment and collateral. Internal ratings for all other corporate and institutional credit facilities are reviewed at least annually. For the calculation of internal risk estimates (e.g., an estimate of expected loss in the event of a counterparty default) and regulatory capital, a probability of default, loss given default and exposure at default are assigned to each facility. These three parameters are primarily derived from internally developed statistical models that have been backtested against internal experience, validated by a function independent of the model owners on a regular basis and approved by FINMA for application in the regulatory capital calculation in the advanced internal ratings-based approach (A-IRB) under the Basel framework.

Credit limits are used to manage individual counterparty credit risk. A system of limits is also established to address concentration risk in the portfolio, including a comprehensive set of country limits as well as limits for certain products and counterparties. In addition, credit risk concentration is regularly supervised by credit and risk management committees, taking current market conditions and trend analysis into consideration. A rigorous credit quality review process provides an early identification of possible changes in the creditworthiness of clients and includes regular asset and collateral quality reviews, business and financial statement analysis, and relevant economic and industry studies. Regularly updated watch lists and review meetings are used for the identification of counterparties that could be subject to adverse changes in creditworthiness.

Default risks, impairments and credit risk provisioning methodology Credit Suisse (Schweiz) AG's regularly reviews the credit quality of clients and counterparties. The appropriateness of allowances for credit losses is regularly reviewed. Impaired transactions are further classified as potential problem exposure, non-performing exposure, non-interest-earning exposure or restructured exposure, and the exposures are generally managed within credit recovery units. The credit portfolio & provisions review committee regularly determines the adequacy of allowances at the level of the Group and Credit Suisse (Schweiz) AG. For impaired loans, the fair value of collateral is determined within 90 days of the date the impairment was identified and thereafter annually or more frequently by credit risk management within the impairment review process.

Credit Suisse (Schweiz) AG maintains specific valuation allowances on loans valued at amortized cost, which are considered a reasonable estimate of losses identified in the existing credit portfolio. Provisions for loan losses are established based on a regular and detailed analysis of all counterparties, taking collateral value into consideration. If uncertainty exists as to the repayment of either principal or interest, a specific valuation allowance is either created or adjusted accordingly. The specific allowance for loan losses is revalued by credit risk management of Credit Suisse (Schweiz) AG at least annually or more frequently depending on the risk profile of the borrower or credit relevant events.

An inherent loss allowance is estimated for all loans not specifically identified as impaired and that, on a portfolio basis, are considered to contain inherent losses. Inherent losses in the lending

portfolios of Credit Suisse (Schweiz) AG related to the Swiss private banking, corporate, institutional and real estate businesses are determined based on current internal risk ratings, collateral and exposure structure, applying historical default and loss experience in the ratings and loss parameters. In the investment banking businesses of Credit Suisse (Schweiz) AG, inherent losses on loans are estimated based on a model using long-term industrywide historical default and recovery data taking into account the credit rating and industry of each counterparty. A separate component of the calculation reflects the current market conditions in the allowance for loan losses. Qualitative adjustments to reflect current market conditions or any other factors not captured by the model are approved by management and reflected in the allowance for loan losses. A provision for inherent losses on off-balance sheet lending-related exposure, such as contingent liabilities and irrevocable commitments, is also determined, using a methodology similar to that used for the loan portfolio.

Risk mitigation

Credit Suisse (Schweiz) AG actively manages its credit exposure utilizing credit hedges, collateral and guarantees. Collateral is security in the form of an asset, which serves to mitigate the inherent risk of credit loss and to improve recoveries in the event of a default.

The policies and processes for collateral valuation and management are driven by legal documentation that is agreed with the counterparties of Credit Suisse (Schweiz) AG and a collateral management function.

For portfolios collateralized by marketable securities, collateral is valued daily, except as agreed otherwise in contracts or other legal documentation. The mark-to-market prices used for valuing collateral are a combination of internal and market prices sourced from trading platforms and service providers, as appropriate. The management of collateral is standardized and centralized to ensure complete coverage of traded products.

For the mortgage lending portfolio in the private banking, corporate and institutional businesses, real estate property is valued at the time of credit approval and periodically thereafter, according to internal policies and controls of Credit Suisse (Schweiz) AG, depending on the type of loan (e.g., residential or commercial loan), characteristics of the property, current developments in the relevant real estate market and the current level of credit exposure to the borrower (loan-to-value ratio). If the credit exposure to a borrower has changed significantly, in volatile markets or in times of increasing general market risk, collateral values may be appraised more frequently. Management judgment is applied in assessing whether markets are volatile or general market risk has increased to a degree that warrants a more frequent update of collateral values. Movements in monitored risk metrics that are statistically different compared to historical experience are considered in addition to analysis of externally-provided forecasts, scenario techniques and macro-economic research. For impaired loans, the fair value of collateral is determined within 90 days of the date the impairment was identified and thereafter annually or more frequently by credit risk management within the impairment review process.

The primary types of collateral depend on the type of credit transaction. Collateral securing loan transactions primarily includes financial collateral pledged against loans collateralized by securities of clients in the private banking, corporate and institutional businesses (primarily cash and marketable securities), real estate property for mortgages, mainly residential, but also offices, commercial and industrial properties, and other types of lending collateral.

Reputational risk

Reputational risk is the risk that negative perception by stakeholders of Credit Suisse (Schweiz) AG, including clients, counterparties, employees, shareholders, regulators and the general public, may adversely impact client acquisition and damage the business relationships of Credit Suisse (Schweiz) AG with clients and counterparties, affecting staff morale and reducing access to funding sources.

Reputational risk may arise from a variety of sources, including, but not limited to, the nature or purpose of a proposed transaction or service, the identity or activity of a controversial client, the regulatory or political climate in which the business will be transacted, and the potentially controversial environmental or social impacts of a transaction or significant public attention surrounding the transaction itself. The risk may also arise from reputational damage in the aftermath of an operational risk incident, such as cyber crime or the failure by employees to meet expected conduct and ethical standards.

Reputational risk is included in the risk appetite framework to ensure that risk-taking is aligned with the approved risk appetite. Credit Suisse (Schweiz) AG highly values its reputation and is fully committed to protecting it through a prudent approach to risk-taking and a responsible approach to business. This is achieved through use of dedicated processes, resources and policies focused on identifying, evaluating, managing and reporting potential reputational risks. This is also achieved through applying the highest standards of personal accountability and ethical conduct as set out in the Code of Conduct of Credit Suisse Group and Credit Suisse (Schweiz) AG's approach to conduct and ethics. Reputational risk potentially arising from proposed business transactions and client activity is assessed in the reputational risk review process. The policy requires employees to be conservative when assessing potential reputational impact and, where certain indicators give rise to potential reputational risk, the relevant business proposal or service must be submitted through the reputational risk review process. This involves a submission by an originator (any employee), approval by a business area head or designee, and its subsequent referral to one of the assigned reputational risk approvers, each of whom is an experienced and high-ranking senior manager, independent of the business divisions, who has authority to approve, reject or impose conditions on the bank's participation in the transaction or service.

The Reputational Risk & Sustainability Committee (RRSC), on a global level, and the RRC, on a divisional or legal entity level, are the governing bodies responsible for the oversight and active discussion of reputational risk and sustainability issues. At the Board level, the Risk Committee and Audit Committee jointly assist the Board in fulfilling its reputational risk oversight responsibilities by reviewing and approving Credit Suisse (Schweiz) AG's risk appetite framework as well as assessing the adequacy of the management of reputational risks.

Operational, compliance and regulatory risk

Operational risk is the risk of financial loss arising from inadequate or failed internal processes, people or systems, or from external events. Operational risk does not include strategic and reputational risks. However, some operational risks can lead to reputational issues and as such operational and reputational risks may be closely linked. Operational risk is inherent in most aspects of the Credit Suisse (Schweiz) AG's business, including the systems and processes that support its activities. It comprises a large number of disparate risks that can manifest in a variety of ways. Particularly relevant examples of operational risk include the risk of fraudulent or unauthorized transactions, damage to physical assets, trade processing errors, business disruption and cyber attacks. Operational risk can arise from human error, inappropriate conduct, failures in systems, processes and controls, deliberate attack or natural and man-made disasters.

Compliance risk, which includes regulatory risk, is the risk from the failure to comply with laws, regulations, rules or market standards that may have a negative effect on the Credit Suisse (Schweiz) AG's franchise and clients it serves. It includes the risk that changes in laws, regulations, rules or market standards may limit activities and have a negative effect on the Credit Suisse (Schweiz) AG's business or its ability to implement strategic initiatives, or can result in an increase in operating costs for the business or make its products and services more expensive for clients. Examples of sources of compliance risks include cross-border activities, the risk of money laundering, improper handling of confidential information, conflicts of interest, improper gifts and entertainment and failure in duties to clients.

To effectively manage operational and compliance risks, the bank-wide enterprise risk and controls framework (ERCF) was implemented focusing on the early identification, recording, assessment, monitoring, prevention and mitigation of these risks, as well as timely and meaningful management reporting. The Group introduced a revised, formal, well-defined operational risk framework in 2013, which improved the integration of previously separate operational risk processes, providing a more coherent and systematic approach to managing all aspects of the operational risk landscape. In 2016, the Group established the ERCF program, which integrated this operational risk framework and all of its components with the compliance risk components to further harmonize its approach to non-financial risk. As an initial step, the assessment processes for operational and compliance risks were closely coordinated, resulting in an enhanced risk and control self-assessment that covers both risk types in a more consistent manner. Also, standardized bank-wide role descriptions for all three lines of defense were introduced that define the responsibilities for identifying, assessing, reporting and managing risks across the organization. In 2017, continued progress was made in rolling out a systematic set of key controls by the controls activities framework as part of the ERCF program. This framework applies consistent standards and approaches to the identification, documentation, assessment and testing of key controls across the bank.

The Group has used an internal model to calculate the regulatory capital requirement for operational risk under the advanced measurement approach (AMA) since 2008. This model was replaced with an enhanced AMA internal model in 2014, which has been approved by FINMA. In 2017, the Group updated the model structure to further align with the Group's divisions and expanded the scenario analysis program to address more specific divisional risk assessments. The Group also updated its loss history and implemented a revised methodology for the measurement of its risk-weighted assets relating to operational risk, primarily in respect of the Group's residential mortgage-backed securities settlements.

In addition to managing and mitigating operational risks under the ERCF program through business- and risk-related processes and organization, Credit Suisse (Schweiz) AG also transfers the risk of potential loss from certain operational risks to third-party insurance companies in certain instances.

Liquidity and funding risks

Liquidity and funding risk is the risk that Credit Suisse (Schweiz) AG does not have the appropriate amount of funding and liquidity to meet its obligations. The liquidity and funding profile of Credit Suisse (Schweiz) AG reflects its strategy and risk appetite and is driven by business activity levels and the overall operating environment. The liquidity and funding strategy is approved by the ALMC and overseen by the Board. The implementation and execution of the funding and liquidity strategy is managed by Treasury. Treasury ensures adherence to the funding policies. This approach enhances the ability of Credit Suisse (Schweiz) AG to manage potential liquidity and funding risks and to promptly adjust its liquidity and funding levels to meet stress situations.

The RMC and the Board's Risk Committee of Credit Suisse (Schweiz) AG define at least annually a liquidity and funding risk appetite framework, which ensures that the liquidity buffer and funding flows of Credit Suisse (Schweiz) AG are sized and managed so to comply to all liquidity regulatory requirements and in addition to withstand a series of internally defined market and liquidity specific stress situations. The liquidity and funding profile of Credit Suisse (Schweiz) AG is regularly reported to the ALMC, RMC and the Board, including the set of risk metrics and parameters for the balance sheet and funding usage of its businesses.

Market risk

Market risk is the risk of financial loss arising from movements in market risk factors. The movement in market risk factors that generate financial losses are considered to be adverse changes in interest rates, credit spreads, foreign exchange rates, equity and commodity prices and other factors such as market volatility and the correlation of market prices across asset classes. A typical transaction or position in financial instruments may be exposed to a number of different market risk factors. The trading (trading book) and non-trading (banking book) business activities of Credit Suisse (Schweiz) AG have different sources of market risk.

The classification of assets and liabilities into trading book and banking book portfolios determines the approach for analyzing the market risk exposure of Credit Suisse (Schweiz) AG. This classification reflects the business and risk management perspective and may be different from the classification of these assets and liabilities for financial reporting purposes.

Market risks from trading books primarily relate to trading activities of Credit Suisse (Schweiz) AG to support and provide market access to its Swiss clients.

Market risks from the banking book primarily relate to asset and liability mismatch exposures, equity participations and investments in bonds and money market instruments. The businesses of Credit Suisse (Schweiz) AG and the treasury function have non-trading portfolios that carry market risks, mainly related to changes in interest rates, but also to changes in foreign exchange rates and, to a lesser extent, credit spreads.

Credit Suisse (Schweiz) AG uses market risk measurement and management methods capable of calculating comparable exposures across its many activities and employs focused tools that can model unique characteristics of certain instruments or portfolios. The tools are used for internal market risk management, internal market risk reporting and external disclosure purposes. The principal market risk measurement of Credit Suisse (Schweiz) AG is value-at-risk (VaR). In addition, the market risk exposures of Credit Suisse (Schweiz) AG are reflected in scenario analysis, as included in the stress testing framework, position risk, as included in economic risk capital, and sensitivity analysis. Each evaluation method aims to estimate the potential loss that Credit Suisse (Schweiz) AG can incur due to an adverse market movement with varying degrees of severity. VaR, scenario analysis, position risk and sensitivity analysis complement each other in the market risk assessment of Credit Suisse (Schweiz) AG and are used to measure market risk at the level of Credit Suisse (Schweiz) AG. For example, interest rate risk for banking book positions is measured by estimating the impact resulting from a one basis point parallel increase in yield curves on the fair value of interest rate-sensitive banking book positions and other measures including the potential value change resulting from a significant change in yield curves.

In the banking book, savings accounts and many other retail banking products have no contractual maturity date or direct market-linked interest rate and are risk-managed on a pooled basis using replication portfolios on behalf of the private banking, corporate and institutional businesses. The replication portfolios approximate the interest rate characteristics of the underlying products. This particular source of market risk is monitored on a daily basis.

Model risk

Model risk is the risk of adverse consequences from decisions made based on model results that may be incorrect, misinterpreted or used inappropriately. All quantitative models are imperfect approximations that are subject to varying degrees of uncertainty in their output depending on, among other factors, the model's complexity and its intended application. As a result, modeling errors are unavoidable and can result in inappropriate business decisions, financial loss, regulatory and reputational risk and incorrect or inadequate capital reporting. Model errors, intrinsic uncertainty and inappropriate use are the primary contributors to aggregate, bank-wide model risk.

Through the global model risk management and governance framework, Credit Suisse (Schweiz) AG seeks to identify, measure and mitigate all significant risks arising from the use of models embedded within its global model ecosystem. Model risks can then be mitigated through a well-designed and robust model risk management framework, encompassing both model governance policies and procedures in combination with model validation best practices.

Conduct risk

Conduct risk is the risk that improper behavior or judgment by Credit Suisse (Schweiz) AG's employees may result in a negative financial, non-financial or reputational impact to its clients, employees or Credit Suisse (Schweiz) AG or negatively impact the integrity of the financial markets. Conduct risk may arise from a wide variety of activities and types of behaviors. A bank-wide definition of expectations relating to the conduct of Credit Suisse (Schweiz) AG's employees helps to ensure that Credit Suisse (Schweiz) AG has a common understanding of and is consistently managing, minimizing and mitigating its conduct risk and further promotes standards of responsible conduct and ethics in its employees. Managing conduct risk includes consideration of the risks generated by each business and the strength of the associated mitigating controls. Conduct risk is also assessed by reviewing and learning from past incidents within Credit Suisse (Schweiz) AG and at other firms in the financial services sector. Compliance oversees conduct risk for the bank.

Technology risk

Technology risk deserves particular attention given the complex technological landscape that covers Credit Suisse (Schweiz) AG's business model. Ensuring that confidentiality, integrity and availability of information assets are protected is critical to Credit Suisse (Schweiz) AG's operations.

Technology risk is the risk that technology-related failures, such as service outages or information security incidents, may disrupt or negatively impact business. Technology risk is inherent not only in IT assets of Credit Suisse (Schweiz) AG, but also in the people and processes that interact with them including through dependency on third-party suppliers and the worldwide telecommunications infrastructure. Credit Suisse (Schweiz) AG seeks to ensure that the data used to support key business processes and reporting is

secure, complete, accurate, available, timely and meets appropriate quality and integrity standards. Credit Suisse (Schweiz) AG requires its critical IT systems to be identified, secure, resilient and available and support ongoing operations, decision-making, communications and reporting. Credit Suisse (Schweiz) AG's systems must also have the capability, capacity, scalability and adaptability to meet current and future business objectives, the needs of customers and regulatory and legal expectations.

Cyber risk, which is part of technology risk, is the risk that the Credit Suisse (Schweiz) AG will be compromised as a result of cyber attacks, security breaches, unauthorized access, loss or destruction of data, unavailability of service, computer viruses or other events that could have an adverse security impact.

Technology risks are managed through Credit Suisse (Schweiz) AG's operational risk management framework, business continuity management plan and business contingency and resiliency plans and feature in its overall operational risk assessment.

Legal risk

Legal risk is the risk of loss or imposition of damages, fines, penalties or other liability or any other material adverse impact arising from circumstances including the failure to comply with legal obligations, whether contractual, statutory or otherwise, changes in enforcement practices, the making of a legal challenge or claim against Credit Suisse (Schweiz) AG, its inability to enforce legal rights or the failure to take measures to protect its rights.

Fiduciary risk

Fiduciary risk is the risk of financial loss arising when Credit Suisse (Schweiz) AG or its employees, acting in a fiduciary capacity as trustee, investment manager or as mandated by law, do not act in the best interest of the client in connection with the advice and management of its client's assets including from a product-related market, credit, liquidity and operational risk perspective.

Assessing investment performance and reviewing forward-looking investment risks in discretionary client portfolios is central to Credit Suisse (Schweiz) AG's oversight program. This program targets daily, monthly or quarterly monitoring of all portfolio management activities with independent analysis provided to senior management. Formal review meetings are in place to ensure that investment performance and risks are in line with expectations and adequately supervised.

Strategic risk

Strategic risk is the risk of financial loss or reputational damage arising from inappropriate strategic decisions, ineffective implementation of business strategies or an inability to adapt business strategies in response to changes in the business environment. A wide variety of financial, risk, client and market analyses are used by Credit Suisse (Schweiz) AG to monitor the effectiveness of its strategies and the performance of its businesses against their strategic objectives. These include an analysis of current and expected operating conditions, an analysis of current and target market positioning, and detailed scenario planning.

Strategic plans are developed annually and reviewed by the CEO, CFO and CRO before presentation to the Executive Board. Following approval by the Executive Board, Credit Suisse (Schweiz) AG's plan is submitted for review and approval to the Board. In addition, there is an annual strategic review at which the Board evaluates Credit Suisse (Schweiz) AG's performance against strategic objectives and sets the overall strategic direction for Credit Suisse (Schweiz) AG. From time to time, the Board and the Executive Board conduct more fundamental in-depth reviews of Credit Suisse (Schweiz) AG's strategy.

Use of derivative financial instruments and hedge accounting

Business policy for use of derivative financial instruments
Derivatives are generally either privately negotiated OTC contracts
or standard contracts transacted through regulated exchanges.
Credit Suisse (Schweiz) AG's most frequently used freestanding derivative products, entered into for trading and risk management purposes, include interest rate, credit default and cross-currency swaps, interest rate and foreign exchange options, foreign exchange forward contracts and foreign exchange and interest rate futures.

On the date a derivative contract is entered into, Credit Suisse (Schweiz) AG designates it as belonging to one of the following categories: trading activities; a risk management transaction that does not qualify as a hedge under accounting standards (referred to as an economic hedge); a hedge of the fair value of a recognized asset or liability; or a hedge of the variability of cash flows to be received or paid relating to a recognized asset or liability or a forecasted transaction.

Economic hedges

Economic hedges arise when Credit Suisse (Schweiz) AG enters into derivative contracts for its own risk management purposes, but the contracts entered into do not qualify for hedge accounting. These economic hedges include the following types:

- interest rate derivatives to manage net interest rate risk on certain core banking business assets and liabilities;
- foreign exchange derivatives to manage foreign exchange risk on certain core banking business revenue and expense items as well as core banking business assets and liabilities against adverse movements in foreign exchange rates;
- credit derivatives to manage credit risk on certain loan portfolios; and
- futures to manage risk on equity positions including convertible bonds.

Derivatives used in economic hedges are included as trading assets or trading liabilities in the balance sheets and the respective gains and losses included in net income/(loss) from trading activities and fair value option.

▶ Refer to "Note 5 – Net income/(loss) from trading activities and fair value option" for further information on economic hedging of foreign exchange risk by the Treasury function.

Hedge accounting

Hedge accounting for Credit Suisse (Schweiz) AG is determined, recorded and disclosed in accordance with US GAAP as allowed under Swiss GAAP statutory accounting rules.

► Refer to "Note 13 – Derivative financial instruments" for further information on hedge accounting.

Fair value hedges

Credit Suisse (Schweiz) AG 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

Credit Suisse (Schweiz) AG designates cash flow hedges as part of its strategy to mitigate its risk to variability of cash flows on loans, deposits and other debt obligations by using interest rate swaps to convert variable rate assets or liabilities to fixed rates. Credit Suisse (Schweiz) AG also uses cross-currency swaps to

convert foreign-currency-denominated fixed and floating rate assets or liabilities to fixed rate assets or liabilities based on the currency profile to which Credit Suisse (Schweiz) AG elects to be exposed. Further, Credit Suisse (Schweiz) AG uses derivatives to hedge its cash flows associated with forecasted transactions.

Hedge effectiveness assessment

Credit Suisse (Schweiz) AG 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 Credit Suisse (Schweiz) AG 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 Credit Suisse (Schweiz) AG to determine whether or not the hedging relationship has actually been effective. If Credit Suisse (Schweiz) AG concludes, through a retrospective evaluation, that hedge accounting is appropriate for the current period, then it measures the amount of hedge ineffectiveness to be recognized in earnings.

4 Net income from interest activities

Negative interest income and expense

in	2017	2016 ¹
Negative interest income and expense (CHF million)		
Negative interest income debited to interest income	(135)	(33)
Negative interest expenses credited to interest expense	160	71

¹ Financial year from August 1 to December 31, 2016.

Negative interest income is debited to interest income and negative interest expense is credited to interest expense.

5 Net income/(loss) from trading activities and fair value option

in	2017	2016
Net income/(loss) from trading activities and fair value option by risk of underlying instruments (CHF million)		
Interest rate instruments ²	(38)	(31)
Equity instruments ²	(180)	77
Foreign exchange	495	182
of which foreign exchange risk hedging activities by treasury function ³	402	203
Precious metals	6	11
Commodities	20	(44)
Credit instruments	(68)	(1)
Other instruments	(21)	(5)
Net income/(loss) from trading activities and fair value option	214	189
of which net income/(loss) from fair value option	(42)	(22)
of which net income/(loss) from fair value option on liabilities	(42)	(22)

- ¹ Financial year from August 1 to December 31, 2016. Prior period has been reclassified.
- ² Includes trading income/(loss) from related fund investments.
- ³ 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 activities at the level of Credit Suisse (Schweiz) AG are monitored and managed for legal entity-specific treasury, risk management and capital adequacy purposes. For the purpose of performance management, trading activities are monitored and managed mainly at the level of the Group's Swiss Universal Bank division on the basis of US GAAP financial metrics.

6 Personnel expenses

in	2017	2016
Personnel expenses (CHF million)		
Salaries	1,095	430
of which variable compensation expenses	159	50
Social benefit expenses	253	93
of which pension and other post-retirement expenses	166	61
Other personnel expenses	35	15
Personnel expenses	1,383	538

¹ Financial year from August 1 to December 31, 2016.

▶ Refer to "Note 17 - Pension plans" for further information on pension expenses.

7 General and administrative expenses

in	2017	2016
General and administrative expenses (CHF million)		
Professional services	174	73
Occupancy expenses	196	72
Marketing and advertising	66	34
Travel and entertainment	42	18
Postage and courier services	29	13
Market data services	33	13
Information and communication technology expenses	27	4
Furniture and equipment	12	4
Fees to external audit companies	5	2
of which fees for financial and regulatory audits ²	5	2
Operating expenses charged by related parties ³	1,096	575
Other operating expenses	54	13
General and administrative expenses	1,734	821

- ¹ Financial year from August 1 to December 31, 2016.
- ² Represents total fees for financial statement, regulatory and related audit services paid by legal entity Credit Suisse (Schweiz) AG to external audit companies.
- ³ Includes operating expenses charged by Credit Suisse AG and other affiliated companies, mainly for information technology, operations, business support services and other central functions provided to Credit Suisse (Schweiz) AG.

8 Increase/(release) of provisions and other valuation adjustments, and losses

in	2017	2016
Increase/(release) of provisions and other valuatio adjustments, and losses (CHF million)	n	
Increase/(release) of provisions ^{2, 3}	29	30
Other losses	3	4
Increase/(release) of provisions and other valuation adjustments, and losses	32	34

- ¹ Financial year from August 1 to December 31, 2016.
- ² Excludes restructuring provisions.
- ³ Primarily related to increased litigation provisions.

9 Taxes

in	2017	2016
Taxes (CHF million)		
Current income tax (expense)/benefit	(14)	(8)
Non-income-based tax (expense)/benefit ²	(27)	(12)
Taxes	(41)	(20)

¹ Financial year from August 1 to December 31, 2016.

For the financial year ended December 31, 2017 and 2016, the average tax rate, defined as income tax expense divided by the sum of profit before income tax, was 3% and 10%, respectively. Income tax expense for the financial year ended December 31, 2017 and 2016 reflected a benefit of CHF 9 million each year from the utilization of tax losses carried forward in Switzerland.

10 Assets and liabilities from securities lending and borrowing, repurchase and reverse repurchase agreements

end of	2017	2016
On-balance sheet (CHF million)		
Carrying value of receivables from cash collateral paid for securities borrowed and reverse repurchase agreements – gross	14,197	16,441
Impact from master netting agreements	(1,263)	(2,375)
Carrying value of receivables from cash collateral paid for securities borrowed and reverse repurchase agreements – net	12.934	
	12,934	14,066
Carrying value of liabilities from cash collateral received for securities lent and repurchase agreements – gross	4,116	6,329
Impact from master netting agreements	(1,263)	(2,375)
Carrying value of liabilities from cash collateral received for securities lent		
and repurchase agreements - net	2,853	3,954
Off-balance sheet (CHF million)		
Carrying value of securities transferred under securities lending and borrowing		
and repurchase agreements	1,063	2,380
of which transfers with the right to resell or repledge	1,063	2,380
Fair value of securities received under securities lending and borrowing and reverse repurchase		
agreements with the right to resell or repledge	36,144	25,998
of which repledged	10,761	13,323
of which resold	2,684	3,393

² Includes capital taxes.

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Notes to the financial statements

11 Collateral and impaired loans

Offices and commercial property

Other

Mortgage loans

Allowance for loan losses

of which due from customers

of which mortgage loans

Gross loans

Net loans

Manufacturing and industrial property

			Secured 1	Unsecured	Total
end of	Mortgages	Other collateral	Total		
2017 (CHF million)					
Due from customers	628	18,894	19,522	8,935	28,457
Residential property	91,771	0	91,771	0	91,771
Offices and commercial property	12,149	0	12,149	0	12,149
Manufacturing and industrial property	7,996	0	7,996	0	7,996
Other	1,023	0	1,023	0	1,023
Mortgage loans	112,939	0	112,939	0	112,939
Gross loans	113,567	18,894	132,461	8,935	141,396
Allowance for loan losses	(72)	(36)	(108)	(173)	(281)
Net loans	113,495	18,858	132,353	8,762	141,115
of which due from customers	626	18,858	19,484	8,762	28,246
of which mortgage loans	112,869	0	112,869	0	112,869
2016 (CHF million)					
Due from customers	741	19,664	20,405	8,442	28,847
Residential property	91,377	0	91,377	0	91,377

0

0

0

0

19.664

19,633

19,633

0

(31)

11,947

8,086

112,328

132,733

132,634

20,373

112,261

918

(99)

0

0

0

0

8.442

(169)

8,273

8,273

11,947

8,086

112,328

141,175

140,907

28,646

112,261

(268)

918

11,947

8,086

112,328

113,069

113,001

112,261

918

(68)

740

Collateralization of off-balance sheet transactions

			Secured 1	Unsecured	Total
end of	Mortgages	Other collateral	Total		
2017 (CHF million)					
Contingent liabilities	104	8,961	9,065	12,978 2	22,043
Irrevocable commitments	408	1,141	1,549	7,031	8,580
Obligations for calls on shares and additional payments	0	0	0	47	47
Off-balance sheet transactions	512	10,102	10,614	20,056	30,670
2016 (CHF million)					
Contingent liabilities	180	8,126	8,306	12,556 ²	20,862
Irrevocable commitments	202	1,108	1,310	7,305	8,615
Obligations for calls on shares and additional payments	0	0	0	47	47
Off-balance sheet transactions	382	9,234	9,616	19,908	29,524

¹ Includes the market value of collateral up to the notional amount of the related off-balance sheet transaction. For mortgage-backed off-balance sheet exposures, the market value of collateral is determined at the time of granting the credit facility and thereafter regularly reviewed according to the risk management policies and directives of Credit Suisse (Schweiz) AG, with maximum review periods determined by property type, market liquidity and market transparency. For impaired exposures, the market value of collateral is determined annually or more frequently by credit risk management within the impairment review process.

¹ Includes the market value of collateral up to the amount of the outstanding related loans. For mortgage loans, the market value of collateral is determined at the time of granting the loan and thereafter regularly reviewed according to the risk management policies and directives of Credit Suisse (Schweiz) AG, with maximum review periods determined by property type, market liquidity and market transparency. For impaired mortgage loans, the market value of collateral is determined annually or more frequently by credit risk management within the impairment review process.

² Included a contingent liability of CHF 7,185 million and CHF 7,971 million as of December 31, 2017 and 2016, respectively, in favor of Credit Suisse AG representing the amount of actual liabilities recorded by Credit Suisse AG under the covered bond program for which Credit Suisse (Schweiz) AG holds the underlying mortgages.

Impaired loans

end of	Gross amount outstanding	Estimated realizable collateral value 1	Net amount outstanding	Specific allowance
2017 (CHF million)				
Impaired loans	444	218	226	186
2016 (CHF million)				
Impaired loans	410	182	228	156

¹ Represents the estimated realizable collateral value up to the related gross amount outstanding.

Changes in impaired loans

			2017			2016
	Due from customers	Mortgage loans	Total	Due from customers	Mortgage loans	Total
Impaired loans (CHF million)						
Balance at beginning of period	214	196	410	0	0	0
Transfer of assets from Credit Suisse AG on August 1, 2016	-	-	-	198	189	387
New impaired loan balances	170	218	388	48	130	178
Increase of existing impaired loan balances	30	7	37	8	3	11
Reclassifications to performing loans	(27)	(132)	(159)	(2)	(79)	(81)
Repayments	(106)	(19)	(125)	(6)	(39)	(45)
Liquidation of collateral, insurance and guarantee payments	(6)	(50)	(56)	(2)	(5)	(7)
Write-offs	(47)	(2)	(49)	(30)	(3)	(33)
Sales	0	0	0	(1)	0	(1)
Foreign exchange translation impact	(2)	0	(2)	1	0	1
Balance at end of period	226	218	444	214	196	410

Changes in impaired loan classification during the period are reflected on a gross basis.

12 Trading assets and liabilities and other financial instruments held at fair value

end of	2017	2016
Trading assets held at fair value (CHF million)		
Debt securities, money market instruments and money market transactions	1,091	1,523
of which exchange-traded	558	789
Equity securities	2,592	3,120
Precious metals and commodities	1,523	1,118
Trading assets	5,206	5,761
of which carrying value determined based on a valuation model	808	1,059
of which securities eligible for repurchase transactions in accordance with liquidity regulations	191	343
Trading liabilities and liabilities from other financial instruments held at fair value (CHF million)		
Debt securities, money market instruments and money market transactions	329	397
of which exchange-traded	297	353
Equity securities	439	243
Trading liabilities	768	640
Structured products ¹	562	440
Liabilities from other financial instruments held at fair value	562	440
Trading liabilities and liabilities from other financial instruments held at fair value	1,330	1,080
of which carrying value determined based on a valuation model	713	594

¹ Refer to "Note 18 – Issued structured products" for further information on structured products.

¹ Financial year from August 1 to December 31, 2016.

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Notes to the financial statements

13 Derivative financial instruments

			Trading			Hedging
end of 2017	Notional amount	Positive replacement value (PRV)	Negative replacement value (NRV)	Notional amount	Positive replacement value (PRV)	Negative replacement value (NRV)
Derivative financial instruments (CHF million)						
Forwards and forward rate agreements	10,500	0	0	0	0	0
Swaps	184,587	1,696	1,751	12,103	0	0
Options bought and sold (OTC)	4,959	378	421	0	0	0
Futures	8,260	0	0	0	0	0
Options bought and sold (exchange-traded)	7	1	0	0	0	0
Interest rate products	208,313	2,075	2,172	12,103	0	0
Forwards and forward rate agreements	282,865	1,164	840	0	0	0
Swaps ²	237	8	8	0	0	0
Options bought and sold (OTC)	7,883	105	95	0	0	0
Foreign exchange products	290,985	1,277	943	0	0	0
Forwards and forward rate agreements	1,112	2	4	0	0	0
Options bought and sold (OTC)	843	20	15	0	0	0
Futures	3	0	0	0	0	0
Precious metal products	1,958	22	19	0	0	0
Swaps	5,404	128	179	0	0	0
Options bought and sold (OTC)	10,038	426	279	0	0	0
Futures	2,903	0	0	0	0	0
Options bought and sold (exchange-traded)	32,572	511	1,129	0	0	0
Equity/index-related products	50,917	1,065	1,587	0	0	0
Credit default swaps	1,666	41	8	0	0	0
Other credit derivatives	868	6	19	0	0	0
Credit derivatives	2,534	47	27	0	0	0
Swaps	53	10	0	0	0	0
Options bought and sold (OTC)	62	1	4	0	0	0
Futures	65	0	0	0	0	0
Options bought and sold (exchange-traded)	288	9	8	0	0	0
Other derivative products ³	468	20	12	0	0	0
Derivative financial instruments ⁴	555,175	4,506	4,760	12,103	0	0
of which replacement value determined based on a valuation model	_	4,278	4,391	_	0	0

¹ Relates to derivative financial instruments that qualify for hedge accounting.

² Including combined interest rate and foreign exchange swaps.
3 Primarily commodity products.
4 Before impact of master netting agreements.

Derivative financial instruments (continued)

			Trading			Hedging
end of 2016	Notional amount	Positive replacement value (PRV)	Negative replacement value (NRV)	Notional amount	Positive replacement value (PRV)	Negative replacement value (NRV)
Derivative financial instruments (CHF million)						
Forwards and forward rate agreements	27,000	0	2	0	0	0
Swaps	185,539	3,436	4,353	16,343	62	712
Options bought and sold (OTC)	7,580	447	515	0	0	0
Futures	9,338	0	0	0	0	0
Options bought and sold (exchange-traded)	29	3	0	0	0	0
Interest rate products	229,486	3,886	4,870	16,343	62	712
Forwards and forward rate agreements	227,748	1,954	1,217	0	0	0
Swaps ²	363	14	14	0	0	0
Options bought and sold (OTC)	8,786	139	96	0	0	0
Foreign exchange products	236,897	2,107	1,327	0	0	0
Forwards and forward rate agreements	2,189	8	6	0	0	0
Options bought and sold (OTC)	1,651	50	22	0	0	0
Futures	1	0	0	0	0	0
Precious metal products	3,841	58	28	0	0	0
Swaps	4,333	136	81	0	0	0
Options bought and sold (OTC)	7,996	376	317	0	0	0
Futures	3,357	0	0	0	0	0
Options bought and sold (exchange-traded)	37,979	871	1,226	0	0	0
Equity/index-related products	53,665	1,383	1,624	0	0	0
Credit default swaps	2,272	33	35	0	0	0
Total return swaps	5	1	1	0	0	0
Other credit derivatives	1,047	25	6	0	0	0
Credit derivatives	3,324	59	42	0	0	0
Swaps	21	0	1	0	0	0
Options bought and sold (OTC)	67	2	4	0	0	0
Futures	28	0	0	0	0	0
Options bought and sold (exchange-traded)	57	0	3	0	0	0
Other derivative products ³	173	2	8	0	0	0
Derivative financial instruments ⁴	527,386	7,495	7,899	16,343	62	712
of which replacement value determined based on a valuation model		6,985	7,436	_	62	712

¹ Relates to derivative financial instruments that qualify for hedge accounting.

Positive and negative replacement values before and after consideration of master netting agreements

end of	2017	2016
Positive and negative replacement values – before consideration of master netting agreements (CHF million)		
Positive replacement values – trading and hedging	4,506	7,557
Negative replacement values – trading and hedging	4,760	8,611
Positive and negative replacement values – after consideration of master netting agreements (CHF million)		
Positive replacement values – trading and hedging ¹	2,621	3,597
Negative replacement values – trading and hedging ¹	663	938

¹ Netting includes counterparty exposure and cash collateral netting.

² Including combined interest rate and foreign exchange swaps.

³ Primarily commodity products.

⁴ Before impact of master netting agreements.

Positive replacement values by counterparty type

end of	2017	2016
Positive replacement values by counterparty type (CHF million)		
Central clearing counterparties	0	1
Banks and securities dealers	372	222
Other counterparties ¹	2,249	3,374
Positive replacement values	2,621	3,597

¹ Primarily related to bilateral OTC derivative contracts with clients.

Fair value hedges

n	2017	2016 ¹
Gains/(losses) on derivative financial instruments recognized in income (CHF million)		
nterest rate products	42	387
Gains/(losses) on derivative financial instruments recognized in income	42	387
Gains/(losses) on hedged items recognized in income (CHF million)		
nterest rate products	(40)	(400)
Gains/(losses) on hedged items recognized in income	(40)	(400)
Details of fair value hedges (CHF million)		
Net gains/(losses) on the ineffective portion	2	(13)

All gains/(losses) are recognized in net income/(loss) from trading activities and fair value option.

Cash flow hedges

in	2017	2016
Deferred unrealized gains/(losses) on derivative financial instruments related to cash flow hedges (CHF million) ²		
Balance at beginning of period	6	0
Transfer of assets from Credit Suisse AG on August 1, 2016	-	51
Interest rate products	(6)	(38)
Gains/(losses) on derivative financial instruments deferred during reporting period	(6)	(38)
Interest rate products ³	3	8
Foreign exchange products ³	0	(1)
Deferred gains/(losses) on derivative financial instruments reclassified into income	3	7
Balance at end of period	(3)	6
Details of cash flow hedges (CHF million)		
Net gains/(losses) on the ineffective portion ³	1	0

¹ Financial year from August 1 to December 31, 2016.

As of December 31, 2017, the net loss associated with cash flow hedges expected to be reclassified from other assets and other liabilities to the statement of income within the next 12 months was CHF 2 million.

As of December 31, 2017, the maximum length of time over which Credit Suisse (Schweiz) AG hedged its exposure to the

variability in future cash flows for forecasted transactions, excluding those forecasted transactions related to the payment of variable interest on existing financial instruments, was five years.

▶ Refer to "Use of derivative financial instruments and hedge accounting" in Note 3 - Risk management, use of derivative financial instruments and hedge accounting for further information.

¹ Financial year from August 1 to December 31, 2016.

² Included in the compensation account within other assets or other liabilities.

³ Included in net income/(loss) from trading activities and fair value option.

14 Financial investments

end of		2017		2016
	Carrying value	Fair value	Carrying value	Fair value
Financial investments (CHF million)				
Debt securities	307	307	269	269
of which held-to-maturity	90	90	0	0
of which available-for-sale	217	217	269	269
Equity securities	1	5	1	9
of which qualified participations ¹		-		
Real estate ²	1	1	0	0
Financial investments	309	313	270	278
of which securities eligible for repurchase transactions in accordance with liquidity regulations	0	-	0	_

¹ Includes participations held in financial investments with at least 10% in capital or voting rights.

15 Other assets and other liabilities

end of	2017	2016
Other assets (CHF million)		
Compensation account	1,024	1,338
Coupons	74	64
Indirect taxes and duties	195	52
Other	385	298
Other assets	1,678	1,752

2017	2016
88	71
42	214
348	319
478	604
	88 42 348

16 Assets pledged

end of		2017		2016
	Carrying value	Actual liabilities	Carrying value	Actual liabilities
Assets pledged (CHF million) 1				
Mortgage loans	18,425 ²	6,868	21,131 ²	6,802
Assets pledged	18,425	6,868	21,131	6,802

¹ Excludes assets pledged in connection with securities lending and borrowing, repurchase agreements and reverse-repurchase agreements.

² Real estate acquired from the lending business (repossessed assets) and classified as held-for-sale is carried at lower of cost and liquidation value.

² Includes a portfolio of mortgage loans with a carrying value of CHF 9,183 million and CHF 11,278 million as of December 31, 2017 and 2016, respectively, which is pledged to Credit Suisse Hypotheken AG under the covered bond program of Credit Suisse AG. The related actual liabilities of CHF 7,185 million and CHF 7,971 million as of December 31, 2017 and 2016, respectively, were recorded in the financial statements of Credit Suisse AG and recognized as a contingent liability by Credit Suisse (Schweiz) AG.

[►] Refer to "Joint and several liability" in "Off-balance sheet transactions" for further information.

17 Pension plans

Liabilities due to own pension plans of Credit Suisse (Schweiz) AG as of December 31, 2017 and 2016 of CHF 336 million and CHF 521 million, respectively, are reflected in various liability accounts in the balance sheet of Credit Suisse (Schweiz) AG.

Swiss pension plan

The employees of Credit Suisse (Schweiz) AG are covered by the pension plan of the "Pensionskasse der Credit Suisse Group (Schweiz)" (the Swiss pension plan). Most of the Group's Swiss subsidiaries and a few companies that have close business and financial ties with the Group participate in this plan. The Swiss pension plan is an independent self-insured pension plan set up as a trust and qualifies as a defined contribution plan (savings plan) under Swiss law.

The Swiss pension plan's annual financial statements are prepared in accordance with Swiss GAAP FER 26 based on the full population of covered employees. Individual annual financial statements for each participating company are not prepared. As a multi-employer plan with unrestricted joint liability for all participating companies, the economic interest in the Swiss pension plan's over- or underfunding is allocated to each participating company based on an allocation key determined by the plan.

Employer contribution reserves

	Employer reserv	Employer contribution reserves – notional		Amount subject to waiver		Employer contribution reserves – net ¹		Increase/(Release) of employer contribution reserves included in personnel expenses	
end of / in	2017	2016	2017	2016	2017	2016 ²	2017	2016 ²	
CHF million									
Swiss pension plan	15	14	0	0	15	14	0	0	
Total	15	14	0	0	15	14	0	0	

¹ In line with Swiss GAAP statutory accounting guidance, contributions to the employer contribution reserves are not recorded in the statutory balance sheet of Credit Suisse (Schweiz) AG.

Pension plan economic benefit/(obligation), pension contributions and pension expenses

	Ove	Over/(Under) -funding		Economic benefit/ (obligation) recorded by CS Schweiz 1		Pension contributions		Pension expenses included in personnel expenses	
end of / in	2017	2016	2017	2016	Change	2017	2016 ²	2017	2016 ²
CHF million									
Swiss pension plan – status overfunded	933 ³	440 ³	_	-	_	162	61	166	61
Total	933	440	0	0	0	162	61	166	61

¹ In line with Swiss GAAP statutory accounting guidance, the economic benefit of Credit Suisse (Schweiz) AG from its share in the overfunding of the Swiss pension plan is not recorded in the statutory balance sheet of Credit Suisse (Schweiz) AG.

18 Issued structured products

end of	2017	2016		
Carrying value of issued structured products by underlying risk of the embedded derivative (CHF million)				
Interest rates				
Structured products with own debt ¹	0	2		
Equity				
Structured products with own debt ¹	449	395		
Foreign exchange				
Structured products with own debt ¹	113	43		
Total	562 ²	440		

¹ Reported as liabilities from other financial instruments held at fair value.

² Financial year from August 1 to December 31, 2016.

³ Represents Credit Suisse (Schweiz) AG's share of 41.0% and 35.7% in the total overfunding of the Swiss pension plan of CHF 2,275 million and CHF 1,233 million as of December 31, 2017 and 2016, respectively.

² All placed with Credit Suisse AG.

19 Provisions and valuation adjustments

2017	Balance at beginning of period	Change in orga- nization 1	Utilized for purpose	Foreign exchange translation differences	Recoveries, interest past due	New charges to income statement	Releases to income statement	Balance at end of period
Provisions (CHF million)								
Provisions for off-balance sheet default risks	20	0	0	0	0	3	(8)	15 2 , 3
Provisions for other business risks	13	0	(3)	0	0	2	(2)	10 4
Restructuring provisions	4	2	(9)	0	0	21	(13)	5 4
Other provisions	30	11	(31)	(1)	1	36	(2)	44 5
Provisions	67	13	(43)	(1)	1	62	(25)	74
Valuation adjustments for default and country risks (C	HF million) ⁶							
Valuation adjustments for default and country risks	307	0	(54)	(1)	26	97	(56)	319
of which valuation adjustments for default risks from impaired receivables	192	0	(54)	(1)	26	87	(30)	220
of which valuation adjustments for inherent risks	115	0	0	0	0	10	(26)	99

- 1 Reflects transfer of Swiss Universal Bank's IT and Operations employees and asset retirement obligations from Credit Suisse AG to Credit Suisse (Schweiz) AG.
- ² Partially discounted at rates between 1.32% and 8.00%.
- ³ Provisions are mainly related to irrevocable loan commitments and guarantees.
- 4 Provisions are not discounted due to their short-term nature.
- ⁵ Includes litigation provisions of CHF 32 million and CHF 29 million as of December 31, 2017 and 2016, respectively. Partially discounted at rates between 3.27% and 3.58%.
- 6 Changes in impaired loan classification during the period and related movements in valuation adjustments are reflected on a gross basis.

20 Composition of share capital, conversion and reserve capital

end of		2017		2016
	Quantity	Total nominal value (CHF million)	Quantity	Total nominal value (CHF million)
Share capital				
Registered shares (at CHF 1 par value per share)	100,000,000	100 ¹	100,000,000	100
Share capital		100		100
Conversion and reserve capital ²				
Unlimited conversion capital (at CHF 1 par value per share) ³	unlimited	unlimited	unlimited	unlimited
Reserve capital (at CHF 1 par value per share) 4	200,000,000	200	200,000,000	200
of which used for capital increases	0	0	0	0
of which reserved for planned capital increases	0	0	0	0

- 1 The dividend eligible capital equals the total nominal value. As of December 31, 2017 and 2016, the total nominal value of registered shares was CHF 100,000,000 and fully paid.
- ² Represents authorized capital.
- ³ For information on principal characteristics of unlimited conversion capital, refer to Article 5a in the Articles of Association of Credit Suisse (Schweiz) AG.
- For information on principal characteristics of reserve capital, refer to Article 5b in the Articles of Association of Credit Suisse (Schweiz) AG.

Non-distributable reserves

As of December 31, 2017, the amount of non-distributable reserves in accordance with the Swiss Code of Obligations and the articles of association of Credit Suisse (Schweiz) AG was CHF 50 million. Not reflected in this amount are reserves, which Credit Suisse (Schweiz) AG is required to retain in order to meet the regulatory capital requirements as a going concern.

Transactions with shareholders

▶ Refer to "Statement of changes in equity" and "Note 3 – Business developments and subsequent events" in II – Consolidated financial statements for further information on transactions with shareholders.

21 Significant shareholders and groups of shareholders

end of			2017			2016
	Number of shares (million)	Total nominal value (CHF million)	Share- holding (%)	Number of shares (million) (Total nominal value CHF million)	Share- holding (%)
Direct shareholders						
Credit Suisse AG	100 ¹	100	100.00	100 ¹	100	100.00
Indirect shareholders through Credit Suisse AG ²						
Credit Suisse Group AG ²	100	100	100.00	100	100	100.00
Indirect shareholders through Credit Suisse Group AG ³						
Chase Nominees Ltd. ⁴	13	13	12.88	16	16	16.03
Nortrust Nominees Ltd. ⁴	5	5	5.49	5	5	5.39
The Bank of New York Mellon ⁴	-	_	_5	5	5	5.14
Crescent Holding GmbH	_	_	_5	5	5	5.10

- 1 All shares with voting rights
- 2 Based on the percentage interest held in shares of Credit Suisse AG as per the share register of Credit Suisse AG on December 31 of the reporting period.
- 3 Pro-forma numbers calculated based on the percentage interest held in Group shares as per the share register of the Group on December 31 of the reporting period. Includes shareholders registered as nominees or depositary bank for American Depositary Shares.
- 4 Nominee holdings in Group shares exceeding 2% are registered with a right to vote only if the nominee confirms that no individual shareholder holds more than 0.5% of the outstanding share capital or if the nominee discloses the identity of any beneficial owner holding more than 0.5% of the outstanding capital.
- ⁵ Participation was lower than the disclosure threshold of 5%.

Information received from shareholders of the Group not registered in the share register

In addition to the shareholdings registered in the Group's share register, the Group has obtained the following information from its shareholders and reported it to the SIX Swiss Exchange (SIX) in accordance with the notification requirements of the Swiss Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (FMIA). These shareholders may hold their shareholdings in Group shares through a nominee.

In a disclosure notification that the Group published on November 9, 2013, the Group was notified that as of November 4, 2013, Harris Associates L.P. held 81.5 million shares, or 5.17% of the voting rights, of the registered Group shares issued as of the date of the notified transaction. No further disclosure notification has been received from Harris Associates L.P. relating to holdings of registered Group shares since 2013. This position includes the reportable position of Harris Associates Investment Trust (4.97% of the voting rights), as published by the SIX on November 28, 2017.

In a disclosure notification that the Group published on May 12, 2017, the Group was notified that as of May 8, 2017, Norges Bank held 106.1 million shares, or 5.08% of the voting rights, of the registered Group shares issued as of the date of the notified transaction. In a disclosure notification that the Group published on February 15, 2018, the Group was notified that Norges Bank's shareholdings and voting rights of Group shares had fallen below the 5% threshold as of February 13, 2018.

In 2017, the Group received disclosure notifications from The Olayan Group and The Capital Group Companies, Inc. that their

holdings of registered Group shares and voting rights had fallen below the 5% threshold. BlackRock, Inc.'s as well as Qatar Holding LLC's holdings of registered Group shares and voting rights remained below the 5% threshold both as of December 31, 2017 and as of December 31, 2016.

Shareholders with a qualified participation

As of the date of the most recent notification received by the Group on August 16, 2017, Qatar Investment Authority (through Qatar Holding LLC) held approximately 4.94% of the Group's common shares and 10.97% purchase rights in the form of contingent convertible capital instruments, which will be converted into shares only in situations where the Group no longer meets specific regulatory capital requirements. As of the date of the most recent notification received by the Group on June 2, 2017, The Olayan Group (through Crescent Holding GmbH) held approximately 4.93% of the Group's common shares and 5.29% purchase rights consisting of 5.242% purchase rights in the form of contingent convertible capital instruments, which will be converted into shares only in situations where the Group no longer meets specific regulatory capital requirements, and 0.048% from short put options. In addition to Credit Suisse AG, which is the direct shareholder of Credit Suisse (Schweiz) AG, and the Group, which is the direct shareholder of Credit Suisse AG, Qatar Investment Authority and The Olayan Group are shareholders with a qualified participation in accordance with Bank Law.

▶ Refer to "Note 23 – Amounts receivable from and amounts payable to related parties" for further information on shareholders with a qualified participation.

22 Shareholdings of the Board of Directors, Executive Board and employees and information on compensation plans

Certain members of the Board also serve on the board of directors or executive board of the Group and Credit Suisse AG. Compensation to such members of the Board is determined by the Group on the basis of their overall function and responsibilities in the Group and paid by different legal entities of the Group depending on work location, local contracts, laws and regulations. These Board members do not receive any additional Board member fees from Credit Suisse (Schweiz) AG. Compensation for members of the Board, who are neither on the board of directors or the executive board of the Group or Credit Suisse AG, includes an annual base fee and chair fees paid in cash. In 2017 and 2016, no Group shares have been awarded to these Board members for services provided in relation to Credit Suisse (Schweiz) AG.

Share-based awards outstanding

end of		2017		2016
	Number of share- based awards outstanding in million	Fair value in CHF million	Number of share- based awards outstanding in million	Fair value in CHF million
Share-based awards 1				
Members of the Executive Board	1.4	24	0.9	13
Employees	4.5	78	3.4	50
Share-based awards	5.9	102	4.3	63

¹ All share-based compensation plans of Credit Suisse (Schweiz) AG are plans which are either settled in Group shares or in cash on the basis of the fair value of the Group shares.

Compensation plans

For 2016, Credit Suisse (Schweiz) AG granted 1.7 million share awards with a total value of CHF 27 million, 1.4 million performance share awards with a total value of CHF 22 million and CHF 11 million

of Contingent Capital Awards (CCA) as deferred variable incentive compensation on February 15, 2017. The fair value of each share award and performance share award was CHF 15.42, the Group share price on the grant date.

Deferred compensation is awarded to employees with total compensation greater than or equal to CHF 250,000. Employees with total compensation below CHF 250,000 received variable incentive compensation in the form of an immediate cash award. Performance share awards were granted to managing directors and material risk takers and controllers, CCA were granted to managing directors and directors.

For 2017 and 2016, all share-based compensation plans of Credit Suisse (Schweiz) AG were either settled in shares of the Group (Group shares) or in cash on the basis of the fair value of the Group shares.

▶ Refer to "Note 24 – Employee deferred compensation" in II – Consolidated financial statements for further information on share awards, performance share awards and CCA.

Deferred compensation expenses

2017	2016	
Deferred compensation expense (CHF million)		
31	13	
26	10	
12	4	
2	2	
5	2	
76	31	
	31 26 12 2 5	

- ¹ Financial year from August 1 to December 31, 2016.
- ² Includes special share awards.
- ³ Includes certain share and performance share awards settled in cash.

23 Amounts receivable from and amounts payable to related parties

end of		2017	2016	
	Amounts receivable	Amounts payable	Amounts receivable	Amounts payable
Amounts receivable from and/or payable to related parties (CHF million)				
Shareholders with a qualified participation	11,201	23,138	2,527	15,961
Group companies	6,272	195	25	8
Affiliated companies	6,427	2,514	7,968	2,192
Members of governing bodies ¹	68	90	56	48

¹ Includes both the governing bodies of Credit Suisse (Schweiz) AG and the governing bodies of its direct and indirect holding companies Credit Suisse AG and Credit Suisse Group AG. Governing bodies include members of the Board of Directors, the Executive Board and the statutory auditors and companies controlled by members of each of these bodies.

Significant off-balance sheet transactions

As part of the normal course of business, Credit Suisse (Schweiz) AG issues guarantees, loan commitments and enters into other agreements with group companies which are recorded as

off-balance sheet transactions by Credit Suisse (Schweiz) AG. As of December 31, 2017 and 2016, Credit Suisse (Schweiz) AG had contingent liabilities of CHF 7,414 million and CHF 8,203 million,

respectively, mainly related to the covered bond program of Credit Suisse AG.

Additional information on related party transactions

Transactions with related parties are carried out on an arm's length basis.

▶ Refer to "Off-balance sheet transactions", "Statement of changes in equity" and "Note 3 – Business developments and subsequent events" in II – Consolidated financial statements for further information on related party transactions.

Sales and Trading Services

On November 20, 2016, with retrospective effect between the parties as of August 1, 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 former 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, including the first financial year from August 1 to December 31, 2016, the maximum loss participation is determined by a fixed amount for the first year, and by a combination of a fixed amount and a variable amount depending on prior period net profits with respect to the collaboration for the following two years.

24 Total assets by country rating

end of	201	7	2016
Internal ratings ¹	CHF million ²	6 CHF million 2	%
Total assets by internal country rating (CHF million)			
AAA	17,513 7.99	6 19,012	8.9%
AA	4,841 2.29	6,500	3.1%
A	862 0.49	6 983	0.5%
BBB	504 0.29	1,259	0.6%
BB	1,050 0.59	325	0.2%
В	167 0.19	6 235	0.1%
CCC	266 0.19	323	0.2%
CC	0 0.09		0.0%
C	6 0.09	6 0	0.0%
Foreign assets	25,209 11.39	28,638	13.4%
Domestic assets	197,722 88.79	6 184,397	86.6%
Total assets	222,931 100.0%	213,035	100.0%

¹ Internal ratings are calibrated to the long-term issuer credit ratings of Standard & Poor's for the respective sovereigns. Internal country ratings may differ from Standard & Poor's respective country ratings.

25 Fiduciary transactions

end of	2017	2016
Fiduciary transactions (CHF million)		
Fiduciary placements with third-party institutions	2,286	2,202
Fiduciary placements with group companies and affiliated institutions	4,460	5,361
Fiduciary transactions	6,746	7,563

² Net balance sheet exposure by country rating of risk domicile.

26 Assets under management

Assets under management		
end of	2017	2016
Assets under management (CHF billion)		
Assets with discretionary mandates	121.8	106.5
Other assets under management	423.4	408.3
Assets under management (including double counting)	545.2	514.8
of which double counting	_	_

▶ Refer to "Note 25 – Assets under management" in II – Consolidated financial statements for further information on assets under management and net new assets.

	2017	2016	
Assets under management (CHF billion)			
Assets under management at beginning of period	514.8	0.0	
Net new assets/(Net asset outflows)	(9.8)	(0.4)	
Market movements, interest, dividends and foreign exchange	40.8	7.1	
of which market movements, interest and dividends 2	39.6	3.0	
of which foreign exchange	1.2	4.1	
Other effects	(0.6)	508.1	
Assets under management at end of period	545.2	514.8	

¹ Financial year from August 1 to December 31, 2016.

Net of commissions and other expenses and net of interest expenses charged.
 Represents assets under management acquired in connection with the transfer of assets from Credit Suisse AG to Credit Suisse (Schweiz) AG on November 20, 2016, with retrospective effect as of August 1, 2016.

Proposed appropriation of retained earnings and capital distribution

Proposed appropriation of retained earnings and capital distribution

Proposed appropriation of retained earnings

end of	2017
Retained earnings (CHF million)	
Retained earnings carried forward	0
Net profit	514
Retained earnings available for appropriation	514
Dividend	(500)
Retained earnings to be carried forward	14

Proposed distribution out of capital contribution reserves

end of	2017
Capital contribution reserves (CHF million) 1	
Balance before distribution	14,422
Distribution	(1,200)
Balance after distribution	13,222

¹ Capital contribution reserves represent legal capital reserves.

Additional information

List of abbreviations

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List of abbreviations

	L	
Asset Liability Management Committee	LGD	Loss given default
Advanced measurement approach		
Articles of Association	M	
Accumulated other comprehensive income/(loss)	M&A	Mergers and acquisitions
	N	
<u> </u>	NAV	Net asset value
	NRV	Negative replacement value
Bank for International Settlements		
Board of Directors	0	
	OGR	Organizational Guidelines and Regulations
	OTC	Over-the-counter
Capital Allocation & Risk Management Committee		
	Р	
	PD	Probability of default
	PRV	Positive replacement value
Chief Executive Officer		
Chief Financial Officer	R	
		Risk Management Committee
Chief Risk Officer	ROE	Return on equity
		Reputational Risk Committee
	RRSC	Risk Processes & Sustainability Committee
European Central Bank		,
	S	
	SNB	Swiss National Bank
European Union	SPE	Special purpose entity
<u> </u>	STS	Sales and Trading Services
		-
Financial Accounting Standards Board	Т	
US Federal Reserve	TLAC	Total loss absorbing capacity
Swiss accounting standards (true & fair)		
	U	
	UHNWI	Ultra-high-net-worth individual
	US	United States of America
Generally accepted accounting principles		governmy accorption accorption grant g
g p.mo.p.co	V	
		Value-at-risk
High-net-worth individual		Valuation and Risk Management Committee
		Variable interest entity
	*1-	- and an interest office
International Financial Penorting Standards		
international i mancial iveporting ofandards		
International Swaps and Derivatives Association		
	Advanced measurement approach Articles of Association Accumulated other comprehensive income/(loss) Accounting Standards Codification Accounting Standards Update Bank for International Settlements Board of Directors Capital Allocation & Risk Management Committee Contingent Capital Awards Credit default swaps Current expected credit loss Chief Executive Officer Chief Financial Officer Common equity tier 1 Chief Risk Officer European Central Bank Enterprise risk and controls framework Exchange-traded derivative European Union Financial Accounting Standards Board	Advanced measurement approach Articles of Association Accounting Standards Codification Accounting Standards Update N NAV NRV Bank for International Settlements Board of Directors OGR OTC Capital Allocation & Risk Management Committee Contingent Capital Awards Credit default swaps Current expected credit loss Chief Executive Officer Chief Financial Officer Chief Risk Officer Chief Risk Officer European Central Bank Enterprise risk and controls framework Exchange-traded derivative European Union Financial Accounting Standards Board US Federal Reserve TLAC Swiss accounting standards (true & fair) Swiss Financial Markets Infrastructure Act VARMC High-net-worth individual VARMC VIE

Cautionary statement regarding forward-looking information

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

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

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

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

- the ability to maintain sufficient liquidity and access capital markets;
- market volatility and interest rate fluctuations and developments affecting interest rate levels;
- the strength of the global economy in general and the strength of the economies of the countries in which we conduct our operations, in particular the risk of continued slow economic recovery or downturn in the US or other developed countries or in emerging markets in 2018 and beyond;
- the direct and indirect impacts of deterioration or slow recovery in residential and commercial real estate markets;
- adverse rating actions by credit rating agencies in respect of us, sovereign issuers, structured credit products or other credit-related exposures;
- the ability to achieve our strategic goals, including those related to cost efficiency, income/(loss) before taxes, capital ratios and return on regulatory capital, leverage exposure threshold, risk-weighted assets threshold, return on tangible equity, and other targets, objectives and ambitions;

- the ability of counterparties to meet their obligations to us;
- the effects of, and changes in, fiscal, monetary, exchange rate, trade and tax policies, as well as currency fluctuations;
- political and social developments, including war, civil unrest or terrorist activity:
- the possibility of foreign exchange controls, expropriation, nationalization or confiscation of assets in countries in which we conduct our operations;
- operational factors such as systems failure, human error, or the failure to implement procedures properly;
- the risk of cyber attacks on our business or operations;
- actions taken by regulators with respect to our business and practices and possible resulting changes to our business organization, practices and policies in countries in which we conduct our operations;
- the effects of changes in laws, regulations or accounting or tax standards, policies or practices in countries in which we conduct our operations;
- the potential effects of proposed changes in our legal entity structure;
- competition or changes in our competitive position in geographic and business areas in which we conduct our operations;
- the ability to retain and recruit qualified personnel;
- the ability to maintain our reputation and promote our brand;
- the ability to increase market share and control expenses;
- technological changes:
- the timely development and acceptance of our new products and services and the perceived overall value of these products and services by users;
- acquisitions, including the ability to integrate acquired businesses successfully, and divestitures, including the ability to sell non-core assets;
- the adverse resolution of litigation, regulatory proceedings, and other contingencies; and
- other unforeseen or unexpected events and our success at managing these and the risks involved in the foregoing.

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



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